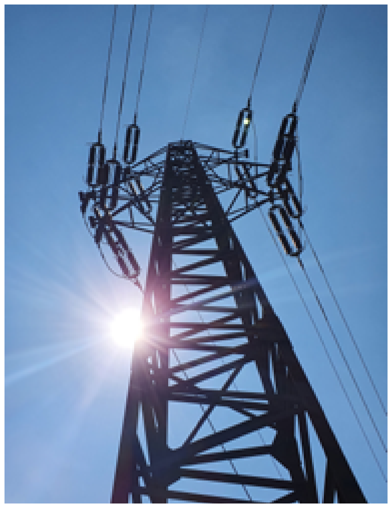
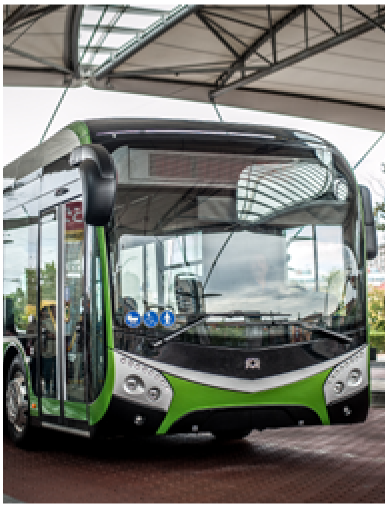




Power Engineering
Transport Infrastructure
Automotive Industry
Waste Management

EP INDUSTRIES

Annual Report 2023

www.epindustries.cz

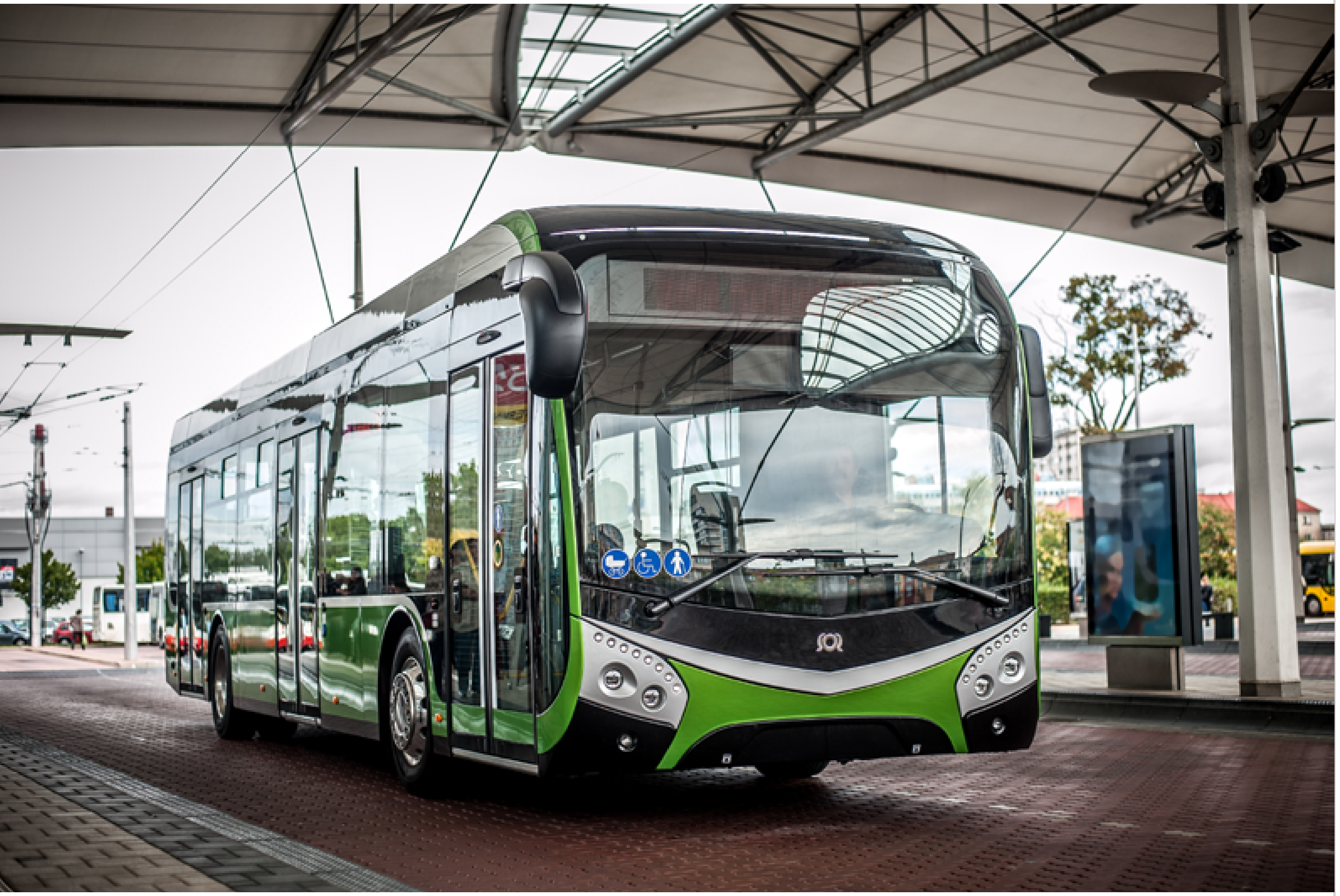
EP Industries, a.s.

Consolidated Annual Report for the year ended 31 December 2023

Annual Report 2023

Content

Page	
7	Independent Auditor's Report on the Consolidated Annual Report
11	Introduction by the Chairman of the Board of Directors
15	Report of the Board of Directors on Business Activities and State of Assets
16	Structure of the Company
20	Economic Results and Financial Management
20	The Environment
20	Human Resources
21	Outlook for Future Periods
23	Report on relations
33	Consolidated Financial Statements
35	Consolidated Financial Statements for the Year Ended 31 December 2023
46	Notes to the Consolidated Financial Statement
46	1. General Information
47	2. Basis of Preparation
53	3. Significant Accounting Policies
74	4. Fair Value Measurement
76	5. Acquisitions, Investments in and Sales of Subsidiaries, Special-Purpose Vehicles, Joint Ventures and Associates
83	6. Sales
84	7. Cost of Sales
85	8. Personnel Expenses
85	9. Other Operating Income
86	10. Other Operating Expenses
87	11. Finance Income and Expense, Profit/-Loss from Financial Instruments
89	12. Income Tax Expenses
90	13. Property, Plant and Equipment
92	14. Intangible Assets (Including Goodwill)
96	15. Equity Accounted Investees
98	16. Deferred Tax Assets and Liabilities
100	17. Inventory
101	18. Trade Receivables and Other Assets
102	19. Cash and cash equivalents
103	20. Restricted cash
103	21. Equity
106	22. Non-controlling interest
108	23. Loans and Borrowings
110	24. Provisions
112	25. Financial instruments
117	26. Trade payables and other liabilities
118	27. Deferred income
118	28. Financial Guarantees and Contingent Liabilities
119	29. Leases
121	30. Assets and Liabilities Related to Discontinued Operations and Assets Held for Sale
122	31. Risk Management Policies and Disclosures
137	32. Related Parties
138	33. Group Entities
143	34. Subsequent Events
145	Independent Auditor's Report on the Unconsolidated Financial Statements
149	Separate Financial Statements
150	Financial Statements for the year ended 31 December 2023
157	Notes to the Financial Statements for the year ended 31 December 2023
158	Notes to the Financial Statements (Separate)
158	1. Characteristics and Primary Activities
160	2. Principal Accounting Policies
164	3. Changes in Accounting Methods and Policies
164	4. Other Significant Events
165	5. Cash Flow Statement
166	6. Non-Current Financial Assets
168	7. Long-Term Receivables
169	8. Short-Term Receivables
169	9. Statement of Changes in Equity
170	10. Income Tax Provision
170	11. Long-Term Payables
171	12. Short-Term Payables
173	13. Expenses and Income
173	14. Information on Related Parties
180	15. Employees and Managers
181	16. Information on Fees Paid to Statutory Auditors
181	17. Income Taxation
181	18. Off-Balance Sheet Payables and Receivables
182	19. Material Subsequent Events



2023 was the most successful year in the history of the EP Industries holding, with revenues of CZK 29 billion and EBITDA of CZK 4.9 billion.

Independent Auditor's Report on the Consolidated Annual Report

Independent Auditor's Report on the Consolidated Annual Report

Introduction by the Chairman of the Board of Directors

Report of the Board of Directors on Business Activities and State of Assets

Report on relations

Consolidated Financial Statements

Independent Auditor's Report on the Unconsolidated Financial Statements

Separate Financial Statements

Deloitte Audit s.r.o.
Churchill I
Italská 2581/67
120 00 Prague 2 – Vinohrady
Czech Republic

Tel: +420 246 042 500
DeloitteCZ@deloitteCE.com
www.deloitte.cz

Registered by the Municipal
Court in Prague, Section C,
File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

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

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

Opinion

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

Other Information in the Consolidated Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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

In addition, our responsibility is to report, based on the knowledge and understanding of the 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 with IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

In Prague on 25 June 2024

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

> We focus on long-term stable performance and strengthening strategic positions in relevant markets to continue delivering value to investors with the potential for further growth.

Jiří Nováček Chairman of the Board of Directors

Introduction by the Chairman of the Board of Directors

Independent Auditor's Report on the Consolidated Annual Report

Introduction by the Chairman of the Board of Directors

Report of the Board of Directors on Business Activities and State of Assets

Report on relations

Consolidated Financial Statements

Independent Auditor's Report on the Unconsolidated Financial Statements

Separate Financial Statements

Dear Shareholders, Dear Business Partners, Dear Colleagues, Dear Friends,

It is with great pleasure that I announce that 2023 was the most successful year to date in the history of EP Industries, a.s. (“EPI”), despite the ongoing conflict in Ukraine, disrupted supply chains and the lingering effects of the energy crisis. Consolidated sales reached CZK 29.0 billion and EBITDA amounted to CZK 4.9 billion, making us one of the industrial leaders in the Czech Republic.

We have managed to build and further develop a strong and stable group. With the backing of a strong shareholder structure, good relationships with financing partners and a stable team of employees, I am confident that EPI is well positioned for the years to come.

Given the sectors in which EPI operates, it is appropriate to emphasise that past as well as future success is closely linked to good relationships with employees of all holding entities. We therefore strive to create the best possible working conditions and we know how to appreciate work results on merit.

EPI’s strategy for the future continues to be the further development of the group, predominantly in the segments of power and transport infrastructure construction and municipal services. We focus on long-term stable performance while strengthening strategic positions in relevant markets to continue to deliver value with the potential for further growth to our investors.

Additional information:

1. Via its subsidiaries, EPI has the following registered branches abroad:

Elektrizace železnic Praha a.s.	Slovakia and Estonia
ELTRA, s.r.o.	Czech Republic
EZ-ELEKTROSYSTÉMY Košice s.r.o.	Czech Republic
AVE Sběrné Suroviny a.s.	Italy
EGEM s.r.o. (ČR)	Slovakia, Germany and Ukraine
EGEM, s.r.o. (SK)	Czech Republic
I&C Energo a.s.	Slovakia
Elektrovod, a.s.	Czech Republic
SES ENERGY, a.s.	Czech Republic
Slovenské energetické strojárne a.s.	Czech Republic, Ukraine and Turkey

2. In 2023, Elektrizace železnic Praha a.s. and SOR Libchavy spol. s r.o. performed research and development activities.

3. In 2023, EPI acquired no treasury shares or treasury equity investments.

4. No significant events occurred after the balance sheet date other than those disclosed in the notes to the consolidated financial statements (refer to the financial part of this annual report).

5. In the field of environmental protection, EPI complies with all the requirements of applicable legislation and other environmental protection requirements.

6. EPI’s policies in the area of financial risk management are described in the notes to the consolidated financial statements.

I would like to thank all our employees for their work and loyalty, our clients and business partners for good relations, and our shareholders for their support. I look forward to further cooperation in 2024 and beyond.

In Prague on 31 May 2024

Mgr. Ing. Jiří Nováček
Chairman of the Board of Directors

Report of the Board of Directors on Business Activities and State of Assets

Independent Auditor’s Report on the Consolidated Annual Report

Introduction by the Chairman of the Board of Directors

Report of the Board of Directors on Business Activities and State of Assets

Report on relations

Consolidated Financial Statements

Independent Auditor’s Report on the Unconsolidated Financial Statements

Separate Financial Statements

Structure of the Company

EPI Group companies are divided into four pillars based on their primary line of business.

I. POWER ENGINEERING & SERVICES

EGEM s.r.o. – an engineering and supply company focused on designing, construction, reconstruction, repair, servicing and maintenance of power installations including transmission lines and electric components of power sources. The company offers its customers comprehensive services from designing solutions to customer requirements, their implementation to services related to operation, servicing and maintenance.

PROFI EMG s.r.o. – was created through the merger of PROFI-ELRO s.r.o. and EMG ENERGO s.r.o. with the intention to offer its customers comprehensive services in designing, assembling, inspecting and servicing extra high, very high, high and low voltage power installations in power engineering, industry and construction. To ensure the quality of work, supplies and services, the company has implemented and certified an integrated quality management system. An important goal of the company is to fulfil orders while minimising environmental impacts.

SEG s.r.o. – is engaged in assembly activities in the field of electrical installations, production of poles and structures for the power industry and design of electrical installations.

MSEM, a.s. – a modern and dynamic electric engineering company with a long tradition. The company is one of the largest and most important suppliers in the Czech Republic in its field. The primary business activities of the company include construction, reconstruction and repair of power distribution installations (outdoor power lines, cable lines, public lighting, renewable sources) and technological assemblies (high voltage and very high voltage distribution substations, distribution transformer stations).

VČE – montáže, a.s. – a project designer and general supplier of low, high and very high voltage power constructions, network telecommunication constructions and professional servicing activities for the power industry. The company's business continues the uninterrupted tradition of network and technological assemblies of Východočeská energetika, a.s., and its legal predecessors.

MONTPROJEKT, a.s. – a project designer of low, high and very high voltage power distribution installations (outdoor power lines, cable lines, public lighting, distribution transformer stations).

Elektrovod, a.s. – is a provider of bundled services and supplies including the design and implementation of extra high and very high voltage power installations. The subsidiary of Elektrovod, a.s. is the Hungarian company I&C Energo Magyarország Kft. engaged in similar activities.

Report of the Board of Directors on Business Activities and State of Assets

SES ENERGY, a.s. – is a major Slovak supplier of assembly work and services for the construction, reconstruction, modernisation and repair of boilers for power plants, heating plants and incineration plants.

SES BOHEMIA ENGINEERING, a.s. – focuses on water purification and treatment and on the reconstruction and modernisation of existing power systems.

Energetické opravny, a.s. – offers a wide range of activities in the repair, modernisation and reconstruction of technological equipment in the power industry and other sectors. Its wide range of activities covers the entire area of boiler room operation, desulphurisation, engine rooms, coal supply, water and heat management systems. The company has sufficient technical, capacity and personnel resources needed for high-quality execution of the activities offered. EO TECHNOLOGY s.r.o., a subsidiary of Energetické opravny, a.s., focuses on the design and planning of energy facilities and also provides services and customer support in the field of heat supply for industrial enterprises and households.

SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. – is a major supplier of boilers for power plants, heating plants and incineration plants, with the ability to provide a comprehensive turnkey supply (engineering, purchasing, installation, commissioning, servicing).

I&C Energo a.s. – is a major supplier of comprehensive control and management systems, industrial information systems, electrical systems, and a supplier of engineering activities in the nuclear power industry. Its supplies to the Czech and foreign markets are realised in the field of investment supplies, optimisation of power generation plants, and servicing.

ELQA, s.r.o. – specialises in the repair and maintenance of low and high voltage networks, underground and overhead LV ad HV connections, transformer stations, including design and engineering work, as well as building networks of public lighting for municipalities and private investors.

Fintherm a.s. – is the largest producer and supplier of pre-insulated pipeline systems in the Czech Republic and at the same time a significant supplier for a number of foreign markets. HART-PIPE s.r.o., a subsidiary of Fintherm a.s., complements Fintherm's activities to include the production and supply of vacuum-insulated piping.

T.O.O., spol. s r.o. – provides comprehensive services in the field of repair and maintenance of low and high voltage networks, underground and overhead connections, transformer stations, including project works and engineering activities.

PEZ – projekce energetických zařízení, s.r.o. – provides comprehensive services related to the preparation of design documents in the energy sector (primarily substations and transformer stations) at all stages of project planning.

II. MANUFACTURING & OTHER

1. AUTOMOTIVE INDUSTRY

SOR Libchavy spol. s r.o. – a major Czech manufacturer of buses offering modern types of buses, trolley buses and electric buses based on standardised model series as well as tailor-made non-standard versions at clients' request. At present, it manufactures buses of 8.5 m, 9.5 m, 10.5 m, 12 m and 18 m in length in versions for city, intercity and long-distance operation. The buses are equipped with engines that are fully compliant with the emission requirements of the European Union. Aside from the traditional diesel drive, the customer may choose compressed natural gas (CNG) drive, electric or hybrid technology. The company is successful in the domestic and foreign markets. It also provides servicing, repair and sale of spare parts for SOR buses. The subsidiaries of SOR Libchavy spol. s r.o. are RAIL ELECTRONICS, s.r.o., SOR SLOVAKIA, s.r.o., SOR Poland z o.o. and SOR Bulgaria EOOD.

2. TRANSPORT INFRASTRUCTURE INSTALLATIONS

Elektrizace železnic Praha a.s. – a major domestic supplier of constructions and technological units in transport infrastructure. It ensures the development, design, production and assembly of electrification for railways and urban transport. It also provides comprehensive supplies of electro-technological units such as low voltage and high voltage substations, including remote control, traction power stations, heavy-current power lines and lighting.

ELTRA, s.r.o. – a major Slovak supplier of construction and supplies in the field of heavy current electrical engineering. It ensures the development, design, production supply and assembly of electrification for railways and urban transport.

EZ-ELEKTROSYSTÉMY Košice s.r.o. – a Slovak company with many years of experience in the installation of electrical equipment and supply of materials for large constructions in Slovakia and abroad. The company specialises in laying cable routes, supply and installation of switchboards, inverters, transformers and control systems, connection to the distribution network and inspections.

TRAMO RAIL a.s. – carries out contracts related to specified technological equipment and designated technological maintenance equipment, assemblies and restorations of electrification and high-voltage equipment throughout the Czech Republic.

ENPRO Energo s.r.o. – a reliable partner for designing distribution networks, substations and transformers as well as engineering activities related to the design and implementation of buildings.

EDH Invest a.s. – implements specific investments for companies in this segment.

III. WASTE MANAGEMENT

The Waste Management pillar is composed of the AVE Group, which provides comprehensive services in the area of waste management and ensures the highest technological and environmental quality of waste processing, from the collection of waste to its processing or disposal where its recovery is not possible. The AVE Group is one of the leading companies providing services for municipal and private customers in Central and Eastern Europe. Aside from the Czech Republic, the AVE Group is also active in Slovakia and Ukraine.

IV. PRECISION ENGINEERING

Winning Automotive a.s. and its German subsidiaries Winning BLW GmbH, Winning BLW Management GmbH and Winning Automotive 1 GmbH focus on the production of precision forged parts for passenger cars and trucks and industrial applications.

Economic Results and Financial Management

In terms of the economic results, 2023 is seen as a very successful year. Total sales of the EPI Group exceeded CZK 29.0 billion. The operating profit amounted to CZK 3.9 billion, while profit before tax is CZK 2.9 billion.

The Company's financial management during the year was problem-free and stable.

The Environment

In 2023, EPI Group companies were run with the objective of minimising the impact of their activities on the environment. Most companies have an environmental management system in place in line with the ČSN EN ISO 9000 and 14 000 standards. Compliance with legislative requirements in the area of environmental protection is an obvious priority for the Company.

Human Resources

The group companies have qualified employees with expert skills that allow the companies to be successful in the competition in their respective segments.

The Company has long focused on working with employees with a high potential, who become personnel reserves and are trained for the potential future performance of management roles or specialist positions.

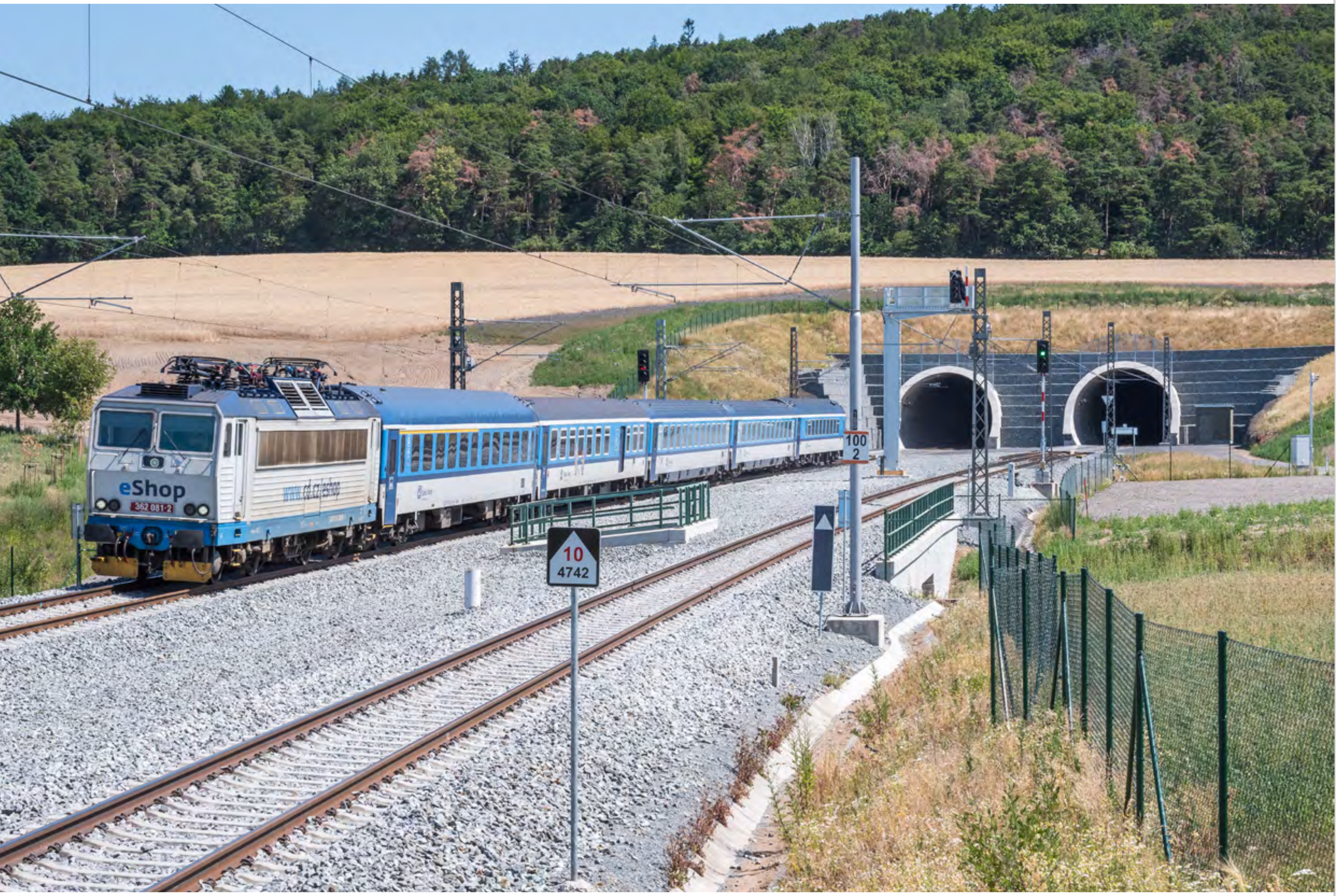
Trade unions are active within the Company. The Company's management maintains regular contact with union representatives, who are informed about all significant matters having an impact on employees.

Outlook for Future Periods

The EPI Group is built on strong foundations and it can therefore use future opportunities to grow.

We place emphasis on following new trends and the innovations arising from them. In addition, we do not rule out future acquisitions or sales that could bring synergies to the Group's operations.

Based on the development of the situation to date regarding the impact of the sanctions measures against the Russian Federation imposed following the invasion of Ukraine by Russian armed forces on 24 February 2022, we believe that these effects will not have a significant direct or indirect impacts on the future economic situation of the Group. The Group's management will continue to monitor the impacts and take all possible steps to eliminate or mitigate any potential negative effects on the Group's operations, performance and employees.



Report on relations

Independent Auditor's Report on the Consolidated Annual Report

Introduction by the Chairman of the Board of Directors

Report of the Board of Directors on Business Activities and State of Assets

Report on relations

Consolidated Financial Statements

Independent Auditor's Report on the Unconsolidated Financial Statements

Separate Financial Statements

Report on relations

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

prepared by the Board of Directors of EP Industries a.s., having its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, Corporate ID: 292 94 746, under Section 82 of Act No. 90/2012 Sb., on Business Corporations, as amended

(the **"Report"**)

I. PREAMBULE

The Report has been prepared under Section 82 of Act No. 90/2012 Sb., on Business Corporations, as amended (the "**Business Corporations Act**").

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

The Report has been prepared for the 2023 reporting period.

II. STRUCTURE OF RELATIONS BETWEEN THE ENTITIES

CONTROLLED ENTITY

The controlled entity is EP Industries a.s., having its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, Company ID: 292 94,746 entered in the Commercial Register kept by the Municipal Court of Prague, Section B, file No. 21734.

DIRECTLY CONTROLLING ENTITIES:

EP INDUSTRIES HOLDING LIMITED
Registered office: Klimentos, 41-43, Klimentos Tower, 1st floor, Flat/Office 14B, 1061, Nicosia, Republic of Cyprus
Registration number: HE310311

INDIRECTLY CONTROLLING ENTITIES:

NERUNA LTD
Registered office: Klimentos, 41-43, KLIMENTOS TOWER, 1st floor, Flat/Office 15C, Republic of Cyprus
Registration number: HE298229

BLYCONO SERVICES LIMITED
Registered office: Klimentos, 41-43, KLIMENTOS TOWER, 1061, Nicosia, Republic of Cyprus
Registration number: HE366053

OTHER CONTROLLED ENTITIES

The relationship structure of the controlling entity and groups of controlled entities controlled by this controlling entity is disclosed in Annex No. 1 to the Report.

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

ROLE OF THE CONTROLLED ENTITY

- Strategic management concerning the development of the group of directly or indirectly controlled entities
- Providing financing and developing financing systems for group entities
- Managing, acquiring and disposing of the Company's ownership interests and other assets

METHOD AND MEANS OF CONTROL

The controlling entities hold a majority share of voting rights in EP Industries, a.s. over which they exercise a controlling influence.

IV. OVERVIEW OF ACTS MADE IN 2023 UNDER SECTION 82 (2) (D) OF ACT NO. 90/2012 SB., ON BUSINESS CORPORATIONS

During the 2023 reporting period, no act was carried out in the interest or at the initiative of the controlling entity that would relate to assets exceeding 10% of the controlled entity's equity as presented in the latest financial statements except for the payment of share in profits.

V. OVERVIEW OF AGREEMENTS CONCLUDED BY EP INDUSTRIES, A.S. UNDER SECTION 82 (2) (D) OF ACT NO. 90/2012 SB., ON BUSINESS CORPORATIONS

THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE MANUFACTURING AND OTHER SEGMENT WERE EFFECTIVE IN 2023:

On 5 April 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and Elektrizace železnic Praha a. s. as the creditor.

On 26 January 2018, an Agreement on Loan of Funds including effective amendments was signed between EP Industries, a.s. as the creditor and BAULIGA a.s. as the debtor.

On 27 September 2019, a Loan Agreement was signed between EP Industries, a.s. as the debtor and ELTRA, s.r.o. as the creditor.

On 30 September 2019, a Loan Agreement was signed between EP Industries, a.s. as the debtor and ELTRA, s.r.o. as the creditor.

On 11 February 2021, a Loan Agreement including effective amendments was signed between EP Industries, a.s. and Elektrizace železnic Praha a.s.

On 21 July 2021, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and ABRUZZO a.s. as the debtor.

On 2 February 2022, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and ED Holding a.s. as the debtor.

On 6 February 2023, 12 June 2023, 19 June 2023, 4 September 2023 and 24 October 2024, individual Agreements on Loan of Funds were signed between EP Industries, a.s. as the lender and BAULIGA a.s. as the borrower.

On 20 February 2023, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and EP INDUSTRIES HOLDING LIMITED as the debtor.

THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE WASTE MANAGEMENT SEGMENT WERE EFFECTIVE IN 2023:

On 12 June 2019, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and AVE CZ odpadové hospodářství s.r.o. as the creditor.

On 24 January 2022, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SELIMETO SE as the debtor.

On 30 June 2022, a Loan Agreement was signed between EP Industries, a.s. as the debtor and AVE CZ odpadové hospodářství s.r.o. as the creditor.

On 29 March 2023, a Loan Agreement was signed between EP Industries, a.s. as the creditor and ANDELTA, a.s. as the debtor.

THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE POWER ENGINEERING AND SERVICES SEGMENT WERE EFFECTIVE IN 2023:

On 26 October 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and SEG s.r.o. as the creditor.

On 26 October 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and VČE – montáže, a.s. as the creditor.

On 26 October 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and MSEM, a.s. as the creditor.

On 29 November 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and HERINGTON INVESTMENTS LIMITED as the creditor.

On 26 June 2012, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and TAHOBA INVESTMENTS LIMITED (merged into HERINGTON INVESTMENTS LIMITED in 2023) as the debtor.

On 12 January 2015, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and TAHOBA INVESTMENTS LIMITED (merged into HERINGTON INVESTMENTS LIMITED in 2023) as the debtor.

On 27 June 2019, an agreement to change the subject of a receivable was signed between EP Industries, a.s. as the creditor and PI 1 a.s. as the debtor.

On 22 July 2015, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and Energetické montáže Holding, a.s. as the creditor.

On 15 March 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. as the debtor.

On 6 May 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. as the debtor.

On 14 December 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and PROFI EMG s.r.o. as the creditor.

On 20 December 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and EGEM s.r.o. as the creditor.

On 15 January 2017, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SES BOHEMIA ENGINEERING, a.s. as the debtor.

On 27 February 2020, a Loan Agreement was signed between EP Industries, a.s. as the creditor and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. as the debtor.

On 1 January 2021, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SES ENERGY, a.s. as the debtor.

On 5 January 2023, a Loan Agreement was signed between EP Industries, a.s. as the creditor and SES ENERGY a.s. as the debtor.

On 27 October 2023, a Loan Agreement was signed between EP Industries, a.s. as the creditor and HERINGTON INVESTMENTS LIMITED as the debtor.

THE FOLLOWING AGREEMENTS TO SET OFF RECEIVABLES AND PAYABLES CONCLUDED WITH COMPANIES IN THE MANUFACTURING AND OTHER SEGMENT WERE EFFECTIVE IN 2023:

On 7 March 2023, an Agreement to Set Off Receivables was signed between EP Industries, a.s. and ABRUZZO a. s.

On 19 December 2023, an Agreement to Set Off Receivables was signed between EP Industries, a.s. and EP INDUSTRIES HOLDING LIMITED.

THE FOLLOWING OPERATING AGREEMENTS CONCLUDED WITH COMPANIES IN THE EP INDUSTRIES, A.S. GROUP WERE EFFECTIVE IN 2023:

On 19 December 2022, a Contract for Work was signed between EP Industries, a.s. and ANDELTA, a.s. and Calliditas s.r.o.

THE FOLLOWING OPERATING AGREEMENTS CONCLUDED WITH COMPANIES IN THE POWER ENGINEERING AND SERVICES SEGMENT WERE EFFECTIVE IN 2023:

On 30 September 2013, an Agreement on Providing Meeting Rooms was signed between EP Industries, a.s. and the companies listed below:
EGEM s.r.o.
MSEM, a.s.
PROFI EMG s.r.o.
SEG s.r.o.
VČE – montáže, a.s.

On 31 October 2013, an Agreement on Controlling and Analytical Advisory was signed between EP Industries, a.s. and the companies listed below:
EGEM s.r.o.
MSEM, a.s.
SEG s.r.o.
VČE – montáže, a.s.

On 31 October 2013, an Agreement on Financial Advisory Services was signed between EP Industries, a.s. and the companies listed below:
EGEM s.r.o.
Energetické opravny, a.s.
MSEM, a.s.
MONTPROJEKT, a.s.
PROFI EMG s.r.o.
SEG s.r.o.
VČE – montáže, a.s.

On 31 December 2013, an Agreement on Providing Advisory on Administrative and Legal Matters was signed between EP Industries, a.s. and the companies listed below:
EGEM s.r.o.
Energetické opravny, a.s.
MSEM, a.s.
MONTPROJEKT, a.s.
PROFI EMG s.r.o.
SEG s.r.o.
VČE – montáže, a.s.

THE FOLLOWING OPERATING AGREEMENTS CONCLUDED WITH COMPANIES IN THE MANUFACTURING AND OTHER SEGMENT WERE EFFECTIVE IN 2023:

On 30 September 2013, an Agreement on the Provision of Meeting Rooms was signed between EP Industries, a.s. and SOR Libchavy spol. s r.o.

On 31 October 2013, an Agreement on Controlling and Analytical Advisory was signed between EP Industries, a.s. and the companies listed below:
Elektrizace železnic Praha, a.s.
SOR Libchavy spol. s r.o.

On 31 October 2013, an Agreement on Financial Advisory was signed between EP Industries, a.s. and Elektrizace železnic Praha, a.s.

On 31 December 2013, an Agreement on the Provision of Advisory on Administrative and Legal Matters was signed between EP Industries, a.s. and the companies listed below:
Elektrizace železnic Praha, a.s.
SOR Libchavy spol. s r.o.

On 13 January 2021, an Agreement on the Provision of Agency Services and Professional Assistance was signed between EP Industries, a.s. and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.

VI.

We hereby confirm that we have included in this Report on relations between the related parties of EP Industries, a.s., prepared pursuant to Section 82 of the Business Corporations Act (Act No. 90/2012 Sb., as amended) for the reporting period from 1 January 2023 to 31 December 2023, all information available as of the date of signing of this Report regarding:

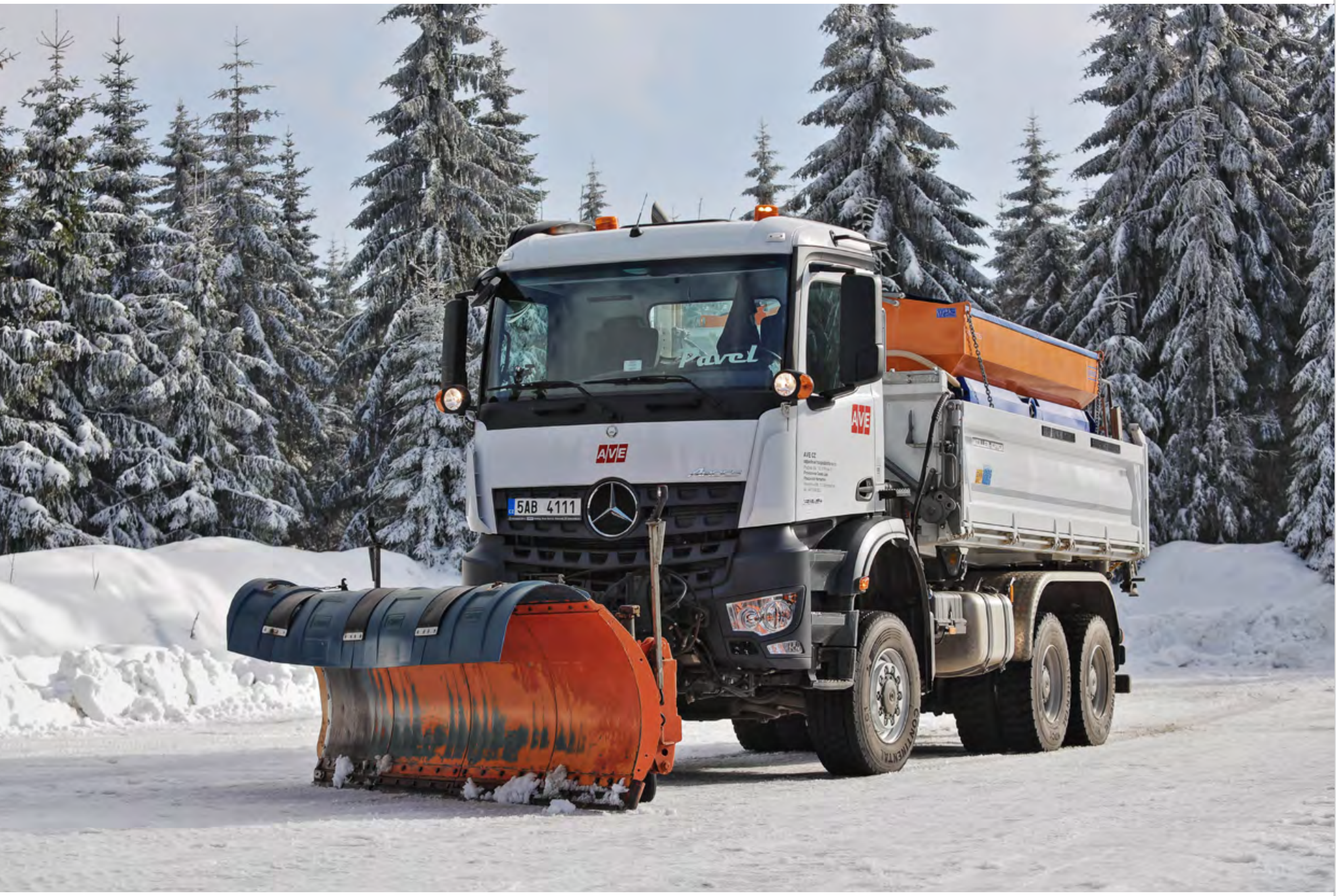
- Agreements between related parties
- Supplies and considerations provided to related parties
- Other legal acts carried out in the interest of related parties
- All measures taken or implemented in the interest or at the initiative of related parties

All transactions between EP Industries, a.s. and the controlling entity and entities controlled by the same entity were concluded under arm's length terms. The Board of Directors of EP Industries, a.s. declares that EP Industries, a.s. incurred no damage as a result of the actions of the controlling entity or of any entity controlled by the same entity and that the contractual and other relations with related parties resulted in no loss or property advantage or disadvantage to EP Industries, a.s.

In Prague on 29 March 2024

Mgr. Ing. Jiří Nováček
Chairman of the Board of Directors

Mgr. Hana Krejčí, Ph.D.
Member of the Board of Directors



Consolidated Financial Statements

Independent Auditor's Report on the Consolidated Annual Report

Introduction by the Chairman of the Board of Directors

Report of the Board of Directors on Business Activities and State of Assets

Report on relations

Consolidated Financial Statements

Independent Auditor's Report on the Unconsolidated Financial Statements

Separate Financial Statements

Consolidated Financial Statements
for the Year Ended 31 December 2023

PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2023

In CZK million

	Note	2023	2022
Sales: Technical-engineering & services	6	10,494	8,379
Sales: Industrial waste	6	4,174	3,722
Sales: Manufacturing and other	6	14,287	14,328
Total sales		**28,955**	**26,429**
Cost of sales: Technical-engineering & services	7	-5,828	-4,394
Cost of sales: Industrial waste	7	-2,751	-2,709
Cost of sales: Manufacturing and other	7	-7,655	-8,075
Total cost of sales		**-16,234**	**-15,178**
		12,721	**11,251**
Personnel expenses	8	-6,007	-5,568
Depreciation and amortisation	13, 14	-1,069	-978
Repairs and maintenance		-382	-298
Taxes and charges		-37	-36
Other operating income	9	317	359
Other operating expenses	10	-1,680	-1,515
Profit/-loss from operations		**3,863**	**3,215**
Finance income	11	108	101
Finance expense	11	-1,003	-879
Profit/-loss from securities and derivatives	11	-34	218
Net finance income/-expense		**-929**	**-560**
Share of profit/-loss of equity accounted investees, net of tax	15	-57	3
Gain/-loss on the sale and disposal of subsidiaries, special purpose entities and associates	5	–	21
Profit/-loss before income tax		**2,877**	**2,679**
Income tax	12	-863	-648
Profit/-loss for the period		**2,014**	**2,031**
Items that have been, or may later be, reclassified to profit or loss			
Foreign currency translation differences for foreign operations		18	-40
Other comprehensive income for the year (after tax)		**18**	**-40**
Total comprehensive income for the year		**2,032**	**1,991**

	Note	2023	2022
Profit/-loss attributable to:			
Owners of the Company		1,786	1,788
Non-controlling interest	22	228	243
Profit/-loss for the period		**2,014**	**2,031**
Total comprehensive income attributable to:			
Owners of the Company		1,804	1,752
Non-controlling interest		228	239
Total comprehensive income for the year		**2,032**	**1,991**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

In CZK million

	Note	2023	2022
Assets			
Property, plant and equipment	13	5,123	4,672
Intangible assets	14	112	120
Goodwill	14	4,621	4,608
Equity accounted investees	15	39	90
Financial instruments and other financial assets	25	437	535
Restricted cash	20	591	494
Trade receivables and other assets	18	288	313
Accruals and deferrals		68	25
Deferred tax assets	16	196	200
Total non-current assets		**11,475**	**11,057**
Inventory	17	2,212	2,073
Trade receivables and other assets	18	8,539	7,416
Financial instruments and other financial assets	25	76	121
Accruals and deferrals		150	112
Corporate income tax receivables		78	50
Restricted cash	20	1	1
Cash and cash equivalents	19	3,681	2,401
Assets held for sale	30	8	110
Total current assets		**14,745**	**12,284**
Total assets		**26,220**	**23,341**

	Note	2023	2022
Equity			
Share Capital	21	1,036	1,036
Share premium	21	845	845
Capital and other reserves	21	-1,703	-1,721
Retained earnings		5,282	4,800
Total equity attributable to equity holders		**5,460**	**4,960**
Non-controlling interests	22	645	500
Total equity		**6,105**	**5,460**
Liabilities			
Loans and borrowings	23	6,612	6,543
Financial instruments and financial liabilities	25	5	119
Provisions	24	811	626
Deferred income	27	35	40
Deferred tax liabilities	16	122	54
Trade payables and other liabilities	26	352	172
Total non-current liabilities		**7,937**	**7,554**
Trade payables and other liabilities	26	7,780	5,817
Loans and borrowings	23	3,685	3,882
Financial instruments and financial liabilities	25	157	187
Provisions	24	345	277
Deferred income	27	71	55
Current income tax liability		140	109
Total current liabilities		**12,178**	**10,327**
Total liabilities		**20,115**	**17,881**
Total equity and liabilities		**26,220**	**23,341**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2023

In CZK million

	Attributable to owners of the Company			Attributable to owners of the Company					
	Share capital	Share premium	Non-distributable reserves and reserve fund from profit	Translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at the 1 January 2023 (A)	**1,036**	**845**	**361**	**-137**	**-1,945**	**4,800**	**4,960**	**500**	**5,460**
Total comprehensive income for the year:									
Profit or loss (B)	–	–	–	–	–	1,786	**1,786**	228	**2,014**
Other comprehensive income:									
Foreign currency translation differences for foreign operations	–	–	–	18	–	–	**18**	–	**18**
Total other comprehensive income (C)	–	–	–	**18**	–	–	**18**	–	**18**
Total comprehensive income for the period (D) = (B + C)	–	–	–	**18**	–	**1,786**	**1,804**	**228**	**2,032**
Contributions by and distributions to owners:									
Dividends to non-controlling interest holders	–	–	–	–	–	-1,204	**-1,204**	-8	**-1,212**
Total contributions by and distributions to owners (E)	–	–	–	–	–	**-1,204**	**-1,204**	**-8**	**-1,212**
Changes in ownership interests in subsidiaries without change of controlling interest:									
Effect of changes in ownership interests on non-controlling interests	–	–	–	–	–	-100	**-100**	-75	**-175**
Changes in ownership interests in subsidiaries (F)	–	–	–	–	–	**-100**	**-100**	**-75**	**-175**
Total transactions with owners (G) = (E + F)	–	–	–	–	–	**-1,304**	**-1,304**	**-83**	**-1,387**
Balance at 31 December 2023 (H) = (A + D + G)	**1,036**	**845**	**361**	**-119**	**-1,945**	**5,282**	**5,460**	**645**	**6,105**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2022

In CZK million

	Attributable to owners of the Company			Attributable to owners of the Company					
	Share Capital	Share premium	Non-distributable reserves and reserve fund from profit	Translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2022 (A)	**1,036**	**845**	**361**	**-101**	**-1,945**	**3,138**	**3,334**	**336**	**3,670**
Total comprehensive income for the year:									
Profit or loss (B)	–	–	–	–	–	1,788	**1,788**	243	**2,031**
Other comprehensive income:									
Foreign currency translation differences for foreign operations	–	–	–	-36	–	–	**-36**	-4	**-40**
Total other comprehensive income (C)	–	–	–	**-36**	–	–	**-36**	**-4**	**-40**
Total comprehensive income for the period (D) = (B + C)	–	–	–	**-36**	–	**1,788**	**1,752**	**239**	**1,991**
Contributions by and distributions to owners:									
Dividends to non-controlling interest holders	–	–	–	–	–	-97	**-97**	-95	**-192**
Total contributions by and distributions to owners (E)	–	–	–	–	–	**-97**	**-97**	**-95**	**-192**
Changes in ownership interests in subsidiaries without change of controlling interest:									
Effect of changes in ownership interests on non-controlling interests	–	–	–	–	–	-29	**-29**	20	**-9**
Changes in ownership interests in subsidiaries (F)	–	–	–	–	–	**-29**	**-29**	**20**	**-9**
Total transactions with owners (G) = (E + F)	–	–	–	–	–	**-126**	**-126**	**-75**	**-201**
Balance at 31 December 2022 (H) = (A + D + G)	**1,036**	**845**	**361**	**-137**	**-1,945**	**4,800**	**4,960**	**500**	**5,460**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2023
In CZK million

	Note	2023	2022
OPERATING ACTIVITIES			
Profit/-loss for the period		**2,014**	**2,031**
Adjustment for:			
Income tax	12	863	648
Depreciation and amortisation	13, 14	1,069	978
Impairment losses/-reversal on property, plant and equipment and intangible assets	13, 14	22	19
Loss/-gain on disposal of property, pland and equipment and intangible assets	9, 10	12	-35
Loss/-gain on the sale and disposal of subsidiaries, special purpose entities, joint ventures, associates and non-controlling interests	5	–	-21
Share of profit of equity accounted investees	15	57	-3
Loss/-gain on financial instruments	11	34	-218
Net interest expense	11	796	735
Change in allowance for impairment to trade receivables and other assets, write-offs		27	23
Change in provisions		110	-14
Other non-cash operations		52	50
Unrealised foreign exchange losses/-gains, net		-95	-58
Operating profit/(loss) before changes in working capital		**4,961**	**4,135**
Changes in trade receivables and other assets		-1,401	-379
Changes in inventories (including sales)		-139	-298
Change in assets held for sale and related liabilities		102	-4
Changes in restricted accounts		-97	-65
Changes in trade payables and other liabilities		2,425	-169
Cash generated by /-used in operating activities		**5,851**	**3,220**
Interest paid		-863	-739
Income tax paid		-825	-835
Cash flows generated by /-used in operating activities		**4,163**	**1,646**

	Note	2023	2022
INVESTING ACTIVITIES			
Change in financial instruments other than at fair value		-3	6
Sales of property, plant and equipment and intangible assets		10	165
Acquisition of property, plant and equipment and intangible assets		-921	-921
Proceeds from sale of financial instruments		171	186
Gradual acquisitions of subsidiaries and special purpose entities (net of cash acquired)	5	-26	-321
Increase (-)/decrease of ownership interests in existing subsidiaries, joint ventures and associates		-175	-9
Net cash inflow/-outflow from the sale of subsidiaries and special purpose entities (including dividends received)	5	–	30
Capital contributions paid to associated companies		-3	–
Interest received		93	52
Cash flows generated by/-used in investing activities		**-854**	**-812**
FINANCING ACTIVITIES			
Borrowings received		5,961	5,646
Loans repaid		-6,195	-5,198
Acquisition of financial instruments		-155	-424
Payment of finance lease liabilities		-394	-404
Loans granted to shareholder		-226	
Dividends paid out		-1,005	-530
Cash flows generated by/-used in financing activities		**-2,014**	**-910**
Net increase (decrease) in cash and cash equivalents		1,295	-76
Cash and cash equivalents at the beginning of the year		**2,401**	**2,458**
Effect of exchange rate fluctuations on cash		-15	19
Cash and cash equivalents at the end of the year		**3,681**	**2,401**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statement

1. General Information

EP Industries, a.s. (the "Parent Company", "Company" or "EPI") is a joint-stock company with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic. The Company was created as a result of the demerger of companies by spin-off from the original company Energetický a průmyslový holding, a.s. ("EPH") with the effective date of 30 September 2011.

EP Industries, a.s. was created based on an agreement of the shareholders of Energetický a průmyslový holding, a.s. to separate investments in industrial assets from power assets. All industrial businesses were therefore separated from the EPH group to the EPI group, which focuses on investments in industry and activities outside of the power sector. The main pillars of the EPI group's business are technical engineering activities, manufacturing and services.

The Company's primary activities are corporate investments in companies operating in the segments of power engineering, transport infrastructure, automotive, precision engineering and waste management.

The Company's consolidated financial statements for the year ended 31 December 2023 include the financial statements of the Parent Company and its subsidiaries (together referred to as the "Group" or the "EPI Group"). A list of entities in the Group is provided in Note 33 – Group Entities.

As at 31 December 2023 and 31 December 2022, the following entity was the Company's sole shareholder:

	Equity investment		Voting rights
	CZK million	%	%
EP INDUSTRIES HOLDING LIMITED	1,036	100.00	100.00
Total	**1,036**	**100.00**	**100.00**

The shareholders of EP INDUSTRIES HOLDING LIMITED as at 31 December 2023 and 31 December 2022 were as follows:

	Equity investment		Voting rights
	CZK million	%	%
EPI Holding, a.s.	436	42.08	42.08
BLYCONO SERVICES LIMITED	164	15.84	15.84
NERUNA LIMITED	436	42.08	42.08
Total	**1,036**	**100.00**	**100.00**

Board of Directors as at 31 December 2023:

- Mgr. Ing. Jiří Nováček (Chairman of the Board of Directors)
- Mgr. Hana Krejčí, Ph.D. (Member of the Board of Directors)
- Mgr. Pavel Horský (Member of the Board of Directors)
- Ing. Radim Kotlář (Member of the Board of Directors)

2. Basis of Preparation

A STATEMENT OF COMPLIANCE

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

The consolidated financial statements were approved by the Board of Directors on 31 May 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:

- 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 disclosed in the following paragraphs are applied consistently by all Group entities in the individual reporting periods.

C FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Czech crowns ("CZK") which is the Company's functional and presentation currency. All financial information presented in Czech crowns has been rounded to the nearest million.

D USE OF ESTIMATES AND ASSUMPTIONS

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

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

I. UNCERTAINTIES IN ASSUMPTIONS AND ESTIMATES

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

- Notes 5 and 14 – accounting for business combinations, recognition of goodwill/gain on a bargain purchase, goodwill impairment testing
- Note 6 – revenues
- Note 24 – recognition and measurement of provisions
- Notes 23, 25 and 31 – measurement of loans and borrowings and financial instruments.

FAIR VALUE MEASUREMENT

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 material fair value measurements, including Level 3 fair values.

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

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in the 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 at a different level of the fair value hierarchy, then the fair value measurement is categorised in its entirety at the same fair value level as the lowest level input that is significant to the entire measurement.

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

II. JUDGEMENTS

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

- Notes 5 and 14 – accounting for business combinations, recognition of goodwill/gain on a bargain purchase, goodwill impairment testing
- Note 6 – judgements related to the recognition of revenue from customers
- Note 24 – recognition and measurement of provisions.

III. RECENT DEVELOPMENTS

The ongoing military conflict in Ukraine and the related sanctions against the Russian Federation may have an impact on the European and global economy. The Group has no material direct exposure to Ukraine, Russia or Belarus. To date, this situation has not required a revision of significant assumptions and estimates, nor has it had a longer-term impact on trading volumes, cash flows or the valuation of assets and liabilities. The Group's management is monitoring the situation intensively and critically on an ongoing basis and is prepared to take all measures to help limit the impact on the Group and its employees as much as possible. However, at this stage it is not possible to reliably estimate all future impacts as events are unfolding day by day. Nevertheless, the Group's management has concluded that, as at the date of these consolidated financial statements, this situation does not have a material impact on the consolidated financial statements for the year ended 31 December 2023.

E APPLICATION OF NEW AND AMENDED IFRS STANDARDS

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

The following paragraphs summarise principal requirements of the International Financial Reporting Standards (IFRS) effective for the annual reporting periods beginning on or after 1 January 2023 that have therefore 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 amendments modify exemptions from the initial recognition of deferred tax asset and deferred tax liability, arising from a single transaction that is not a business combination and does not impact accounting or taxable profit or loss. For transactions that give rise to deductible and taxable temporary differences of the same amount (e.g. leases or reclamation reserves and related assets), the Company recognises a deferred tax asset and a deferred tax liability and the initial recognition exemption does not apply.

The Group adopted the amendment to IAS 12 for the accounting period beginning 1 January 2023. For leases and reclamation assets and liabilities, the Group recognises the related deferred tax assets and liabilities from the beginning of the earliest comparative period presented (i.e. 1 January 2022), with any cumulative effect recognised in profit or loss of previous years. The Group has not recognised a balance sheet impact as the balance sheet items of deferred tax assets and liabilities qualify for offsetting. Therefore, no impact on the profit or loss of previous years at 1 January 2022 has been recognised.

Amendment to IAS 12 – International Tax Reform – Pillar 2 Model Rules

The amendment introduces a temporary exemption from the recognition and disclosure requirements for deferred tax assets and liabilities related to Pillar 2 income taxes. The companies do not recognise deferred tax assets and liabilities associated with Pillar 2 and no related disclosures are required in respect of these deferred taxes. In the period(s) when Pillar 2 income tax legislation is enacted or effectively enacted but not yet effective, companies shall disclose known or reasonably estimable information that enables users of the financial statements to understand the company's exposure to Pillar 2 income tax. The amendment is effective immediately and the disclosure requirements are effective for annual periods beginning on or after 1 January 2023.

The amendment has an impact on the disclosures in the notes to the Company's financial statements. Details are set out in Note 12 – Income Tax Expense.

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;

Basis of Preparation

- Amendments to IAS 1 and Opinions on the Application of IFRS 2 – Disclosure of Accounting Policies;
- Amendment to IAS 8 – Definitions of Accounting Estimates.

II. IFRS ACCOUNTING STANDARDS AND AMENDMENTS NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the following significant standards and amendments to standards and interpretations 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 and Non-Current and Non-Current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024)

The amendments Classification of Liabilities as Current and Non-Current specify the classification of debts and other liabilities as current and non-current and stipulate how to determine whether the debts or other liabilities with an uncertain settlement date in the statement of financial position are classified as current (payable or with the possibility of being repaid within one year) or non-current. The amendments contain a specification of classification requirements for debt instruments that the Company may settle through capitalisation. The amendment to Non-Current Liabilities with Covenants clarifies the information that an entity provides when its right to defer settlement of the obligation for at least 12 months is conditional on the covenants being met.

The Company is currently verifying possible impacts 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 clarifiy how a seller – lessee subsequently measures sale and leaseback transactions that meet the requirements of IFRS 15 to be accounted for as sales. The seller – lessee subsequently measures these leaseback liabilities by not recognising any amount of gain or loss related to the right of use that it retains.

The Company is currently verifying possible impacts of the amendments on the financial statements.

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024)

The amendments require companies to provide additional disclosures about their supplier finance arrangements that enable users of the financial statements to assess the impact of those arrangements on the company's liabilities and cash flows and liquidity risk exposure.

The Company is currently verifying possible impacts of the amendments on the financial statements.

III. AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB BUT NOT YET ADOPTED BY THE EUROPEAN UNION

Currently, the form of standards adopted by the European Union does not differ significantly from the form of standards issued by the IASB. Exceptions are the following amendments to existing standards that have not been endorsed for use in the EU at the date of approval of the financial statements (the effective dates below are for IFRSs issued by the IASB):

IFRS 18 – Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

The new accounting standard replaces IAS 1 Presentation of Financial Statements and makes subsequent amendments to other IFRS accounting standards. The objective is to improve the way information is disclosed in financial statements, focusing on information in the profit and loss statement, to improve the transparency of management-defined performance measures and to provide more useful grouping of information in financial statements.

The Company is currently verifying possible impacts on the financial statements.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)

The new standard is voluntary and allows subsidiaries to apply reduced disclosure requirements when applying IFRS standards in their financial statements, provided that the subsidiary has no public accountability and its ultimate controlling or lower-level parent entity prepares consolidated financial statements available for public use that comply with IFRS accounting standards.

The Company is currently verifying possible impacts of the new standard on the financial statements.

Amendments to IAS 21 – Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)

Under the amendment, companies are required to apply a consistent approach for evaluating whether a currency is convertible into another currency. If the currency is not convertible, the amendment sets out a method for estimating the exchange rate and defines disclosure requirements.

The Company is currently verifying possible impacts of the amendments on the financial statements.

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026)

The amendments to IFRS 9 address: 1) Derecognition of a financial liability settled through electronic transfer; 2) Classification of financial assets – contractual terms that are consistent with a basic lending arrangement; 3) Classification of financial assets – Assets with non-recourse features; and 4) Classification of financial assets – Contractually linked instruments.

The amendments to IFRS 7 address: 1) Disclosures of investments in equity instruments designated at fair value through other comprehensive income and 2) Disclosures of contractual terms that could change the timing or amount of contractual fash flows on the occurrence (or non-occurrence) of a contingent event.

F CHANGE IN THE PRESENTATION OF SELECTED ITEMS I N THE CONSOLIDATED CASH FLOW STATEMENT

The Company has elected to change the recognition of the item Loss/gain on sale of inventories in the consolidated cash flow statement. This item was originally reported as part of Operating Profit/Loss before changes in working capital. The item is now reported as Change in inventories (including proceeds from sales) in Cash generated from/used in operating activities.

The Company believes that the current presentation more accurately and fairly reflects the Group's cash flows.

3. Significant Accounting Policies

A BASIS OF CONSOLIDATION

The Group recognises business combinations using the acquisition method when control is transferred to the Group. The amount paid on acquisition is measured at fair value, as well as the net value of identifiable assets. The arising goodwill is tested for impairment annually. Gain on a bargain purchase on acquisition of new subsidiaries is immediately reported in the statement of comprehensive income. Transactions costs are expensed, with the exception of cases related to debt or equity securities.

I. SUBSIDIARIES

Subsidiaries are entities controlled by the Company. Control (controlling influence) exists when the Company has power over the investee, it is exposed to variable revenues based on its involvement in this entity and is able to use its control over this entity to influence the amount of its revenues The existence and impact of potential voting rights that are substantive is considered in 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 or not control is actually exercised. The financial statements of subsidiaries are included in the consolidated financial statements from the date of commencement of control until the date of termination of control.

II. EQUITY ACCOUNTED INVESTEES

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

Investments in associates and joint ventures are accounted for under the equity method and initially recognised at cost. Acquisition-related costs are charged to the cost of the investment. Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment; any excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the 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 on which the significant influence commences until the date of its termination. When the Group's share of losses, including the Group's share of negative other comprehensive income, exceeds the carrying amount of the associate, the carrying amount is reduced to zero and the recognition of further losses or further negative other comprehensive income is discontinued, except to the extent that the Group's obligations towards the associate have incurred, or where the Group 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 at the date of acquisition less accumulated depreciation and/or potential impairment). No new goodwill or gain on a bargain purchase is 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 recognised and measured in accordance with the respective standards.

The 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, changing the fair value recognised in profit or loss.

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

IV. NON-CONTROLLING INTERESTS

Acquisitions of non-controlling interests are accounted for as transactions with shareholders as equity holders; therefore no goodwill and no gain or loss arising from such transactions is recognised.

Significant Accounting Policies

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

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

V. TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions as well as any unrealised income and expenses arising therefrom are eliminated in preparing the consolidated financial statements. Unrealised gains on transactions with associates and entities under common control are eliminated against investments to the extent of the Group's interest in the respective entity. Unrealised losses are eliminated in the same way as unrealised gains solely to the extent that there is no evidence of potential impairment.

VI. UNIFICATION OF ACCOUNTING POLICIES

The accounting policies and procedures applied by consolidated entities in their financial statements were unified in the consolidation, in line with the accounting policies applied by the Parent Company.

VII. PRICE DIFFERENCES

In 2011, the Group accounted for price differences arising from the formation of the Group on 30 September 2011. The formation of EPI Group was accounted for similarly to the acquisition of subsidiaries under common control of Energetický a průmyslový holding, a.s., and therefore IFRS 3, which states that goodwill arising on a business combination is recognised as the amount by which the cost of the acquisition exceeds the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquiree has not been applied. Companies acquired under common control are stated at historical cost as reported in the financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment). The difference between the acquisition cost, the carrying amount of the net assets and the historical goodwill transferred at the acquisition date have been recognised as price differences in consolidated equity. The price differences are recognised in other capital reserves as equity.

VIII. DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND SPECIAL PURPOSE ENTITIES

Gain or loss from the sale of investments in subsidiaries and associates is recognised in the statement of comprehensive income 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, associates and special purpose entities in the statement of comprehensive income.

If the Group disposes of a subsidiary that was acquired under a common control transaction and pricing differences were recognised on the acquisition (refer to Note 3(a) vii – Pricing differences), the 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 TRANSLATION

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

Monetary assets and liabilities denominated in foreign currencies are retranslated to the respective functional currencies of Group entities using the exchange rate at the reporting date; where the functional currency includes Czech crowns, the exchange rate of the Czech National Bank is used.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical (acquisition) cost, are translated to the respective functional currency of Group entities using the foreign exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the respective functional currencies using the foreign exchange rates at the date of determining fair value.

Foreign exchange differences arising on foreign currency translation are recognised in profit or loss, except for differences arising on the remeasurement of available-for-sale equity instruments (this does not include permanent impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), a financial instrument designated as a hedge of the net investment in a foreign operation, or cash flow hedges to the extent that the hedge is effective, in which case foreign exchange differences arising on foreign currency translation are recognised in other comprehensive income.

II. FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Czech crowns at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated into Czech crowns using a foreign exchange rate that approximates the foreign exchange rate at the date of the transaction. For significant transactions, the exact exchange rate at the date of the transaction shall be used.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the translation reserve in equity. However, if the foreign operation is not a fully owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. At disposals, the relevant part of translation reserve is recycled to Gain/loss on sale and disposal of subsidiaries, associates and special purpose entities 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 (FVTPL). 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 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
- 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 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 instrument 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
- 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 share securities classified as financial assets at *fair value through other comprehensive income*.

All investments in equity instruments and contracts on 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 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 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 Group are derivatives.

The Group may, upon initial recognition, irrevocably designate a financial asset that would be otherwise measured at amortised cost or at FVOCI as measured at fair value through profit or loss if doing so eliminates or significantly reduces 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 a different basis.

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 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. DERECOGNITION

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

V. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

D NON-DERIVATIVE FINANCIAL LIABILITIES

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, trade and other payables. Such financial liabilities are initially recognised at fair value at the settlement date plus any directly attributable transaction costs except for financial liabilities at fair value through profit or 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 the respective contractual obligations have been discharged, cancelled or have expired.

E DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives are initially recognised at fair value, with attributable transaction costs presented directly in the statement of comprehensive income. Subsequent to the initial recognition derivatives are measured at fair value, with relating changes accounted for in a manner described below.

I. OTHER NON-TRADING DERIVATIVES

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

II. SEPARABLE EMBEDDED DERIVATIVES

Financial and non-financial contracts that are financial liabilities within the scope of IFRS 9 (that are not themselves measured at fair value through profit or loss) are subject to an assessment in order to determine whether they contain embedded derivatives.

Embedded derivatives are separated from the host contract and reported separately if the economic characteristics and risks of the host contract are not closely connected to the characteristics and risks of the embedded derivative; a separate instrument with the same features as the embedded derivatives would meet the definition of a derivative; and a combined instrument is not measured at fair value through profit or loss. As for hybrid contracts that are financial assets, the entire contract is assessed with respect to SPPI criteria.

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

III. CASH FLOW HEDGES AND FAIR VALUE HEDGES

The majority of financial derivatives are held for hedging purposes but do not meet the criteria for hedge accounting as stated by IFRS 9. These derivatives are designated for trading, and related gains and losses from changes in fair value are recognised in profit or 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, or its designation as a hedging instrument is revoked, 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 expected to occur, then the balance remains in equity and is reclassified to profit or loss when the transaction occurs.

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.

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 maturity of no more than three months.

G INVENTORY

Inventories are measured at the lower of cost and net realisable value. The net realisable value is an estimated sales price under arm's length conditions, less the estimated cost of completion and expenses of sale.

Purchased inventory and inventory in transit are initially stated at acquisition cost, which includes the purchase price and other expenses directly attributable to the purchase of inventories and bringing them to their current location and condition. Inventories of a similar nature are valued using the weighted average method.

Internally developed inventory and work in progress are initially stated at production costs. Production costs include direct costs (direct material, direct wages and other direct costs) and part of overhead costs directly attributable to the production of inventory (production overheads). The valuation is adjusted to net realisable value if this amount is lower than production costs.

H IMPAIRMENT

I. NON-FINANCIAL ASSETS

The carrying amounts of the Group's assets, other than inventories (refer to Note 3(g) – Inventories), and deferred tax assets (refer to Note 3(n) – Income taxes) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least each year at the same date.

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

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

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

Impairment losses recognised in respect of CGUs are allocated to initially reduce the carrying amount of any goodwill allocated to the CGUs, and subsequently 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. Impairment losses in respect of other assets recognised in prior periods are assessed at each balance sheet 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/joint control entity is not recognised separately, and therefore is not tested for impairment on an individual basis. 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 the 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 amortised cost, debt instruments at fair value through Other Comprehensive Income ("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, or
- 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. The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition 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, 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 Group assumes that the credit risk on a financial asset has increased significantly if:

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

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

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

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

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

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

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

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

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

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

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 profit or loss. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income.

III. EQUITY ACCOUNTED INVESTEES

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the statement of comprehensive income, 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

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to 3 (h) – Impairment). Opening balances are presented at net book values, which include adjustments from revaluation as part of the purchase price allocation process.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of assets developed internally 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 Note 3 (m) – Finance income and costs). The cost also includes costs of dismantling and removing individual items and bringing the locality into original condition.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at fair value until construction or development is complete, at which time it is classified as investment property.

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

II. SUBSEQUENT COSTS

Subsequent costs are capitalised only if it is likely that the Group will obtain future economic benefits inherent in an item of property, plant and equipment and the cost thereof can be reliably measured. All other expenditures, including the costs of the day-to-day servicing of property, plant and equipment, are presented in the statement of other comprehensive income as incurred.

III. DEPRECIATION

Depreciation is recognised in the statement of comprehensive income 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 an ownership title to the asset by the end of the lease term.

The estimated useful lives are as follows:

- Buildings and structures 5–50 years
- Machinery and equipment 4–20 years
- Other fixed assets 3–20 years

Depreciation methods, useful lives and carrying amounts 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 cost of an acquisition over the fair value of the Group's share 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 consideration transferred by the Group in a business combination includes an arrangement on contingent consideration, the contingent consideration is measured at fair value as at the acquisition date and becomes part of the consideration transferred in the business combinations. Changes in fair value of the contingent consideration that are classified as changes within the measurement period are made retrospectively along with the related adjustment to goodwill. Changes in the measurement period are changes that arise from additional information obtained during the "measurement period" (which must not exceed one year from the acquisition date) about facts and circumstances that existed as at the acquisition date.

Subsequent recognition of changes in fair value of the contingent consideration that cannot be considered as changes within the measurement period depend on the classification of the contingent consideration. Contingent consideration classified as equity is not remeasured as at the dates of subsequent financial statements and its subsequent payment is recognised in equity. Other contingent consideration is remeasured at fair value as at the dates of subsequent financial statements with related reporting of changes in fair value in profit or loss.

If a business combination is achieved in stages, the equity interest in the aquiree previously held by the Group (including joint operations) is remeasured at fair value as at the acquisition date and any gains or losses are reported in profit or loss. Amounts arising from equity interests in the aquiree before the acquisition date that were previously recognised in other comprehensive income are reclassified to profit or loss, provided that such a course of action would be appropriate if the equity interest was sold.

If the initial recognition of a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the recognition is incomplete. These provisional amounts are adjusted during the measurement period (see above) or additional assets and liabilities are recognised to reflect newly obtained information about facts and circumstances that existed as at the acquisition date and, if known, would have affected the amounts determined as at that date.

If the Group's share in the fair value of identifiable assets and liabilities of a subsidiary, associate and a joint venture at the acquisition date exceeds the acquisition cost, the Group will reassess the identification and measurement of identifiable assets and liabilities, including the acquisition cost. Any excess arising on the re-measurement (gain on a bargain purchase) is recognised in the statement of comprehensive income in the period of acquisition.

No goodwill is recognised upon the acquisition of non-controlling interests.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses (refer to Section 3(h) – Impairment) and is tested for impairment on an annual basis.

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

Intangible assets acquired in a business combination are recognised at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other statutory rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recognised at cost less any impairment losses (refer to Section 3(h) – Impairment). Intangible assets with a definite useful life are amortised over their useful lives and recognised at cost less accumulated amortisation (see below) and impairment losses (refer to Section 3(h) – Impairment).

II. RESEARCH AND DEVELOPMENT

Expenditure on research activities undertaken with the aim of obtaining new scientific and technical findings and knowledge is recognised directly in other comprehensive income.

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

In 2023 and 2022, the development costs incurred by the Group did not meet the above criteria and they were therefore reported in the statement of comprehensive income.

III. 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 Section 3(h)– Impairment).

Intangible assets that have an indefinite useful life are not amortised and, instead, are tested for impairment on an annual basis. Their useful lives are reviewed at each period-end to assess whether events and circumstances in support of indefinite useful lives continue to exist.

IV. AMORTISATION

Amortisation is recognised in the statement of comprehensive income over the estimated useful lives of intangible assets other than goodwill on a straight-line basis from the date when the asset is put into operation.

The estimated useful lives are as follows:

- Software 2–4 years
- Other intangible assets 2–6 years

Amortisation methods, useful lives and carrying amounts are reviewed at each financial year-end and adjusted when necessary.

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 in the expected amount of settlement. Long-term obligations are recognised at the present value of their anticipated performance value (if the effect of discount is material), with the discount rate based on the pre-tax rate reflecting 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 the statement of comprehensive income under finance expense.

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 estimated provisions may arise predominantly from deviations from originally estimated expenses, changes in the settlement date or in the scope of the relevant liability. Changes in estimates are generally recognised in the statement of comprehensive income at the date of changing the estimate (see below).

I. PROVISION FOR WARRANTY REPAIRS

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and weighting of all possible outcomes against associated probabilities.

II. PROVISION FOR LEGAL DISPUTES

The settlement of a legal dispute is an individual contingent liability. It is determined as the best estimate of potential impacts determined based on a legal analysis and adjusted for all risks and uncertainties.

III. 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.

IV. WASTE MANAGEMENT – PROVISION FOR THE RESTORATION AND REHABILITATION OF LANDFILLS

The creation of a new landfill entails the obligation to recognise a restoration provision. The provision must be reported as property, plant and equipment (IAS 16) at the present value of future expenses related to the restoration of the landfill and its subsequent maintenance. This value is essentially based on the amount of additional tonnes of waste in the relevant period.

On initial recognition, the landfill and the restoration provision have the same carrying amount. Based on the rules for subsequent valuation specified below, their carrying amount begins to differ: assets are depreciated over their useful lives, the discounted provision increases over time by the change in the current value based on discount rates. The regular unwinding of the discount is reported in the statement of comprehensive income as financial expenses. The value of the provision also changes as a result of its use to cover the costs of restoration over the lifetime of the landfill.

Changes in the provision estimate are charged or credited to the relevant asset if the asset has not been fully depreciated. If the value of the asset increases as a result of the increase in the provision, IFRIC 1 requires the performance of a new estimate of the return on the asset in line with IAS 36. After the end of the asset's useful life, the increase in the reserve is recognised directly in profit or loss.

A restricted bank account used for the restoration provision does not meet the criteria for recognition under cash and cash equivalents, and it is therefore reported separately as Restricted cash in the statement of financial position.

L REVENUES

I. REVENUE FROM CONTRACTS WITH CUSTOMERS

Entities use a five-step model to determine when and at what amount revenue should be recognised. The model specifies that revenue should be recognised when 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 reflects the entity's performance, or
- at a point in time, when control of the goods or services is transferred to the customer.

Revenue is not reported if the Group has substantial doubts about obtaining the consideration due, the related costs or the possibility of returning the goods.

OWN PRODUCTS AND GOODS

Revenue from the sale of own products and goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Discounts are recognised as a reduction of revenue as the sales are recognised, if it is probable that discounts will be granted and the amount can be measured reliably.

Revenues recognised over time are reported in the statement of comprehensive income proportionately to the level of progress of the transaction as at the balance sheet date. The level of progress is assessed based on the overview of work performed.

NON-CASH CONSIDERATION RECEIVED

The Group measures the non-cash consideration received at fair value. The revenue is then recognised over the estimated time of the service provided for which the consideration is received.

II. GRANTS

Grants and subsidies 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 the statement of comprehensive income 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 the statement of comprehensive income on a systematic basis over the useful life of the asset.

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.

M FINANCE INCOME AND EXPENSES

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 exchange rate gains, gains on sale of investments in securities and gains from hedging instruments that are recognised in profit or loss. Interest income is presented in the statement of comprehensive income on an accrual basis using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date that the Group's right to receive the respective payment has been established.

II. FINANCE EXPENSE

Finance expenses comprise interest expense on loans and borrowings, increase of the discount on provisions over time, foreign exchange rate losses, changes in the fair value of financial assets recognised at fair value through profit or loss, the costs of fees and commissions for payment transactions and guarantees, impairment losses recognised on financial assets, and losses on hedging instruments recognised in profit or loss.

III. BORROWING COSTS

Borrowing costs that arise in connection with the acquisition, construction or production of the respective asset (from acquisition or the beginning of construction or production to putting the respective asset into use) are capitalised and subsequently amortised along with the related asset. In the event 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 as a weighted average of the borrowing costs.

N INCOME TAXES

Income taxes comprise current and deferred tax. Income taxes are recognised in the statement of comprehensive income, 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 comprises the expected tax payable or receivable calculated based on the taxable income or loss for the current period, using tax rates applicable at the reporting date, and any adjustments to the tax payable relating to prior years.

Deferred tax is measured using the balance sheet method which is based on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their amounts for taxation purposes. No deferred tax is calculated from the following temporary differences: temporary differences arising from assets or liabilities the initial recognition of which (other than in a business combination) affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and entities under joint control to the extent that it is probable that they will not reverse such temporary differences in the foreseeable future. No deferred tax is recognised upon 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 applicable or principally approved 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 if such assets and liabilities are subject to income taxes imposed by the same tax authority on the same taxable entity, or on different tax entities with the intention to settle current tax liabilities and assets on a net basis. Tax assets and receivables may also be offset when they are 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.

O DIVIDENDS

Dividends are recognised as equity interests upon approval by the Company’s shareholders.

P NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (and all assets and liabilities in a disposal group) are re-measured in accordance with the Group’s relevant accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment property, which continue to be measured in accordance with the Group’s accounting policies.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement. Gains are not recognised in excess of any cumulative impairment loss.

Any gain or loss on the re-measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation is included in the statement of comprehensive income as profit or loss from continuing operations.

Any separate major line of business or geographical area of operations or significant part of business, which is decided to be sold, or subsidiaries acquired exclusively to be sold, are classified as discontinued operations and are presented in the statement of comprehensive income under separate line Profit (loss) from discontinued operations, net of tax.

The Group is considered a “private equity group” that searches for alternative financing sources for innovative projects or enterprises with a potential for fast growth that are in line with the Group’s other activities, allow increasing the value added via integration of activities or represent a possibility of efficient appreciation of funds. The companies that the Group finds interesting are especially those that have a potential for strong growth, value generation and market share growth or whose activities can be profitably expanded though acquisitions. Since sales and purchases of companies are part of the Company’s ordinary activities, only direct negotiations on the sale of a company are presented as assets held for sale. Early stage negotiations are therefore not considered as discontinued activities.

Q LEASES

A contract constitutes or contains a lease if it transfers the right to control the use of an identified asset to a customer for a specific term in exchange for a consideration. Control occurs if the customer is entitled to receive all the economic benefits from the use of the identified asset and the right to control the use of the asset.

I. LESSEE ACCOUNTING

IFRS 16 removes the lessor's obligation to classify leases as either operating or finance leases. There is a possibility of exemption for short-term leases (lease term of 12 months or less) and leases of low-value assets (lower than the equivalent of EUR 5,000). The Group decided not to report right-of-use assets for these leases. Lease payments are reported on a straight-line basis over the lease term as expenses.

As at the commencement date of the lease arrangement, the lessee offsets the right-of-use asset against the lease liability valued at the present value of lease payments that have not been paid as at that date. Lease payments are discounted using the implicit interest rate of the lease, if this rate can be readily determined. If this rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is determined based on the interest rates of selected external financial sources and adjustments reflecting the lease term.

The lease liability is then measured at amortised cost based on the effective interest rate method. The lease liability is remeasured if a change occurs in:

- Future lease payments based on a change in an index or rate
- Estimated future amounts due as part of the guaranteed residual value
- Assessment of exercising a purchase, extension or termination option
- Substantially fixed lease payments

When a lease liability is remeasured, the carrying amount of the right-of-use asset is adjusted accordingly. If the value of the right-of-use asset has decreased to zero, the adjustment is reported in profit or loss.

The Group reports right-of-use assets as part of property, plant and equipment on the same line as the underlying assets of the same nature that it owns. On initial recognition, right-of-use assets are valued at cost and subsequently at cost net of any accumulated depreciation and impairment losses and adjusted for some remeasurements of this lease liability.

In the statement of comprehensive income, the lessee reports interest expenses and (on a straight-line basis) depreciation of the right-of-use asset. The company (lessee) depreciates the assets in line with the requirements of IAS 16. The asset is depreciated from the commencement date until 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.

II. LEASE OF LAND OR LEASE OF LAND AND BUILDING

Lease of land not affected by IAS 40 or IAS 2 always represents an operating lease. With respect to leases of a building and land, the total rental is divided proportionally into rental for the building and rental for the land in line with the fair value.

III. SERVICE PART OF THE LEASE PAYMENT

Group companies that recognise leases of vehicles do not separate the service fee from lease payments. The lease liability is calculated using aggregate lease payments. With respect to other lease contracts, the service fee is separated from the lease payments. The service fee is reported in the statement of comprehensive income as a short-term expense, the remaining portion is used to calculate the lease liability.

IV. LEASE TERM

The lease term is determined as at the lease commencement date as the non-cancellable lease term together with terms of the extension (or termination) option, if the Group is sufficiently certain it will exercise this option.

For lease contracts with an indefinite lease term, with a termination option for the lessor and the lessee, the Group considers the lease term to be the longer of (i) the notice period for the termination of the lease, or (ii) another period when significant economic penalties will be applied, discouraging the Group from the termination. If the lease term is set as shorter than 12 months, the Group applies the exemption and assesses the transaction as a short-term lease.

V. SUBLEASE

The classification of subleases into finance and operating subleases is governed primarily by the original contract. If the primary contract is short-term, it always represents an operating lease arrangement, and the characteristics of the actual sublease are assessed. When assessing the classification, the value of the right-of-use asset is taken into account, not the value of the underlying asset. If the lessee provides or expects to provide a sublease, the primary lease arrangement does not meet the condition of a lease of low-value assets.

VI. RENEWAL OPTION

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.

4. Fair Value Measurement

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

A PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values or the income approach method. The market value of property is an estimated amount for which a property could be exchanged at the measurement date between a willing buyer and a willing seller in an arm's length transaction after reasonable marketing has been made whereby the parties acted knowledgeably and at their own will. The income approach determines the value of property based on its ability to generate the desired cash flows for its owners. The key objective of the income method is to determine the property value as an economic benefit function.

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 potential sale of the assets.

C INVENTORY

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 costs of completion and sale, and a reasonable profit margin reflecting the effort made to complete and sell the inventories.

D NON-DERIVATIVE FINANCIAL ASSETS

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is based on their quoted market price at the reporting date without any deduction of transaction costs. If no quoted market price is available, the fair value of the instrument is estimated by the management using pricing models or discounted cash flow methods.

Where discounted cash flow methods 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 conditions. Where pricing models are used, the model inputs are based on market rates at the reporting date.

The fair value of trade and other receivables, excluding construction work in progress but including receivables from services provided based on a concession, is estimated as the present value of future cash flows, discounted at the market interest rate at the reporting date.

The fair value of trade and other receivables and held-to-maturity investments is only determined for disclosure purposes.

E NON-DERIVATIVE FINANCIAL LIABILITIES

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

F DERIVATIVES

The fair value of forwards is based on their quoted market price, if this price is available. If the quoted market price is not available, the fair value is estimated based on the discounting of 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 (derived from the interest rate of government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for adequacy 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, commodity or foreign consumer indices) embedded in contracts is estimated by discounting the difference between the contractual forward values and the current forward values for the residual maturity of the contract using a risk-free interest rate (based on zero coupon).

Fair values reflect the credit risk of the instrument and, where appropriate, include adjustments for both Group company and counterparty credit risk.

5. Acquisitions, Investments in and Sales of Subsidiaries, Special-Purpose Vehicles, Joint Ventures and Associates

A ACQUISITIONS AND STEP ACQUISITIONS

I. 31 DECEMBER 2023

In CZK million

	Date of acquisition	Purchase price	Cash outflow	Equity interest acquired %	Equity interest after acquisition %
New subsidiary					
LINEO, spol. s.r.o.	01/10/2023	2	-2	(1)100	(1)100
HART – PIPE s.r.o.	28/12/2023	25	-25	100	100
Total		**27**	**-27**	**–**	**–**

(1) The effective equity interest of the EPI Group is 75%.

ACQUISITION OF NON-CONTROLLING INTERESTS

On 27 March 2023, Andelta, a.s. acquired a 35.23% equity interest in AVE Mukatschewo TOB. Together with the existing 60.15% interest held by AVE Umwelt Ukraine TOB, the Group thus acquired a total equity interest of 95.38%.

On 29 March 2023, AVE Kladno spol. s r.o. acquired a 50% equity interest in SKS INVEST s.r.o. and thus became a 100% owner (the Group's effective ownership interest was 75%).
On 23 November, SKS INVEST s.r.o. went into liquidation.

On 4 July 2023 and 25 August 2023, the Group acquired a total of 0.01% interest in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. The Group therby acquired a 99,46% equity interest in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.

On 26 July 2023, the Group acquired 12% interests in HERINGTON INVESTMENTS LTD and TAHOBA INVESTMENTS LIMITED. The Group thus became a 100% owner of the Energetické montáže Holding, a.s. subgroup. For a summary of entities included in the Energetické montáže Holding, a.s. subgroup refer to Note 33 – Group Entities.

II. 31 DECEMBER 2022

In CZK million

	Date of acquisition	Purchase price	Cash outflow	Equity interest acquired %	Equity interest after acquisition %
New subsidiary					
HERKUL a.s. and its subsidiary HERKUL PLUS, s.r.o.	31/01/2022	340	-340	(1)100	(1)100
RELIEF PROJECTS, s.r.o.	31/01/2022	15	-15	(1)100	(1)100
Středočeská autobusová doprava s.r.o.	30/09/2022	–	–	100	100
Total		**355**	**-355**	**–**	**–**

(1) The effective equity interest of the EPI Group is 75%.

In 2022, AVE CZ odpadové hospodářství s.r.o. took over part of the enterprise engaged in summer and winter maintenance of roads and premises in the Hradec Králové Region. This transaction did not have a material impact on the Group's consolidated financial statements.

ACQUISITION OF NON-CONTROLLING INTERESTS

As at 10 June 2022 and 14 September 2022, the Group acquired equity investments in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. of 9,46% and 0,16%, respectively. The Group therby acquired a 99,45% equity investment in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. The impact of this transaction on the Group's financial statements was immaterial.

B EFFECT OF ACQUISITIONS

I. 31 DECEMBER 2023

The fair values of the considerations transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of LINEO, spol. s.r.o. and HART – PIPE s.r.o. are provided in the following table:

In CZK million

	Carrying amount(1)	Fair value adjustment	2023 Total(1)
Property, plant and equipment	8	–	8
Inventory	8	–	8
Trade receivables and other assets	3	–	3
Other financial assets	2	–	2
Cash and cash equivalents	1	–	1
Trade payables and other liabilities	-2	–	-2
Loans and borrowings	-3	–	-3
Net identifiable assets and liabilities	**17**	**–**	**17**
Goodwill			10
Cost of acquisition			**27**
Consideration paid, satisfied in cash (A)			27
Other consideration			–
Total consideration transferred			**27**
Less: Cash acquired (B)			1
Net cash inflow (outflow) (C) = (B – A)			**-26**

(1) Represents values at 100% share.

Acquisitions, Investments in and Sales of Subsidiaries, Special-Purpose Vehicles, Joint Ventures and Associates

II. 31 DECEMBER 2022

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of HERKUL, a.s., its subsidiary HERKUL PLUS, s.r.o., RELIEF PROJECTS, s.r.o. and Středočeská autobusová doprava s.r.o. are provided in the following table:

In CZK million

	Carrying amount(1)	Fair value adjustment	2022 Total(1)
Property, plant and equipment	349	–	349
Trade receivables and other assets	216	–	216
Inventory	20	–	20
Deferred tax assets	11	–	11
Cash and cash equivalents	34	–	34
Intangible assets	1	–	1
Provisions	-13	–	-13
Deferred tax liabilities	-13	–	-13
Loans and borrowings	-134	–	-134
Trade payables and other liabilities	-212	–	-212
Net identifiable assets and liabilities	**259**	**–**	**259**
Goodwill			96
Cost of acquisition			**355**
Consideration paid, satisfied in cash (A)			355
Other consideration			–
Total consideration transferred			**355**
Less: Cash acquired (B)			34
Net cash inflow (outflow) (C) = (B – A)			**-321**

(1) Represents values at 100% share.

III. RATIONALE FOR ACQUISITIONS

The Group's strategic reasons for making the acquisitions include several factors, such as:

- The subsidiary's business complements EPI's portfolio
- Potential for synergistic effects
- The subsidiary has a good market position
- The relevant industry is likely to grow going forward

One of the Group's strategic goals is to further expand in the industries of the countries in which the Group operates. Another objective of the Group is to further strengthen its position and become a significant market player.

The Group's view is that there is a long-term strategic value in these investments due to the development of the market and this resulted in aggregate goodwill in the total amount of CZK 4,621 million as at 31 December 2023 (2022: 4,608 CZK million). For the development of historical goodwill, please refer to Note 14 – Intangible assets (including goodwill).

In 2023, the Group reported no impairment loss arising from goodwill (2022: CZK 19 million).

The following table provides information on revenues and profit or loss of acquirees that have been included in the consolidated statement of comprehensive income for the reporting period.

In CZK million

	2023 Total
Revenue of the acquirees recognised since the acquisition date*	–
Profit/-loss of the acquirees recognised since the acquisition date*	–

* Before eliminating transactions between Group entities.

In CZK million

	2022 Total
Revenue of the acquirees recognised since the acquisition date*	671
Profit/-loss of the acquirees recognised since the acquisition date*	-84

* Before eliminating transactions between Group entities.

The table below shows estimated revenue and profit or loss that would be presented in the consolidated statement of comprehensive income if the acquisition was made at the start of the current period (i.e. as at 1 January 2023 or 1 January 2022). This financial information was derived from the acquiree's statutory financial statements or financial statements prepared under IFRS.

In CZK million

	2023 Total
Revenue of acquirees recognised in the year ended 31 December 2022*	39
Profit/-loss of acquirees recognised in the year ended 31 December 2022*	–

* Before eliminating transactions between Group entities.

In CZK million

	2022 Total
Revenue of acquirees recognised in the year ended 31 December 2022*	671
Profit/-loss of acquirees recognised in the year ended 31 December 2022*	-84

* Before eliminating transactions between Group entities.

C BUSINESS COMBINATIONS – RECOGNITION OF ACQUISITIONS FOR 2023 AND 2022

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured by the Company at their fair values at the acquisition date; in line with the above, the established fair values were subsequently reported in the consolidated financial statements of the Company.

The valuation analysis is based on historical and prospective information existing at the date of the business combination (which also involves certain estimates and approximations as regards business plan forecasts, useful lives of assets, and the weighted average of capital components cost). Any prospective information that may affect the future value of acquired assets is based on the management's expectations of the competitive and economic environments prevailing at the time.

The results of the valuation analyses are also used for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

Purchase price allocation was performed for all business combinations within the scope of IFRS 3.

Fair value adjustments resulting from business combinations in 2023 and 2022 were not material. The Group's management decided not to account for these changes.

D DISPOSAL OF INVESTMENTS AND RETIREMENT OF DISCONTINUED ACTIVITIESÍ

I. DISPOSAL OF INVESTMENTS IN 2023

There were no disposals of subsidiaries, associates and special purpose entities in 2023.

On 19 July 2023, HERKUL PLUS, s.r.o. went into liquidation and on 1 December 2023, it was deleted from the Register of Companes. The impact of this transaction on the Group's comprehensive income was immaterial.

II. DISPOSAL OF INVESTMENTS IN 2022

On 1 January 2022, T.O.O. Real s.r.o. was spun off from T.O.O. spol. s r.o. On 4 February 2022, the Group disposed of its entire 100% equity interest in this spin-off company.

On 30 November 2022, the Group disposed of its 100% equity interest in SES INSPEKT s.r.o.

The effects of these transactions are shown in the following table.

In CZK million

	Net assets sold in 2022
Property, plant and equipment	7
Financial instruments	2
Total	**9**
Selling price	32
Gain on disposal	**23**

In connection with the completion of the liquidation of ESTABAMER LIMITED, the company was excluded from consolidation on 4 February 2022. The impact of this transaction in the amount of CZK 2 million is recognised as a loss in the line Gain/loss on sale and disposal of subsidiaries, associates and special purpose entities in the Group's consolidated statement of comprehensive income.

6. Sales

In CZK million

	2023	2022
Sales: Technical-engineering & services	**10,494**	**8,379**
Sales: Industrial waste	**4,174**	**3,722**
Sales: Manufacturing and other		
Construction of railway lines and public transport lines	7,390	7,336
Waste management	3,794	3,906
Manufacturing	3,103	3,086
Total manufacturing and other	**14,287**	**14,328**
Total	**28,955**	**26,429**
In-country sales	23,097	21,791
Cross-border sales	5,858	4,638
Total	**28,955**	**26,429**

The total transaction price allocated to (partially) unsatisfied performance obligations is as follows:

In CZK million

	2023	2022
Technical-engineering & services	15,849	12,511
Manufacturing and other	12,127	8,185
Industrial waste	7,919	8,092
Total	**35,895**	**28,788**

The Group's management anticipates that 45% (2022: 49%) of the transaction price allocated to unsatisfied performance obligations as at 31 December 2023 will be reported as income in the subsequent reporting period. The remaining 55% of this transaction price (2022: 51% as expected) will be reported in 2025 and subsequent years.

7. Cost of Sales

In CZK million

	2023	2022
Cost of sales: Technical-engineering & services		
External sub-supplies of services	4,425	3,278
Consumption of material	1,290	1,135
Goods used for manufacturing	106	47
Consumption of energy	8	6
Changes in WIP, semi-finished products and finished goods	-1	-72
Total technical-engineering activities and services	**5,828**	**4,394**
Cost of sales: Industrial waste		
Disposal cost	1,872	1,860
Car fleet cost	461	494
Waste deposition fee	411	417
Recognition and release of statutory provisions for landfills	7	-62
Total industrial waste	**2,751**	**2,709**
Cost of sales: Manufacturing and other		
Consumption of material	4,642	4,916
Goods used for manufacturing	266	402
Consumption of energy	156	181
Changes in WIP, semi-finished products and finished goods	-72	-154
Other cost of sales	2,663	2,730
Total manufacturing and other	**7,655**	**8,075**
Total	**16,234**	**15,178**

Cost of sales presented in the above table does not contain directly attributable overheads (particularly personnel expenses, depreciation and amortisation, repair and maintenance, taxes and charges etc.).

Other costs of sales include minority subcontracts, current cost of services relating to production and other costs.

8. Personnel Expenses

In CZK million

	2023	2022
Wages and salaries	4,371	4,059
Compulsory social security contributions	1,407	1,307
Remuneration to board members(1)	50	46
Other social expenses	179	156
Total	**6,007**	**5,568**

(1) This item includes the remuneration of the members of the Board of Directors, including the members of the Boards of Directors of subsidiaries.

The average number of employees in 2023 was 7,213 (2022: 7,143), of which 223 were managers (2022: 219).

9. Other Operating Income

In CZK million

	2023	2022
Profit from the sale of material	150	86
Compensation from insurance companies	37	34
Bonuses, discounts and grants	29	35
Rental income	20	24
Income from fees	16	52
Sales of tangible and intangible assets	–	35
Consulting services	–	3
Other	65	90
Total	**317**	**359**

10. Other Operating Expenses

In CZK million

	2023	2022
Transport expenses	246	267
Rental expenses	200	193
Consulting expenses	188	179
Insurance expenses	116	87
Recognition and release of provisions	113	10
Gifts and sponsorship	77	69
Information technology costs	71	59
Office equipment and other material	64	65
Advertising expenses	57	53
Services related to technical and engineering activities	51	84
Security and cleaning services	47	51
Impairment losses/-reversal of impairment losses, including goodwill amortisation	46	15
Outsourcing and other administrative fees	40	59
Training courses, conferences	24	24
Deficits and damage, compensation of damage	21	15
Communication expenses	17	19
Contractual fines and penalties	13	9
Loss from the sale of property, plant and equipment and intangible assets	12	–
Lease-related services	9	8
Loss on written-off receivables	7	7
Administrative costs	7	–
Own work capitalised	-42	-25
Other	296	267
Total	**1,680**	**1,515**

No material research and development costs were reported in the statement of comprehensive income for the years ended 31 December 2023 and 31 December 2022.

FEES PAYABLE TO STATUTORY AUDITORS

In CZK million

	2023	2022
Statutory audit	12	11
Tax advisory and other assurance services	3	2
Total	**15**	**13**

The figures presented above include expenses recorded by all subsidiaries. The information includes all audit engagements – such as audits of input/output reporting packages, extraordinary statutory audits and other services.

11. Finance Income and Expense, Profit/-Loss from Financial Instruments

In CZK million

	2023	2022
Interest income	95	65
Net foreign exchange gain	–	28
Other finance income	13	8
Finance income	**108**	**101**
Interest expense	-885	-800
Fee and commission expense for payment transactions	-37	-23
Fee and commission expense for transactions in financial instruments	-19	-6
Net foreign exchange loss	-10	–
Other finance expense	-52	-50
Finance expense	**-1,003**	**-879**
Profit/-loss from interest rate derivatives held for trading	-23	222
Profit/-loss from hedging financial instruments	-2	–
Profit/-loss from currency derivatives held for trading	-9	-4
Profit/-loss from financial instruments	**-34**	**218**
Net finance income/-expense	**-929**	**-560**

12. Income Tax Expenses

INCOME TAXES RECOGNISED THROUGH THE STATEMENT OF COMPREHENSIVE INCOME

In CZK million

	2023	2022
Current taxes:		
Current year	-788	-692
Withholding tax	-1	–
Adjustment for prior periods	–	-1
Total current taxes	**-789**	**-693**
Deferred taxes:		
Origination and reversal of temporary differences	-74	45
Total deferred taxes	**-74**	**45**
Total income taxes	**-863**	**-648**

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is recovered or the liability settled. According to Czech legislation the corporate income tax rate is 19% for the 2023 and 2022 fiscal years. From 2024, the corporate income tax rate amounts to 21% in the Czech Republic. The Slovak corporate income tax rate is 21% for the 2023 and 2022 fiscal years. The corporate income tax rate stipulated by Ukrainian legislation for the 2023 and 2022 fiscal years is 18%. The income tax in the current year also includes a special sector tax applicable in Slovakia.

PILLAR 2 (GLOBAL MINIMUM TOP-UP TAX)

The Group falls within the scope of enacted legislation subject to the new minimum 15% taxation rules introduced under the Pillar 2 rules of the BEPS 2.0 initiative from 2024. The related legislation was enacted immediately before the date of the financial statements. At the same time, legislators are still issuing further guidance affecting the impact of the Pillar 2 rules. As a result, the Group and the Company are still assessing potential income tax exposure under Pillar 2 as at 31 December 2023. Any significant income tax exposure under Pillar 2 is currently unknown. The Group continues to actively monitor Pillar 2 related legislative developments and assess the potential impact of Pillar 2.

In relation to deferred tax, the Group has applied a temporary mandatory exemption from the accounting impact of deferred tax and does not recognise or disclose deferred tax information relating to income taxes under Pillar 2.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

In CZK million

	2023		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	18	–	18
Total	**18**	**–**	**18**

In CZK million

	2022		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	-40	–	-40
Total	**-40**	**–**	**-40**

The foreign currency translation differences for foreign operations related to non-controlling interests are presented under non-controlling interests.

RECONCILIATION OF THE EFFECTIVE TAX RATE

In CZK million

	%	2023	%	2022
Profit before tax		2,877		2,679
Income tax using the Company’s domestic rate (19%)	19 %	547	19%	509
Effect of tax rates in foreign jurisdictions	-0.07 %	-2	-0.07%	-2
Non-deductible expenses	11.26 %	324	6.19%	166
Non-taxable income	-2.12 %	-61	-1.64%	-44
Change in unrecognised temporary differences	–	–	0.26%	7
Current year’s losses for which no deferred tax asset was recognised	1.63 %	47	0.48%	13
Tax incentives, tax credit	-0.06 %	-2	-0.07%	-2
Withholding tax, income tax adjustments for prior periods	0.35 %	10	0.04%	1
Income tax recognised in other comprehensive income	**29.99 %**	**863**	**24.19%**	**648**

Non-deductible expenses and non-taxable income primarily include tax non-deductible loan interest and additional consolidation accounting.

13. Property, Plant and Equipment

In CZK million

	Land and buildings(1)	Technical equipment, plant and machinery(1)	Other equipment, fixtures and fittings	Under construction	Total
Cost of acquisition					
Balance at 1 January 2023	**3,110**	**5,363**	**486**	**189**	**9,148**
Additions	331	1,066	41	74	**1,512**
Additions through business combinations(2)	4	4	–	–	**8**
Disposals	-49	-440	-17	-3	**-509**
Transfers	117	51	6	-174	**–**
Effects of changes in foreign exchange rates	13	13	1	–	**27**
Balance at 31 December 2023	**3,526**	**6,057**	**517**	**86**	**10,186**
Depreciation and impairment losses					
Balance at 1 January 2023	**-1,065**	**-3,107**	**-304**	**–**	**-4,476**
Depreciation charge for the year	-233	-769	-52	–	**-1,054**
Disposals	49	440	15	–	**504**
Impairment losses recognised in the income statement	–	-15	-7	–	**-22**
Effects of changes in foreign exchange rates	-4	-10	-1	–	**-15**
Balance at 31 December 2023	**-1,253**	**-3,461**	**-349**	**–**	**-5,063**
Carrying amounts					
At 1 January 2023	**2,045**	**2,256**	**182**	**189**	**4,672**
At 31 December 2023	**2,273**	**2,596**	**168**	**86**	**5,123**

(1) Including right-of-use assets
(2) Acquisition of HART – PIPE s.r.o.

In CZK million

	Land and buildings(1)	Technical equipment, plant and machinery(1)	Other equipment, fixtures and fittings	Under construction	Total
Cost of acquisition					
Balance at 1 January 2022	**2,755**	**5,000**	**417**	**114**	**8,286**
Additions	169	700	94	268	**1,231**
Additions through business combinations(2)	169	155	8	17	**349**
Disposals	-16	-478	-31	-123	**-648**
Disposals resulting from sales	-8	–	–	–	**-8**
Transfers	58	27	–	-85	**–**
Effects of changes in foreign exchange rates	-17	-41	-2	-2	**-62**
Balance at 31 December 2022	**3,110**	**5,363**	**486**	**189**	**9,148**
Depreciation and impairment losses					
Balance at 1 January 2022	**-901**	**-2,888**	**-288**	**–**	**-4,077**
Depreciation charge for the year	-183	-727	-48	–	**-958**
Disposals	13	478	31	–	**522**
Disposals resulting from sales	1	–	–	–	**1**
Effects of changes in foreign exchange rates	5	30	1	–	**36**
Balance at 31 December 2022	**-1,065**	**-3,107**	**-304**	**–**	**-4,476**
Carrying amounts					
At 1 January 2022	**1,854**	**2,112**	**129**	**114**	**4,209**
At 31 December 2022	**2,045**	**2,256**	**182**	**189**	**4,672**

(1) Including right-of-use assets
(2) Acquisition of HERKUL a.s. and its subsidiary HERKUL PLUS, s.r.o.

Impairment losses and reversal of impairment losses are reported in Other operating expenses.

IDLE ASSETS

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

PLEDGES

As at 31 December 2023, property, plant and equipment of CZK 827 million (2022: CZK 841 million) are subject to pledges to secure bank loans.

14. Intangible Assets (Including Goodwill)

In CZK million

	Goodwill	Software	Customer relationship	Other intangible assets	Total
Cost of acquisition					
Balance at 1 January 2023	**4,936**	**153**	**666**	**586**	**6,341**
Additions	–	5	–	19	**24**
Additions resulting from acquisition[1]	10	–	–	–	**10**
Disposals	–	-1	-666	-18	**-685**
Effects of changes in foreign exchange rates	11	–	–	–	**11**
Balance at 31 December 2023	**4,957**	**157**	**–**	**587**	**5,701**
Depreciation and impairment losses					
Balance at 1 January 2023	-328	-133	-666	-486	**-1,613**
Amortisation charge for the year	–	-10	–	-5	**-15**
Disposals	–	1	666	1	**668**
Effects of changes in foreign exchange rates	-8	–	–	–	**-8**
Balance at 31 December 2023	**-336**	**-142**	**–**	**-490**	**-968**
Carrying amounts					
At 1 January 2023	**4,608**	**20**	**–**	**100**	**4,728**
At 31 December 2023	**4,621**	**15**	**–**	**97**	**4,733**

(1) Acquisition of HART – PIPE s.r.o.

In CZK million

	Goodwill	Software	Customer relationship	Other intangible assets	Total
Cost of acquisition					
Balance at 1 January 2022	**4,853**	**150**	**666**	**589**	**6,258**
Additions	–	6	–	5	**11**
Additions resulting from acquisition(1)	96	1	–	–	**97**
Disposals	–	-9	–	-3	**-12**
Transfer	–	5	–	-5	**–**
Effects of changes in foreign exchange rates	-13	–	–	–	**-13**
Balance at 31 December 2022	**4,936**	**153**	**666**	**586**	**6,341**
Depreciation and impairment losses					
Balance at 1 January 2022	-318	-123	-666	-484	**-1,591**
Amortisation charge for the year	–	-18	–	-2	**-20**
Disposals	–	8	–	–	**8**
Impairment losses reported in profit or loss	-19	–	–	–	**-19**
Effects of changes in foreign exchange rates	9	–	–	–	**9**
Balance at 31 December 2022	**-328**	**-133**	**-666**	**-486**	**-1,613**
Carrying amounts					
At 1 January 2022	**4,535**	**27**	**–**	**105**	**4,667**
At 31 December 2022	**4,608**	**20**	**–**	**100**	**4,728**

(1) Acquisition of HERKUL a.s. and its subsidiary HERKUL PLUS, s.r.o. and RELIEF PROJECTS, s.r.o.

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

Customer relationships represent assets securing long-term income from customers.

Other intangible assets include valuable rights, assets arising from the existence of contracts and the trademark or company name (a majority of items were identified during the process of allocating the purchase price as part of the earlier acquisition by the EPH Group). All intangible assets, excluding selected trademarks, were recognised as assets with definite useful lives. Given the nature of the given asset (asset item) and its role in future business opportunities along with its economic contribution, a trademark with an indefinite useful life of CZK 52 million was identified in respect of SOR Libchavy spol. s r.o. Furthermore, the Group identified a trademark in respect of Andelta a.s., which is duly registered with the Industrial Property Office. This trademark was measured at CZK 32 million for accounting purposes. The Company's management believes that the trademark will also generate net cash flows after its useful life has expired under Czech law, for which reason the trademark has an indefinite useful life. As at 31 December 2023, trademarks were tested for impairment.

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 following aggregated carrying amounts are allocated to individual cash-generating units:

In CZK million

	31 December 2023	31 December 2022
PIRAMEL ENTERPRISES LIMITED Skupina(1)	2,087	2,087
PI1 Skupina(2)	1,104	1,104
EGEM s.r.o.	409	409
SOR Libchavy Skupina(3)	188	188
MSEM, a.s.	184	184
Energetické opravny a.s.	141	141
VČE-montáže, a.s.	102	102
ELTRA, s.r.o.	92	90
SEG s.r.o.	91	91
PROFI EMG s.r.o.	83	83
ELQA, s.r.o.	74	74
EZ-ELEKTROSYSTÉMY Košice s.r.o.	36	35
PEZ – projekce energetických zařízení s.r.o.	11	11
HART – PIPE s.r.o.	10	–
T.O.O., spol. s r.o.	9	9
Total	**4,621**	**4,608**

(1) For a summary of entities included in the PIRAMEL ENTERPRISES LIMITED subgroup, to which a portion of the above presented goodwill is attributable, refer to Note 33 – Group Entities.
(2) For a summary of entities included in the PI1 subgroup, to which a portion of the above presented goodwill is attributable, refer to Note 33 – Group Entities.
(3) For a summary of entities included in the SOR Libchavy subgroup, to which a portion of the above presented goodwill is attributable, refer to Note 33 – Group Entities.

In 2023, goodwill increased by CZK 10 million as a result of the acquisition of HART – PIPE s.r.o. (2022: CZK 96 million as a result of the acquisition of HERKUL a.s. and its subsidiary HERKUL PLUS, s.r.o., RELIEF PROJECTS, s.r.o. and Středočeská autobusová doprava s.r.o.). In 2023, the Group reported no impairment loss arising from goodwill (2022: loss of CZK 19 million).

The resulting change in the balance of goodwill of CZK 13 million was attributable to the increase by CZK 10 million as a result of the acquisition of HART- PIPE s.r.o. and the increase by CZK 3 million as the effect of changes in foreign exchange rates.

GOODWILL AND IMPAIRMENT TESTING

Goodwill transferred from Energetický a průmyslový holding, a.s. was reported in the amount disclosed in the consolidated notes to the financial statements of Energetický a průmyslový holding, a.s. As at 30 September 2011, no new goodwill originated, the reason being that the formation of the EPI Group was analogically recognised through business combinations under joint control (refer to Note 1 – General Information).

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill arising on business combinations during the current year and impairment testing of goodwill reported in prior years. The Group also conducts impairment testing of other intangible assets with indefinite useful lives and cash-generating units (CGU), where grounds for it were 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 value in use that reflects estimated future discounted cash flows. The value in use is derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital (WACC) of each CGU.

At the year-end, the Group conducted impairment testing in respect of all material amounts of goodwill.

The calculation of the recoverable amounts was based on the following key assumptions:

Cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by an additional five years of modelled projections. Cash flows for a terminal period were extrapolated using a constant growth rate of 2%, which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of investment activity, changes in working capital and changes in the regulatory framework.

No need for goodwill impairment was identified during the testing for the current year (2022: CZK 19 million).

The recoverable amount of cash-generating units was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of cash-generating units. Value in use in 2023 was determined on a similar basis as in 2022. The discount rate represented an indicator after taxation based on a risk-free rate adjusted for risk premium reflecting both the increased risk of investments in equity securities in general as well as the systemic risk of cash-generating units. The budgeted amount of the EBITDA indicator (which represents operating profit plus depreciation of property, plant and equipment, and amortisation of intangible assets) was based on the expected future development and past experience. The Company primarily reflected the following:

- Market development and the competitive environment
- Legislative environment
- Expectations regarding market margins
- An in-depth analysis of production overheads

Key assumptions used in the calculation of value in use were the discount rate and the terminal value growth rate.

The discount rates used in estimating the value in use were based on the average market participant principle, determined from peer companies (companies operating in a comparable industry and listed on world markets), which serve as a standard for monitoring the relevant beta factors, debt-to-equity ratios and size adjustment parameters used in the calculation. The resulting pre-tax discount rates for Czech and Slovak companies ranged from 6.68% to 9.67% (2022: 7.84% to 10.3%), and for Ukrainian companies from 20.52% to 21.41% (2022: 27.38% 31.79%). Changes in the discount rates used compared to last year reflect a combination of factors. For some companies, company-specific risks and cost of capital have been adjusted; the changes also reflect recent developments in market conditions, particularly increases in risk-free rates and the cost of debt used in the calculation.

15. Equity Accounted Investees

The Group holds the following investments and shares in the profit or loss of associates and joint ventures:

In CZK million

		Ownership 31 December 2023	Carrying amount 31 December 2023	Share in profit/-loss for 2023
Associates and joint ventures	Country	%		
Skupina Winning Automotive[1]	[2]	50	39	-57
Total		**–**	**39**	**-57**

(1) For summary of entities included in the Winning Automotive subgroup refer to Note 33 – Group Entities.
(2) The group entities are based in various countries; for more details refer to Note 33 – Group Entities.

In CZK million

		Ownership 31 December 2022	Carrying amount 31 December 2022	Share in profit/-loss for 2022
Associates and joint ventures	Country	%		
Skupina Winning Automotive[1]	[2]	50	90	3
Total		**–**	**90**	**3**

(1) For summary of entities included in the Winning Automotive subgroup refer to Note 33 – Group Entities.
(2) The group entities are based in various countries; for more details refer to Note 33 – Group Entities.

Summary financial information for standalone associates, presented at 100% as at 31 December 2023 and for the year then ended.

In CZK million

Associates and joint ventures	Income	Profit/ -loss	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
Skupina Winning Automotive[1]	5,478	-114	–	-114	2,510	2,424	86
Total	**5,478**	**-114**	**–**	**-114**	**2,510**	**2,424**	**86**

(1) Financial information derived from financial statements prepared in accordance with local statutory accounting standards, after excluding transactions between entities within the Winning Automotive group.

In CZK million

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Skupina Winning Automotive[1]	1,166	1,344	642	1,782
Total	**1,166**	**1,344**	**642**	**1,782**

(1) Financial information derived from financial statements prepared in accordance with local statutory accounting standards, after excluding transactions between entities within the Winning Automotive group.

Summary financial information for standalone associates, presented at 100% as at 31 December 2022 and for the year then ended.

In CZK million

Associates and joint ventures	Income	Profit/ -loss	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
Skupina Winning Automotive[1]	5,526	6	–	6	2,512	2,331	181
Total	**5,526**	**6**	**–**	**6**	**2,512**	**2,331**	**181**

(1) Financial information derived from financial statements prepared in accordance with local statutory accounting standards, after excluding transactions between entities within the Winning Automotive group.

In CZK million

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Skupina Winning Automotive[1]	1,026	1,486	1,193	1,138
Total	**1,026**	**1,486**	**1,193**	**1,138**

(1) Financial information derived from financial statements prepared in accordance with local statutory accounting standards, after excluding transactions between entities within the Winning Automotive group.

16. Deferred Tax Assets and Liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and (liabilities) have been recognised as follows:

In CZK million

	31 December 2023			31 December 2022		
Temporary difference related to:	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment	135	-220	-85	95	-189	-94
Intangible assets	–	-7	-7	–	-15	-15
Other financial assets	8	–	8	7	–	7
Inventory	17	-4	13	16	-3	13
Trade receivables and other assets	69	-13	56	52	–	52
Provisions	92	-4	88	89	–	89
Tax losses	25	–	25	46	–	46
Other items	111	-135	-24	119	-71	48
Subtotal	**457**	**-383**	**74**	**424**	**-278**	**146**
Set-off tax	-261	261	-	-224	224	–
Total	**196**	**-122**	**74**	**200**	**-54**	**146**

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR

In CZK million

Temporary difference related to:	**Balance at 1 January 2023**	**Recognised in profit or loss**	**Effects of changes in foreign exchange rates**	**Balance at 31 December 2023**
Property, plant and equipment	-94	9	–	-85
Intangible assets	-15	8	–	-7
Other financial assets	7	1	–	8
Inventory	13	–	–	13
Trade receivables and other assets	52	2	2	56
Provisions	89	-1	–	88
Tax losses	46	-21	–	25
Other items	48	-72	–	-24
Total	**146**	**-74**	**2**	**74**

In CZK million

Temporary difference related to:	**Balance at 1 January 2022**	**Recognised in profit or loss**	**Additions through business combinations**	**Effects of changes in foreign exchange rates**	**Balance at 31 December 2022**
Property, plant and equipment	-62	-24	-13	5	-94
Intangible assets	-14	-1	–	–	-15
Other financial assets	7	–	–	–	7
Inventory	11	2	–	–	13
Trade receivables and other assets	44	8	–	–	52
Provisions	89	–	–	–	89
Employee benefits	9	-9	–	–	–
Tax losses	–	46	–	–	46
Other items	14	23	11	–	48
Total	**98**	**45**	**-2**	**5**	**146**

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items:

In CZK million

	31 December 2023	**31 December 2022**
Tax losses carried forward	633	213
Receivables and other assets	17	5
Total	**650**	**218**

The total amount of tax losses carried forward for which no deferred tax asset has been recognised is CZK 258 million (2022: CZK 213 million). No deferred tax asset has been recognised as, given the nature of the income and expenses, the companies do not expect a significant taxable profit. If sufficient taxable profit was generated in 2023, the relevant taxable income (savings) would amount to as much as CZK 125 million (2022: CZK 44 million.)

Tax losses generally expire over a period of five years in the Czech Republic and four years in Slovakia. 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.

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	2028 a dále	Celkem
Tax losses	86	72	36	209	230	**633**

17. Inventory

In CZK million

	31 December 2023	31 December 2022
Raw material and supplies	1,295	1,166
Work in progress	620	579
Finished goods and merchandise	297	328
Total	**2,212**	**2,073**

In 2023, an impairment loss on inventories of CZK 10 million was reported in the statement of comprehensive income (2022: reversal of inventory impairment loss of CZK 44 million).

PLEDGES

As at 31 December 2023, inventories in the amount of CZK 92 million (2022: CZK 128 million) were subject to pledges.

18. Trade Receivables and Other Assets

In CZK million

	31 December 2023	31 December 2022
Trade receivables	5,506	5,335
Receivables from the performance of ongoing contracts	1,827	1,411
Advance payments	769	269
Retention fees	572	592
Tax receivables	133	157
Accrued income	70	93
Estimated receivables	44	31
Other receivables and assets	201	117
Allowance for bad debts	-295	-276
Total	**8,827**	**7,729**
Non-current	288	313
Current	8,539	7,416
Total	**8,827**	**7,729**

Impairment losses and reversal of impairment losses are reported under other operating expenses.

As at 31 December 2023, trade receivables with a carrying value of CZK 1,529 million (2022: CZK 1,492 million) are subject to pledges.

As at 31 December 2023, trade receivables and other assets of CZK 8,450 million (2022: CZK 7,353 million) are not past due; the remaining balance of CZK 377 million is overdue (2022: CZK 376 million).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables, except for ongoing contractor's work, is disclosed in Note 31 – Risk Management Policies and Disclosures.

INCOME FROM LONG-TERM CONTRACTS RECOGNISED ON AN ONGOING BASIS

In CZK million

	31 December 2023	31 December 2022
Income recognised for the period	15,607	14,430
Expenses incurred in the period	-10,868	-9,352
Profit/-loss from construction contracts for the period	**4,739**	**5,078**
Receivables from the performance of ongoing contracts	1,827	1,411

As at 31 December 2023, trade receivables included retention fees relating to contracts with customers in the amount of CZK 572 million (2022: CZK 592 million).

19. Cash and cash equivalents

In CZK million

	31 December 2023	31 December 2022
Current accounts and deposits with banks	2,283	1,915
Term deposit	1,389	477
Cash and cash equivalents	9	9
Total	**3,681**	**2,401**

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

As at 31 December 2023, cash equivalents of CZK 437 million (2022: CZK 481 million) are subject to pledges (these balances do not include restricted cash). According to the loan documentation, cash balances in specific entities are pledged in favour of the financial institution in the event of the Group's default on its loans. As such, the pledged cash is readily available to the Group and does not represent restricted cash.

20. Restricted cash

In CZK million

	31 December 2023	31 December 2022
Non-current restricted cash	591	494
Current restricted cash	1	1
Total	**592**	**495**

As at 31 December 2023, the balance of restricted cash is represented by an escrow account to cover the restoration provision in AVE CZ odpadové hospodářství s.r.o. of CZK 590 million (2022: CZK 493 million) and AVE SK odpadové hospodárstvo s.r.o. of CZK 1 million (2022: CZK 1 million), and restricted cash intended to cover liabilities in case of non-compliance with contract terms by ENPRO Energo s.r.o. of CZK 1 million (2022: CZK 1 million).

21. Equity

SHARE CAPITAL

The authorised, issued and fully paid share capital as at 31 December 2023 consisted of 1,035,816 ordinary shares with a par value of CZK 1,000 each (2022: 1,035,816 shares with a par value of CZK 1,000 each).

The shareholders are entitled to receive dividends and to 1 000 votes per CZK 1 000 share at the Company's general meetings.

In 2023, the Company declared dividends of CZK 1,204 million (2022: CZK 97 million). The dividend per CZK 1,000 share was thus CZK 1,162 (2022: CZK 94 per CZK 1,000 share).

The shareholder structure as at 31 December 2023 and 31 December 2022 was as follows:

31 December 2023	Number of shares CZK 1,000	Equity interest %	Voting rights %
EP INDUSTRIES HOLDING LIMITED	1,035,816	100.00	100.00
Total shares in circulation	**1,035,816**	**100.00**	**100.00**

31 December 2022	Number of shares CZK 1,000	Equity interest %	Voting rights %
EP INDUSTRIES HOLDING LIMITED	1,035,816	100.00	100.00
Total shares in circulation	**1,035,816**	**100.00**	**100.00**

The reconciliation of the number of shares outstanding at the beginning and at the end of the year is provided as follows:

	Number of shares: 31 December 2023 CZK 1,000	Number of shares: 31 December 2022 CZK 1,000
Shares outstanding at the beginning of the year	1,035,816	1,035,816
Shares outstanding at the end of the year	**1,035,816**	**1,035,816**

CAPITAL AND OTHER RESERVES

Reserves reported through equity include the following items:

In CZK million

	31 December 2023	31 December 2022
Non-distributable reserves and other funds created from profit	361	361
Translation reserve	-119	-137
Other capital reserves	-1,945	-1,945
Total	**-1,703**	**-1,721**

NON-DISTRIBUTABLE RESERVES AND OTHER FUNDS CREATED FROM PROFIT

Based on the newly valid and effective Czech legislation, it has no longer been compulsory to establish a statutory reserve since 1 January 2014. Since 1 January 2014 it has been possible to release and pay out the statutory reserve, provided certain conditions are met. The item also includes distributable additional equity contributions.

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group.

OTHER CAPITAL FUNDS

In 2011, the Group accounted for pricing differences that arose from the establishment of the EPI Group as at 30 September 2011. The establishment of the EPI Group was accounted for similarly as the acquisition of subsidiaries under joint control, and therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Subsidiaries were recorded at the carrying amount, which is 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, carrying values of net assets and original goodwill carried forward at the acquisition date was recorded in consolidated equity as pricing differences under 'Other capital reserves'.

22. Non-controlling interest

31 DECEMBER 2023

In CZK million

	Power engineering subgroup[2][4]	Industrial waste subgroup[3][4]	Other[4]	Total
Non-controlling percentage	–	[4]–	[4]–	–
Carrying amount of NCI	–	**640**	**5**	**645**
Profit/-loss attributable to non-controlling interests	**12**	**214**	**2**	**228**
Dividends to non-controlling interest holders	–	**-6**	**-2**	**-8**
Statement of financial position[1]				
Total assets	–	7,289	310	**7,599**
of which: non-current	–	*4,563*	*78*	***4,641***
current	–	*2,726*	*232*	***2,958***
Total liabilities	–	4,761	808	**5,569**
of which: non-current	–	*2,821*	*27*	***2,848***
current	–	*1,940*	*781*	***2,721***
Net assets	–	**2,528**	**-498**	**2,030**
Statement of comprehensive income[1]				
Total revenues	–	7,535	380	**7,915**
Profit/-loss after tax	–	846	7	**853**
Other comprehensive income for the year, net of income tax	–	–	–	–
Comprehensive income for the year	–	**846**	**7**	**853**
Net cash inflows/-outflows	–	**542**	**23**	**565**

(1) Financial information derived from financial statements prepared in accordance with local GAAP.
(2) The Power engineering subgroup includes entities originally owned by TAHOBA INVESTMENTS LIMITED and HERINGTON INVESTMENTS LIMITED.
On 26 July 2023, the Group acquired 12% interests in HERINGTON INVESTMENTS LTD and TAHOBA INVESTMENTS LIMITED, thus becoming a 100% owner of the Energetické montáže Holding, a.s. subgroup. Therefore, only the share of profit attributable to the non-controlling interest is reported for the Power engineering subgroup and no carrying amount of the non-controlling interest, data from the statement of financial position and the statement of comprehensive income as at 31 December 2023 are recognised.
On 22 December 2023, TAHOBA INVESTMENTS LIMITED merged with HERINGTON INVESTMENTS LIMITED with the effective date of 1 January 2023. HERINGTON INVESTMENTS LIMITED is the successor company.
(3) The Industrial waste subgroup includes entities owned by PIRAMEL ENTERPRISES LIMITED.
(4) Entities included in individual subgroups, ownership percentages and countries in which they are registered are disclosed in Note 33 – Group Entities.

31 DECEMBER 2022

In CZK million

	Power engineering subgroup[2][4]	Industrial waste subgroup[3][4]	Other[4]	Total
Non-controlling percentage	**12 %**	[4]–	[4]–	–
Carrying amount of NCI	**53**	**443**	**4**	**500**
Profit/-loss attributable to non-controlling interests	**37**	**205**	**1**	**243**
Dividends to non-controlling interest holders	–	**-95**	–	**-95**
Statement of financial position[1]				
Total assets	4,333	6,423	282	**11,038**
of which: non-current	*1,332*	*4,457*	*129*	***5,918***
current	*3,001*	*1,966*	*153*	***5,120***
Total liabilities	3,038	4,756	800	**8,594**
of which: non-current	*80*	*3,020*	*38*	***3,138***
current	*2,958*	*1,736*	*762*	***5,456***
Net assets	**1,295**	**1,667**	**-518**	**2,444**
Statement of comprehensive income[1]				
Total revenues	4,953	7,180	221	**12,354**
Profit/-loss after tax	307	799	-92	**1,014**
Other comprehensive income for the year, net of income tax	–	–	–	–
Comprehensive income for the year	**307**	**799**	**-92**	**1,014**
Net cash inflows/-outflows	**-197**	**-132**	**-67**	**-396**

(1) Financial information derived from financial statements prepared in accordance with local GAAP.
(2) The Power engineering subgroup includes entities owned by TAHOBA INVESTMENTS LIMITED and HERINGTON INVESTMENTS LIMITED.
(3) The Industrial waste subgroup includes entities owned by PIRAMEL ENTERPRISES LIMITED.
(4) Entities included in individual subgroups, ownership percentages and countries in which they are registered are disclosed in Note 33 – Group Entities.

23. Loans and Borrowings

In CZK million

	31 December 2023	31 December 2022
Loans payable to credit institutions	7,123	8,450
Bank overdraft	2,143	997
Liabilities from leases	1,026	976
Loans payable to other than credit institutions	5	2
Total	**10,297**	**10,425**
Non-current	6,612	6,543
Current	3,685	3,882
Total	**10,297**	**10,425**

The weighted average interest rate on loans as at 31 December 2023 was 7.93% (2022: 8.15%).

TERMS AND DEBT REPAYMENT SCHEDULE

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

In CZK million

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31 December 2023	Due within 1 year	Due within 1–5 years	Due in following years
Secured bank loan	CZK	variable*	2028	6,331	807	5,524	–
Secured bank loan	EUR	variable*	2026	548	342	206	–
Secured bank loan	EUR	fixed	2033	225	22	113	90
Secured bank loan	CZK	fixed	2028	19	3	16	–
Secured loan	CZK	fixed	2026	5	2	3	–
Bank overdraft	CZK	variable*	2024	1,554	1,554	–	–
Bank overdraft	EUR	variable*	2024	589	589	–	–
Lease liabilities	–	–	2029	1,026	366	622	38
Total				**10,297**	**3,685**	**6,484**	**128**

* Variable interest rate is derived as PRIBOR or 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 CZK million

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31 December 2022	Due within 1 year	Due within 1–5 years	Due in following years
Secured bank loan	CZK	variable*	2026	7,268	2,291	4,977	–
Secured bank loan	EUR	variable*	2025	955	179	776	–
Secured bank loan	EUR	fixed	2031	218	12	92	114
Secured bank loan	CZK	fixed	2031	9	–	4	5
Secured loan	CZK	fixed	2026	2	1	1	–
Bank overdraft	CZK	variable*	2023	809	809	–	–
Bank overdraft	EUR	variable*	2023	188	188	–	–
Lease liabilities	–	–	2028	976	402	539	35
Total				**10,425**	**3,882**	**6,389**	**154**

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

Loans and borrowings are being repaid consistently with the contractual terms and conditions.

24. Provisions

In CZK million

	Warranties	Onerous contracts	Restoration and decom-missioning	Other	Total
Balance at 1 January 2023	**201**	**14**	**551**	**137**	**903**
Provisions made during the year	185	17	40	335	**577**
Provisions used during the year	-5	–	–	-23	**-28**
Provisions reversed during the year	-172	-2	-1	-154	**-329**
Unwind of discount	–	–	32	–	**32**
Transfer	–	–	125	-125	**–**
Effects of changes in foreign exchange rates	–	–	1	–	**1**
Balance at 31 December 2023	**209**	**29**	**748**	**170**	**1,156**
Non-current	88	–	658	65	**811**
Current	121	29	90	105	**345**
Total	**209**	**29**	**748**	**170**	**1,156**

In CZK million

	Employee benefits	Warranties	Onerous contracts	Restoration and decom-missioning	Other	Total
Balance at 1 January 2022	**9**	**211**	**14**	**549**	**104**	**887**
Provisions made during the year	–	37	9	57	101	**204**
Provisions used during the year	–	-6	-1	–	-12	**-19**
Provisions reversed during the year	-9	-41	-8	-68	-67	**-193**
Additions through business combinations	–	–	–	–	13	**13**
Unwind of discount	–	–	–	14	–	**14**
Effects of changes in foreign exchange rates	–	–	–	-1	-2	**-3**
Balance at 31 December 2022	**–**	**201**	**14**	**551**	**137**	**903**
Non-current	–	92	–	491	43	**626**
Current	–	109	14	60	94	**277**
Total	**–**	**201**	**14**	**551**	**137**	**903**

Recognition of provisions requires frequent use of estimates, for example an estimate of the likelihood of uncertain facts occurring or the calculation of anticipated profit or loss. These estimates are based on experience to date, statistical models and expert judgement.

PROVISION FOR WARRANTY REPAIRS

Major provisions include a provision of CZK 155 million (2022: CZK 161 million) for future costs of warranty repairs relating to sold buses reported by SOR Libchavy spol. s r.o. Other major provisions include a provision for warranty repairs and complaints relating to completed engagements of CZK 16 million (2022: CZK 11 million) reported by EGEM s.r.o.

PROVISION FOR THE RESTORATION AND REHABILITATION OF LANDFILLS

A provision of CZK 748 million (2022: CZK 551 million) is reported by the AVE subgroup (for more details refer to Note 3(k) – Provisions). The change in the provision is primarily due to digitization of landfill capacity measurement and extension of the landfilling period.

PROVISIONS FOR FINANCIAL COMMITMENTS AND GUARANTEES

The Group carried out an analysis of expected credit losses in respect of the commitments made and guarantees provided and decided not to report them due to immateriality.

25. Financial instruments

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS

In CZK million

	31 December 2023	31 December 2022
Assets carried at amortised cost		
Loans to other than credit institutions	419	387
Other financial assets	5	4
Total	**424**	**391**
Assets carried at fair value		
Risk management: of which	83	221
Interest rate swaps for trading	*83*	*221*
Hedging: of which	1	42
Fair value hedge, commodity derivatives	*1*	*42*
Capital instruments at fair value through other comprehensive income: of which	5	2
Shares and interim certificates carried at fair value through other comprehensive income	*5*	*2*
Total	**89**	**265**
Non-current	437	535
Current	76	121
Total	**513**	**656**

In 2023, the weighted interest rate average in respect of loans open as at the balance sheet date for other than credit institutions was 5.86% (2022: 4.98%).

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In CZK million

	31 December 2023	31 December 2022
Liabilities carried at amortised cost		
Bills of exchange issued at amortised cost	123	295
Other financial liabilities	13	10
Total	**136**	**305**
Liabilities carried at fair value		
Risk management: of which	26	1
Interest rate swaps for trading	*26*	–
Currency derivatives for trading	–	*1*
Total	**26**	**1**
Non-current	5	119
Current	157	187
Total	**162**	**306**

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

In CZK million

	31 December 2023			
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Risk management: *of which*	2,547	-2,547	83	26
Interest rate swaps for trading	*2,547*	*-2,547*	*83*	*26*
Hedging: *of which*	2	-2	1	–
Fair value hedge, commodity derivatives	*2*	*-2*	*1*	–
Total	**2,549**	**-2,549**	**84**	**26**

In CZK million

	31 December 2022			
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Risk management: *of which*	3,387	-3,387	221	1
Interest rate swaps for trading	*3,146*	*-3,146*	*221*	–
Currency derivatives for trading	*241*	*-241*	–	*1*
Hedging: *of which*	50	-50	42	–
Fair value hedge, commodity derivatives	*50*	*-50*	*42*	–
Total	**3,437**	**-3,437**	**263**	**1**

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 31 – Risk Management Policies and Disclosures.

Sensitivity analysis relating to the fair values of financial instruments is included in Note 31 – Risk Management Policies and Disclosures.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

The following table analyses the financial instruments carried at fair value by valuation technique (for more details on valuation techniques, see note 2(d) i to the financial statements – Uncertainties in assumptions and estimates).

In CZK million

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Risk management: *of which:*	–	83	–	**83**
Interest rate swaps for trading	–	*83*	–	***83***
Hedging: *of which:*	**–**	**1**	**–**	**1**
Fair value hedge, commodity derivatives	–	*1*	–	***1***
Capital instruments at fair value through other comprehensive income: *of which:*	–	–	5	**5**
Shares and interim certificates carried at fair value through other comprehensive income	–	–	*5*	***5***
Total	**–**	**84**	**5**	**89**
Liabilities carried at fair value				
Risk management: *of which:*	–	**26**	–	**26**
Currency derivatives for trading	–	*26*	–	***26***
Total	**–**	**26**	**–**	**26**

In CZK million

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Risk management: *of which:*	–	221	–	**221**
Interest rate swaps for trading	–	*221*	–	***221***
Hedging: *of which:*	**–**	**42**	**–**	**42**
Fair value hedge, commodity derivatives	–	*42*	–	***42***
Capital instruments at fair value through other comprehensive income: *of which:*	–	–	2	**2**
Shares and interim certificates carried at fair value through other comprehensive income	–	–	*2*	***2***
Total	**–**	**263**	**2**	**265**
Liabilities carried at fair value				
Risk management: *of which:*	**–**	**1**	**–**	**1**
Currency derivatives for trading	–	*1*	–	***1***
Total	**–**	**1**	**–**	**1**

As at 31 December 2023 and 31 December 2022, no transfers between the fair value levels were made.

The following table presents the fair value of financial instruments reported at amortised cost:

In CZK million

	Carrying amount 31 December 2023	Fair value 31 December 2023
Financial assets		
Loans to other than credit institutions	419	410
Other financial assets	5	5
Total	**424**	**415**
Financial liabilities		
Bills of exchange issued at amortised cost	123	120
Other financial liabilities	13	13
Total	**136**	**133**

In CZK million

	Carrying amount 31 December 2022	Fair value 31 December 2022
Financial assets		
Loans to other than credit institutions (including allowances for bad receivables)	387	385
Other financial assets	4	4
Total	**391**	**389**
Financial liabilities		
Bills of exchange issued at amortised cost	295	271
Other financial liabilities	10	10
Total	**305**	**281**

All financial instruments carried at amortised cost are classified as part of Level 2 of the fair value hierarchy (for more details about the valuation methods refer to Note 2(d) i – Assumption and estimation uncertainties).

Fair values of trade receivables, other assets and trade payables are equal to their carrying amounts.

26. Trade payables and other liabilities

In CZK million

	31 December 2023	31 December 2022
Trade payables	4,841	3,698
Payables for supplies from ongoing contacts	1,156	665
Payables to employees	786	740
Retentions from contractors	301	228
Tax liabilities (excluding corporate income tax)	275	87
Advance payments received	181	125
Estimated payables	176	187
Unbilled supplies	99	49
Accrued expenses	81	20
Liabilities to partners and associations	6	13
Other liabilities	230	177
Total	**8,132**	**5,989**
Non-current	352	172
Current	7,780	5,817
Total	**8,132**	**5,989**

Trade payables and other liabilities as at 31 December 2023 and 31 December 2022 were not secured.

As at 31 December 2023 and 31 December 2022, no liabilities to social security and health insurance or tax authorities were overdue.

Estimated payables are recognised based on contractual conditions or invoices received after the balance sheet date but before the financial statements are published.

All payables for supplies from ongoing contracts reported as at 31 December 2022 were settled during 2023.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 31 – Risk Management Policies and Disclosures.

27. Deferred income

In CZK million

	31 December 2023	31 December 2022
Government grants	36	40
Other	70	55
Total	**106**	**95**
Non-current	35	40
Current	71	55
Total	**106**	**95**

The Group received various government grants related to assets necessary for its activities (such as containers, sweepers, cars etc.) under the condition of acquiring these assets. Grants reported as deferred income are depreciated over the useful lives of these assets.

28. Financial Guarantees and Contingent Liabilities

In CZK million

	31 December 2023	31 December 2022
Provided guarantees	6,014	4,182
Provided pledges – securities	5,626	5,626
Other provided pledges	2,885	2,942
Total	**14,525**	**12,750**

Provided pledges represent securities of the individual group companies used as collateral for external financing.

Provided guarantees represent guarantees for the liabilities of companies in the consolidation group.

Other provided pledges relate to:

In CZK million

	31 December 2023	31 December 2022
Trade receivables	1,529	1,492
Property, plant and equipment	827	841
Cash and cash equivalents	437	481
Inventory	92	128
Total	**2,885**	**2,942**

AVE CZ odpadové hospodářství s.r.o. and AVE Kladno s.r.o. (2022: AVE CZ odpadové hospodářství s.r.o., and AVE Kladno s.r.o.) pledged all their assets including equity investments as collateral for loan financing. These amounts are not included in the figures above.

AVE CZ odpadové hospodářství s.r.o. has been a party to criminal proceedings since 2022 in connection with suspected offence of breaching the duty to pay. As the duration and outcome of the proceedings cannot be predicted at this time, the potential cost of the risks cannot be reliably estimated. For this reason, no provision has been made.

29. Leases

A LEASES WITH THE GROUP AS THE LESSEE

The Group leases buildings and motor vehicles. The leases have various conditions and various lease terms. For certain leases, the Group has the option to extend the lease at the end of the lease term.

The Group decided not to report right-of-use assets and lease liabilities with respect to low-value assets and short-term leases (with lease term of 12 months or less). The lease payments related to these leases are reported as expenses.

RIGHT-OF-USE ASSETS

The right-of-use assets related to leased land and buildings and technical devices, machinery and equipment that do not meet the definition of investment property are reported as property, plant and equipment (refer to Note 13 – Property, plant and equipment).

In CZK million

	Land and buildings	Technical devices, machinery and equipment
Balance at 1 January 2023	**203**	**731**
Depreciation for the year	-65	-357
Additions to right-of-use assets	76	354
Disposals of right-of-use assets	–	-1
Effects of changes in foreign exchange rates	1	1
Balance at 31 December 2023	**215**	**728**

In CZK million

	Land and buildings	Technical devices, machinery and equipment
Balance at 1 January 2022	**218**	**718**
Depreciation for the year	-63	-342
Additions to right-of-use assets	49	357
Effects of changes in foreign exchange rates	-1	-2
Balance at 31 December 2022	**203**	**731**

MATURITY ANALYSIS OF LEASE LIABILITIES

In CZK million

	31 December 2023	31 December 2022
Undiscounted contractual cash flows by maturity		
Up to 3 months	126	93
3 months to 1 year	240	309
1 – 5 years	622	539
Over 5 years	38	35
Total undiscounted contractual cash flows	**1,026**	**976**
Carrying amount	**1,026**	**976**

RECOGNISED IN PROFIT OR LOSS

In CZK million

	2023	2022
Depreciation for the year	-421	-405
Interest on lease liabilities	-53	-44
Expenses related to short-term leases	-102	-125
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	-53	-46

AMOUNTS REPORTED IN THE CASH FLOW STATEMENT

In CZK million

	2023	2022
Total cash outflow for leases	394	404

B LEASES WITH THE GROUP AS THE LESSORE

OPERATING LEASES

For the year ended 31 December 2023, the statement of comprehensive income included rental income of CZK 20 million (2022: CZK 24 million).

30. Assets and Liabilities Related to Discontinued Operations and Assets Held for Sale

A ASSETS RELATED TO DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The following asset items are presented as assets held for sale:

In CZK million

	31 December 2023	31 December 2022
Property, plant and equipment	7	10
Land and buildings held for sale	1	100
Total	**8**	**110**

As at 31 December 2023, certain assets of SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. in the amount of CZK 8 million were classified as assets held for sale. Assets classified as held for sale by ELTRA, s.r.o. were sold in 2023.

As at 31 December 2022, certain assets of ELTRA, s.r.o. in the amount of CZK 100 million and of SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. in the amount of CZK 10 million were classified as assets held for sale.

B LIABILITIES RELATED TO DISCONTINUED OPERATIONS

As at 31 December 2023 and 31 December 2022, the Group reported no liabilities related to assets held for sale.

31. Risk Management Policies and Disclosures

This section provides details of the Group's exposure to financial and operational risks and the way it manages such risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

In the normal course of its business, the Group is exposed to different market risks, notably the risk of changes in interest rates and exchange rates. To minimise this exposure, the Group enters into derivative 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. This risk arises primarily in the Group's receivables from customers and loans and borrowings.

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's policy is also to require suitable collateral or guarantee to be provided by customers. The exposure to credit risk is monitored on an ongoing basis.

ADDITIONAL ASPECTS MITIGATING CREDIT RISK

The carrying amount of financial assets 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 carrying amounts therefore significantly exceed the expected losses 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 CZK million

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Other	Total
Assets						
Cash and cash equivalents	–	–	–	3,672	9	**3,681**
Restricted cash	–	–	–	592	–	**592**
Trade receivables and other assets	8,307	376	11	–	133	**8,827**
Financial instruments and other financial assets	430	–	–	83	–	**513**
Total	**8,737**	**376**	**11**	**4,347**	**142**	**13,613**

As at 31 December 2022

In CZK million

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Other	Total
Assets						
Cash and cash equivalents	–	–	–	2,392	9	**2,401**
Restricted cash	–	–	–	495	–	**495**
Trade receivables and other assets	7,277	384	10	–	58	**7,729**
Financial instruments and other financial assets	393	–	–	263	–	**656**
Total	**7,670**	**384**	**10**	**3,150**	**67**	**11,281**

CREDIT RISK BY LOCATION OF DEBTOR

As at 31 December 2023

In CZK million

	Czech Republic	Slovakia	Other	Total
Assets				
Cash and cash equivalents	3,402	226	53	**3,681**
Restricted cash	591	1	–	**592**
Trade receivables and other assets	6,098	1,488	1,241	**8,827**
Financial instruments and other financial assets	167	4	342	**513**
Total	**10,258**	**1,719**	**1,636**	**13,613**

As at 31 December 2022

In CZK million

	Czech Republic	Slovakia	Other	Total
Assets				
Cash and cash equivalents	2,264	114	23	**2,401**
Restricted cash	494	1	–	**495**
Trade receivables and other assets	5,292	1,611	826	**7,729**
Financial instruments and other financial assets	329	–	327	**656**
Total	**8,379**	**1,726**	**1,176**	**11,281**

II. IMPAIRMENT LOSSES

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, or
- 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.

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 assets are included in Stage I or POCI.

Risk Management Policies and Disclosures

Subsequent allocation to stages is as follows: assets with significant increase in credit risk (SICR) since initial recognition (Stage II), or credit impaired assets (Stage III).

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. For more information refer to Note 3(c) – Non-derivative financial assets and Note 3(h) – Impairment.

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

The following table provides information about changes in the loss allowance during the year ended 31 December 2023.

In CZK million

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2023	**–**	**–**	**-276**	**–**	**-276**
Impairment losses reported during the year	–	–	-39	–	**-39**
Reversal of impairment losses reported during the year	–	–	5	–	**5**
Use of allowances during the year	–	–	21	–	**21**
Effects of changes in foreign exchange rates	–	–	-6	–	**-6**
Balance at 31 December 2023	**–**	**–**	**-295**	**–**	**-295**

The following table provides information about changes in the loss allowance during the year ended 31 December 2022.

In CZK million

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2022	**–**	**–**	**-234**	**–**	**-234**
Impairment losses reported during the year	–	–	-82	–	**-82**
Reversal of impairment losses reported during the year	–	–	6	–	**6**
Use of allowances during the year	–	–	27	–	**27**
Effects of changes in foreign exchange rates	–	–	7	–	**7**
Balance at 31 December 2022	**–**	**–**	**-276**	**–**	**-276**

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2023 were as follows:

In CZK million

	Loans to other than credit institutions	Trade receivables and other assets	Total
Balance at 1 January 2023	**–**	**-276**	**-276**
Impairment losses reported during the year	–	-39	**-39**
Reversal of impairment losses reported during the year	–	5	**5**
Use of allowances during the year	–	21	**21**
Effects of changes in foreign exchange rates	–	-6	**-6**
Balance at 31 December 2023	**–**	**-295**	**-295**

The ageing of financial assets, excluding cash and cash equivalents and derivatives, at the reporting date was as follows:

As at 31 December 2023

In CZK million

	Loans to other than credit institutions	Trade receivables, contractual and other assets	Total
Before maturity (net)	419	8,450	**8,869**
After maturity (net)	–	377	**377**
Total	**419**	**8,827**	**9,246**
A – Assets (gross)			
– before maturity	419	8,468	**8,887**
– after maturity <30 days	–	128	**128**
– after maturity 31–180 days	–	165	**165**
– after maturity 181–365 days	–	70	**70**
– after maturity >365 days	–	291	**291**
Total assets (gross)	**419**	**9,122**	**9,541**
B – Loss allowances for assets			
– before maturity	–	-18	**-18**
– after maturity <30 days	–	–	**–**
– after maturity 31–180 days	–	-13	**-13**
– after maturity 181–365 days	–	-1	**-1**
– after maturity >365 days	–	-263	**-263**
Total loss allowances	**–**	**-295**	**-295**
Total assets (net) (A + B)	**419**	**8,827**	**9,246**

Risk Management Policies and Disclosures

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

In CZK million

	Loans to other than credit institutions	Trade receivables and other assets	Total
Balance at 1 January 2022	**–**	**-234**	**-234**
Impairment losses reported during the year	–	-82	**-82**
Reversal of impairment losses reported during the year	–	6	**6**
Use of allowances during the year	–	27	**27**
Effects of changes in foreign exchange rates	–	7	**7**
Balance at 31 December 2022	**–**	**-276**	**-276**

The ageing of financial assets, excluding cash and cash equivalents and derivatives, at the reporting date was as follows:

At 31 December 2022

In CZK million

	Loans to other than credit institutions	Trade receivables, contractual and other assets	Total
Before maturity (net)	387	7,353	**7,740**
After maturity (net)	–	376	**376**
Total	**387**	**7,729**	**8,116**
A – Assets (gross)			
– before maturity	387	7,376	**7,763**
– after maturity <30 days	–	201	**201**
– after maturity 31–180 days	–	119	**119**
– after maturity 181–365 days	–	70	**70**
– after maturity >365 days	–	239	**239**
Total assets (gross)	**387**	**8,005**	**8,392**
B – Loss allowances for assets			
– before maturity	–	-23	**-23**
– after maturity <30 days	–	–	**–**
– after maturity 31–180 days	–	-46	**-46**
– after maturity 181–365 days	–	-17	**-17**
– after maturity >365 days	–	-190	**-190**
Total loss allowances	**–**	**-276**	**-276**
Total assets (net) (A + B)	**387**	**7,729**	**8,116**

Impairment losses on financial assets at amortised cost are calculated based on a new 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 the new 3-stage model or to receivables where events that have a detrimental impact on the estimated future cash flows of the asset have occurred. The remaining amount of impairment losses represents loss allowances at an amount equal to expected credit losses.

The Group calculates a collective loss allowance for trade receivables on the basis of a simplified approach based on the historical allowance matrix. Probability of default is taken from the historical allowance matrix (set up separately by each component) with the 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 insignificant 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 assets and 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 assets and liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category.

MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2023

In CZK million

	Carrying amount	Contractual cash flows[(1)]	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years	Undefined maturity
Assets							
Cash and cash equivalents	**3,681**	3,681	3,681	–	–	–	–
Restricted cash	**592**	592	1	–	–	591	–
Trade receivables and other assets	**8,827**	[(2)]8,061	6,868	878	230	85	–
Financial instruments and other financial assets	**513**	554	9	78	462	–	5
of which: derivatives – inflow	***84***	*1,549*	*2*	–	*1,547*	–	–
– outflow		*-1,549*	*-2*	–	*-1,547*	–	–
Total	**13,613**	**12,888**	**10,559**	**956**	**692**	**676**	**5**
Liabilities							
Loans and borrowings	**10,297**	11,324	1,378	2,691	7,095	160	–
Trade payables and other liabilities	**8,132**	[(3)]7,472	6,787	476	166	43	–
Financial instruments and other financial liabilities	**162**	164	44	115	5	–	–
of which: derivatives – inflow	***26***	*1,000*	*364*	*500*	*136*	–	–
– outflow		*-1,000*	*-364*	*-500*	*-136*	–	–
Total	**18,591**	**18,960**	**8,209**	**3,282**	**7,266**	**203**	**–**
Net liquidity risk position	**-4,978**	**-6,072**	**2,350**	**-2,326**	**-6,574**	**473**	**5**

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) Prepaid expenses and advances provided are excluded from the carrying amount as these items will cause no future cash outflow.
(3) Advances received are excluded from the carrying amount as these items will cause no future cash outflow.

At 31 December 2022

In CZK million

	Carrying amount	Contractual cash flows(1)	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years	Undefined maturity
Assets							
Cash and cash equivalents	**2,401**	2,401	2,401	–	–	–	–
Restricted cash	**495**	495	1	–	–	494	–
Trade receivables and other assets	**7,729**	(2)7,439	4,977	2,139	199	124	–
Financial instruments and other financial assets	**656**	662	63	64	533	–	2
of which: derivatives – inflow	***263***	*3,196*	*4*	*314*	*2,878*	–	–
– outflow	**–**	*-3,196*	*-4*	*-314*	*-2,878*	–	–
Total	**11,281**	**10,997**	**7,442**	**2,203**	**732**	**618**	**2**
Liabilities							
Loans and borrowings	**10,425**	11,710	2,301	1,896	7,380	133	–
Trade payables and other liabilities	**5,989**	(3)5,651	4,368	1,108	136	39	–
Financial instruments and other financial liabilities	**306**	301	138	38	125	–	–
of which: derivatives – inflow	***1***	*241*	*241*	–	–	–	–
– outflow	**–**	*-241*	*-241*	–	–	–	–
Total	**16,720**	**17,662**	**6,807**	**3,042**	**7,641**	**172**	**–**
Net liquidity risk position	**-5,439**	**-6,665**	**635**	**-839**	**-6,909**	**446**	**2**

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) Prepaid expenses and advances provided are excluded from the carrying amount as these items will cause no future cash outflow.
(3) Advances received are excluded from the carrying amount as these items will cause no future cash outflow.

The cash flows included in the maturity analysis are not expected to occur significantly sooner or in significantly higher volumes.

C INTEREST RATE RISK

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities will mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are no 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:

As at 31 December 2023

In CZK million

	Up to 1 year	1–5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	3,672	–	–	9	**3,681**
Restricted cash	592	–	–	–	**592**
Trade receivables and other assets	–	–	–	8,827	**8,827**
Financial instruments and other financial assets	494	14	–	5	**513**
of which: derivatives – inflow	*1,549*	-	–	–	***1,549***
– outflow	*-1,549*	-	–	–	***-1,549***
Total	**4,758**	**14**	**–**	**8,841**	**13,613**
Liabilities					
Loans and borrowings	9,415	754	128	–	**10,297**
Trade payables and other liabilities	–	–	–	8,132	**8,132**
Financial instruments and other financial liabilities	162	–	–	–	**162**
of which: derivatives – inflow	*1,000*	–	–	–	***1,000***
– outflow	*-1,000*	–	–	–	***-1,000***
Total	**9,577**	**754**	**128**	**8,132**	**18,591**
Net interest rate risk position	**-4,819**	**-740**	**-128**	**709**	**-4,978**

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:

At 31 December 2022

In CZK million

	Up to 1 year	1–5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	2,392	–	–	9	**2,401**
Restricted cash	495	–	–	–	**495**
Trade receivables and other assets	–	–	–	7,729	**7,729**
Financial instruments and other financial assets	147	507	–	2	**656**
of which: derivatives – inflow	*3,196*	–	–	–	***3,196***
– outflow	*-3,196*	–	–	–	***-3,196***
Total	**3,034**	**507**	**–**	**7,740**	**11,281**
Liabilities					
Loans and borrowings	9,635	636	154	–	**10,425**
Trade payables and other liabilities	–	–	–	5,989	**5,989**
Financial instruments and other financial liabilities	187	119	–	–	**306**
of which: derivatives – inflow	*241*	–	–	–	***241***
– outflow	*-241*	–	–	–	***-241***
Total	**9,822**	**755**	**154**	**5,989**	**16,720**
Net interest rate risk	**-6,788**	**-248**	**-154**	**1,751**	**-5,439**

Nominal amounts of financial instruments are included in Note 25 – Financial Instruments.

Risk Management Policies and Disclosures

SENSITIVITY ANALYSIS

The Group performs stress testing using a standardised market interest rate shock, for financial assets and liabilities to be repriced up to 1 year time, i.e. an immediate decrease/increase in interest rates by 1% along the whole yield curve is applied to market interest rate positions of the portfolio.

At the reporting date, a change of 1% in market interest rates would have increased or decreased profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In CZK million

	31 December 2023	31 December 2022
Decrease in interest rates by 1%	3	3
Increase in interest rates by 1%	-3	-3

The analysis stated above does not reflect the impact of change in interest rate on the fair value of derivatives.

D FOREIGN EXCHANGE RATE RISK

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other that the respective functional currencies of Group entities, primarily EUR.

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

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

As at 31 December 2023, the Group is exposed to currency risk where 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 other than the functional currency in which they are measured are shown in the following table:

In CZK million

	CZK	EUR	Other
Assets			
Cash and cash equivalents	20	364	13
Restricted cash	–	–	–
Trade receivables and other assets	87	1,495	155
Financial instruments and other financial assets	–	69	–
	107	**1,928**	**168**
Liabilities			
Loans and borrowings	5	345	–
Trade payables and other liabilities	133	1,344	18
Financial instruments and other financial liabilities	–	–	–
	138	**1,689**	**18**

As at 31 December 2022, the Group is exposed to currency risk where 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 other than the functional currency in which they are measured are shown in the following table:

In CZK million

	CZK	EUR	Other
Assets			
Cash and cash equivalents	29	610	29
Restricted cash	–	–	–
Trade receivables and other assets	77	916	270
Financial instruments and other financial assets	–	62	–
	106	**1,588**	**299**
Liabilities			
Loans and borrowings	1	856	–
Trade payables and other liabilities	64	1,007	29
Financial instruments and other financial liabilities	–	–	–
	65	**1,863**	**29**

SENSITIVITY ANALYSIS

A strengthening (weakening) of the Czech crown, as indicated below, against EUR at the reporting date would have increased (decreased) equity 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 CZK million

	31 December 2023	31 December 2022
EUR (5% strengthening)	12	-14

A weakening of the Czech crown against the above currency 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 OPERATING RISK

Operating risk is a risk of losses arising from embezzlement, unauthorised activities, errors, omissions, inefficiencies or system failures. A risk of this type arises in all of the Group's activities and all business entities are exposed to it. Operating risks include legal risks.

The Group's objective is to manage operating risk so as to maintain balance between prevention of financial losses and damage to the Group's reputation, and overall efficiency of the costs incurred. Risk management procedures should not impede initiative and creativity.

Primary responsibility for the application of control mechanisms for managing operating risks is borne by the management of each subsidiary. They are supported by the general risk management standards applicable to the entire Group. These general standards, prepared by the risk department, cover the following areas:

- Transaction reconciliation and monitoring requirements
- Identification of operating risks within the control system of each subsidiary (determination of conditions for decreasing and limiting operating risks and their impacts and consequences; recommendations of suitable solutions for this area)
- By gaining awareness of operating risks, the Group creates conditions for determining and directing the procedures and measures that will lead to reductions of operating risks and to the adoption of decisions on:
  - Recognition of the individual existing risks
  - Initiation of processes that will lead to limitations of possible impacts
  - Narrowing of the space for risk activities or their complete discontinuation.

F COMMODITY RISK

The Group is not exposed to any significant risks resulting from fluctuations in the prices of commodities. Therefore no significant derivatives were used to reduce the exposure to fluctuations in commodity prices.

G CAPITAL MANAGEMENT

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

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

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

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

In CZK million

	31 December 2023	31 December 2022
Total liabilities	20,115	17,881
Less cash and cash equivalents	-3,681	-2,401
Net debt	**16,434**	**15,480**
Total equity attributable to equity holders of the Company	5,460	4,960
Less amounts accumulated in equity in relation to cash flow hedges	–	–
Adjusted capital	**5,460**	**4,960**
Debt to adjusted capital	**3.01**	**3.12**

32. Related Parties

SPECIFICATION OF RELATED PARTIES

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

A SUMMARY OF OUTSTANDING BALANCES WITH RELATED PARTIES AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022:

In CZK million

	Accounts receivable and other financial assets 2023	Accounts payable and other financial liabilities 2023	Accounts receivable and other financial assets 2022	Accounts payable and other financial liabilities 2022
Ultimate shareholders and companies controlled by them	–	–	–	–
Associates	68	–	59	–
Other related parties	180	32	81	226
Total	**248**	**32**	**140**	**226**

B SUMMARY OF RELATED PARTY TRANSACTIONS IN THE YEAR ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022:

In CZK million

	Income 2023	Expenses 2023	Income 2022	Expenses 2022
Ultimate shareholders and companies controlled by them	17	-10	2	–
Associates	7	–	2	–
Other related parties	264	-93	170	-189
Total	**288**	**-103**	**174**	**-189**

All transactions were performed under the arm's length principle.

TRANSACTIONS WITH MEMBERS OF THE BOARD OF DIRECTORS OF EPI

In 2023 and 2022, the EPI Group provided the members of the Company's Board of Directors with no remuneration in cash or in kind.

Remuneration of the key management personnel of EPI Group is included in Note 8 – Personnel expenses.

33. Group Entities

The list of the Group entities as at 31 December 2023 and 31 December 2022 is set out below:

Company name	Country of incorporation	Industry sector	31 December 2023			31 December 2022		
			Ownership %	Equity interest	Measurement	Ownership %	Equity interest	Measurement
EP Industries, a.s.	Czech Republic	1, 2, 3	–	–	–	–	–	–
BAULIGA a.s.(1)	Czech Republic	2	100	Direct	Full	100	Direct	Full
ABRUZZO a.s.	Slovakia	2	10	Direct	Full	10	Direct	Full
SOR Libchavy spol. s r.o.	Czech Republic	2	100	Direct	Full	100	Direct	Full
SOR SLOVAKIA, s.r.o.	Slovakia	2	100	Direct	Full	100	Direct	Full
SOR Poland z o.o.	Poland	2	100	Direct	Full	100	Direct	Full
SOR Bulgaria EOOD	Bulgaria	2	100	Direct	Full	100	Direct	Full
RAIL ELECTRONICS CZ s.r.o.	Czech Republic	2	75	Direct	Full	75	Direct	Full
SES Energy, a.s.	Slovakia	1	100	Direct	Full	100	Direct	Full
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	Slovakia	1	99.46	Direct	Full	99.45	Direct	Full
SES BOHEMIA s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Ingenieria y construccion SES Chile Ltda.	Chile	1	100	Direct	Full	100	Direct	Full
ENERGOPROJEKTY a.s., v likvidácii	Slovakia	1	34	Direct	Equity	34	Direct	Equity
SES BOHEMIA ENGINEERING, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Energetické opravny, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EO TECHNOLOGY s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
TAHOBA INVESTMENTS LIMITED(1)(5)	Cyprus	1	–	–	–	88	Direct	Full
Energetické montáže Holding, a.s.(1)	Czech Republic	1	–	–	–	21.43	Direct	Full
MSEM, a.s.	Czech Republic	1	–	–	–	100	Direct	Full
VČE – montáže, a.s.	Czech Republic	1	–	–	–	100	Direct	Full
SEG s.r.o.	Czech Republic	1	–	–	–	100	Direct	Full
MONTPROJEKT, a.s.	Czech Republic	1	–	–	–	100	Direct	Full
EGEM s.r.o.	Czech Republic	1	–	–	–	100	Direct	Full
EGEM, s.r.o.	Slovakia	1	–	–	–	90	Direct	Full
EGEM Sp. z o.o.	Poland	1	–	–	–	100	Direct	Full
PROFI EMG s.r.o.	Czech Republic	1	–	–	–	100	Direct	Full
EGEM, s.r.o.	Slovakia	1	–	–	–	10	Direct	Full
PEZ – projekce energetických zařízení s.r.o.	Czech Republic	1	–	–	–	100	Direct	Full

(1) Special purpose entity
(2) On 1 February 2023 EŽP Invest a.s. was renamed to EDH Invest a.s.
(3) On 29 March 2023, the equity interest in SKS INVEST s.r.o. was increased by 50% to a total of 100%. On 23 November, the company went into liquidation.
(4) On 19 July 2023, HERKUL PLUS, s.r.o. went into liquidation and on 1 December 2023, it was deleted from the Register of Companies.
(5) On 22 December 2023, TAHOBA INVESTMENTS LIMITED merged with HERINGTON INVESTMENTS LIMITED with the effective date of 1 January 2023. HERINGTON INVESTMENTS LIMITED is the successor company.

Company name	Country of incorporation	Industry sector	31 December 2023			31 December 2022		
			Ownership %	Equity interest	Measurement	Ownership %	Equity interest	Measurement
Elektrovod a.s.	Slovakia	1	–	–	–	100	Direct	Full
I&C Energo Magyarország Kft.	Hungary	1	–	–	–	100	Direct	At cost (fair value)
HERINGTON INVESTMENTS LIMITED(1)(5)	Cyprus	1	100	Direct	Full	88	Direct	Full
Energetické montáže Holding, a.s.(1)	Czech Republic	1	100	Direct	Full	78.57	Direct	Full
MSEM, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
VČE – montáže, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
SEG s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
MONTPROJEKT, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM, s.r.o.	Slovakia	1	90	Direct	Full	90	Direct	Full
EGEM Sp. z o.o.	Poland	1	100	Direct	Full	100	Direct	Full
PROFI EMG s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM, s.r.o.	Slovakia	1	10	Direct	Full	10	Direct	Full
PEZ – projekce energetických zařízení s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Elektrovod a.s.	Slovakia	1	100	Direct	Full	100	Direct	Full
I&C Energo Magyarország Kft.	Hungary	1	100	Direct	Full	100	Direct	At cost (fair value)
ED Holding a.s.(1)	Czech Republic	1	100	Direct	Full	100	Direct	Full
TRAMO RAIL, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
ENPRO Energo s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EDH Invest a.s.(2)	Czech Republic	1	100	Direct	Full	100	Direct	Full
ELTRA, s.r.o.	Slovakia	1	100	Direct	Full	100	Direct	Full
EZ-ELEKTROSYSTÉMY Košice s.r.o.	Slovakia	1	80	Direct	Full	80	Direct	Full
Elektrizace železnic Praha a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EZ-ELEKTROSYSTÉMY Košice s.r.o.	Slovakia	1	20	Direct	Full	20	Direct	Full
ELQA, s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Fintherm a.s.	Czech Republic	2	100	Direct	Full	100	Direct	Full
HART – PIPE s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
T.O.O., spol. s r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
ABRUZZO a.s.	Slovakia	2	90	Direct	Full	90	Direct	Full
EPI AcquiCo s.r.o.	Czech Republic	2	100	Direct	At cost (fair value)	–	–	–

(1) Special purpose entity
(2) On 1 February 2023 EŽP Invest a.s. was renamed to EDH Invest a.s.
(3) On 29 March 2023, the equity interest in SKS INVEST s.r.o. was increased by 50% to a total of 100%. On 23 November, the company went into liquidation.
(4) On 19 July 2023, HERKUL PLUS, s.r.o. went into liquidation and on 1 December 2023, it was deleted from the Register of Companies.
(5) On 22 December 2023, TAHOBA INVESTMENTS LIMITED merged with HERINGTON INVESTMENTS LIMITED with the effective date of 1 January 2023. HERINGTON INVESTMENTS LIMITED is the successor company.

Company name	Country of incorporation	Industry sector	31 December 2023			31 December 2022		
			Ownership %	Equity interest	Measurement	Ownership %	Equity interest	Measurement
PI1 a.s.[1]	Czech Republic	1	100	Direct	Full	100	Direct	Full
I&C Energo a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Winning Automotive a.s.[1]	Czech Republic	2	50	Direct	Equity	50	Direct	Equity
Winning BLW GmbH	Germany	2	100	Direct	Equity	100	Direct	Equity
Winning BLW Management GmbH	Germany	2	100	Direct	Equity	100	Direct	Equity
Winning Automotive 1 GmbH	Germany	2	100	Direct	Equity	100	Direct	Equity
PIRAMEL ENTERPRISES LIMITED[1]	Cyprus	3	90	Direct	Full	90	Direct	Full
ANDELTA, a.s.[1]	Czech Republic	2, 3	100	Direct	Full	100	Direct	Full
AVE CZ odpadové hospodářství s.r.o.	Czech Republic	3	75	Direct	Full	75	Direct	Full
AVE Ústí nad Labem s.r.o.	Czech Republic	3	90	Direct	Full	90	Direct	Full
REKKA s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Sběrné suroviny a.s.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kolín s.r.o.	Czech Republic	3	90	Direct	Full	90	Direct	Full
EKO SKLÁDKA spol. s r.o.	Czech Republic	3	24	Direct	At cost (fair value)	24	Direct	At cost (fair value)
AVE Services s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kralupy s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kladno s.r.o.	Czech Republic	3	99.79	Direct	Full	99.79	Direct	Full
SKS INVEST s.r.o. v likvidaci[3]	Czech Republic	3	100	Direct	At cost (fair value)	50	Direct	At cost (fair value)
PETKA CZ, a.s.	Czech Republic	3	64.29	Direct	Full	64.29	Direct	Full
DOKOM FINAL s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Pražské komunální služby a.s.	Czech Republic	3	100	Direct	Full	100	Direct	Full
HERKUL a.s.	Czech Republic	2	100	Direct	Full	100	Direct	Full
HERKUL PLUS, s.r.o. v likvidaci[4]	Czech Republic	2	–	–	–	100	Direct	Full
RELIEF PROJECTS, s.r.o.	Czech Republic	2	100	Direct	Full	100	Direct	Full
ESG AVENSIS s.r.o.	Czech Republic	2	100	Direct	Full	100	Direct	Full
Čistá Plzeň Servis s.r.o.	Czech Republic	3	21	Direct	At cost (fair value)	21	Direct	At cost (fair value)
LINEO, spol. s r.o.	Czech Republic	2	100	Direct	At cost (fair value)	–	–	–
Středočeská autobusová doprava s.r.o.	Czech Republic	2	100	Direct	Full	100	Direct	Full

(1) Special purpose entity
(2) On 1 February 2023 EŽP Invest a.s. was renamed to EDH Invest a.s.
(3) On 29 March 2023, the equity interest in SKS INVEST s.r.o. was increased by 50% to a total of 100%. On 23 November, the company went into liquidation.
(4) On 19 July 2023, HERKUL PLUS, s.r.o. went into liquidation and on 1 December 2023, it was deleted from the Register of Companies.
(5) On 22 December 2023, TAHOBA INVESTMENTS LIMITED merged with HERINGTON INVESTMENTS LIMITED with the effective date of 1 January 2023. HERINGTON INVESTMENTS LIMITED is the successor company.

Company name	Country of incorporation	Industry sector	31 December 2023			31 December 2022		
			Ownership %	Equity interest	Measurement	Ownership %	Equity interest	Measurement
AVE SK odpadové hospodárstvo s.r.o.	Slovakia	3	100	Direct	Full	100	Direct	Full
AVE Mukatschewo TOB	Ukraine	3	35.23	Direct	Full	–	–	–
AVE Umwelt Ukrajine TOB	Ukraine	3	100	Direct	Full	100	Direct	Full
AVE Vinogradovo TOB	Ukraine	3	96.31	Direct	Full	96.31	Direct	Full
AVE Iwano-Frankiwsk TOB	Ukraine	3	96.28	Direct	Full	96.28	Direct	Full
AVE Mukatschewo TOB	Ukraine	3	60.15	Direct	Full	60.15	Direct	Full
AVE Uzhgorod TOB	Ukraine	3	100	Direct	Full	100	Direct	Full
AVE Polygon	Ukraine	3	100	Direct	At cost (fair value)	100	Direct	At cost (fair value)
SELIMETO SE[1]	Czech Republic	3	100	Direct	Full	100	Direct	Full
PIRAMEL ENTERPRISES LIMITED[1]	Cyprus	3	10	Direct	Full	10	Direct	Full
ANDELTA, a.s.[1]	Czech Republic	2, 3	100	Direct	Full	100	Direct	Full
AVE CZ odpadové hospodářství s.r.o.	Czech Republic	3	75	Direct	Full	75	Direct	Full
AVE Ústí nad Labem s.r.o.	Czech Republic	3	90	Direct	Full	90	Direct	Full
REKKA s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Sběrné suroviny a.s.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kolín s.r.o.	Czech Republic	3	90	Direct	Full	90	Direct	Full
EKO SKLÁDKA spol. s r.o.	Czech Republic	3	24	Direct	At cost (fair value)	24	Direct	At cost (fair value)
AVE Services s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kralupy s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kladno s.r.o.	Czech Republic	3	99.79	Direct	Full	99.79	Direct	Full
SKS INVEST s.r.o. v likvidaci[3]	Czech Republic	3	100	Direct	At cost (fair value)	50	Direct	At cost (fair value)
PETKA CZ, a.s.	Czech Republic	3	64.29	Direct	Full	64.29	Direct	Full
DOKOM FINAL s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Pražské komunální služby a.s.	Czech Republic	3	100	Direct	Full	100	Direct	Full
HERKUL a.s.	Czech Republic	2	100	Direct	Full	100	Direct	Full
HERKUL PLUS, s.r.o. v likvidaci[4]	Czech Republic	2	–	–	–	100	Direct	Full
RELIEF PROJECTS, s.r.o.	Czech Republic	2	100	Direct	Full	100	Direct	Full
ESG AVENSIS s.r.o.	Czech Republic	2	100	Direct	Full	100	Direct	Full

(1) Special purpose entity
(2) On 1 February 2023 EŽP Invest a.s. was renamed to EDH Invest a.s.
(3) On 29 March 2023, the equity interest in SKS INVEST s.r.o. was increased by 50% to a total of 100%. On 23 November, the company went into liquidation.
(4) On 19 July 2023, HERKUL PLUS, s.r.o. went into liquidation and on 1 December 2023, it was deleted from the Register of Companies.
(5) On 22 December 2023, TAHOBA INVESTMENTS LIMITED merged with HERINGTON INVESTMENTS LIMITED with the effective date of 1 January 2023. HERINGTON INVESTMENTS LIMITED is the successor company.

Company name	Country of incorporation	Industry sector	31 December 2023			31 December 2022		
			Ownership %	Equity interest	Measurement	Ownership %	Equity interest	Measurement
Čistá Plzeň Servis s.r.o.	Czech Republic	3	21	Direct	At cost (fair value)	21	Direct	At cost (fair value)
LINEO, spol. s r.o.	Czech Republic	2	100	Direct	At cost (fair value)	–	–	–
Středočeská autobusová doprava s.r.o.	Czech Republic	2	100	Direct	Full	100	Direct	Full
AVE SK odpadové hospodárstvo s.r.o.	Slovakia	3	100	Direct	Full	100	Direct	Full
AVE Mukatschewo TOB	Ukraine	3	35.23	Direct	Full	–	–	–
AVE Umwelt Ukrajine TOB	Ukraine	3	100	Direct	Full	100	Direct	Full
AVE Vinogradovo TOB	Ukraine	3	96.31	Direct	Full	96.31	Direct	Full
AVE Iwano-Frankiwsk TOB	Ukraine	3	96.28	Direct	Full	96.28	Direct	Full
AVE Mukatschewo TOB	Ukraine	3	60.15	Direct	Full	60.15	Direct	Full
AVE Uzhgorod TOB	Ukraine	3	100	Direct	Full	100	Direct	Full
AVE Polygon	Ukraine	3	100	Direct	At cost (fair value)	100	Direct	At cost (fair value)

(1) Special purpose entity
(2) On 1 February 2023 EŽP Invest a.s. was renamed to EDH Invest a.s.
(3) On 29 March 2023, the equity interest in SKS INVEST s.r.o. was increased by 50% to a total of 100%. On 23 November, the company went into liquidation.
(4) On 19 July 2023, HERKUL PLUS, s.r.o. went into liquidation and on 1 December 2023, it was deleted from the Register of Companies.
(5) On 22 December 2023, TAHOBA INVESTMENTS LIMITED merged with HERINGTON INVESTMENTS LIMITED with the effective date of 1 January 2023. HERINGTON INVESTMENTS LIMITED is the successor company.

Industries:

(1) Technical engineering activities and services

(2) Manufacturing and other activities

(3) Waste management

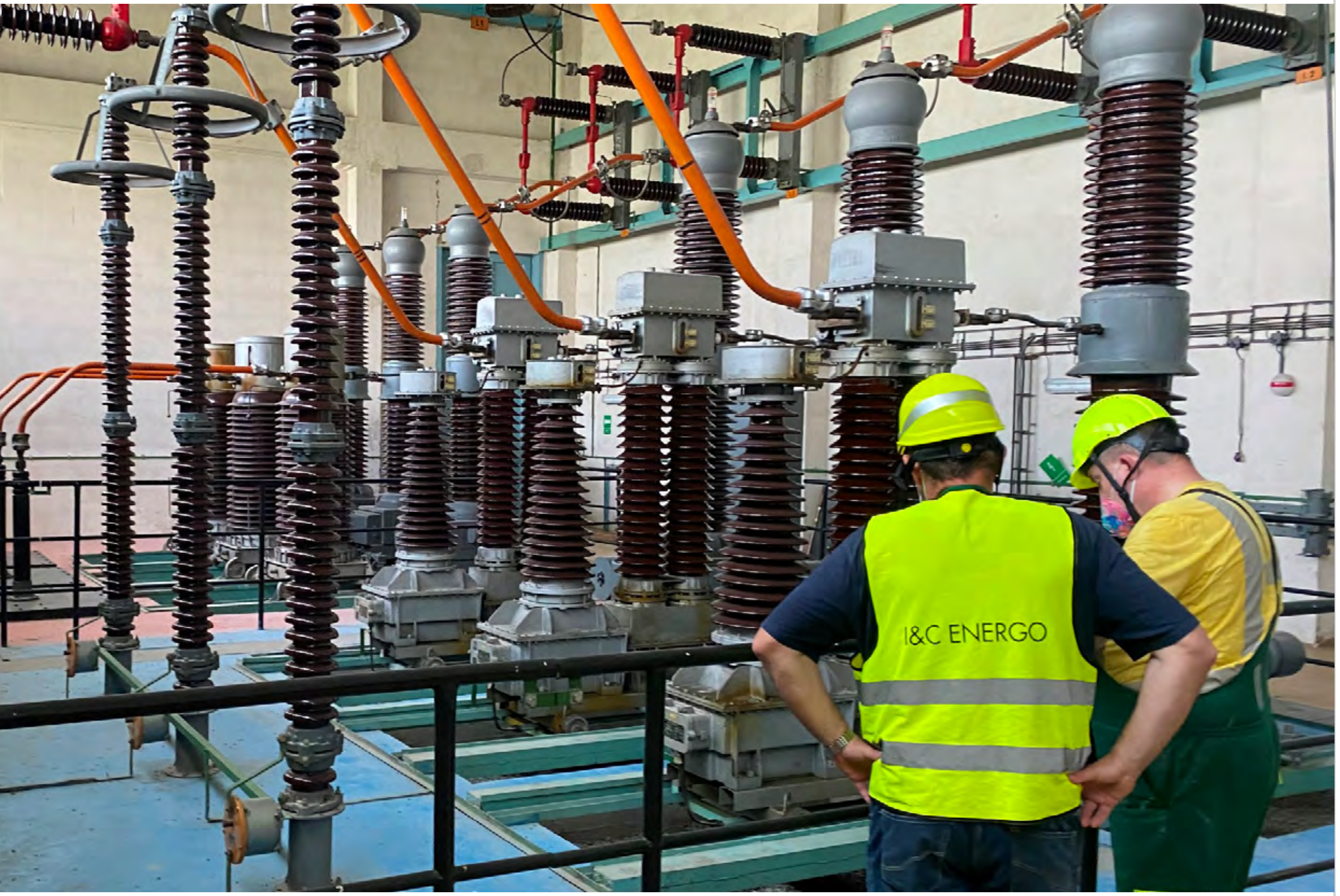
The structure above is listed by ownership of companies at the different levels within the Group.

34. Subsequent Events

On 19 February 2024, Energetické montáže Holding, a.s. acquired a 100% equity interest in PERFECT, spol. s r.o. The Company's management does not expect the overal impact of the transaction to be material.

Except for the matters described herein and elsewhere in these notes, the management of the Company is not aware of any other significant subsequent events that could have an impact on the financial statements as at 31 December 2023.

Date:	Signature of the authorised representative:
31 May 2024	



Independent Auditor’s Report on the Unconsolidated Financial Statements

Independent Auditor’s Report on the Consolidated Annual Report

Introduction by the Chairman of the Board of Directors

Report of the Board of Directors on Business Activities and State of Assets

Report on relations

Consolidated Financial Statements

Independent Auditor’s Report on the Unconsolidated Financial Statements

Separate Financial Statements

Deloitte.

Deloitte Audit s.r.o.
Churchill I
Italská 2581/67
120 00 Prague 2 – Vinohrady
Czech Republic

Tel: +420 246 042 500
DeloitteCZ@deloitteCE.com
www.deloitte.cz

Registered by the Municipal
Court in Prague, Section C,
File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of EP Industries, a.s.

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

Opinion

We have audited the accompanying financial statements of EP Industries, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2023, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of EP Industries, a.s. as of 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Annual Report

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

As stated in Note 2(k) to the financial statements, EP Industries a.s. does not prepare an annual report as it intends to include the relevant information in the consolidated annual report. Accordingly, our opinion on the other information is not part of 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 accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

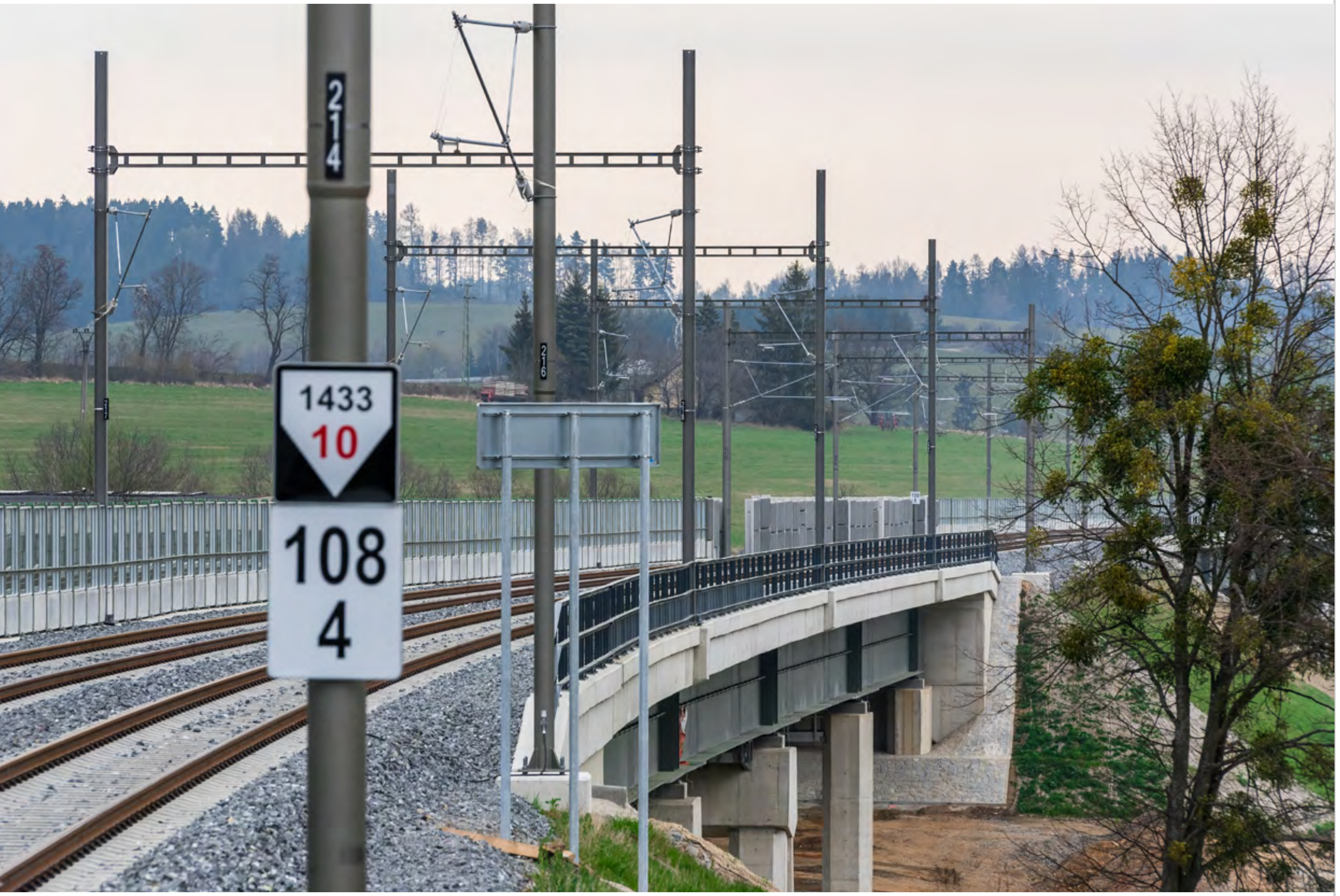
As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

In Prague on 25 June 2024

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



Separate Financial Statements

Independent Auditor's Report on the Consolidated Annual Report

Introduction by the Chairman of the Board of Directors

Report of the Board of Directors on Business Activities and State of Assets

Report on relations

Consolidated Financial Statements

Independent Auditor's Report on the Unconsolidated Financial Statements

Separate Financial Statements

Financial Statements
for the year ended 31 December 2023

NAME OF THE COMPANY:	EP Industries, a. s.
REGISTERED OFFICE:	Pařížská 130/26, 110 00 Prague 1-Josefov
LEGAL STATUS:	Joint Stock Company
Corporate ID:	292 94 746

COMPONENTS OF THE FINANCIAL STATEMENTS:

Balance Sheet

Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These Financial Statements were prepared on 31 May 2024.

Governing body of the reporting entity	Signature
Mgr. Ing. Jiří Nováček Chairman of the Board of Directors	
Mgr. Hana Krejčí, Ph.D. Member of the Board of Directors	

Balance Sheet

EP Industries, a. s.
Corporate ID 292 94 746

FULL VERSION

Pařížská 130/26
Josefov
110 00 Praha 1

As of 31.12.2023
(in CZK thousand)

		31.12.2023			31.12.2022
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	**11,870,257**	**872,623**	**10,997,634**	**10,806,495**
B.	**FIXED ASSETS**	**10,055,787**	**619,389**	**9,436,398**	**9,164,268**
B.II.	***Tangible fixed assets***	**7,395**	**3,009**	**4,386**	**738**
B.II.2.	Tangible movable assets and sets of tangible movable assets	7,395	3,009	4,386	738
B.III.	***Non-current financial assets***	**10,048,392**	**616,380**	**9,432,012**	**9,163,530**
B.III.1.	Equity investments – controlled or controlling entity	9,994,602	616,380	9,378,222	9,114,224
B.III.3.	Equity investments – associates	53,790		53,790	49,306
C.	**CURRENT ASSETS**	**1,813,841**	**253,234**	**1,560,607**	**1,641,759**
C.I.	***Inventories***	**3,682**		**3,682**	**1,247**
C.I.2.	Work in progress and semifinished goods	3,682		3,682	1,247
C.II.	***Receivables***	**1,741,990**	**253,234**	**1,488,756**	**1,282,253**
C.II.1.	Long-term receivables	135,032		135,032	
C.II.1.2.	Receivables – controlled or controlling entity	69,218		69,218	
C.II.1.3.	Receivables – associates	65,814		65,814	
C.II.2.	***Short-term receivables***	**1,606,958**	**253,234**	**1,353,724**	**1,282,253**
C.II.2.1.	Trade receivables	31,438		31,438	33,975
C.II.2.2.	Receivables – controlled or controlling entity	1,559,735	253,234	1,306,501	1,189,033
C.II.2.3.	Receivables – associates	2,149		2,149	58,791
C.II.2.4.	*Receivables – other*	13,636		13,636	454
C.II.2.4.3.	State – tax receivables	12,878		12,878	13
C.II.2.4.4.	Short-term prepayments made	758		758	441
C.IV.	***Cash***	**68,169**		**68,169**	**358,259**
C.IV.1.	Cash on hand	104		104	87
C.IV.2.	Cash at bank	68,065		68,065	358,172
D.	**ACCRUALS AND DEFERRALS**	**629**		**629**	**468**
D.1.	Deferred expenses	629		629	468

		31.12.2023	31.12.2022
	TOTAL LIABILITIES	10,997,634	10,806,495
A.	EQUITY	5,261,704	5,741,014
A.I.	***Share capital***	**1,035,816**	**1,035,816**
A.I.1.	Share capital	1,035,816	1,035,816
A.II.	***Share premium and capital funds***	**958,466**	**863,892**
A.II.1.	Share premium	845,227	845,227
A.II.2.	*Capital funds*	113,239	18,665
A.II.2.1.	Other capital funds	258,555	258,555
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-145,316	-239,890
A.III.	***Funds from profit***	**96,517**	**96,517**
A.III.1.	Other reserve funds	96,517	96,517
A.IV.	***Retained earnings (+/-)***	**2,540,493**	**1,812,903**
A.IV.1.	Retained profit or loss brought forward	2,540,493	1,812,903
A.V.	***Profit or loss for the current period (+/-)***	**630,412**	**1,931,886**
B.+C.	**LIABILITIES**	**5,735,930**	**5,065,481**
B.	**PROVISIONS**	**667**	**1,035**
B.2.	Income tax provision		610
B.4.	Other provisions	667	425
C.	**PAYABLES**	**5,735,263**	**5,064,446**
C.I.	***Long-term payables***	**3,848,546**	**2,175,233**
C.I.2.	Payables to credit institutions	1,246,035	482,300
C.I.5.	Long-term bills of exchange to be paid		119,237
C.I.6.	Payables – controlled or controlling entity	2,581,113	1,554,336
C.I.8.	Deferred tax liability	21,398	19,360
C.II.	***Short-term payables***	**1,886,717**	**2,889,213**
C.II.2.	Payables to credit institutions	69,847	121,248
C.II.3.	Short-term prepayments received	1,795	793
C.II.4.	Trade payables	16,190	17,659
C.II.5.	Short-term bills of exchange to be paid	123,044	175,802
C.II.6.	Payables – controlled or controlling entity	1,668,798	2,566,730
C.II.8.	*Other payables*	**7,043**	**6,981**
C.II.8.3.	Payables to employees	1,719	1,750
C.II.8.4.	Social security and health insurance payables	553	1,536
C.II.8.5.	State – tax payables and subsidies	273	2,577
C.II.8.6.	Estimated payables	998	1,059
C.II.8.7.	Sundry payables	3,500	59

Profit and loss account

EP Industries, a. s.
Corporate ID 292 94 746

Pařížská 130/26
Josefov
110 00 Praha 1

BY NATURE

For the year ended
31.12.2023
(CZK thousand)

		Year ended 31.12.2023	Year ended 31.12.2022
I.	Revenue from the sale of products and services	21,838	46,644
A.	Raw materials and services used	70,892	60,257
A.2.	Material and energy consumption	778	659
A.3.	Services	70,114	59,598
B.	Change in inventories of own operations (+/-)	-2,435	16,127
D.	Personnel expenses	47,511	43,518
D.1.	Labour costs	36,763	33,847
D.2.	Social security, health insurance and other costs	10,748	9,671
D.2.1.	Social security and health insurance costs	10,596	9,667
D.2.2.	Other expense	152	4
E.	Operational adjustments	730	184
E.1.	Adjustments to intangible and tangible fixed assets	730	184
E.1.1.	Adjustments to intangible and tangible fixed assets – permanent	730	184
III.	Other operating income	5,530	4,346
III.1.	Proceeds from the sale of fixed assets	207	
III.2.	Proceeds from materials sold	6	
III.3.	Sundry operating income	5,317	4,346
F.	Other operating expense	16,745	13,310
F.3.	Taxes and charges	56	40
F.4.	Operational provisions and total accrued expenses	241	-159
F.5.	Sundry operating expenses	16,448	13,429
*	**Profit/-loss from operations(+/-)**	**-106,075**	**-82,406**
IV.	Income from non-current financial assets – shares	1,176,439	2,360,193
IV.1.	Income from shares – controlled or controlling entity	1,176,439	2,360,193
G.	Costs incurred on shares sold		6,252
VI.	Interest income and similar income	16,143	40,536
VI.1.	Interest income and similar income – controlled or controlling entity	12,524	5,613
VI.2.	Other Interest income and similar income	3,619	34,923
I.	Financial adjustments and provisions	38,091	-201,934
J.	Interest expense and similar expense	397,111	381,352
J.1.	Interest expense and similar expense – controlled or controlling entity	326,896	283,425
J.2.	Other Interest expense and similar expense	70,215	97,927
VII.	Other finance income	48,603	92,265
K.	Other finance expense	64,097	278,192
*	**Profit/-loss from financing activities(+/-)**	**741,886**	**2,029,132**
**	**Profit/Loss before tax (+/-)**	**635,811**	**1,946,726**
L.	Income Tax	5,399	14,840
L.1.	Income tax payable	3,361	14,840
L.2.	Income tax deferred (+/-)	2,038	
**	**Profit/Loss after tax (+/-)**	**630,412**	**1,931,886**
***	**Profit/Loss for the year (+/-)**	**630,412**	**1,931,886**
*	Net turnover for the accounting period	**1,268,553**	**2,543,984**

Statement of changes in equity

EP Industries, a. s.
Corporate ID 292 94 746

as at 31.12.2023
(CZK thousand)

Pařížská 130/26
Josefov
110 00 Praha 1

	Share Capital	Share premium	Gains or losses from the revaluation of assets and liabilities	Other Capital Funds	Funds from profit, reserve fund	Accumu-lated profits or losses brought forwards	Profit/ Loss for the current period	Total equity
Balance as at 31 December 2021	**1,035,816**	**845,227**	**-134,029**	**258,555**	**96,517**	**922,543**	**987,576**	**4,012,205**
Distribution of profit or loss						987,576	-987,576	
Declared profit shares						-97,216		-97,216
Revaluation of equity interests			-105,861					-105,861
Profit/Loss for the current year							1,931,886	1,931,886
Balance as at 31 December 2022	**1,035,816**	**845,227**	**-239,890**	**258,555**	**96,517**	**1,812,903**	**1,931,886**	**5,741,014**
Distribution of profit or loss						1,931,886	-1,931,886	
Declared profit shares						-1,204,295		-1,204,295
Revaluation of equity interests			94,574					94,574
Profit/Loss for the current year							630,412	630,412
Rounding up						-1		-1
Balance as at 31 December 2023	**1,035,816**	**845,227**	**-145,316**	**258,555**	**96,517**	**2,540,493**	**630,412**	**5,261,704**

Cash Flow statement

EP Industries, a. s.
Corporate ID 292 94 746

Year ended 31.12.2023
(in CZK thousand)

Pařížská 130/26
Josefov
110 00 Praha 1

		Year ended 31.12.2023	Year ended 31.12.2022
P.	**Cash and cash equivalents at the beginning of the year**	**358,259**	**125,939**
	Cash flows from the main gainful activities (operating activities)		
Z.	Profit/Loss before tax	635,811	1,946,726
A.1.	Adjustment by non-monetary operations	-769,831	-1,988,843
A.1.1.	Depreciation/amortisation of fixed assets	730	184
A.1.2.	Change in allowances and provisions	38,332	-202,093
A.1.3.	Gain (loss) on sale of fixed assets	-207	-26,248
A.1.4.	Income from profit sharing	-1,176,439	-2,327,693
A.1.5.	Interest expense and interest income	380,968	340,816
A.1.6.	Adjustment by other non-monetary operations	-13,215	226,191
A.*	**Net cash flow from operating activities before taxes and changes in working capital**	**-134,020**	**-42,117**
A.2.	Change in working capital	-2,194	16,219
A.2.1.	Change in accounts receivable and accrued assets	585	-13,572
A.2.2.	Change in liabilities and accrued liabilities	-344	13,665
A.2.3.	Change in inventory	-2,435	16,126
A.**	**Net cash flow from operating activities before taxes**	**-136,214**	**-25,898**
A.3.	Interest paid	-300,577	-238,883
A.4.	Interest received	1,149	34,835
A.5.	Income tax paid from current activities	-15,362	-9,423
A.***	**Net cash flows generated by operating activities**	**-451,004**	**-239,369**
B.1.	Expenditure related to the acquisition of fixed assets	-179,676	-3,057
B.2.	Income from the sale of fixed assets	207	32,500
B.3.	Borrowings and loans to related parties	-569,962	-259,695
	Received profit shares	1,361,242	1,798,070
B.***	**Net cash flows generated by operating activities**	**611,811**	**1,567,818**
	Cash flows generated by financial activities		
C.1.	Change in financing liabilities	549,103	-573,425
C.2.	Impact of changes in equity	-1,000,000	-522,704
C.2.6.	Paid profit shares	-1,000,000	-522,704
C.***	**Net cash flows generated by financial activities**	**-450,897**	**-1,096,129**
F.	**Net change in cash and cash equivalents**	**-290,090**	**232,320**
R.	**Cash and cash equivalents at the end of the year**	**68,169**	**358,259**

Notes to the Financial Statements
for the year ended 31 December 2023

Company name: EP Industries, a.s.

Registered office: Pařížská 130/26, Josefov, 110 00 Prague 1

Legal status: joint-stock company

Company ID: 292 94 746

Notes to the Financial Statements
(Separate)

EP INDUSTRIES, A. S.

Year Ended 31 December 2023
(CZK thousand)

1. Characteristics and Primary Activities

INCORPORATION AND CHARACTERISTICS OF THE COMPANY

EP Industries, a.s. (the “Company” or “EPI”) was recorded in the Commercial Register kept by the Regional Court of Brno, Section B, File 6469 on 30 September 2011. On 19 July 2016, its file number changed to B 21734 kept by the Municipal Court of Prague.

EP Industries, a.s. was formed as a result of a demerger by spin-off from the original company Energetický a průmyslový holding, a.s., corporate ID 283 562 50 (“Original Company”) with the effective date of 1 January 2011. Based on the draft terms of the demerger, a portion of the Original Company’s net assets related to the holding of equity investments in companies operating outside of the power segment was transferred to EP Industries, a.s.

EP INDUSTRIES is one of the most important industrial groups in the Czech Republic. The Company subsumes a wide range of enterprises operating in the segments of power engineering, transport infrastructure, automotive industry and waste management. The Company’s employees are primarily involved in active administration, support and strategic management of the equity investments held.

COMPANY OWNERS

The Company’s shareholders as at 31 December 2023 are:

EP INDUSTRIES HOLDING LIMITED	100%

REGISTERED OFFICE

EP Industries, a.s.
Pařížská 130/26
Josefov
110 00 Prague 1
Czech Republic

COMPANY ID

292 94 746

MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD AS AT 31 DECEMBER 2023:

MEMBERS OF THE BOARD OF DIRECTORS	MEMBERS OF THE SUPERVISORY BOARD
Mgr. Ing. Jiří Nováček (Chairman)	JUDr. Daniel Křetínský (Chairman)
Mgr. Pavel Horský	Ing. Roman Korbačka
Mgr. Hana Krejčí, PhD.	Ing. Miroslav Straka
Ing. Radim Kotlář	Ing. Libor Kaiser

2. Principal Accounting Policies

The accompanying financial statements have been prepared in accordance with Act No. 563/1991 Sb., on Accounting, as amended, and related regulations for the accounting of businesses, in particular Regulation No. 500/2002 Sb., implementing certain provisions of Act No. 563/1991 Sb., on Accounting.

The financial statements have been prepared on the historical cost basis.

The Company's financial statements have been prepared as at and for the year ended 31 December 2023, i.e. from 1 January 2023 to 31 December 2023 ("2023" or "reporting period"). The financial statements for the prior reporting period were prepared for the calendar year from 1 January 2022 to 31 December 2022 ("2022").

The financial statements are in thousands of Czech crowns, unless stated otherwise.

A TANGIBLE AND INTANGIBLE ASSETS

VALUATION METHOD

Purchased assets are valued at costs according to Section 47 of Regulation No. 500/2002 Sb. Tangible fixed assets with acquisition costs of less than CZK 80 thousand and intangible fixed assets with acquisition costs of less than CZK 80 thousand are not recognised in the balance sheet and expensed in the year of acquisition.

Temporary impairment of intangible and tangible fixed assets is recognised using provisions that are included in the adjustment column of the balance sheet together with amortisation and depreciation.

The cost of technical improvements to intangible and tangible fixed assets increases their acquisition cost. Repairs and maintenance are charged to the current reporting period.

DEPRECIATION AND AMORTISATION

Tangible and intangible fixed assets are depreciated/amortised based on the acquisition cost and estimated useful life on a straight-line monthly basis, the first depreciation/amortisation charge is applied in the month following the date when the asset is put to use, and the depreciation/amortisation is concluded in the month of disposal of the asset.

The following table shows the methods and depreciation/amortisation periods by asset group:

Asset	Method	Depreciation period
Software	Straight line	3 years
Other intangible assets (logo)	Straight line	6 years
Cars	Straight line	5 years
Computers	Straight line	3 years

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

B FINANCIAL ASSETS

Non-current financial assets comprise equity investments in controlled and managed entities and available-for-sale equity investments.

Ownership interests are valued at acquisition cost upon purchase. Acquisition cost includes direct costs related to acquisition, such as fees and commissions to brokers, advisors and stock exchanges.

At the date of acquisition of the ownership interests, the Company categorises these non-current financial assets based on their nature as equity investments – controlled entity and equity investments in associates or debt securities held to maturity or available-for-sale securities and equity investments. Other long-term equity investments represent ownership interests in entities whose financial flows and operating processes cannot be significantly influenced by the Company in order to gain benefits from their business.

In the event of a temporary decrease in the recoverable value of the respective ownership interest, a provision is created based on the tests performed. Impairment tests are conducted in the form of discounted operating cash flows.

Ownership interests and securities that have been transferred to the Company in connection with the Draft terms of demerger are recognised at the price determined by an expert.

If securities and ownership interests are held in foreign currencies, they are remeasured at the end of the reporting period at the current exchange rate announced by the Czech National Bank against the revaluation differences arising from the revaluation of assets and liabilities in equity.

C RECEIVABLES

Receivables are valued at their nominal values, assigned receivables are valued at acquisition cost, i.e. including related costs (Section 25 of Act No. 563/1991 Sb.). At the date of the financial statements, a temporary impairment of doubtful receivables is accounted for using provisions that are charged to expenses and are shown in the adjustment column in the balance sheet.

Provisions are recognised for receivables that are 180 days past due and based on an analysis of customers' solvency.

Receivables arising from loans provided are increased by interest not collected as at the balance sheet date (with the exception of default interest).

D DERIVATIVES

TRADING DERIVATIVES

Financial derivatives held for trading are reported at fair value as at the balance sheet date as 'Other receivables' or 'Other payables' and the gains (losses) from changes in their fair values are included in income or expenses.

E INVENTORY

Internally generated inventory is valued at internal costs, which include the direct costs of production or other activity, and, where appropriate, the portion of indirect costs that relate to production or other activity.

F LOANS RECEIVED

Short-term and long-term loans or borrowings are recognised at their nominal value upon receipt. When preparing the financial statements, the outstanding balance of the loan or borrowing is increased by outstanding interest billed by the bank or by the other party. The portion of long-term loans or borrowings due within one year of the balance sheet date is recognised as a short-term loan or borrowing.

G FOREIGN CURRENCY TRANSACTIONS

The Company applies the Czech National Bank's official exchange rate effective on the date of acquisition of the asset or the occurrence of the liability to convert foreign currency assets and liabilities into Czech crowns. Realised exchange rate gains and losses are recognised in income or expenses of the current year.

At the balance sheet date, foreign currency assets and liabilities were translated at the Czech National Bank's exchange rate and any exchange rate differences from the valuation of assets and liabilities were recognised in the accounts of financial income or expenses.

H REVENUE AND EXPENSE RECOGNITION

Expenses and income are recognised in the period to which they relate on an accrual basis. In accordance with the principle of prudence, the Company charges to expenses the creation of reserves and provisions to cover all risks, losses and impairment that are known as of the balance sheet date.

I RECOGNITION OF PROJECTS

Work in progress is valued at internal costs, which include the cost of material, labour and other operating expenses, depending on the stage of completion. Decrease in work in progress is valued at actual internal costs.

J INCOME TAXATION

Income tax payable is calculated using the current tax rate on the accounting profit increased or decreased by permanently or temporarily non-tax-deductible expenses and non-taxable income (e.g. creation and recognition of other reserves and provisions, representation costs, difference between depreciation for accounting and tax purposes).

Deferred income tax is determined for companies constituting a group of companies and for all entities subject to the obligation to have their financial statements audited. It is based on the balance sheet approach, i.e. temporary differences between the tax base of assets or liabilities and their carrying amount in the balance sheet, calculated using the estimated income tax rate for the following period.

The income tax provision is made by the Company since the date of preparation of the financial statements precedes the determination of the tax liability. In the following reporting period, the Company releases the provision and recognises the identified tax liability.

In the balance sheet, the income tax provision is reduced by the income tax prepayments made, and any resulting receivable is recognised under 'State – tax receivables'.

K CONSOLIDATION

The Company prepares the consolidated financial statements in accordance with the International Financial Reporting Standards. The consolidated financial statements will be published in the Register of Companies together with the consolidated annual report.

The consolidated financial statements of the widest group of entities for the year ended 31 December 2023 are prepared by EP INDUSTRIES HOLDING LIMITED, Klimentos, 41-43, Klimentos Tower, 1st floor, Flat/Office 14B, 1061, Nicosia, Republic of Cyprus. The consolidated financial statements will be available at the company's registered office.

L COSTS OF EXTERNAL FINANCING

Costs related to external financing, including the fees related to this financing, are charged to the expenses of the relevant year on a one-time basis.

M DIVIDENDS

Dividend income is recognised when the right to receive dividends is declared. Profit share advances received are recognised in the income of the current period, i.e. in the period when the decision on the advance payment was made.

3. Changes in Accounting Methods and Policies

There were no changes in accounting methods and policies in 2023.

4. Other Significant Events

IMPACTS OF THE CURRENT SITUATION IN THE RUSSIAN FEDERATION, UKRAINE AND OTHER AFFECTED COUNTRIES ON THE FINANCIAL STATEMENTS

The events related to the impacts of the so far known sanction measures against the Russian Federation and the risk of damage to investments in Ukraine and other affected countries introduced in connection with the initiation of the invasion of Ukraine by armed forces on 24 February 2022 do not entail any uncertainties for the Company that would fundamentally challenge the Company's ability to continue as a going concern.

In accordance with the disclosure requirements, the Company carefully considered its specific conditions and risk factors when analysing the possible impacts of the sanctions known to date on its financial statements. Based on the assessment, no material impacts on the 2023 financial statements were identified. The Company mainly focused on the following areas:

- In connection with the impacts of the sanctions known to date, the methodology of creating assumptions and estimates did not change compared to the procedures applied in previous financial statements. Any changes are described elsewhere in the financial statements and have a different (e.g. legal) reason.

- When assessing the impacts of the sanctions known to date, no reasons for the impairment of assets (i.e. intangible or tangible assets, financial investments, inventories or contractual assets) were identified; therefore, the Company believes that the financial statements fully reflect the recoverable amount or net realisable value of a particular asset.

- Similarly, when measuring assets at fair value, identifying provisions, considering the need to change depreciation plans and classifying financial assets, market data at the measurement date were fully reflected at arm's length. The Company assessed the ability of debtors to meet their obligations. The Company also critically assessed whether its business activities were affected by supply and demand disruptions and identified no significant impacts that would affect the measurement of financial assets.

- The sanctions known to date have not had a significant impact on leasing contracts. The underlying assets have been and will continue to be used to the extent originally expected.

- In the context of revenue recognition, the Company considered the enforceability and recoverability of receivables. Within the contractual relationships, no exceptional modifications or changes in financing have occurred due to the impact of the sanctions known to date. In accordance with its standard accounting methods, the Company recognises corresponding reserves in the case of onerous contracts.

- In connection with the sanctions known to date, the Company neither excluded any items from the operating income nor introduced any new alternative performance measures.

Although there is uncertainty about future events, the Company's management will continue to critically monitor and assess the impacts and adopt or adjust relevant measures to be able to eliminate or successfully address and minimise all financial and non-financial impacts that may arise.

5. Cash Flow Statement

The cash flow statement was prepared using the indirect method. Cash equivalents represent short-term liquid assets easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents can be analysed as follows:

CZK thousand

	Balance as at 31 December 2023	Balance as at 31 December 2022
Cash on hand	104	87
Cash at bank	68,065	358,172
Total cash	**68,169**	**358,259**

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

6. Non-Current Financial Assets

Equity investments – controlled or controlling entity				
Equity investments – controlled entity	**Total profit (+) loss (-) for 2023 (in CZK/EUR thousand)**	**Equity as at 31 December 2023 (in CZK/EUR thousand)**	**Gross equity investment as at 31 December 2023 (in CZK thousand)**	**Gross equity investment as at 31 December 2022 (in CZK thousand)**
BAULIGA a.s.	2,005 (CZK)	699,974 (CZK)	2,403,858	2,403,858
ED Holding, a.s.	831,657 (CZK)	1,005,481 (CZK)	259,156	259,156
Energetické opravny, a. s.	57,393 (CZK)	113,607 CZK)	402,141	397,583
HERINGTON INVESTMENTS LIMITED	258,106 (CZK)	10,013 (CZK)	2,296,349	1,266,561
PIRAMEL ENTERPRISES LIMITED	1,237 (EUR)	2,179 (EUR)	1,861,644	1,861,644
PI 1 a.s.	64,188 (CZK)	456,197 (CZK)	877,603	877,603
SES BOHEMIA ENGINEERING, a.s.*	-1,114 (CZK)	-6,507 (CZK)	13,458	13,458
SES ENERGY, a.s.	-282 (EUR)	579 (EUR)	418,668	396,282
TAHOBA INVESTMENTS LIMITED	–	–	–	804,323
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. („SES“)	-60 (EUR)	-22,031 (EUR)	700,628	683,333
ELQA, s.r.o.*	15,495 (CZK)	60,792 (CZK)	138,736	138,736
Fintherm a.s.	15,420 (CZK)	104,046 (CZK)	87,312	87,312
T.O.O., spol. s r.o.*	9,763 (CZK)	64,041 (CZK)	43,210	43,210
SELIMETO SE*	2,465 (CZK)	16,246 (CZK)	490,430	490,430
ABRUZZO a.s.*	-13 (EUR)	33 (EUR)	1,399	593
EPI AcquiCo s.r.o.*	0	10	10	–
Total			**9,994,602**	**9,724,082**

* Information based on unaudited statutory financial statements of the companies.

Equity investments				
Equity investments – associates	**Total profit (+) loss (-) for 2023 (in CZK/EUR thousand)**	**Equity as at 31 December 2023 (in CZK/EUR thousand)**	**Gross equity investment as at 31 December 2023 (in CZK thousand)**	**Gross equity investment as at 31 December 2022 (in CZK thousand)**
Winning Automotive a.s.*	352 (CZK)	107,628 (CZK)	53,790	49,306
Total			**53,790**	**49,306**

* Information based on unaudited statutory financial statements of the company.

IN 2023, THE FOLLOWING CHANGES IN NON-CURRENT FINANCIAL ASSETS WERE MADE:

- In January 2023, the Company increased its equity interest in Winning Automotive a.s by an additional equity contribution.
- In March 2023, the Company increased its equity interest in SES ENERGY, a. s. by an additional equity contribution.
- In March 2023, the Company increased its equity interest in ABRUZZO a. s. by an additional equity contribution.
- In July and August 2023, the Company increased its equity interest in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. by a total of 0.01%.
- In July 2023, the Company increased its 12% equity interest in HERINGTON INVESTMENTS LIMITED and its 12% equity interest in TAHOBA INVESTMENTS LIMITED by acquisition. Subsequently, in December 2023, the Cyprus court approved the merger of TAHOBA INVESTMENTS LIMITED into HERINGTON INVESTMENTS LIMITED.
- In August 2023, EPI AcquiCo s.r.o. was established.
- In November 2023, the Company reduced its equity investment in Energetické opravny, a.s. by the repayment of an additional equity contribution.

All equity interests are fully owned, with the exception of PIRAMEL ENTERPRISES LIMITED (90%), ABRUZZO a.s. (88%), SES (99.458%) and Winning Automotive a.s. (50%).

As at 31 December 2023 and 31 December 2022, the Company tested all of the aforementioned investments for impairment. Concerning the investment in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s., the Company considered the fact that due to an adjusted strategy of equity investment holding, SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. is undergoing an internal restructuring. Based on the current projections and estimates, this restructuring will lead to better performance of the Company in the medium term. Based on the tests, temporary impairment was found with respect to the investments in the following entities:

(CZK ‘000)

Entity	2023	2022
SES ENERGY, a.s.	223,654	223,654
SES BOHEMIA ENGINEERING, a.s.	13,458	13,458
Energetické opravny, a. s.	114,907	114,907
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	264,361	257,839
Total	**616,380**	**609,858**

(CZK thousand)

As at 31 December 2023, the addresses of registered offices of the subsidiaries are as follows:

Company name	Registered office
BAULIGA a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
ED Holding, a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
ELQA, s.r.o.	Blanenská 1856/6, 664 34 Kuřim, Czech Republic
Energetické opravny, a.s.	Prunéřov 375, 432 01 Kadaň, Czech Republic
Fintherm a.s.	Za tratí 197, Třeboradice, 196 00 Prague 9, Czech Republic
HERINGTON INVESTMENTS LIMITED	Klimentos, 41-43, Klimentos Tower, 2nd floor, Flat/Office 23, 1061, Nicosia, Republic of Cyprus
PI 1, a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
PIRAMEL ENTERPRISES LIMITED	Klimentos, 41-43, Klimentos Tower, 2nd floor, Flat/Office 23, 1061, Nicosia, Republic of Cyprus
SES BOHEMIA ENGINEERING, a.s.	Za tratí 415, Třeboradice, 196 00 Prague 9, Czech Republic
SES Energy, a. s.	Továrenská 210, Tlmače, 935 28, Slovak Republic
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	Továrenská 210, Tlmače, 935 28, Slovak Republic
T.O.O., spol. s r.o.	Košinova 2967/103b, Královo Pole, 612 00 Brno, Czech Republic
SELIMETO SE	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
ABRUZZO a.s.	Dúbravská cesta 14, Bratislava 841 04, Slovak Republic
EPI AcquiCo s.r.o.	Partyzánská 1/7, Holešovice, 170 00 Prague 7, Czech Republic
Winning Automotive a.s.	Křižíkova 2960/72, Královo Pole, 612 00 Brno, Czech Republic

7. Long-Term Receivables

RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

Long-term receivables – controlled or controlling entity as at 31 December 2023 represent loans provided to related parties in the amount of CZK 69,218 thousand, see Note 14. Information on Related Parties.

As at 31 December 2022, these receivables are recorded as short-term receivables.

RECEIVABLES – ASSOCIATES

As at 31 December 2023, long-term receivables included loans provided to related parties in the amount of CZK 65,814 thousand, see note 14. Information on Related Parties.

At 31 December 2022, these receivables are recorded as short-term receivables.

8. Short-Term Receivables

RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

As at 31 December 2023, Receivables – controlled or controlling entity included loans provided to related parties in the amount of CZK 1,538,728 thousand, net of the effect of a provision of CZK 253,234 thousand (2022: CZK 1,179,889 thousand net of the effect of a provision of CZK 221,666 thousand) and a receivable from declared dividend payments in the total amount of CZK 21,007 thousand (2022: receivable from a declared dividend prepayment and a receivable from the repayment of the additional equity contribution totalling CZK 230,810 thousand) (refer to Note 14. Information on Related Parties.

STATE – TAX RECEIVABLES

As at 31 December 2023, tax receivables mainly included income tax prepayments made and income tax overpayment in the amount of CZK 14,752 thousand, less an income tax reserve in the amount of CZK 3,361 thousand. The receivable of CZK 1,487 thousand is a road tax prepayment and a receivable for value added tax.

As at 31 December 2022, tax receivables included an advance payment of road tax of CZK 13,000.

As at 31 December 2023, the Company records no receivables due in more than five years.

9. Statement of Changes in Equity

On 30 June 2023, the General Meeting decided to allocate the profit for 2022 in the amount of CZK 1,931,886 thousand to retained earnings brought forward.

On 18 December 2023, the Company declared a profit share payment to the sole shareholder in the amount of CZK 1,204,295 thousand. The payment was made in cash.

As at the date of approval of the financial statements, no proposal has been made for the allocation of the profit for 2023. The distribution proposal will be prepared by the Board of Directors for the Company's shareholder and subsequently discussed and approved at the General Meeting.

The change in the line 'Gains or losses from the revaluation of assets and liabilities' is caused by the exchange rate difference arising from the revaluation of foreign currency equity interests.

10. Income Tax Provision

As at 31 December 2023, the Company has made a provision for income tax in the amount of CZK 3,361 thousand. This provision has been reduced by advance payments of CZK 14,752 thousand. The resulting receivable in the amount of CZK 12,878 thousand is presented in the line State – tax receivables, see Note 8.

11. Long-Term Payables

PAYABLES TO CREDIT INSTITUTIONS

As part of payables to credit institution, the Company reported the following Long-term bank loans as at 31 December 2023:

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2023	Maturity
Bank no. 1	220,000	–	2028
Bank no. 2	61,812	–	2026
Bank no. 3	247,250	*–	2026
Bank no. 4	101,373	–	2029
Bank no. 5	615,600	–	2025
Total	**1,246,035**	–	

* The outstanding interest is shown as short-term interest in short-term payables to credit institutions, see Note 12.

As at 31 December 2022, the Company records a single long-term bank loan amounting to CZK 482,300 thousand maturing in 2025 ("Bank No. 3"). The outstanding interest together with the short-term portion of the loan is presented in the line 'Payables to credit institutions' within Short-Term Payables. This loan was repaid in 2023.

LONG-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2022

(CZK '000)

Creditor	Nominal value	Interest at 31 December 2022
Bills of exchange to be paid in 2024	114,000	5,237
Total	**114,000**	**5,237**

PAYABLES – CONTROLLED OR CONTROLLING ENTITY

Payables to the controlled or controlling entity include payables arising from received loans in the amount of CZK 2,581,113 thousand (2022: CZK 1,554,336 thousand), refer to Note 14. Information on Related Parties.

DEFERRED TAX LIABILITY

The deferred tax liability reported in the amount of CZK 21,398 thousand (2022: CZK 19,360 thousand) is related to the revaluation of equity investments as at 1 January 2011.

12. Short-Term Payables

PAYABLES TO CREDIT INSTITUTIONS

As part of payables to credit institutions, the Company reported primarily the following short-term bank loans as at 31 December 2023:

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2023	Maturity
Bank no. 3	–*	5,448	2024
Total	–	**5,448**	

* The loan principal is shown as long-term in long-term payables to credit institutions, see Note 11.

In addition, payables to credit institutions also include an overdraft of CZK 64,399 thousand.

As part of payables to credit institutions, the Company reported primarily the following short-term bank loans as at 31 December 2022:

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2022	Maturity
Bank no. 3	120,575	–	2023
Bank no. 4	–	642	2023
Total	**120,575**	**642**	

In addition, payables to credit institutions also include an overdraft of CZK 31,000.

The bank loans are secured with a blank bill of exchange.

TRADE PAYABLES

No trade payable is due in more than five years of the balance sheet date.

SHORT-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2023

(CZK '000)

Creditor	Nominal value	Interest as at 31 December 2023
Bills of exchange to be paid in 2024	114,000	9,044
Total	**114,000**	**9,044**

31 DECEMBER 2022

(CZK '000)

Creditor	Nominal value	Interest as at 31 December 2022
Bills of exchange to be paid in 2023	155,000	20,802
Total	**155,000**	**20,802**

PAYABLES – CONTROLLED OR CONTROLLING ENTITY

Payables to controlled or controlling entities included received loans in the amount of CZK 1,668,798 thousand (2022: CZK 2,566,730 thousand), refer to Note 14. Information on Related Parties.

13. Expenses and Income

Sales of own products and services predominantly include income from the services provided in the area of controlling and financing, from short-term sub-leases and from the provision of meeting rooms.

Costs of services predominantly include the costs of legal, accounting and tax advisory and expert services.

Other financial expenses (or other financial income) predominantly include foreign exchange losses and bank fees (or foreign exchange gains).

14. Information on Related Parties

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

A LONG-TERM RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2023

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2023	Maturity
ABRUZZO a.s.	6,233	–	2025
SES ENERGY, a. s.	62,985	–	2026
Total	**69,218**	**–**	

B LONG-TERM RECEIVABLES – ASSOCIATES

31 DECEMBER 2023

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2023	Maturity
Winning Automotive a.s.	65,814*	–	2025
Total	**65,814**	**–**	

* Capitalisation of interest in the principal.

C SHORT-TERM RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2023

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2023
ANDELTA, a.s.	48	–
BAULIGA, a.s.	412,501	–
ED Holding a.s.	600	–
HERINGTON INVESTMENTS LIMITED	46	1
PI 1 a.s.	579,281	–
SES BOHEMIA ENGINEERING, a.s.	14,000	68
SES ENERGY, a. s.	24,725	–
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	505,627	1,831
Total short-term receivables from provided loans	**1,536,828**	**1,900**

(CZK '000)

Counterparty	Principal
T.O.O., spol. s r.o.	10,000
Energetické opravny, a.s.	11,007
Total short-term receivables	**21,007**

31 DECEMBER 2022

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2022
ABRUZZO a. s.	6,610	–
BAULIGA, a.s.	860	–
ED Holding a.s.	600	–
PI 1 a.s.	644,281	–
SELIMETO SE	400	–
SES BOHEMIA ENGINEERING, a.s.	14,000	19
SES ENERGY, a. s.	61,431	–
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	442,511	1,786
TAHOBA INVESTMENTS LIMITED	5,445	1,946
Total short-term receivables from provided loans	**1,176,138**	**3,751**

* Capitalisation of interest in the principal.

(CZK '000)

Counterparty	Principal
ED Holding a.s.	205,810
Energetické opravny, a.s.	25,000
Total short-term receivables	**230,810**

Refer to Note 8.

D SHORT-TERM RECEIVABLES – ASSOCIATES

AT 31 DECEMBER 2023

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2023
Winning Automotive a.s.*	–	2,149
Total short-term receivables from provided loans	**–**	**2,149**

* Capitalisation of interest in the principal.

31 DECEMBER 2022

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2022
Winning Automotive a.s.*	57,321	1,470
Total short-term receivables from provided loans	**57,321**	**1,470**

* Capitalisation of interest in the principal.

E LONG-TERM PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2023

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2023	Maturity
AVE CZ odpadové hospodářství s.r.o.	999,676	23,197	2025
Elektrizace železnic Praha a. s.	1,400,000	–*	2027
ELTRA, s.r.o.	158,240	–	2025
Total	**2,557,916**	**23,197**	

* The outstanding interest is shown as short-term interest in short-term payables – controlled or controlling entity.

31 DECEMBER 2022

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2022	Maturity
Elektrizace železnic Praha a. s.	1,400,000	–*	2024
ELTRA, s.r.o.	154,336	–	2025
Total	**1,554,336**	**–**	

* The outstanding interest is shown as short-term interest in short-term payables – controlled or controlling entity.

F SHORT-TERM PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2023

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2023
EGEM s.r.o.*	52,594	1,268
Elektrizace železnic Praha a. s.	600,202	45,698
Energetické montáže Holding, a.s.	574,250	43,774
MSEM, a.s.	134,701	2,375
PROFI EMG s.r.o.	53,636	1,293
SEG s.r.o.	68,911	1,215
VČE – montáže, a.s.	87,342	1,540
Total	**1,571,635**	**97,163**

* The loan is payable at the creditor's request.

31 DECEMBER 2022

(CZK '000)

Counterparty	Principal	Outstanding interest as at 31 December 2022
AVE CZ odpadové hospodářství s.r.o.	955,500	22,269
EGEM s.r.o.*	52,594	1,235
Elektrizace železnic Praha a. s.	600,202	46,465
Energetické montáže Holding, a.s.	507,176	56,316
HERINGTON INVESTMENTS LIMITED	456	–
MSEM, a.s.	122,630	2,195
PROFI EMG s.r.o.	53,636	1,260
SEG s.r.o.	62,735	1,123
VČE – montáže, a.s.	79,515	1,423
Total	**2,434,444**	**132,286**

* The loan is payable at the creditor's request.

G EXPENSES

2023

(CZK '000)

Counterparty	Type	2023
AVE CZ odpadové hospodářství s.r.o.	Interest expense – loans	45,103
EGEM s.r.o.	Interest expense – loans	4,980
Elektrizace železnic Praha a. s.	Interest expense – loans	182,761
ELTRA, s.r.o.	Interest expense – loans	7,977
Energetické montáže Holding, a.s.	Interest expense – loans	54,532
HERINGTON INVESTMENTS LIMITED	Interest expense – loans	1
MSEM, a.s.	Interest expense – loans	12,251
PROFI EMG s.r.o.	Interest expense – loans	5,079
SEG s.r.o.	Interest expense – loans	6,268
VČE – montáže, a.s.	Interest expense – loans	7,944
Energetický a průmyslový holding, a.s.	Operating expense	1,348
EP Investment Advisors, s.r.o.	Operating expense	13,205
EP Power Europe, a.s.	Operating expense	701
Total		**342,150**

2022

(CZK '000)

Counterparty	Type	2022
AVE CZ odpadové hospodářství s.r.o.	Interest expense – loans	41,236
EGEM s.r.o.	Interest expense – loans	4,182
Elektrizace železnic Praha a. s.	Interest expense – loans	155,018
ELTRA, s.r.o.	Interest expense – loans	4,997
Energetické montáže Holding, a.s.	Interest expense – loans	40,327
HERINGTON INVESTMENTS LIMITED	Interest expense – loans	3
MSEM, a.s.	Interest expense – loans	9,920
PROFI EMG s.r.o.	Interest expense – loans	4,265
SEG s.r.o.	Interest expense – loans	5,075
SOR Libchavy spol. s r.o.	Interest expense – loans	11,969
VČE – montáže, a.s.	Interest expense – loans	6,432
Energetický a průmyslový holding, a.s.	Operating expense	1,856
EP Investment Advisors, s.r.o.	Operating expense	8,083
EP Power Europe, a.s.	Operating expense	631
EP Real Estate	Operating expense	1,879
Total		**295,873**

Notes to the Financial Statements (Separate)
EP industries, a. s.
Year Ended 31 December 2023
(CZK thousand)

H INCOME

2023

(CZK '000)

Counterparty	Type	2023
EGEM, a.s.	Operating income from advisory	2,042
Elektrizace železnic Praha a.s.	Operating income from advisory	2,520
Energetické opravny, a.s.	Operating income from advisory	480
Energetický a průmyslový holding, a.s.	Operating income from advisory	1
EP Power Europe, a.s.	Operating income from advisory	1,657
EP Real Estate, a.s.	Operating income from advisory	2,241
MONTPROJEKT, a.s.	Operating income from advisory	240
MSEM, a.s.	Operating income from advisory	1,800
PROFI EMG s.r.o.	Operating income from advisory	840
SEG s.r.o.	Operating income from advisory	1,800
SOR Libchavy spol. s r.o.	Operating income from advisory	1,395
VČE – montáže, a.s.	Operating income from advisory	1,800
ED Holding a.s.	Dividend income	831,900
ELQA, s.r.o.	Dividend income	12,000
Energetické opravny, a.s.	Dividend income	32,453
HERINGTON INVESTMENTS LIMITED	Dividend income	252,986
PIRAMEL ENTERPRISES LIMITED	Dividend income	27,000
SELIMETO SE	Dividend income	2,100
T.O.O., spol. s r.o.	Dividend income	18,000
ANDELTA, a.s.	Interest income – loans	256
EP Industries Holding Limited	Interest income – loans	4,433
SES BOHEMIA ENGINEERING, a.s.	Interest income – loans	49
TAHOBA INVESTMENTS LIMITED	Interest income – loans	325
Winning Automotive a.s.	Interest income – loans	7,461
Total		**1,205,779**

2022

(CZK '000)

Counterparty	Type	2022
AVE CZ odpadové hospodářství s.r.o.	Operating income from advisory	590
EGEM, a.s.	Operating income from advisory	2,040
Elektrizace železnic Praha a.s.	Operating income from advisory	2,520
Energetické opravny, a.s.	Operating income from advisory	480
Energetický a průmyslový holding, a.s.	Operating income from advisory	480
EP Infrastructure, a.s.	Operating income from advisory	326
EP Power Europe, a.s.	Operating income from advisory	1,347
EP Real Estate, a.s.	Operating income from advisory	2,497
MONTPROJEKT, a.s.	Operating income from advisory	240
MSEM, a.s.	Operating income from advisory	1,800
PROFI EMG s.r.o.	Operating income from advisory	840
SEG s.r.o.	Operating income from advisory	1,800
Slovenské energetické strojárne a.s.	Operating income from advisory	23,033
SOR Libchavy spol. s r.o.	Operating income from advisory	1,395
VČE – montáže, a.s.	Operating income from advisory	1,800
ED Holding a.s.	Dividend income	2,032,693
ELQA, s.r.o.	Dividend income	15,000
Fintherm a.s.	Dividend income	10,000
PIRAMEL ENTERPRISES LIMITED	Dividend income	229,500
SELIMETO SE	Dividend income	25,500
T.O.O., spol. s r.o.	Dividend income	15,000
SES BOHEMIA ENGINEERING, a.s.	Interest income – loans	58
TAHOBA INVESTMENTS LIMITED	Interest income – loans	306
Winning Automotive a.s.	Interest income – loans	5,249
Total		**2,374,494**

15. Employees and Managers

As at 31 December 2023, the Company had 16 employees (2022: 15 employees).

Members of the Board of Directors, members of the Supervisory Board and persons with management authority were not provided with any benefits (advances, prepayments, borrowings and loans, etc.) for the performance of their duties in 2023 and 2022.

16. Information on Fees Paid to Statutory Auditors

Information on fees paid to statutory auditors will be specified in the notes to the consolidated financial statements for the year ended 31 December 2023 where the Company is included.

17. Income Taxation

The provision for the income tax on ordinary activities for the year ended 31 December 2023 amounted to CZK 3,361 thousand (2022: CZK 14,440 thousand together with the specification of the estimate of tax for 2021 amounting to CZK 400 thousand).

The Company has been part of a multinational group of companies subject to the new minimum 15% taxation rules introduced under Pillar 2 of the BEPS 2.0 initiative since 2024. The related legislation was enacted immediately before the date of the financial statements. Additionally, legislators are still issuing further guidance affecting the impact of the Pillar 2 rules. As a result, the Group and the Company are still assessing potential income tax exposure under Pillar 2 as at 31 December 2023. Any significant income tax exposure under Pillar 2 is currently unknown. The Company, in cooperation with the Group, continues to actively monitor Pillar 2 related legislative developments and assess the potential impact of Pillar 2.

18. Off-Balance Sheet Payables and Receivables

EPI as the parent company provides guarantees to third parties on behalf of EPI holding subsidiaries up to CZK 251,422 thousand (2022: CZK 396,450 thousand).

19. Material Subsequent Events

On May 31, 2024, the Company transferred under arm’s length conditions 100% of the equity investments held in the companies ELQA, s.r.o. and T.O.O., spol. s.r.o. to its subsidiary Energetické montáže Holding, a.s.

Except for the above stated, the Company’s management is not aware of any material subsequent events that would have an impact on the disclosed financial statements.