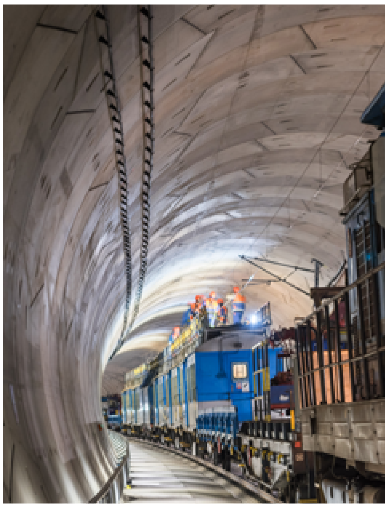

Power Engineering
Transport Infrastructure
Automotive Industry
Waste Management

EP INDUSTRIES

Annual Report 2022

www.epindustries.cz

EP Industries, a.s.

Consolidated Annual Report for the year ended 31 December 2022

Annual Report 2022

Content

Consolidated sales and EBITDA reached CZK 26.4 billion and CZK 4.2 billion, respectively, making us one of the industrial leaders in the Czech Republic.

Independent Auditor's Report on the Consolidated Annual Report

Deloitte.

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File 24349
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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 International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position of the balance sheet as of 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Other Information in the Consolidated Annual Report

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

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

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

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

In addition, our responsibility is to report, based on the knowledge and understanding of the 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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

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

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

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

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

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

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

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

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

In Prague on 23 June 2023

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

> In 2022, EPI Holding entered its second decade of existence and achieved its best results to date.

Jiří Nováček Chairman of the Board of Directors

Introduction by the Chairman of the Board of Directors

Dear Shareholders, Business Partners, Colleagues and Friends,

In 2022, we entered the second decade of the existence of EP Industries, a.s. (“EPI”). I am pleased that this was also the year in which EPI holding achieved its best results ever, despite the ongoing conflict in Ukraine, disrupted supply chains and the ongoing energy crisis. Consolidated sales and EBITDA reached CZK 26.4 billion and CZK 4.2 billion, respectively, making us one of the industrial leaders in the Czech Republic.

We have succeeded in building and developing a strong and stable group. With the support of a strong shareholder structure, good relationships with financing partners and a stable employee base, I am confident that EPI is well positioned for the coming years.

Given the sectors in which EPI operates, it should be emphasized that the current as well as future success is closely connected to good relationships with the employees of all the holding entities. We therefore strive to create the best possible working conditions and we know how to give credit where credit is due.

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. In the long term, we focus on stable performance while strengthening strategic positions in relevant markets to deliver value to investors with the potential for further growth.

Additional information:

1. Via its subsidiaries, EPI has the following 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 2022, Elektrizace železnic Praha a.s. and SOR Libchavy spol. s r.o. performed research and development activities.

3. In 2022, 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 environmental area, EPI complies with all applicable legislation and other environmental requirements.

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

The unprecedented situation caused by the invasion of Ukraine by the Russian armed forces in February 2022, rising energy prices and inflation have triggered the need to respond flexibly to these unpredictable events and to adopt a number of preventive measures with implications for the day-to-day operations of individual holding companies. It should be noted that the direct and indirect consequences for the Group as a whole have hitherto been limited, however, the associated impacts of inflation in energy prices and other inputs will affect business in the future and a new equilibrium will need to be found with customers.

I would like to thank all our employees for their work and loyalty, our clients and business partners for our good relationships, and our shareholders for their support. I look forward to further cooperation in 2023 and beyond.

In Prague on 31 May 2023

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

Report of the Board of Directors on Business Activities and Assets

Structure of the Company

EPI Group companies are divided into four pillars based on their primary lines 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 the proposal of a solution to their requirements, to their implementation, services related to the operation, servicing and maintenance.

PROFI EMG s.r.o. – was formed by a merger of PROFI-ELRO s.r.o. and EMG ENERGO s.r.o. with the intention of offering 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. – deals with 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 its field in the Czech Republic. 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. – a provider of bundled services and supplies including the designing and construction of extra high and very high voltage power installations.

SES ENERGY, a.s. – 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.

Report of the Board of Directors on Business Activities and Assets

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 provided 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 offered activities.

SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. – 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. – 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 on the Czech and foreign markets are made in the field of investment supplies, optimisation of power generation plants, and servicing.

ELQA, s.r.o. – deals with repairs and maintenance of low and high voltage power, ground and above-ground wires of low and high voltage power and transformer stations, including design and engineering work, as well as building networks of public lighting for municipalities and private investors.

Fintherm a.s. – 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.

T.O.O., spol. s r.o. – provides comprehensive services in the repair and maintenance of low and high voltage networks, ground 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 transformers) 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 lines as well as non-standard customized designs. At present, it manufactures buses in lengths of 8.5, 9.5, 10.5, 12 and 18 meters for urban, intercity and long-distance operation. The buses are equipped with engines that are fully in line with the emission requirements of the European Union. Aside from the traditional diesel drive, customers may choose compressed natural gas (CNG) drive, electric or hybrid technology. The company is successful in the domestic as well as the foreign markets. It also provides servicing, repair and sale of spare parts for buses of the SOR brand.

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, manufacturing 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 constructions and supplies in high-voltage electrical engineering. It ensures the development, design, production and assembly of electrification for railways and urban transport.

EZ-ELEKTROSYSTÉMY Košice s.r.o. – a Slovak company with many years of tradition in installation of electrical equipment and supply of materials for large constructions in Slovakia and abroad. The company is engaged 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. – the company 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 structures.

III. WASTE MANAGEMENT

The Waste Management pillar is composed of the AVE group, which provides comprehensive services in 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 and Winning BLW Management 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, 2022 is seen as a very successful year. Total sales of the EPI Group exceeded CZK 26.4 billion. The operating profit amounted to CZK 3.2 billion, while profit before tax exceeded CZK 2.7 billion.

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

The Environment

In 2022, 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 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 for the positions of expert specialists.

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

Report of the Board of Directors on Business Activities and Assets

Outlook for Future Periods

The EPI Group is built on strong foundations and can therefore take advantage of future growth opportunities.

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 synergistic effects for the operation of the Group.

In view of the development of the situation so far and the impact of the sanctions measures against the Russian Federation imposed following the launch of the invasion of Ukraine by Russian armed forces on 24 February 2022, the rise in energy prices and inflation, we believe that these effects will have no 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, results and employees.

Report on relations

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. (the "Company"), with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, Corporate ID No.: 292 94 746, in accordance with Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended

(the **"Report"**)

I. PREAMBLE

The Report has been prepared under Section 82 of Act No. 90/2012 Coll., 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 2022 reporting period.

II. STRUCTURE OF RELATIONS

CONTROLLED ENTITY

The controlled entity is EP Industries, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, ID No.: 292 94 746, recorded in the Commercial Register kept by the Municipal Court of Prague, File B, Insert 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 2022 UNDER SECTION 82 (2) (D) OF ACT NO. 90/2012 COLL., ON BUSINESS CORPORATIONS

During the 2022 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 profit share.

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

THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE MANUFACTURING AND OTHER SEGMENT WERE EFFECTIVE IN 2022:

On 20 October 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and SOR Libchavy spol. s r.o. as the creditor.

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.

THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE WASTE MANAGEMENT SEGMENT WERE EFFECTIVE IN 2022:

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 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.

THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE POWER ENGINEERING AND SERVICES SEGMENT WERE EFFECTIVE IN 2022:

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 a.s. 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 as the debtor.

On 18 May 2015, a Loan Agreement including effective amendments was signed between Poisson Investments a.s. as the creditor and PI 1 a.s. as the debtor. On 11 June 2018, the debt was assigned to EP Industries, a.s. by an Agreement on the Assignment of a Receivable for Consideration. 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, which replaced the above loan agreement.

On 22 July 2015, a Loan Agreement 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 was signed between EP Industries, a.s. as the creditor and SES ENERGY a.s. as the debtor.

On 20 April 2022, a Loan Agreement was signed between EP Industries, a.s. as the creditor and Energetické opravny, a.s. as the debtor.

THE FOLLOWING AGREEMENTS ON THE SET-OFF OF RECEIVABLES AND PAYABLES CONCLUDED WITH COMPANIES IN THE POWER ENGINEERING AND SERVICES SEGMENT WERE EFFECTIVE IN 2022:

On 30 December 2022, an Agreement on the Set-Off of Receivables was signed between EP Industries, a.s. and SES ENERGY, a.s.

THE FOLLOWING AGREEMENTS ON THE SET-OFF OF RECEIVABLES AND PAYABLES CONCLUDED WITH COMPANIES IN THE MANUFACTURING AND OTHER SEGMENT WERE EFFECTIVE IN 2022:

On 1 December 2022, an Agreement on the Set-Off of Receivables was signed between EP Industries, a.s. and ED Holding a.s. and ELTRA, s. r. o.

On 30 June 2022, an Agreement on the Set-Off of Receivables was signed between EP Industries, a.s. and ANDELTA, a. s. and PIRAMEL ENTERPRISES LIMITED.

On 30 June 2022, an Agreement on the Set-Off of Receivables was signed between EP Industries, a.s. and ANDELTA, a.s.

THE FOLLOWING OPERATING AGREEMENTS CONCLUDED WITH COMPANIES IN THE EP INDUSTRIES, A.S. GROUP WERE EFFECTIVE IN 2022:

On 19 December 2022, a Contract for Work was signed between 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 2022:

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 Services 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 27 November 2013, an Agreement on the Joint Course of Action was signed between EP Industries, a.s. and the companies listed below:
TAHOBA INVESTMENTS LIMITED

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 2022:

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 Coll., as amended) for the reporting period from 1 January 2022 to 31 December 2022, 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 31 March 2023

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

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

Consolidated Financial Statements

Consolidated Financial Statements
for the Year Ended 31 December 2022

PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EU

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2022

In CZK million

	Note	2022	2021
Sales: Technical-engineering & services	6	8,379	7,802
Sales: Industrial waste	6	3,722	3,460
Sales: Manufacturing and other	6	14,328	12,971
Total sales		**26,429**	**24,233**
Cost of sales: Technical-engineering & services	7	-4,394	-4,019
Cost of sales: Industrial waste	7	-2,709	-2,342
Cost of sales: Manufacturing and other	7	-8,075	-7,187
Total cost of sales		**-15,178**	**-13,548**
		11,251	**10,685**
Personnel expenses	8	-5,568	-5,128
Depreciation and amortisation	13, 14	-978	-916
Repairs and maintenance		-298	-277
Taxes and charges		-36	-50
Other operating income	9	359	352
Other operating expenses	10	-1,515	-1,488
Profit/-loss from operations		**3,215**	**3,178**
Finance income	11	101	47
Finance expense	11	-879	-393
Profit/-loss from financial instruments	11	218	308
Net finance income/-expense		**-560**	**-38**
Share of profit/-loss of equity accounted investees, net of tax	15	3	25
Gain/-loss on the sale and disposal of subsidiaries, special purpose entities and associates	5	21	–
Profit/-loss before income tax		**2,679**	**3,165**
Income tax	12	-648	-647
Profit/-loss for the period		**2,031**	**2,518**
Items that are or may later be reclassified to profit or loss			
Foreign currency translation differences from foreign operations		-40	-28
Other comprehensive income for the period, net of tax		**-40**	**-28**
Total comprehensive income for the period		**1,991**	**2,490**

	Note	2022	2021
Profit/-loss attributable to:			
Owners of the Company		1,788	2,243
Non-controlling interest	22	243	275
Profit/-loss for the period		**2,031**	**2,518**
Total comprehensive income attributable to:			
Owners of the Company		1,752	2,213
Non-controlling interest		239	277
Total comprehensive income for the period		**1,991**	**2,490**

The notes presented on pages 46 to 142 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As of 31 December 2022
In CZK million

	Note	2022	2021
Assets			
Property, plant and equipment	13	4,672	4,209
Intangible assets	14	120	132
Goodwill	14	4,608	4,535
Equity accounted investees	15	90	90
Financial instruments and other financial assets	25	535	236
Restricted cash	20	494	429
Trade receivables and other assets	18	313	373
Accruals and other deferrals		25	33
Deferred tax assets	16	200	167
Total non-current assets		**11,057**	**10,204**
Inventories	17	2,073	1,736
Trade receivables and other assets	18	7,416	6,746
Financial instruments and other financial assets	25	121	475
Accruals and other deferrals		112	121
Income tax receivables		50	99
Restricted cash	20	1	1
Cash and cash equivalents	19	2,401	2,458
Assets held for sale	30	110	106
Total current assets		**12,284**	**11,742**
Total assets		**23,341**	**21,946**

	Note	2022	2021
Equity			
Share Capital	21	1,036	1,036
Share premium	21	845	845
Capital and other reserves	21	-1,721	-1,685
Retained earnings		4,800	3,138
Total equity attributable to equity holders		**4,960**	**3,334**
Non-controlling interests	22	500	336
Total equity		**5,460**	**3,670**
Liabilities			
Loans and borrowings	23	6,543	7,749
Financial instruments and financial liabilities	25	119	283
Provisions	24	626	631
Deferred income	27	40	48
Deferred tax liabilities	16	54	69
Trade payables and other liabilities	26	172	169
Total non-current liabilities		**7,554**	**8,949**
Trade payables and other liabilities	26	5,817	6,106
Loans and borrowings	23	3,882	2,091
Financial instruments and financial liabilities	25	187	505
Provisions	24	277	256
Deferred income	27	55	69
Income tax liability		109	300
Total current liabilities		**10,327**	**9,327**
Total liabilities		**17,881**	**18,276**
Total equity and liabilities		**23,341**	**21,946**

The notes presented on pages 46 to 142 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	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 presented on pages 46 to 142 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2021

In CZK million

	Attributable to owners of the Company			Attributable to owners of the Company						
	Share capital	Share premium	Non-distributable reserves	Translation reserve	Revaluation reserve	Other capital reserves	Retained earnings	Total	Non-controlling Interest	Total equity
Balance at 1 January 2021 (A)	**1,036**	**845**	**360**	**-71**	**1**	**-1,945**	**2,681**	**2,907**	**144**	**3,051**
Total comprehensive income for the year:										
Profit or loss (B)	–	–	–	–	–	–	2,243	**2,243**	275	**2,518**
Other comprehensive income:										
Foreign currency translation differences for foreign operations	–	–	–	-30	–	–	–	**-30**	2	**-28**
Total other comprehensive income (C)	**–**	**–**	**–**	**-30**	**–**	**–**	**–**	**-30**	**2**	**-28**
Total comprehensive income for the period (D) = (B + C)	**–**	**–**	**–**	**-30**	**–**	**–**	**2,243**	**2,213**	**277**	**2,490**
Contributions by and distributions to owners:										
Dividends to non-controlling interest holders	–	–	–	–	–	–	-1,785	**-1,785**	-91	**-1,876**
Transfer to non-distributable reserves	–	–	1	–	–	–	-1	**–**	**–**	**–**
Total contributions by and distributions to owners (E)	**–**	**–**	**1**	**–**	**–**	**–**	**-1,786**	**-1,785**	**-91**	**-1,876**
Changes in ownership interests in subsidiaries without change of controlling interest:										
Effect of acquisition through step acquisition	–	–	–	–	-1	–	–	**-1**	6	**5**
Changes in ownership interests in subsidiaries (F)	**–**	**–**	**–**	**–**	**-1**	**–**	**–**	**-1**	**6**	**5**
Total transactions with owners (G) = (E + F)	**–**	**–**	**1**	**–**	**-1**	**–**	**-1,786**	**-1,786**	**-85**	**-1,871**
Balance at 31 December 2021 (H) = (A + D + G)	**1,036**	**845**	**361**	**-101**	**-**	**-1,945**	**3,138**	**3,334**	**336**	**3,670**

The notes presented on pages 46 to 142 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

In CZK million

	Note	2022	2021
OPERATING ACTIVITIES			
Profit/-loss for the period		**2,031**	**2,518**
Adjustment for:			
Income tax	12	648	647
Depreciation and amortisation	13, 14	978	916
Impairment losses/-reversal on property, plant and equipment and intangible assets	13, 14	19	2
Loss/-gain on disposal of property, plant and equipment, investment property and intangible assets	9, 10	-35	77
Loss/-gain on disposal of inventories	9	-86	-102
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	-3	-25
Loss/-gain on financial instruments	11	-218	-308
Net interest expense	11	735	307
Change in allowance for impairment to trade receivables and other assets, write-offs		23	37
Change in provisions		-14	-39
Other non-cash operations		50	30
Unrealised foreign exchange losses/-gains, net		-58	-72
Operating profit/-loss before changes in working capital		**4,049**	**3,988**
Changes in trade receivables and other assets		-379	-203
Changes in inventories (including sales)		-212	94
Change in assets held for sale and related liabilities		-4	-27
Changes in restricted accounts		-65	-156
Changes in trade payables and other liabilities		-169	-458
Cash generated by /-used in operating activities		**3,220**	**3,238**
Interest paid		-739	-339
Income tax paid		-835	-551
Cash flows generated by /-used in operating activities		**1,646**	**2,348**

	Note	2022	2021
INVESTING ACTIVITIES			
Change in financial instruments other than at fair value		6	7
Proceeds from sale of property, plant and equipment and intangible assets		165	530
Acquisition of property, plant and equipment and intangible assets		-921	-684
Proceeds from sales of financial instruments		186	-7
Acquisition and step acquisition of subsidiaries and special purpose entities, net of cash acquired	5	-321	-20
Decrease/-increase of ownership interests in existing subsidiaries, joint ventures and associates		-9	–
Net cash inflow/-outflow from disposal of subsidiaries and special purpose entities (including received dividends)	5	30	–
Interest received		52	4
Cash flows generated by/-used in investing activities		**-812**	**-170**
FINANCING ACTIVITIES			
Borrowings received		5,646	4,184
Loans repaid		-5,198	-3,540
Acquisition of financial instruments		-424	-433
Payment of finance lease liabilities		-404	-392
Dividends paid		-530	-1,382
Cash flows generated by/-used in financing activities		**-910**	**-1,563**
Net increase (decrease) in cash and cash equivalents		-76	615
Cash and cash equivalents at the beginning of the year		**2,458**	**1,835**
Effect of exchange rate fluctuations on cash		19	8
Cash and cash equivalents at the end of the year		**2,401**	**2,458**

The notes presented on pages 46 to 142 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statement

1. General Information

EP Industries, a.s. (“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 and waste management.

The Company’s consolidated financial statements for the year ended 31 December 2022 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 of 31 December 2022 and 31 December 2021, 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 of 31 December 2022 and 31 December 2021 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 of 31 December 2022:

- 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 Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union.

The consolidated financial statements were approved by the Board of Directors on 31 May 2023.

B BASIS OF MEASUREMENT

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

- Derivative financial instruments
- Financial instruments at fair value through profit or loss
- 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 as well as presentation currency. All financial information presented in Czech crowns has been rounded to the nearest million.

D USE OF ESTIMATES AND JUDGEMENTS

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

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

I. UNCERTAINTIES IN ASSUMPTIONS AND ESTIMATES

Information about assumption and estimate 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 MATTERS

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 and Belarus. To date, the situation has not required a revision of significant assumptions and estimates and has not had a long-term impact on trading volumes, cash flows and valuation of assets and liabilities. The Group’s management has been monitoring the situation intensively and critically on an ongoing basis and is prepared to take all measures to minimize the impacts on the Group and its employees as much as possible. At this stage, however, 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 2022.

E APPLICATION OF NEW AND AMENDED IFRS STANDARDS

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

The following paragraphs summarise principal requirements of the International Financial Reporting Standards effective for the annual reporting periods beginning on or after 1 January 2022 that have therefore been applied by the Group for the first time.

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

The amendments to IFRS 3 update references to the Conceptual Framework. The amendments to IAS 16 prohibit companies from making a deduction of an amount received from the sale of items arising when assets are put in the condition necessary for use from the acquisition cost of fixed assets, and presents this income and relating costs in profit or loss. The amendments to IAS 37 clarify what costs are taken into account by an entity when assessing whether a contract is onerous.

Annual improvements amend the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (simplifying the application of IFRS 1 for a subsidiary which is a first-time adopter after the parent company was a first-time adopter, defining the reporting of cumulative exchange rate differences), IFRS 9 Financial Instruments (clarifying what fees an entity includes in an assessment whether the conditions of a new or modified financial liability have substantially changed compared to the conditions of the original liability), IAS 41 Agriculture (removing the requirements for the exclusion of cash flows relating to taxation in the determination of fair value) and illustrative examples accompanying IFRS 16 Leases.

Commencement of compliance with these amendments to existing standards did not result in any changes to the Group's accounting policies.

II. STANDARDS AND AMENDMENTS ISSUED BY THE IASB AND ADOPTED BY THE EU, NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023)

Insurance contracts combine the features of a financial instrument and a service agreement. Numerous insurance contracts additionally generate cash flows with significant variability over a long period of time. In order to provide useful information on these features, IFRS 17 combines measurement of future cash flows at the present value with the recognition of profit over the period of provision of services under the contract, presents the results of insurance policies separately from financial income or costs of insurance and requires the reporting entity to make an accounting policy choice whether to recognise all financial income or financial expenses from insurance in the profit or loss or whether to recognise part of this income or expenses in other comprehensive income.

Given the nature of the Group's principal business, these amendments have no impact on the Group's financial statements.

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

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

Given the nature of the Group's principal business, IFSR 17 is not expected to have any impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023)

The amendments introduce the term "material accounting policy information" and clarify that an entity is required to disclose material information about its accounting policies and that the information may be material even if the related amounts are immaterial. The amendments also specify how the material accounting policy information may be identified.

The Group is currently verifying the potential impact of the amendments on the financial statements.

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

The amendments introduce a new definition of accounting estimates and require entities making accounting estimates in their financial statements to do so in a way that involves measurement uncertainty. The amendments also specify that a change in an accounting estimate resulting from new information is not the correction of an error and may affect only the current period's profit or loss or the profit or loss of both the current and future periods.

The Group is currently verifying the potential impact of the amendments on the financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

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. For transactions in which equal deductible and taxable differences arise, the entity is required to recognise a deferred tax asset and a deferred tax liability and the initial recognition exemption does not apply.

The Group is currently verifying the potential impact of the amendments on the financial statements.

III. III. AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB, NOT YET ADOPTED BY THE EU

Currently, the form of standards adopted by the EU 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):

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been postponed until the Equity Method project is completed)

The Amendments deal with the conflict between the requirements of IFRS 10 and IAS 28, clarifying that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The Group is currently verifying the potential impact of the amendments on the financial statements.

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

The amendments require a seller-lessee to subsequently measure lease liabilities arising from

a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The Group is currently verifying the potential impact of the amendments on the financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current – effective date postponed (effective for annual periods beginning on or after 1 January 2024)

The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The Group is currently verifying the potential impact of the amendments on the financial statements.

Amendments to IAS 1 – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024)

The amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The Group is currently verifying the potential impact of the amendments on the financial statements.

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/joint ventures are enterprises in which the Group has a significant yet not controlling influence over financial and operating policies. Investments in associates/joint ventures are accounted for under the equity method and initially recognised at cost. The consolidated financial statements include the Group's share of the total profit or loss and other comprehensive income of associates/joint ventures from the date on which the significant influence commences until the date of its termination. When the Group's share of losses exceeds the carrying amount of the investment in an associate/joint venture, the carrying amount is reduced to zero and the recognition of further losses is discontinued, except to the extent that the Group's obligations towards the associate/joint venture have incurred, or where the Group made payments on behalf of the associate/joint venture.

Any goodwill arising from the acquisition of an associate/joint venture is included in the carrying amount of investments in associates/joint ventures. The gain on a bargain purchase of an associate/joint venture is recognised in the statement of comprehensive income in the period of acquisition.

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 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, which changes 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.

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. PRICING DIFFERENCES

In 2011, the Group accounted for pricing differences which arose from establishment of the Group as of 30 September 2011. The creation of the EPI group was accounted for similarly to the acquisition of subsidiaries under common control of the Energetický a průmyslový holding, a.s. Group, and therefore excluded from the scope of IFRS 3, which defines the recognition of goodwill raised from a business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Business combinations under common control are reported at the historical value reported in the financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition and carrying values of net assets of the acquiree and original goodwill carried forward at the acquisition date was recorded to consolidated equity as pricing differences presented within other capital reserves.

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.

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, relevant part of translation reserve is recycled to the Gain/-loss on disposal of subsidiaries in the 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; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI test”).

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

A debt 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; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI test”).

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

Inventories are measured at the lower of cost and net realisable value. The net realisable value is an estimated sales price at 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 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 lifetime ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchased or originated credit-impaired financial assets ("POCI"). At the date of the initial recognition, the financial asset is included in Stage I or POCI. Subsequent to initial recognition, financial asset is allocated to Stage II if there was a significant increase in credit risk since initial recognition or to Stage III 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 borrower increases by 100% compared to the previous rating (not relevant condition in ECL model for intercorporate loans and receivables); or

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

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 of 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 of 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 of the dates of subsequent financial statements and its subsequent payment is recognised in equity. Other contingent consideration is remeasured at fair value as of 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 of 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 of the acquisition date and, if known, would have affected the amounts determined as of 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 in the future and the Group intends and has sufficient resources to complete the development and to use or sell the asset.

In 2022 and 2021, 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. EMPLOYEE BENEFITS

LONG-TERM EMPLOYEE BENEFITS

The Group's net liability relating to long-term employee benefits (excluding pension plans) is defined as an amount of the future payments, to which employees will be entitled in return for their service in the current and prior periods. This liability which is calculated using the projected unit credit method and discounted to its present value. The discount rate used is based on yields of high-quality corporate bonds at the end of the reporting period, which maturity approximately corresponds with the maturity of the future obligation of the Group.

The Group does not provide pension plans (plans of defined benefits after the termination of employment) pursuant to IAS 19.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

II. WARRANTIES

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.

III. 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.

IV. RESTRUCTURING

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

V. ASSET RETIREMENT OBLIGATION AND PROVISION FOR ENVIRONMENTAL REMEDIATION

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognised in connection with the initial recognition of the related assets, provided that the obligation can be reliably estimated. The carrying amounts of the related items of property, plant and equipment are increased by the same amount that is subsequently depreciated as part of the depreciation process of the related assets.

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

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

VI. ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

VII. 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 of 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 profit or loss 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 (if it is not 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

I. DEFINITION OF A LEASE

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.

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). With respect to these leases, the Group reports lease payments as expenses.

The entity applies this policy to all leases, including leases with right of use as part of a sublease, with the exception of leases for the purpose of exploration or use of deposits of minerals, oil, natural gas and similar renewable sources; leases of biological assets held by the lessee within the scope of IAS 41 Agriculture; provision of service concessions within the scope of IFRIC 12 Service Concession Arrangements; intellectual property licences provided by the lessor within the scope of IFRS 15 Revenue from Contracts with Customers and intangible assets within the scope of IAS 38 Intangible Assets.

II. LESSOR ACCOUNTING

The lessor classifies a lease either as a finance lease or as an operating lease. A lease is classified as a finance lease if substantially all the risks and benefits arising from the ownership of the underlying asset are transferred. A lease is classified as an operating lease if substantially all the risks and benefits arising from the ownership of the underlying asset are not transferred.

With respect to finance leases, the lessor reports the assets in the statement of financial position as a receivable corresponding to the net financial investment in the lease. Over the lease term, financial income is reported in the statement of comprehensive income.

With respect to operating leases, the lessor reports the underlying asset in the statement of financial position. Over the lease term, lease payments are reported on a straight-line basis as income, and depreciation of the underlying asset as expenses.

III. 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 of 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 of 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, or
- 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.

IV. 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.

V. 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.

VI. LEASE TERM

The lease term is determined as of 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.

VII. 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.

VIII. 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 INVENTORIES

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the 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 flows 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 2022

In CZK million

	Date of acquisition	Purchase price	Cash outflow	Equity interest acquired %	Equity interest after acquisition %
New subsidiary					
HERKUL a.s. a její dceřiná společnost 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. acquired part of business in company carrying out the communication and local area maintenance in the Hradec Králové region. The impact of this transaction on the Group's financial statements was immaterial.

ACQUISITION OF NON-CONTROLLING INTERESTS

As of 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 holds a 99.45% equity investment in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. The impact of this transaction on the Group's financial statements was immaterial.

II. 31 DECEMBER 2021

In CZK million

	Date of acquisition	Purchase price	Cash outflow	Other consideration	Equity interest acquired %	Equity interest after acquisition %
New subsidiary						
RAIL ELECTRONICS CZ s.r.o.	01/07/2021	22	-22	(1) 9	25	75
Total		**22**	**-22**	**9**	**–**	**–**

(1) Other consideration represents the fair value of the 50% interest held by SOR Libchavy spol. s r.o. prior to the acquisition date.

In CZK million

	Date of acquisition	Purchase price	Cash outflow	Other consideration	Equity interest acquired %	Equity interest after acquisition %
New associate or joint venture						
Winning Automotive 1 GmbH (subsidiary of Winning Automotive a.s.)	23/04/2021	1	-1	–	(1) 100	(1) 100
Total		**1**	**-1**	**–**	**–**	**–**

(1) The effective equity interest of the EPI Group is 50%.

ACQUISITION OF NON-CONTROLLING INTERESTS

In 2021, the Group acquired no additional interest in any of its companies.

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

B EFFECT OF ACQUISITIONS

I. 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
Inventories	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.

II. 31 DECEMBER 2021

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of RAIL ELECTRONICS CZ s.r.o. are provided in the following table:

In CZK million

	Carrying amount(1)	Fair value adjustment	2021 Total(1)
Inventories	26	–	26
Trade receivables and other assets	20	–	20
Cash and cash equivalents	2	–	2
Provisions	-1	–	-1
Trade payables and other liabilities	-21	–	-21
Net identifiable assets and liabilities	**26**	**–**	**26**
Non-controlling interest			-6
Goodwill			11
Cost of acquisition			**31**
Consideration paid, satisfied in cash (A)			22
Other consideration			9
Total consideration transferred			**31**
Less: Cash acquired (B)			2
Net cash inflow (outflow (C) = (B – A)			**-20**

(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 4 608 million as of 31 December 2022 (2021: 4 535 CZK million). For the development of historical goodwill, please refer to Note 14 – Intangible assets (including goodwill).

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

In 2022, the Group reported a goodwill impairment loss of CZK 19 million (2021: CZK 0 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

	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.

In CZK million

	2021 Total
Revenue of the acquirees recognised since the acquisition date*	36
Profit/-loss of the acquirees recognised since the acquisition date*	-5

* 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 of 1 January 2022 or 1 January 2021). This financial information was derived from the acquiree's statutory financial statements or financial statements prepared under IFRS.

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.

In CZK million

	2021 Total
Revenue of acquirees recognised in the year ended 31 December 2021*	91
Profit/-loss of acquirees recognised in the year ended 31 December 2021*	10

* Before eliminating transactions between Group entities

C BUSINESS COMBINATIONS – RECOGNITION OF ACQUISITIONS FOR 2022 AND 2021

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 2022 and 2021 were not material. The Group's management decided not to account for these changes.

D DISPOSAL OF INVESTMENTS AND RETIREMENT OF DISCONTINUED ACTIVITIES

I. 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.

II. DISPOSAL OF INVESTMENTS IN 2021

There were no significant disposals of subsidiaries, associates and special purpose entities in 2021.

6. Sales

In CZK million

	2022	2021
Sales: Technical-engineering & services	**8,379**	**7,802**
Sales: Industrial waste	**3,722**	**3,460**
Sales: Manufacturing and other		
Construction of railway lines and public transport lines	7,336	6,626
Waste management	3,906	3,194
Manufacturing	3,086	3,151
Total manufacturing and other	**14,328**	**12,971**
Total	**26,429**	**24,233**
In-country sales	21,791	19,612
Cross-border sales	4,638	4,621
Total	**26,429**	**24,233**

The transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2022 is as follows:

The total transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2022 is CZK 28 788 million (2021: CZK 18 738 million), of which technical-engineering activities and services account for CZK 12 511 million (2021: CZK 4 840 million), manufacturing and other activities for CZK 8 185 million (2021: CZK 7 915 million) and industrial waste for CZK 8 092 million (2021: CZK 5 983 million).

The Group's management expects that 49% (2021: 52%) of the transaction price allocated to unsatisfied performance obligations as of 31 December 2022 will be reported as income in the subsequent reporting period. The remaining 51% of this transaction price (2021: 48% as expected) will be recognised in 2024 and subsequent years.

7. Cost of Sales

In CZK million

	2022	2021
Cost of sales: Technical-engineering & services		
External sub-supplies of services	3,278	3,236
Consumption of material	1,135	769
Goods used for manufacturing	47	9
Consumption of energy	6	27
Changes in WIP, semi-finished products and finished goods	-72	-22
Total technical-engineering activities and services	**4,394**	**4,019**
Cost of sales: Industrial waste		
Disposal cost	1,860	1,646
Car fleet cost	494	374
Waste deposition fee	417	311
Recognition and release of statutory provisions for landfills	-62	11
Total industrial waste	**2,709**	**2,342**
Cost of sales: Manufacturing and other		
Consumption of material	4,916	4,273
Goods used for manufacturing	402	344
Consumption of energy	181	85
Changes in WIP, semi-finished products and finished goods	-154	-133
Other cost of sales	2,730	2,618
Total manufacturing and other	**8,075**	**7,187**
Total	**15,178**	**13,548**

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

Other costs of sales include minority sub-supplies, ordinary costs of services relating to production and other costs.

8. Personnel expenses

In CZK million

	2022	2021
Wages and salaries	4,059	3,690
Compulsory social security contributions	1,307	1,201
Remuneration to board members(1)	46	76
Other social expenses	156	161
Total	**5,568**	**5,128**

(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 2022 was 7 143 (2021: 7 081), of which 219 were executives (2021: 208).

9. Other Operating Income

In CZK million

	2022	2021
Profit from the sale of material	86	102
Income from fees	52	11
Bonuses, discounts and grants	35	69
Profit on disposal of tangible and intangible assets	35	–
Compensation from insurance companies	34	27
Rental income	24	26
Consulting services	3	–
Contractual penalties	–	1
Other	90	116
Total	**359**	**352**

10. Other Operating Expenses

In CZK million

	2022	2021
Transport expenses	267	226
Rental expenses	193	190
Consulting expenses	179	188
Insurance expenses	87	76
Services related to technical and engineering activities	84	10
Gifts and sponsorship	69	48
Office equipment and other material	65	53
Information technology costs	59	54
Outsourcing and other administrative fees	59	51
Advertising expenses	53	91
Security and cleaning services	51	50
Training, courses, conferences	24	21
Communication expenses	19	15
Impairment losses/-reversal of impairment losses, including goodwill amortisation	15	40
Compensation of damage	15	5
Change in provisions, net	10	14
Contractual fines and penalties	9	9
Lease-related services	8	8
Loss on written-off receivables	7	12
Loss on disposal of property, plant and equipment and intangible assets	–	77
Administrative costs	–	3
Own work capitalised	-25	-17
Other	267	264
Total other operating expenses	**1,515**	**1,488**

No material research and development costs were reported in the statement of comprehensive income for the years ended 31 December 2022 and 2021.

FEES PAYABLE TO STATUTORY AUDITORS

In CZK million

	2022	2021
Statutory audit	11	9
Tax advisory and other assurance services	2	2
Total	**13**	**11**

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, mid-year reviews and other services.

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

In CZK million

	2022	2021
Interest income	65	21
Net foreign exchange gain	28	26
Other finance income	8	–
Finance income	**101**	**47**
Interest expense	-800	-328
Fees and commissions expense for payment transactions	-23	-27
Fees and commissions expense for transactions with financial instruments	-6	-3
Other finance expense	-50	-35
Finance expense	**-879**	**-393**
Profit/-loss from interest rate derivatives held for trading	222	309
Profit/-loss from hedging financial instruments	–	3
Profit/-loss from currency derivatives held for trading	-4	-4
Profit/-loss from financial instruments	**218**	**308**
Net finance income/-expense	**-560**	**-38**

12. Tax Expenses

INCOME TAXES RECOGNISED THROUGH THE STATEMENT OF COMPREHENSIVE INCOME

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	2022	2021
Current taxes:		
Current year	-692	-693
Adjustment for prior periods	-1	2
Total current taxes	**-693**	**-691**
Deferred taxes:		
Origination and reversal of temporary differences	45	44
Total deferred taxes	**45**	**44**
Total income taxes	**-648**	**-647**

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 2022 and 2021 fiscal years. The Slovak corporate income tax rate is 21% for the 2022 and 2021 fiscal years. The corporate income tax rate stipulated by Ukrainian legislation for the 2022 and 2021 fiscal years is 18%. The income tax in the current year also includes a special sector tax applicable in Slovakia.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

In CZK million

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

In CZK million

	2021		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	-28	–	-28
Total	**-28**	**–**	**-28**

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

	%	2022	%	2021
Profit before tax		2,679		3,165
Income tax using the Company's domestic rate	19%	509	19%	601
Effect of tax rates in foreign jurisdictions	-0.07%	-2	-0.22%	-7
Non-deductible expenses	6.19%	166	3.97%	126
Non-taxable income	-1.64%	-44	-2.28%	-72
Change in unrecognised temporary differences	0.26%	7	-	-
Current year's losses for which no deferred tax asset was recognised	0.48%	13	0.06%	2
Tax incentives, tax credit	-0.07%	-2	-0.06%	-2
Withholding tax, income tax adjustments for prior periods	0.04%	1	-0.03%	-1
Income tax recognised in other comprehensive income	**24.19%**	**648**	**20.44%**	**647**

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 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.

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 2021	**3,208**	**4,618**	**382**	**40**	**8,248**
Additions	125	877	38	156	**1,196**
Disposals[2]	-545	-463	-2	-72	**-1 082**
Transfers	1	8	–	-9	**–**
Effects of changes in foreign exchange rates	-34	-40	-1	-1	**-76**
Balance at 31 December 2021	**2,755**	**5,000**	**417**	**114**	**8,286**
Depreciation and impairment losses					
Balance at 1 January 2021	**-869**	**-2,587**	**-241**	**–**	**-3,697**
Depreciation charge for the year	-176	-670	-49	–	**-895**
Disposals[2]	136	339	1	–	**476**
Reversal of impairment loss/-impairment losses through profit or loss	-2	–	–	–	**-2**
Effects of changes in foreign exchange rates	10	30	1	–	**41**
Balance at 31 December 2021	**-901**	**-2,888**	**-288**	**–**	**-4,077**
Carrying amounts					
At 1 January 2021	**2,339**	**2,031**	**141**	**40**	**4,551**
At 31 December 2021	**1,854**	**2,112**	**129**	**114**	**4,209**

(1) Including right-of-use assets
(2) On 30 July 2021, a part of the business of SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. („SES") was sold, which included primarily the transfer of the real estate of the SES premises and part of the employees. At the same time, the production activities of SES were discontinued and SES became a solely engineering and contracting company. The company's core know-how remained intact with the sale of part of the business, with the engineering, project execution and procurement departments remaining in SES, including key employees.

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

IDLE ASSETS

As of 31 December 2022 and 31 December 2021, the Group had no material idle assets.

PLEDGES

As of 31 December 2022, property, plant and equipment of CZK 841 million (2021: CZK 755 million) are subject to pledges to secure bank loans.

14. Intangible Assets (Including Goodwill)

In CZK million

	Goodwill	Software	Customer relation-ship	Other intangible assets	Total
Cost of acquisition					
Balance at 1 January 2022	**4,853**	**150**	**666**	**589**	**6,258**
Additions	–	6	–	5	**11**
Additions through business combinations[1]	96	1	–	–	**97**
Disposals	–	-9	–	-3	**-12**
Transfers	–	5	–	-5	**–**
Effects of changes in foreign exchange rates	-13	–	–	–	**-13**
Balance at 31 December 2022	**4,936**	**153**	**666**	**586**	**6,341**
Amortisation and impairment losses					
Balance at 1 January 2022	-318	-123	-666	-484	**-1,591**
Amortisation 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. RELIEF PROJECTS, s.r.o.

In CZK million

	Goodwill	Software	Customer relation-ship	Other intangible assets	Total
Cost of acquisition					
Balance at 1 January 2021	**4,867**	**141**	**666**	**581**	**6,255**
Additions	–	9	–	9	**18**
Additions through business combinations	11	–	–	–	**11**
Disposals	–	-1	–	–	**-1**
Transfers	–	1	–	-1	**–**
Effects of changes in foreign exchange rates	-25	–	–	–	**-25**
Balance at 31 December 2021	**4,853**	**150**	**666**	**589**	**6,258**
Amortisation and impairment losses					
Balance at 1 January 2021	-335	-104	-666	-482	**-1,587**
Amortisation for the year	–	-19	–	-2	**-21**
Effects of changes in foreign exchange rates	17	–	–	–	**17**
Balance at 31 December 2021	**-318**	**-123**	**-666**	**-484**	**-1,591**
Carrying amounts					
At 1 January 2021	**4,532**	**37**	**–**	**99**	**4,668**
At 31 December 2021	**4,535**	**27**	**–**	**105**	**4,667**

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 of 31 December 2022, 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 2022	31 December 2021
PIRAMEL ENTERPRISES LIMITED Group(1)	2,087	2,010
PI1 Group(2)	1,104	1,104
EGEM s.r.o.	409	409
MSEM, a.s.	184	184
SOR Libchavy Group(3)	188	188
Energetické opravny a.s.	141	141
VČE – montáže, a.s.	102	102
ELTRA , s.r.o.	90	93
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.	35	36
PEZ – projekce energetických zařízení s.r.o.	11	11
T.O.O., spol. s r.o.	9	9
Total	**4,608**	**4,535**

(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 2022, goodwill increased by CZK 96 million due to 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. (2021: CZK 11 million due to the gradual acquisition of RAIL ELECTRONICS CZ s.r.o.). In 2022, the Group reported a goodwill impairment loss of CZK 19 million (2021: CZK 0 million).

Total change in goodwill of CZK 73 million was due to an increase by CZK 96 million as a result of the acquisition of HERKUL a.s., its subsidiary HERKUL PLUS, s.r.o., RELIEF PROJECTS, s.r.o. and Středočeská autobusová doprava s.r.o., to a decrease by the recognised goodwill impairment loss of CZK 19 million and a decrease by CZK 4 million due to changes in 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 of 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 of 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% (2021: 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.

Testing for the current year identified a need for goodwill impairment of CZK 19 million (2021: CZK 0 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 2022 was determined on a similar basis as in 2021. 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 7.84% to 10.3% (2021: 5.90% to 9.56%) and for Ukrainian companies from 27.38% to 31.79% (2021: 24.65%). 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 investment in associates and joint ventures:

In CZK million

Associates and joint ventures	Country	Equity investment 31 December 2022 %	Carrying amount 31 December 2022
Winning Automotive Group(1)	(2)	50	90
Total		–	**90**

(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

Associates and joint ventures	Country	Equity investment 31 December 2021 %	Carrying amount 31 December 2021
Winning Automotive Group(1)	(2)	50	90
Total		–	**90**

(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.

The Group has the following share in the profit or loss of associates and joint ventures::

In CZK million

Associates and joint ventures	Country	Equity investment 31 December 2022 %	Share in profit/ -loss for 2022
Winning Automotive Group(1)	(2)	50	3
Total		–	**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.

In CZK million

Associates and joint ventures	Country	Equity investment 31 December 2021 %	Share in profit/ -loss for 2021
Winning Automotive Group(1)	(2)	50	25
Total		–	**25**

(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 2022 and for the year then ended.

In CZK million

Associates and joint ventures	Revenues	Profit/ -loss	Other comprehensive income	Total comprehensive income	Assets	Liabilities	Equity
Winning Automotive Group(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 GAAP.

In CZK million

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Winning Automotive Group(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 GAAP.

Summary financial information for standalone associates, presented at 100% as at 31 December 2021 and for the year then ended.

In CZK million

Associates and joint ventures	Revenues	Profit/-loss	Other comprehensive income	Total comprehensive income	Assets	Liabilities	Equity
Winning Automotive Group(1)	5,413	50	–	50	1,984	1,698	286
Total	**5,413**	**50**	**–**	**50**	**1,984**	**1,698**	**286**

(1) Financial information derived from financial statements prepared in accordance with local GAAP.

In CZK million

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Winning Automotive Group(1)	771	1,213	829	869
Total	**771**	**1,213**	**829**	**869**

(1) Financial information derived from financial statements prepared in accordance with local GAAP.

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 2022			31 December 2021		
Temporary difference related to:	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	95	-189	-94	36	-98	-62
Intangible assets	–	-15	-15	–	-14	-14
Assets held for sale	7	–	7	7	–	7
Inventories	16	-3	13	15	-4	11
Trade receivables and other assets	52	–	52	49	-5	44
Provisions	89	–	89	89	–	89
Employee benefits	–	–	–	9	–	9
Tax losses	46	–	46			
Other items	119	-71	48	92	-78	14
Subtotal	**424**	**-278**	**146**	**297**	**-199**	**98**
Set-off tax	-224	224	–	-130	130	–
Total	**200**	**-54**	**146**	**167**	**-69**	**98**

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR

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
Assets held for sale	7	–	–	–	7
Inventories	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**

In CZK million

Temporary difference related to:	Balance at 1 January 2021	Recognised in profit or loss	Effects of changes in foreign exchange rates	Balance at 31 December 2021
Property, plant and equipment	-129	68	-1	-62
Intangible assets	-14	–	–	-14
Assets held for sale	7	–	–	7
Inventories	1	10	–	11
Trade receivables and other assets	42	2	–	44
Provisions	100	-10	-1	89
Employee benefits	10	-1	–	9
Other items	39	-25	–	14
Total	**56**	**44**	**-2**	**98**

UNRECOGNISED DEFERRED TAX ASSETS

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

In CZK million

	31 December 2022	31 December 2021
Tax losses carried forward	213	201
Receivables and other assets	5	90
Total	**218**	**291**

The total amount of tax losses carried forward for which no deferred tax asset has been recognised is CZK 213 million (2021: CZK 201 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 2022, the relevant taxable income (savings) would amount to as much as CZK 44 million (2021: CZK 41 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:

	2023	2024	2025	2026	2027 and later	Total
Tax losses	17	42	60	42	52	**213**

17. Inventories

In CZK million

	31 December 2022	31 December 2021
Raw material and supplies	1,166	958
Work in progress	579	498
Finished goods and merchandise	328	280
Total	**2,073**	**1,736**

As of 31 December 2022, a reversal of the impairment losses on inventories of EUR 44 million was reported in the statement of comprehensive income. (2021: impairment loss of CZK 42 million).

PLEDGES

As of 31 December 2022, inventories in the amount of CZK 128 million (2021: CZK 65 million) were subject to pledges.

18. Trade Receivables and Other Assets

In CZK million

	31 December 2022	31 December 2021
Trade receivables	5,335	4,961
Receivables from the performance of ongoing contracts	1,411	1,263
Retention fees	592	563
Advance payments	269	245
Tax receivables (excluding income tax)	157	143
Accrued income	93	34
Estimated receivables	31	30
Other receivables and assets	117	114
Allowance for bad debts	-276	-234
Total	**7,729**	**7,119**
Non-current	313	373
Current	7,416	6,746
Total	**7,729**	**7,119**

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

As of 31 December 2022, trade receivables with a carrying value of CZK 1 492 million (2021: CZK 798 million) are subject to pledges.

As of 31 December 2022, trade receivables and other assets of CZK 7 353 million (2021: CZK 6 978 million) are not past due; the remaining balance of CZK 376 million is overdue (2021: CZK 141 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 CONSTRUCTION CONTRACTS RECOGNISED ON AN ONGOING BASIS

In CZK million

	31 December 2022	31 December 2021
Income recognised for the period	14,430	13,483
Expenses incurred in the period	-9,352	-9,921
Profit/-loss from construction contracts for the period	**5,078**	**3,562**
Receivables from the performance of ongoing contracts	1,411	1,263

As of 31 December 2022, trade receivables included retention fees relating to contracts with customers in the amount of CZK 592 million (2021: CZK 563 million).

19. Cash and cash equivalents

In CZK million

	31 December 2022	31 December 2021
Current accounts and deposits with banks	1,915	2,349
Term deposit	477	100
Cash and cash equivalents	9	9
Total	**2,401**	**2,458**

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

As of 31 December 2022, cash equivalents of CZK 481 million (2021: CZK 755 million) are subject to pledges (these balances do not include restricted cash). According to the loan documentation, cash balances at specific entities are pledged in favour of the financial institution in the event of the Group's default upon the payment of 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 2022	31 December 2021
Restricted cash non-current	494	429
Restricted cash current	1	1
Total	**495**	**430**

As of 31 December 2022, 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 493 million (2021: CZK 428 million), AVE SK odpadové hospodárstvo s.r.o. of CZK 1 million (2021: 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 (2021: CZK 1 million).

21. Equity

SHARE CAPITAL

The authorised, issued and fully paid share capital as of 31 December 2022 consisted of 1 035 816 ordinary shares with a par value of CZK 1 000 each (2021: 1 035 816 shares with a par value of CZK 1 000 each).

The shareholders are entitled to receive dividends and to 1000 votes per one-thousand-crown share at general meetings of the Company's shareholders.

In 2022, the Company declared dividends of CZK 97 million (2021: CZK 1 785 million).

The shareholder structure as of 31 December 2022 and 31 December 2021 was as follows:

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

31 December 2021	Number of shares CZK 1 000	Ownership %	Voting rights %
EP INDUSTRIES HOLDING LIMITED	1,035,816	100.00	100.00
Total shares	**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 2022 CZK 1 000	Number of shares 31 December 2021 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**

SHARE PREMIUM

In 2016, the sole shareholder provided a monetary contribution outside the share capital of CZK 1,589 million. A portion of this contribution of CZK 744 million was declared to be paid back to the shareholder and subsequently paid out in 2019.

OTHER CAPITAL FUNDS AND RESERVES

Reserves reported through equity include the following items:

In CZK million

	31 December 2022	31 December 2021
Non-distributable reserves and other funds created from profit	361	361
Translation reserve	-137	-101
Other capital reserves	-1,945	-1,945
Total	**-1,721**	**-1,685**

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 RESERVES

In 2011, the Group accounted for pricing differences that arose from the establishment of the EPI Group as of 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 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 declared to non-controlling interest holders	–	**-95**	–	**-95**
Statement of financial position(1)				
Total assets	8,537	10,186	278	**19,001**
of which: non-current	*5,275*	*6,937*	*129*	***12,341***
current	*3,262*	*3,249*	*149*	***6,660***
Total liabilities	3,300	6,171	764	**10,235**
of which: non-current	*80*	*3,185*	*39*	***3,304***
current	*3,220*	*2,986*	*725*	***6,931***
Net assets	**5,237**	**4,015**	**-486**	**8,766**
Statement of comprehensive income(1)				
Total revenues	5,128	8,116	221	**13,465**
Profit/-loss after tax	451	967	-92	**1,326**
Other comprehensive income for the year, net of income tax	–	–	–	–
Comprehensive income for the year	**451**	**967**	**-92**	**1,326**
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.

31 DECEMBER 2021

In CZK million

	Power engineering subgroup(2) (4)	Industrial waste sub-group(3) (4)	Other(4)	Total
Non-controlling percentage	**12%**	(4)–	(4)–	–
Carrying amount of NCI	**15**	**337**	**-16**	**336**
Profit/-loss attributable to non-controlling interests	**39**	**256**	**-20**	**275**
Dividends declared to non-controlling interest holders	**-22**	**-69**	–	**-91**
Statement of financial position(1)				
Total assets	8,491	8,821	329	**17,641**
of which: non-current	*5,223*	*4,517*	*119*	***9,859***
current	*3,268*	*4,304*	*210*	***7,782***
Total liabilities	3,581	5,697	773	**10,051**
of which: non-current	*1,683*	*3,263*	*70*	***5,016***
current	*1,898*	*2,434*	*703*	***5,035***
Net assets	**4,910**	**3,124**	**-444**	**7,590**
Statement of comprehensive income(1)				
Total revenues	4,589	6,689	508	**11,786**
Profit/-loss after tax	774	1,315	-211	**1,878**
Other comprehensive income for the year, net of income tax	–	–	–	–
Comprehensive income for the year	**774**	**1 315**	**-211**	**1,878**
Net cash inflows/-outflows	**-169**	**512**	**43**	**386**

(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 2022	31 December 2021
Loans payable to credit institutions	8,450	8,541
Bank overdraft	997	321
Lease liabilites	976	974
Loans payable to other than credit institutions	2	4
Total	**10,425**	**9,840**
Non-current	6,543	7,749
Current	3,882	2,091
Total	**10,425**	**9,840**

The weighted average interest rate on loans as of 31 December 2022 was 8.15% (2021: 3.30%).

TERMS AND DEBT REPAYMENT SCHEDULE

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

In CZK million

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/2022	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.

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

In CZK million

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/2021	Due within 1 year	Due within 1–5 years	Due in following years
Secured bank loan	CZK	variable*	2026	7,174	1,380	5,794	–
Secured bank loan	EUR	variable*	2026	1,169	55	1,114	–
Secured bank loan	EUR	fixed	2031	197	17	87	93
Secured bank loan	CZK	fixed	2025	1	–	1	–
Secured loan	CZK	fixed	2026	4	2	2	–
Bank overdraft	CZK	variable*	2022	233	233	–	–
Bank overdraft	EUR	variable*	2022	88	88	–	–
Lease liabilities	–	–	2028	974	316	616	42
Total				**9,840**	**2,091**	**7,614**	**135**

* 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

	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**

In CZK million

	Employee benefits	Warranties	Onerous contracts	Legal dis-putes	Restoration and decom-missioning	Other	Total
Balance at 1 January 2021	**25**	**212**	**12**	**1**	**578**	**85**	**913**
Provisions made during the year	2	131	8	–	15	43	**199**
Provisions used during the year	-7	-87	–	–	–	-6	**-100**
Provisions reversed during the year	-10	-45	-6	-1	-57	-18	**-137**
Additions through business combinations	–	1	–	–	–	–	**1**
Unwind of discount	–	–	–	–	15	–	**15**
Effects of changes in foreign exchange rates	-1	-1	–	–	-2	–	**-4**
Balance at 31 December 2021	**9**	**211**	**14**	**–**	**549**	**104**	**887**
Non-current	9	118	8	–	459	37	**631**
Current	–	93	6	–	90	67	**256**
Total	**9**	**211**	**14**	**–**	**549**	**104**	**887**

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 161 million (2021: CZK 166 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 11 million (2021: CZK 15 million) reported by EGEM s.r.o.

Provisions for warranty repairs of buses are calculated for individual projects based on the number of months during which the warranty is provided and estimated costs per one month of warranty, which are determined based on past experience. If estimated costs per one month of warranty increase by 10%, the provision increases by CZK 7 million (2021: CZK 6 million).

The provision for warranty repairs of EGEM s.r.o. reflects the relevant contract for work and its amount is calculated based on the income and the warranty period stated in this contract. If the income from orders increased by 10%, the provision would increase by CZK 1 million (2021: CZK 2 million).

PROVISION FOR THE RESTORATION AND REHABILITATION OF LANDFILLS

A provision of CZK 551 million (2021: CZK 549 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 legislation, 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 2022	31 December 2021
Assets carried at amortised cost		
Loans to other than credit institutions	387	464
Other financial assets	4	–
Total	**391**	**464**
Assets carried at fair value		
Risk management: of which:	221	212
Interest rate swaps reported as trading	*221*	*212*
Hedging: of which:	42	31
Fair value hedge, commodity derivatives	*42*	*31*
Capital instruments at fair value through other comprehensive income: of which:	2	4
Shares and interim certificates carried at fair value through other comprehensive income	*2*	*4*
Total	**265**	**247**
Non-current	535	236
Current	121	475
Total	**656**	**711**

The weighted average interest rate on loans to other than credit institutions for 2022 was 4.98% (2021: 3.12%).

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In CZK million

	31 December 2022	31 December 2021
Liabilities carried at amortised cost		
Bills of exchange issued at amortised cost	295	781
Other financial liabilities	10	6
Total	**305**	**787**
Liabilities carried at fair value		
Risk management: of which:	1	1
Currency derivatives reported as trading	*1*	*1*
Total	**1**	**1**
Non-current	119	283
Current	187	505
Total	**306**	**788**

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

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 reported as trading	*3,146*	*-3,146*	*221*	–
Currency derivatives reported as 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**

In CZK million

	31 December 2021			
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Risk management: of which:	3,560	-3,560	212	1
Interest rate swaps reported as trading	*3,560*	*-3,560*	*212*	–
Currency derivatives reported as trading	–	–	–	*1*
Hedging: of which:	44	-44	31	–
Fair value hedge, commodity derivatives	*44*	*-44*	*31*	–
Total	**3,604**	**-3,604**	**243**	**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 table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

In 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 reported as 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 reported as trading	–	*1*	–	***1***
Total	**–**	**1**	**–**	**1**

In CZK million

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Risk management: of which:	–	212	–	**212**
Interest rate swaps reported as trading	–	*212*	–	***212***
Hedging: of which:	**–**	**31**	**–**	**31**
Fair value hedge, commodity derivatives	–	*31*	–	***31***
Capital instruments at fair value through other comprehensive income: of which:	–	–	4	**4**
Shares and interim certificates carried at fair value through other comprehensive income	–	–	*4*	***4***
Total	**–**	**243**	**4**	**247**
Liabilities carried at fair value				
Risk management: of which:	**–**	**1**	**–**	**1**
Currency derivatives reported as trading	–	*1*	–	***1***
Total	**–**	**1**	**–**	**1**

As of 31 December 2022 and 31 December 2021, no transfers between the fair value levels were made.

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

In CZK million

	Carrying amount 31 December 2022	Fair value 31 December 2022
Financial assets		
Loans to other than credit institutions (including imapairment)	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**

In CZK million

	Carrying amount 31 December 2021	Fair value 31 December 2021
Financial assets		
Loans to other than credit institutions (including impairment)	464	463
Total	**464**	**463**
Financial liabilities		
Bills of exchange issued at amortised cost	781	789
Other financial liabilities	6	6
Total	**787**	**795**

All financial instruments held at amortised costs are categorised within Level 2 of the fair value hierarchy (for detail of valuation methods refer to Note 2(d) i – Assumption and estimation uncertainties).

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 2022	31 December 2021
Trade payables	3,698	3,845
Payables to employees	740	682
Payables for supplies from ongoing contacts	665	463
Retentions from contractors	228	236
Estimated payables	187	134
Prepayments received	125	31
Tax liabilities	87	88
Uninvoiced supplies	49	216
Accrued expenses	20	28
Liabilities to partners and associations	13	438
Other liabilities	177	114
Total	**5,989**	**6,275**
Non-current	172	169
Current	5,817	6,106
Total	**5,989**	**6,275**

Trade payables and other liabilities as of 31 December 2022 and 31 December 2021 were not secured.

As of 31 December 2022 and 31 December 2021, 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 of 31 December 2021 were settled during 2022.

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 2022	31 December 2021
Government grants	40	47
Other	55	70
Total	**95**	**117**
Non-current	40	48
Current	55	69
Total	**95**	**117**

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 Commitments and Contingenties

In CZK million

	31 December 2022	31 December 2021
Granted pledges – securities	5,626	6,041
Guarantees given	1,425	952
Other granted pledges	2,942	2,373
Total	**9,993**	**9,366**

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

Guarantees given represent guarantees for the liabilities of individual subsidiaries within the Group provided to third party.

Other granted pledges relate to:

In CZK million

	31 December 2022	31 December 2021
Trade receivables	1,492	798
Property, plant and equipment	841	755
Cash and cash equivalents	481	755
Inventories	128	65
Total	**2,942**	**2,373**

Companies AVE CZ odpadové hospodářství s.r.o. and AVE Kladno s.r.o. (2021: AVE CZ odpadové hospodářství s.r.o. and AVE Kladno s.r.o.) have granted all company's assets (including the equity investments) as pledges for external financing. These amounts are not included in granted pledges in the table above.

Since 2022, AVE CZ odpadové hospodářství s.r.o. has been party to criminal proceedings in connection with the suspected crime of fee evasion. As neither the length nor the outcome of the proceedings can be predicted at the moment, it is not possible to reliably estimate the potential cost of the risks. Therefore, no provision for litigation has been made.

29. Leases

A LEASES AS THE LESSEE

The Group leases buildings and motor vehicles. The leases have various lease terms and run under various period of time. For some leases, the Group has an option to renew the lease after the end of the lease term.

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

RIGHT-OF-USE ASSETS

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

In CZK million

	Land and buildings	Technical equipment, plant and machinery
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**

In CZK million

	Land and buildings	Technical equipment, plant and machinery
Balance at 1 January 2021	**197**	**597**
Depreciation for the year	-57	-309
Additions to right-of-use assets	83	447
Disposals of right-of-use assets	-4	-14
Effects of changes in foreign exchange rates	-1	-3
Balance at 31 December 2021	**218**	**718**

MATURITY ANALYSIS OF LEASE LIABILITIES

In CZK million

	31 December 2022	31 December 2021
Undiscounted contractual cash flows by maturity		
Up to 3 months	93	76
3 months to 1 year	309	242
1–5 years	539	616
Over 5 years	35	42
Total undiscounted contractual cash flows	**976**	**976**
Carrying amount	**976**	**974**

RECOGNISED IN PROFIT OR LOSS

In CZK million

	2022	2021
Depreciation for the year	-405	-366
Interest on lease liabilities	-44	-33
Expenses related to short-term leases	-125	-45
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	-46	-87

AMOUNTS RECOGNISED IN THE CASH FLOW STATEMENT

In CZK million

	2022	2021
Total cash outflow for leases	404	392

B LEASES AS THE LESSOR

OPERATING LEASES

For the year ended 31 December 2022, CZK 24 million (2021: CZK 26 million) was recognised as rental income in consolidated statement of comprehensive income in respect of operating leases.

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

A ASSETS HELD FOR SALE

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

In CZK million

	31 December 2022	31 December 2021
Land and buildings held for sale	100	81
Machinery and equipment	10	25
Total	**110**	**106**

As of 31 December 2022, specific assets of ELTRA, s.r.o. of CZK 100 million (2021: CZK 79 million) and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. of CZK 10 million (2021: CZK 27 million) were classified as assets held for sale.

B LIABILITIES RELATED TO ASSETS HELD FOR SALE

As of 31 December 2022 and 31 December 2021, the Group did not reported any 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, and arises principally from the Group's receivables from customers and loans and advances.

The Group has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group'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 maximum credit exposure amounts disclosed below therefore greatly exceed expected losses, which are included in the allowance for impairment.

The Group establishes an allowance for impairment that represents its estimate of expected credit losses. The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables and contract assets, the Group has elected to measure loss allowances at an amount equal to lifetime ECLs.

At the reporting date, the maximum exposure to credit risk by the type of counterparty and by geographic region is provided in the following tables.

CREDIT RISK BY TYPE OF COUNTERPARTY

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**

At 31 December 2021

In CZK million

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Other	Total
Assets						
Cash and cash equivalents	–	–	–	2,449	9	**2,458**
Restricted cash	–	–	–	430	–	**430**
Trade receivables and other assets	6,546	507	2	–	64	**7,119**
Financial instruments and other financial assets	468	–	–	243	–	**711**
Total	**7,014**	**507**	**2**	**3,122**	**73**	**10,718**

CREDIT RISK BY LOCATION OF DEBTOR

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**

At 31 December 2021

In CZK million

	Czech Republic	Slovakia	Other	Total
Assets				
Cash and cash equivalents	2,215	205	38	**2,458**
Restricted cash	429	1	–	**430**
Trade receivables and other assets	4,626	1,661	832	**7,119**
Financial instruments and other financial assets	302	1	408	**711**
Total	**7,572**	**1,868**	**1,278**	**10,718**

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. 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.

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

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 recognised during the year	–	–	-82	–	**-82**
Reversal of impairment losses recognised 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 following table provides information about changes in the loss allowance during the year ended 31 December 2021.

In CZK million

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2021	**–**	**–**	**-244**	**–**	**-244**
Impairment losses recognised during the year	–	–	-20	–	**-20**
Reversal of impairment losses recognised during the year	–	–	14	–	**14**
Use of allowances during the year	–	–	6	–	**6**
Effects of changes in foreign exchange rates	–	–	10	–	**10**
Balance at 31 December 2021	**–**	**–**	**-234**	**–**	**-234**

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 recognised during the year	–	-82	**-82**
Reversal of impairment losses recognised 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**

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

In CZK million

	Loans to other than credit institutions	Trade receivables and other assets	Total
Balance at 1 January 2021	**–**	**-244**	**-244**
Impairment losses recognised during the year	–	-20	**-20**
Reversal of impairment losses recognised during the year	–	14	**14**
Use of allowances during the year	–	6	**6**
Effects of changes in foreign exchange rates	–	10	**10**
Balance at 31 December 2021	**–**	**-234**	**-234**

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

At 31 December 2021

In CZK million

	Loans to other than credit institutions	Trade receivables, contractual and other assets	Total
Before maturity (net)	464	6,978	**7,442**
After maturity (net)	–	141	**141**
Total	**464**	**7,119**	**7,583**
A – Assets (gross)			
– before maturity	464	6,996	**7,460**
– after maturity <30 days	–	67	**67**
– after maturity 31–180 days	–	27	**27**
– after maturity 181–365 days	–	6	**6**
– after maturity >365 days	–	257	**257**
Total assets (gross)	**464**	**7,353**	**7,817**
B – Loss allowances for assets			
– before maturity	–	-19	**-19**
– after maturity <30 days	–	–	**–**
– after maturity 31–180 days	–	–	**–**
– after maturity 181–365 days	–	-1	**-1**
– after maturity >365 days	–	-214	**-214**
Total loss allowances	**–**	**-234**	**-234**
Total assets (net) (A + B)	**464**	**7,119**	**7,583**

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 of 31 December 2022.

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

The Group assessed the need to create a credit loss allowance for receivables due from banks (included in the item cash and cash equivalents) and concluded that the resulting 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

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) Prepayments received and advances on contract liabilities are excluded since these items will lead to no outflow of cash flows in future.

At 31 December 2021

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	**2,458**	2,458	2,458	–	–	–	–
Restricted cash	**430**	430	1	–	–	429	–
Trade receivables and other assets	**7,119**	[(2)]6,877	4,587	1,892	219	115	64
Financial instruments and other financial assets	**711**	719	7	469	86	153	4
of which: derivatives – inflow	***243***	*3,604*	*169*	*1,149*	*327*	*1,959*	–
– outflow	**–**	*-3,604*	*-169*	*-1,149*	*-327*	*-1,959*	–
Total	**10,718**	**10,484**	**7,053**	**2,361**	**305**	**697**	**68**
Liabilities							
Loans and borrowings	**9,840**	10,628	867	1,401	8,229	131	–
Trade payables and other liabilities	**6,275**	[(3)]6,246	4,921	1,096	137	34	58
Financial instruments and other financial liabilities	**788**	851	31	517	303	–	–
of which: derivatives – inflow	***1***	–	–	–	–	–	–
– outflow	–	–	–	–	–	–	–
Total	**16,903**	**17,725**	**5,819**	**3,014**	**8,669**	**165**	**58**
Net liquidity risk position	**-6,185**	**-7,241**	**1,234**	**-653**	**-8,364**	**532**	**10**

(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) Prepayments received and advances on contract liabilities are excluded since these items will lead to no outflow of cash flows in future.

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.

Risk Management Policies and Disclosures

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 of 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 position	**-6,788**	**-248**	**-154**	**1,751**	**-5,439**

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as of 31 December 2021 is as follows:

At 31 December 2021

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	2,449	–	–	9	**2,458**
Restricted cash	430	–	–	–	**430**
Trade receivables and other assets	–	–	–	7,119	**7,119**
Financial instruments and other financial assets	652	55	–	4	**711**
of which: derivatives – inflow	*3,604*	–	–	–	***3,604***
– outflow	*-3,604*	–	–	–	***-3,604***
Total	**3,531**	**55**	**–**	**7,132**	**10,718**
Liabilities					
Loans and borrowings	6,244	3,518	78	–	**9,840**
Trade payables and other liabilities	–	–	–	6,275	**6,275**
Financial instruments and other financial liabilities	505	283	–	–	**788**
of which: derivatives – inflow	–	–	–	–	**–**
– outflow	–	–	–	–	**–**
Total	**6,749**	**3,801**	**78**	**6,275**	**16,903**
Net interest rate risk position	**-3,218**	**-3,746**	**-78**	**857**	**-6,185**

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

SENSITIVITY ANALYSIS

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

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

In CZK million

	31 December 2022	31 December 2021
Decrease in interest rates by 1%	3	1
Decrease in interest rates by 1%	-3	-1

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 on the level of individual companies within the Group.

As of 31 December 2022, the exposure of the Group to foreign exchange risk (translated to millions of CZK) was as follows:

In CZK million

	CZK	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	1,668	692	1	40	**2,401**
Restricted cash	494	1	–	–	**495**
Trade receivables and other assets	5,536	1,897	–	296	**7,729**
Financial instruments and other financial assets	593	62	–	1	**656**
	8,291	**2,652**	**1**	**337**	**11,281**
Liabilities					
Loans and borrowings	8,973	1,452	–	–	**10,425**
Trade payables and other liabilities	4,145	1,809	2	33	**5,989**
Financial instruments and other financial liabilities	247	59	–	–	**306**
	13,365	**3,320**	**2**	**33**	**16,720**

As of 31 December 2021, the exposure of the Group to foreign exchange risk (translated to millions of CZK) was as follows:

In CZK million

	CZK	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	2,049	367	7	35	**2,458**
Restricted cash	429	1	–	–	**430**
Trade receivables and other assets	5,899	1,175	3	42	**7,119**
Financial instruments and other financial assets	645	65	–	1	**711**
	9,022	**1,608**	**10**	**78**	**10,718**
Liabilities					
Loans and borrowings	8,312	1,526	–	2	**9,840**
Trade payables and other liabilities	5,543	722	–	10	**6,275**
Financial instruments and other financial liabilities	663	125	–	–	**788**
	14,518	**2,373**	**–**	**12**	**16,903**

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 2022	31 December 2021
EUR (5% strengthening)	-33	-49

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 OPERATIONAL RISK

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures which restrict initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to management within each subsidiary. This responsibility is supported by the development of overall standards within the Group for the management of operational risk, which is carried out by the Risk Department and covers the following areas:

- requirements for the reconciliation and monitoring of transactions
- identification of operational risk within the framework of each subsidiary's control system (development of conditions for decreasing and limitation of operational risk, as well as its impacts and consequences; recommendations for appropriate solutions in this area)
- this overview of the Group's operational risk events allows the Group to specify the direction of the steps and process to take in order to limit these risks, as well as to make decisions with regard to:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

F 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 2022	31 December 2021
Total liabilities	17,881	18,276
Less: cash and cash equivalents	-2,401	-2,458
Net debt	**15,480**	**15,818**
Total equity attributable to equity holders of the Company	4,960	3,334
Less: amounts accumulated in equity in relation to cash flow hedges	–	–
Adjusted capital	**4,960**	**3,334**
Debt to adjusted capital	**3.12**	**4.74**

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 OF 31 DECEMBER 2022 AND 31 DECEMBER 2021:

In CZK million

	Accounts receivable and other financial assets 2022	Accounts payable and other financial liabilities 2022	Accounts receivable and other financial assets 2021	Accounts payable and other financial liabilities 2021
Ultimate shareholders and companies controlled by ultimate shareholders	–	–	–	425
Associates	59	–	55	–
Other related parties	81	226	96	13
Total	**140**	**226**	**151**	**438**

B SUMMARY OF RELATED PARTY TRANSACTIONS IN THE YEAR ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021:

In CZK million

	Revenues 2022	Expenses 2022	Revenues 2021	Expenses 2021
Ultimate shareholders and companies controlled by ultimate shareholders	2	–	–	–
Associates	2	–	–	–
Other related parties	170	189	184	84
Total	**174**	**189**	**184**	**84**

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

TRANSACTIONS WITH MEMBERS OF THE BOARD OF DIRECTORS OF EPI

In 2022 and 2021, the EPI Group has not provided any non-monetary remuneration to the members of board of directors of the Company.

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 of 31 December 2022 and 31 December 2021 is set out below:

Company	Country of incorporation	Industry sector	31 December 2022			31 December 2021		
			Ownership %	Ownership	Measurement	Ownership %	Ownership	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
ESTABAMER LIMITED[1][2]	Cyprus	1	–	–	–	100	Direct	Full
SES Energy, a.s.	Slovakia	1	100	Direct	Full	100	Direct	Full
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	Slovakia	1	99.45	Direct	Full	89.83	Direct	Full
SES INSPEKT, s.r.o.	Slovakia	1	–	–	–	100	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]	Cyprus	1	88	Direct	Full	88	Direct	Full
Energetické montáže Holding, a.s.[1]	Czech Republic	1	21.43	Direct	Full	21.43	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

(1) Special purpose entity
(2) On 4 February 2022, ESTABAMER LIMITED was excluded from consolidation due to the completion of the liquidation process.
(3) 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, this new spin-off company was disposed of outside the Group.

Company	Country of incorporation	Industry sector	31 December 2022			31 December 2021		
			Ownership %	Ownership	Measurement	Ownership %	Ownership	Measurement
HERINGTON INVESTMENTS LIMITED[1]	Cyprus	1	88	Direct	Full	88	Direct	Full
Energetické montáže Holding, a.s[1]	Czech Republic	1	78.57	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
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
EŽP Invest a.s.[1]	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
T.O.O., spol. s r.o.[3]	Czech Republic	1	100	Direct	Full	100	Direct	Full
ABRUZZO a.s.	Slovakia	2	90	Direct	Full	90	Direct	Full
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
I&C Energo Magyarország Kft.	Hungary	1	100	Direct	At cost (fair value)	100	Direct	At cost (fair value)
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

(1) Special purpose entity
(2) On 4 February 2022, ESTABAMER LIMITED was excluded from consolidation due to the completion of the liquidation process.
(3) 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, this new spin-off company was disposed of outside the Group.

Company	Country of incorporation	Industry sector	31 December 2022			31 December 2021		
			Ownership %	Ownership	Measurement	Ownership %	Ownership	Measurement
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.	Czech Republic	3	49.97	Direct	At cost (fair value)	49.97	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	–	–	–
HERKUL PLUS, s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
RELIEF PROJECTS, s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
ESG AVENSIS s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
Čistá Plzeň Servis s.r.o.	Czech Republic	3	21	Direct	At cost (fair value)	–	–	–
Středočeská autobusová doprava s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
AVE SK odpadové hospodárstvo s.r.o.	Slovakia	3	100	Direct	Full	100	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

Company	Country of incorporation	Industry sector	31 December 2022			31 December 2021		
			Ownership %	Ownership	Measurement	Ownership %	Ownership	Measurement
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.	Czech Republic	3	49.97	Direct	At cost (fair value)	49.97	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	–	–	–
HERKUL PLUS, s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
RELIEF PROJECTS, s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
ESG AVENSIS s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
Čistá Plzeň Servis s.r.o.	Czech Republic	3	21	Direct	At cost (fair value)	–	–	–
Středočeská autobusová doprava s.r.o.	Czech Republic	2	100	Direct	Full	–	–	–
AVE SK odpadové hospodárstvo s.r.o.	Slovakia	3	100	Direct	Full	100	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

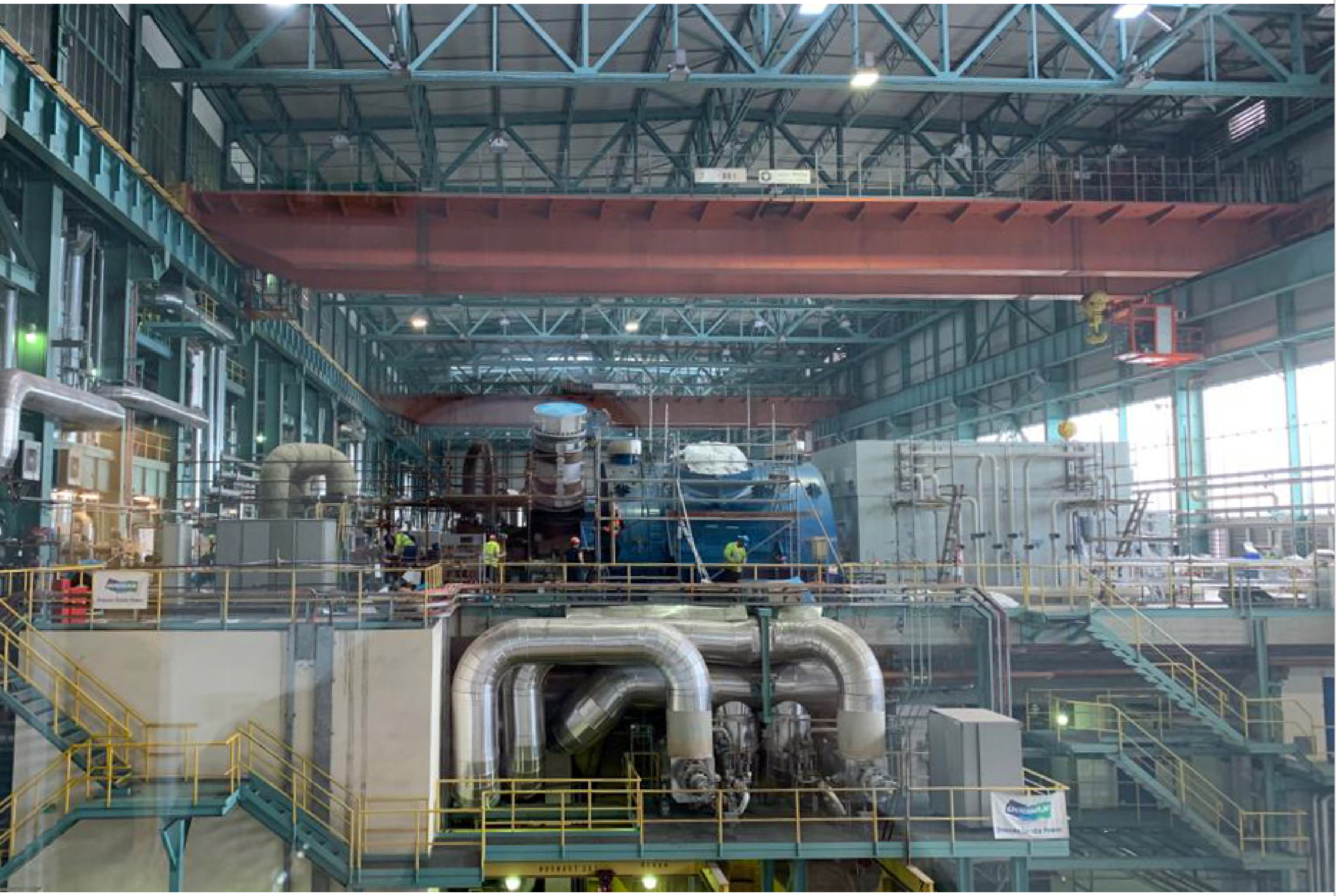
Industries: (1) Technical engineering activities and services
(2) Manufacturing and other activities
(3) Waste management

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

34. Subsequent Events

Except for the matters described 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 consolidated financial statements as of 31 December 2022.

Date:	Signature of the authorised representative:	
31 May 2023	Mgr. Ing. Jiří Nováček Chairman of the Board of Directors	Mgr. Hana Krejčí, PhD. Member of the Board of Directors



Independent Auditor's Report on the Unconsolidated Financial Statements

Deloitte.

Deloitte Audit s.r.o.
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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 2022, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of EP Industries, a.s. as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional 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 23 June 2023

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

Separate Financial Statements

Financial Statements
for the year ended 31 December 2022

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 2023.

Statutory 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.
IČO 292 94 746

Pařížská 130/26
Josefov
110 00 Praha 1

FULL VERSION

As of 31.12. 2022
(in CZK thousand)

		31.12.2022			31.12.2021
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	**11,642,666**	**836,171**	**10,806,495**	**10,469,857**
B.	**FIXED ASSETS**	**9,778,773**	**614,505**	**9,164,268**	**9,219,741**
B.I.	**Intangible fixed assets**	**95**	**95**		
B.I.4.	Other intangible fixed assets	95	95		
B.II.	**Tangible fixed assets**	**5,290**	**4,552**	**738**	**144**
B.II.2.	Tangible movable assets and sets of tangible movable assets	5,290	4,552	738	144
B.III.	**Non-current financial assets**	**9,773,388**	**609,858**	**9,163,530**	**9,219,597**
B.III.1.	Equity investments – controlled or controlling entity	9,773,388	609,858	9,163,530	9,219,597
C.	**CURRENT ASSETS**	**1,863,425**	**221,666**	**1,641,759**	**1,250,067**
C.I.	**Inventories**	**1,247**		**1,247**	**17,373**
C.I.2.	Work in progress and semifinished goods	1,247		1,247	17,373
C.II.	**Receivables**	**1,503,919**	**221,666**	**1,282,253**	**1,106,755**
C.II.1.	Long-term receivables				863,467
C.II.1.2.	Receivables – controlled or controlling entity				863,467
C.II.2.	Short-term receivables	1,503,919	221,666	1,282,253	243,288
C.II.2.1.	Trade receivables	33,975		33,975	10,325
C.II.2.2.	Receivables – controlled or controlling entity	1,469,490	221,666	1,247,824	217,206
C.II.2.4.	Receivables – other	454		454	15,757
C.II.2.4.3.	State – tax receivables	13		13	7,096
C.II.2.4.4.	Short-term prepayments made	441		441	1,119
C.II.2.4.6.	Sundry receivables				7,542
C.IV.	**Cash**	**358,259**		**358,259**	**125,939**
C.IV.1.	Cash on hand	87		87	87
C.IV.2.	Cash at bank	358,172		358,172	125,852
D.	**OTHER ASSETS**	**468**		**468**	**49**
D.1.	Deferred expenses	468		468	49

		31.12.2022	31.12.2021
	TOTAL LIABILITIES & EQUITY	**10,806,495**	**10,469,857**
A.	**EQUITY**	**5,741,014**	**4,012,205**
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**	**863,892**	**969,753**
A.II.1.	Share premium	845,227	845,227
A.II.2.	Capital funds	18,665	124,526
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 (+/-)	-239,890	-134,029
A.III.	**Funds from profit**	**96,517**	**96,517**
A.III.1.	Other reserve funds	96,517	96,517
A.IV.	**Retained earnings (+/-)**	**1,812,903**	**922,543**
A.IV.1.	Other reserve funds	1,812,903	922,543
A.V.	**Profit or loss for the current period (+/-)**	**1,931,886**	**987,576**
B.+C.	**LIABILITIES**	**5,065,481**	**6,457,652**
B.	**RESERVES**	**1,035**	**584**
B.II.	Income tax reserve	610	
B.IV.	Other reserves	425	584
C.	**PAYABLES**	**5,064,446**	**6,457,068**
C.I.	**Long-term payables**	**2,175,233**	**2,503,096**
C.I.2.	Payables to credit institutions	482,300	621,500
C.I.5.	Long-term bills of exchange to be paid	119,237	283,275
C.I.6.	Payables – controlled or controlling entity	1,554,336	1,578,961
C.I.8.	Deferred tax liability	19,360	19,360
C.II.	**Short-term payables**	**2,889,213**	**3,953,972**
C.II.2.	Payables to credit institutions	121,248	124,300
C.II.3.	Short-term prepayments received	793	
C.II.4.	Trade payables	17,659	8,468
C.II.5.	Short-term bills of exchange to be paid	175,802	497,481
C.II.6.	Payables – controlled or controlling entity	2,566,730	2,893,610
C.II.8.	Other payables	**6,981**	**430,113**
C.II.8.1.	Payables to partners		425,487
C.II.8.3.	Payables to employees	1,750	1,507
C.II.8.4.	Social security and health insurance payables	1,536	437
C.II.8.5.	State – tax payables and subsidies	2,577	264
C.II.8.6.	Estimated payables	1,059	2,385
C.II.8.7.	Sundry payables	59	33

Profit and loss account

EP Industries, a. s.
IČO 292 94 746

STRUCTURED BY THE NATURE OF EXPENSE METHOD

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31.12.2022
(in CZK thousand)

		Year ended 31.12.2022	Year ended 31.12.2021
I.	Sales of products and services	46,644	23,011
A.	Purchased consumables and services	**60,257**	**80,921**
A.2.	Consumed material and energy	659	611
A.3.	Services	59,598	80,310
B.	Change in internally produced inventory (+/-)	16,127	-2,860
D.	Staff costs	**43,518**	**33,699**
D.1.	Payroll costs	33,847	26,302
D.2.	Social security and health insurance costs and other charges	**9,671**	**7,397**
D.2.1.	Social security and health insurance costs	9,667	7,379
D.2.2.	Other charges	4	18
E.	Adjustments to values in operating activities	**184**	**846**
E.1.	Adjustments to values of intangible and tangible fixed assets	**184**	**846**
E.1.1.	Adjustments to values of intangible and tangible fixed assets – permanent	184	846
III.	Other operating income	**4,346**	**4,445**
III.3.	Sundry operating income	4,346	4,445
F.	Other operating expenses	**13,310**	**14,937**
F.3.	Taxes and charges	40	23
F.4.	Reserves relating to operating activities and complex deferred expenses	-159	-68
F.5.	Sundry operating expenses	13,429	14,982
*	**Operating profit or loss (+/-)**	**-82,406**	**-100,087**
IV.	Income from non-current financial assets – equity investments	2,360,193	1,103,652
IV.1.	Income from equity investments – controlled or controlling entity	2,360,193	1,103,652
G.	Costs of equity investments sold	6,252	70
VI.	Interest income and similar income	**40,536**	**5,572**
VI.1.	Interest income and similar income – controlled or controlling entity	5,613	5,201
VI.2.	Other interest income and similar income	34,923	371
I.	Adjustments to values and reserves relating to financial activities	-201,934	-178,059
J.	Interest expenses and similar expenses	**381,352**	**203,508**
J.1.	Interest expenses and similar expenses – controlled or controlling entity	283,425	116,503
J.2.	Other interest expenses and similar expenses	97,927	87,005
VII.	Other financial income	92,265	148,561
K.	Other financial expenses	278,192	138,897
*	**Financial profit or loss (+/-)**	**2,029,132**	**1,093,369**
**	**Profit or loss before tax (+/-)**	**1,946,726**	**993,282**
L.	Income tax	**14,840**	**5,706**
L.1.	Due income tax	14,840	5,706
**	**Profit or loss net of tax (+/-)**	**1,931,886**	**987,576**
***	**Profit or loss for the current period (+/-)**	**1,931,886**	**987,576**
*	Net turnover for the current period	**2,543,984**	**1,285,241**

Statement of changes in equity

EP Industries, a. s.
IČO 292 94 746

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31.12.2022
(in CZK thousand)

	Share capital	Share premium	Gains or losses from the revaluation of assets	Capital funds	Funds from profit, reserve fund	Accumulated profits brought forward	Profit or loss for the current period	Total equity
Balance at 31 December 2020	**1,035,816**	**845,227**	**75,573**	**258,555**	**96,517**	**564,304**	**2,143,241**	**5,019,233**
Distribution of profit or loss						2,143,241	-2,143,241	
Profit share prepayments declared						-700,000		-700,000
Profit shares declared						-1,085,000		-1,085,000
Revaluation of ownership interests			-209,602					-209,602
Profit or loss for the current period							987,576	987,576
Rounding						-2		-2
Balance 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	
Profit shares declared						-97,216		-97,216
Revaluation of ownership interests			-105,861					-105,861
Profit or loss for the current period							1,931,886	1,931,886
Balance at 31 December 2022	**1,035,816**	**845,227**	**-239,890**	**258,555**	**96,517**	**1,812,903**	**1,931,886**	**5,741,014**

Cash Flow statement

EP Industries, a. s.
IČO 292 94 746

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31.12.2022
(in CZK thousand)

		Year ended 31.12.2022	Year ended 31.12.2021
P.	**Opening balance of cash and cash equivalents**	**125 939**	**119 371**
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss from ordinary activities before tax	1,946,726	993,282
A.1.	Adjustments for non-cash transactions	-1,988,843	-1,082,197
A.1.1.	Depreciation of fixed assets	184	846
A.1.2.	Change in provisions and reserves	-202,093	-178,127
A.1.3.	Profit/(loss) on the sale of fixed assets	-26,248	
A.1.4.	Revenues from profit shares	-2,327,693	-1,103,582
A.1.5.	Interest expense and interest income	340,816	197,936
A.1.6.	Adjustments for other non-cash transactions	226,191	730
A.*	**Net operating cash flow before changes in working capital**	**-42,117**	**-88,915**
A.2.	Change in working capital	16,219	16,893
A.2.1.	Change in operating receivables and other assets	-13,572	22,040
A.2.2.	Change in operating payables and other liabilities	13,665	-2,287
A.2.3.	Change in inventories	16,126	-2,860
A.**	**Net cash flow from operations before tax**	**-25,898**	**-72,022**
A.3.	Interest paid	-238,883	-134,461
A.4.	Interest received	34,835	25,042
A.5.	Income tax paid from ordinary operations	-9,423	-7,464
A.***	**Net operating cash flows**	**-239,369**	**-188,905**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-3,057	-27,889
B.2.	Proceeds from fixed assets sold	32,500	69
B.3.	Loans and borrowings to related parties	-259,695	376,907
	Received profit shares	1,798,070	685,333
B.***	**Net investment cash flows**	**1,567,818**	**1,034,420**
	Cash flow from financial activities		
C.1.	Change in payables from financing	-573,425	520,566
C.2.	Impact of changes in equity	-522,704	-1,359,513
C.2.6.	Profit shares paid	-522,704	-1,359,513
C.***	**Net financial cash flows**	**-1,096,129**	**-838,947**
F.	**Net increase or decrease in cash and cash equivalents**	**232,320**	**6,568**
R.	**Closing balance of cash and cash equivalents**	**358,259**	**125,939**

Notes to the Financial Statements
for the year ended 31 December 2022

Company name: EP Industries, a.s.

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

Legal status: joint-stock company

Corporate ID: 292 94 746

Notes to the Financial Statements (Separate)

EP INDUSTRIES, A. S.

Year Ended 31 December 2022
(CZK thousand)

1. Characteristics and Primary Activities

INCORPORATION AND CHARACTERISTICS OF THE COMPANY

EP Industries, a.s. (the "Company" or "EPI") was registered 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 by way of division 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 division, a portion of the Original Company's net assets related to shareholdings in companies operating outside of the power segment was transferred to EP Industries, a.s.

The EP INDUSTRIES Group 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 of 31 December 2022 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 OF 31 DECEMBER 2022:

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 Coll., on Accounting, as amended, and related regulations for the accounting of businesses, in particular Regulation No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

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

The Company's financial statements have been prepared as of and for the year ended 31 December 2022, i.e. from 1 January 2022 to 31 December 2022 ("2022" or "reporting period"). The financial statements for the previous reporting period were prepared for the calendar year from 1 January 2021 to 31 December 2021 ("2021").

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 Coll. Tangible fixed assets with acquisition costs of up to CZK 80 thousand and intangible fixed assets with acquisition costs of up to 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 into 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 asset (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.

Notes to the Financial Statements (Separate)
EP industries, a. s.
Year Ended 31 December 2022
(CZK thousand)

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 division are recognised at the price determined by the 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 Coll.). As of the balance sheet date, the temporary decrease in the amount of doubtful receivables is accounted for through the creation of provisions charged to expenses that are recognised in the balance sheet in the adjustment column.

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 of 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 of 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 EXCHANGE OPERATIONS

The Company uses the Czech National Bank's current exchange rates at the time of the acquisition of the asset or rise of the liability for the translation of assets and liabilities denominated in foreign currencies to 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 that form 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 Commercial Register together with the consolidated annual report.

The consolidated financial statements of the widest group of entities for the year ended 31 December 2022 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 2022.

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 launch of the invasion of Ukraine by Russian 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 sanction measures known to date on its financial statements. Based on the assessment, no significant impacts on the financial statements for the year ended 31 December 2022 were identified. The Company mainly focused on the following areas:

- In connection with the impacts of the sanction measures 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 sanction measures 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 also 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 sanction measures 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 sanction measures known to date. In accordance with its standard accounting methods, the Company recognises corresponding reserves in the case of dubious contracts.
- In connection with the sanction measures 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 is prepared using the indirect method. Cash equivalents include current liquid assets which are easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents can be analysed as follows:

(CZK '000)

	Balance at 31 December 2022	Balance at 31 December 2021
Cash on hand	87	87
Cash at bank	358,172	125,852
Total cash	**358,259**	**125,939**

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 2022 (in CZK/EUR thousand)	Equity as of 31 December 2022 (in CZK/EUR thousand)	Gross equity investment as of 31 December 2022 (in CZK thousand)	Gross equity investment as of 31 December 2021 (in CZK thousand)
BAULIGA a.s.	-760 (CZK)	697,966 (CZK)	2,403,858	2,403,858
ED Holding, a.s.	2,032,953 (CZK)	991,430 (CZK)	259,156	259,156
Energetické opravny, a. s.	32,453 (CZK)	92,229 CZK)	397,583	432,491
Herington Investments Limited	-831 (CZK)	4,105 (CZK)	1,266,561	1,305,690
PIRAMEL ENTERPRISES LIMITED	10,308 (EUR)	2,173 (EUR)	1,861,644	1,861,644
PI 1 a.s.	59,106 (CZK)	392,008 (CZK)	877,603	877,603
SES BOHEMIA ENGINEERING, a.s.*	-1,416 (CZK)	-5,393 (CZK)	13,458	13,458
SES ENERGY, a.s.	-2,832 (EUR)	361 (EUR)	396,282	341,402
TAHOBA INVESTMENTS LIMITED	-764 (CZK)	787 (CZK)	804,323	829,171
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. („SES“)	-3,955 (EUR)	-21,510 (EUR)	683,333	695,600
ELQA, s.r.o.*	13,088 (CZK)	58,767 (CZK)	138,736	138,736
Fintherm a.s.	7,259 (CZK)	88,626 (CZK)	87,312	87,312
T.O.O., spol. s r.o.*	23,699 (CZK)	75,029 (CZK)	43,210	49,462
SELIMETO SE*	24,986 (CZK)	15,476 (CZK)	490,430	490,430
ABRUZZO a.s.*	-12 (EUR)	14 (EUR)	593	612
Winning Automotive a.s.*	294 (CZK)	98,257 (CZK)	49,306	50,796
ESTABAMER LIMITED	–	–	–	224,286
Total			**9,773,388**	**10,061,707**

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

THE FOLLOWING CHANGES IN NON-CURRENT FINANCIAL ASSETS OCCURRED IN 2022:

- In January 2022, T.O.O., s.r.o. was divided by a spin-off to form a new company, T.O.O. Real, s.r.o., which was subsequently sold in February.
- In February 2022, ESTABAMER LIMITED was liquidated.
- In June and September 2022, the Company increased its ownership interest in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. by a total of 9.62% through acquisition.
- In November 2022, the Company increased its equity interest in SES ENERGY, a.s. by an additional equity contribution of CZK 66,110 thousand.
- In November 2022, the Company reduced its equity interest in Energetické opravny, a.s. by the repayment of an additional equity contribution of CZK 25,000 thousand.

All equity investments are fully owned, with the exception of PIRAMEL ENTERPRISES LIMITED (90%), ABRUZZO a.s. (90%), Herington Investments Limited (88%), TAHOBA INVESTMENTS LIMITED (88%), SES (99.45%) and Winning Automotive a.s. (50%).

As of 31 December 2022 and 31 December 2021, 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 the revised shareholding strategy, SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. is undergoing an internal restructuring. Based on the current assumptions and estimates, this restructuring will lead to a 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	2022	2021
ESTABAMER LIMITED	–	224,286
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.	257,839	265,805
Total	**609,858**	**842,110**

As of 31 December 2022, 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
TAHOBA INVESTMENTS LIMITED	Klimentos, 41-43, Klimentos Tower, 2nd floor, Flat/Office 23, 1061, Nicosia, Republic of Cyprus
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
Winning Automotive a.s.	Křižíkova 2960/72, Královo Pole, 612 00 Brno, Czech Republic

7. Long-Term Receivables

As of 31 December 2021, long-term receivables included loans provided to related parties in the amount of CZK 863,467 thousand (refer to Note 14. Information on Related Parties).

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

8. Short-Term Receivables

SHORT-TERM RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

As of 31 December 2022, Receivables – controlled or controlling entity included loans provided to related parties in the amount of CZK 1,238,680 thousand, net of the effect of a provision of CZK 221,666 thousand (2021: CZK 408,554 thousand net of the effect of a provision of CZK 191,348 thousand) and a 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 of 31 December 2022, tax receivables included a road tax advance payment of CZK 13 thousand.

As of 31 December 2021, tax receivables mainly included income tax advances paid in the amount of CZK 8,371 thousand, less a provision for income tax of CZK 5,851 thousand and 2019 income tax overpayment of CZK 2,286 thousand. Receivable of CZK 2,290 thousand includes a road tax advance payment and a value added tax receivable.

As of 31 December 2022, the Company records no receivables due in more than five years.

9. Statement of Changes in Equity

On 30 June 2022, the General Meeting decided to allocate the profit for 2021 in the amount of CZK 987,576 thousand to retained earnings brought forward.

On 7 November 2022, the Company declared a profit share payment to the sole shareholder in the amount of CZK 97,216 thousand. The payment was made in cash.

As of the date of approval of the financial statements, no proposal has been made for the allocation of the profit for 2022. 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 equity investments denominated in foreign currencies.

10. Income Tax Provision

As of 31 December 2022, the Company has made a provision for income tax in the amount of CZK 14,440 thousand. This provision has been reduced by advance payments of CZK 13,830 thousand.

11. Long-Term Payables

PAYABLES TO CREDIT INSTITUTIONS

As of 31 December 2022, the Company records a single long-term bank loan amounting to CZK 482,300 thousand (2021: CZK 621,500 thousand) maturing in 2025 ("Bank No. 3"). The outstanding interest together with the short-term part of the loan is presented in the line 'Payables to credit institutions' within Short-Term Payables.

LONG-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2022

(CZK '000)

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

31 DECEMBER 2021

(CZK ‘000)

Creditor	Nominal value	Interest as of 31 December 2021
Bills of exchange to be paid in 2023/2024	269,000	14,275
Total	**269,000**	**14,275**

PAYABLES – CONTROLLED OR CONTROLLING ENTITY

Payables to the controlled or controlling entity include payables arising from received loans in the amount of CZK 1,554,336 thousand (2021: CZK 1,578,961 thousand), refer to Note 14. Information on Related Parties

DEFERRED TAX LIABILITY

The deferred tax liability reported in the amount of CZK 19,360 thousand (2021: CZK 19,360 thousand) is related to the revaluation of equity investments as of 1 January 2011.

12. Short-Term Payables

PAYABLES TO CREDIT INSTITUTIONS

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

(CZK ‘000)

Counterparty	Principal	Outstanding interest as of 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 thousand.

As part of payables to credit institutions, the Company reported the following short-term bank loans as of 31 December 2021:

(CZK ‘000)

Counterparty	Principal	Outstanding interest as of 31 December 2021	Maturity
Bank no. 3	124,300	–	2022
Total	**124,300**	**–**	

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 2022

(CZK ‘000)

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

31 DECEMBER 2021

(CZK ‘000)

Creditor	Nominal value	Interest as of 31 December 2021
Bills of exchange to be paid in 2022	456,500	40,981
Total	**456,500**	**40,981**

PAYABLES – CONTROLLED OR CONTROLLING ENTITY

Payables to controlled or controlling entities included received loans in the amount of CZK 2,566,730 thousand (2021: CZK 2,893,610 thousand), refer to Note 14. Information on Related Parties.

PAYABLES TO SHAREHOLDERS

As of 31 December 2021, the Company recorded the remaining portion of the declared profit share payment to the sole shareholder from 29 November 2021 in the amount of CZK 425,487 thousand within payables to shareholders.

13. Expenses and Income

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

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

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

14. Information on Related Parties

Pursuant to Regulation No. 500/2002 Coll., 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 2021

(CZK ‘000)

Counterparty	Principal	Outstanding interest as of 31 December 2021	Maturity
ABRUZZO a.s.	795	–	2023
PI 1 a.s.	704,281	–	2023
SES ENERGY, a. s.	103,105	–	2023
Winning Automotive a.s.	55,286*	–	2023
Total	**863,467**	**–**	

* Capitalisation of interest to the principal.

B SHORT-TERM RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2022

(CZK ‘000)

Counterparty	Principal	Outstanding interest as of 31 December 2022
ABRUZZO a. s.	6,610	–
BAULIGA	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
Winning Automotive a.s.*	57,321	1,470
Total short-term receivables from provided loans	**1,233,459**	**5,221**

* Capitalisation of interest to the principal.

(CZK ‘000)

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

Refer to Note 8

31 DECEMBER 2021

(CZK ‘000)

Counterparty	Principal	Outstanding interest as of 31 December 2021
BAULIGA	260	–
SES BOHEMIA ENGINEERING, a.s.	18,110	49
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	381,851	1,841
TAHOBA INVESTMENTS LIMITED	4,778	1,665
Total short-term receivables from provided loans	**404,999**	**3,555**

C LONG-TERM PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2022

(CZK '000)

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

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

31 DECEMBER 2021

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2021	Maturity
Elektrizace železnic Praha a. s.	1,350,000	–*	2024
ELTRA , s.r.o.	228,961	–	2025
Total	**1,578,961**	––	

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

D SHORT-TERM PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2022

(CZK '000)

Counterparty	Principal	Outstanding interest as of 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. The debtor is required to repay the loan as of the first anniversary of the signing of the loan contract immediately following the day of receipt of the creditor's request for the repayment of the loan.

31 DECEMBER 2021

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2021
AVE CZ odpadové hospodářství s.r.o.	1,180,500	19,281
EGEM s.r.o.*	52,594	419
Elektrizace železnic Praha a. s.	600,202	13,805
Energetické montáže Holding, a.s.	507,176	16,089
HERINGTON INVESTMENTS LIMITED	1,287	–
MSEM, a.s.	114,110	794
PROFI EMG s.r.o.	53,636	428
SEG s.r.o.	58,377	406
SOR Libchavy spol. s r.o.	200,000	–
VČE – montáže, a.s.	73,991	515
Total	**2,841,873**	**51,737**

* The loan is payable at the creditor's request. The debtor is required to repay the loan as of the first anniversary of the signing of the loan contract immediately following the day of receipt of the creditor's request for the repayment of the loan.

E EXPENSES

2022

(CZK '000)

Counterparty	Type	2022
AVE CZ odpadové hospodářství s.r.o.	Interest expenses – loans	41,236
EGEM s.r.o.	Interest expenses – loans	4,182
Elektrizace železnic Praha a. s.	Interest expenses – loans	155,018
ELTRA , s.r.o.	Interest expenses – loans	4,997
Energetické montáže Holding, a.s.	Interest expenses – loans	40,327
HERINGTON INVESTMENTS LIMITED	Interest expenses – loans	3
MSEM, a.s.	Interest expenses – loans	9,920
PROFI EMG s.r.o.	Interest expenses – loans	4,265
SEG s.r.o.	Interest expenses – loans	5,075
SOR Libchavy spol. s r.o.	Interest expenses – loans	11,969
VČE – montáže, a.s.	Interest expenses – 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**

2021

(CZK '000)

Counterparty	Type	2021
AVE CZ odpadové hospodářství s.r.o.	Interest expenses – loans	42,572
EGEM s.r.o.	Interest expenses – loans	1,259
Elektrizace železnic Praha a. s.	Interest expenses – loans	38,938
ELTRA , s.r.o.	Interest expenses – loans	5,974
Energetické montáže Holding, a.s.	Interest expenses – loans	12,144
HERINGTON INVESTMENTS LIMITED	Interest expenses – loans	5
MSEM, a.s.	Interest expenses – loans	3,672
PROFI EMG s.r.o.	Interest expenses – loans	1,284
SEG s.r.o.	Interest expenses – loans	1,879
SOR Libchavy spol. s r.o.	Interest expenses – loans	6,395
VČE – montáže, a.s.	Interest expenses – loans	2,381
Energetický a průmyslový holding, a.s.	Operating expense	867
EP Investment Advisors, s.r.o.	Operating expense	13,593
EP Power Europe, a.s.	Operating expense	1,776
EP Real Estate	Operating expense	1,291
Total		**134,030**

F INCOME

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**

2021

(CZK ‘000)

Counterparty	Type	2021
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	606
EP Infrastructure, a.s.	Operating income from advisory	1,106
EP Investment Advisors, s.r.o.	Operating income from advisory	223
EP Power Europe, a.s.	Operating income from advisory	1,770
EP Real Estate, a.s.	Operating income from advisory	274
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
BAULIGA a.s.	Dividend income	69
ED Holding a.s.	Dividend income	559,350
ELQA , s.r.o.	Dividend income	8,000
Fintherm a.s.	Dividend income	10,000
Herington Investments Limited	Dividend income	126,760
PIRAMEL ENTERPRISES LIMITED	Dividend income	178,196
SELIMETO SE	Dividend income	169,703
T.O.O., spol. s r.o.	Dividend income	17,000
TAHOBA INVESTMENTS LIMITED	Dividend income	34,574
ANDELTA, a.s.	Interest income – loans	8
SES BOHEMIA ENGINEERING, a.s.	Interest income – loans	68
TAHOBA INVESTMENTS LIMITED	Interest income – loans	278
Winning Automotive a.s.	Interest income – loans	4,855
Total		**1,125,755**

15. Employees and Managers

As of 31 December 2022, the Company had 15 employees (2021: 14 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.) in the years ended 31 December 2022 and 31 December 2021.

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 2022 where the Company is included.

17. Income Taxation

The provision for the income tax on ordinary activities for the year ended 31 December 2022 amounted to CZK 14,440 thousand and the specification of the estimate of tax for 2021 amounted to CZK 400 thousand (2021: CZK 5,851 thousand together with the specification of the estimate of tax for 2020 amounting to CZK 145 thousand).

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 396,450 thousand (2021: CZK 315,197 thousand).

19. Material Subsequent Events

The Company’s management is not aware of any material subsequent events that would have an impact on the disclosed financial statements.