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Lausitz Energie Kraftwerke AG

cottbus

Annual financial statements for the financial year from January 1, 2023 to December 31, 2023

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business and organizational structure

Lausitz Energie Kraftwerke AG (LE-K) and Lausitz Energie Bergbau AG (LE-B) operate under the joint LEAG brand. Both companies are indirectly owned 70% by EP Energy Transition, as. The majority owner of LE-K and LE-B is Lausitz Energie Verwaltungs GmbH (LEV). It is in turn 100% owned by LEAG Holding as, based in Prague. LEV provides selected services for LE-B and LE-K and their associated companies.

LE-K is active at various stages of the energy value chain. These include:

- any type of generation, procurement, storage and commercial use of electrical energy, steam, heat, cold and other energies such as natural gas and mineral oil,
- the sale and trade of goods and products, primarily of the aforementioned type,
- the recycling and disposal of residues and waste as well as the dismantling of facilities,
- the provision of technical services, including operational management for third parties and qualification offers,
- the holding, management and development of properties, land and land rights as well as the provision of property management services and hotel operations.

electricity business

LE-K uses its modern plants to generate electricity and heat from raw lignite. The electricity generated is sold on the European electricity market, meaning LE-K is in international competition with other electricity producers. Part of the generation capacity is leased to LE-B.

New business areas

As a result of the foreseeable decline in the lignite business due to the politically initiated phase-out of coal, the LEAG Group has been focusing since 2018 on developing new business areas that can survive on the market independently of lignite power generation. Building on existing assets and competencies, business areas are being established and expanded that promote the company's further development in the areas of energy, infrastructure and service.

memory

At all LEAG power plant sites, the contribution that new storage facilities can make to optimisation, flexibility and availability is currently being examined. In addition to optimisation, flexibility and the provision of system services, LEAG's storage projects primarily serve to improve the integration of renewables through load shifting. The storage technologies currently being tested and prepared take these different application scenarios into account.

BigBattery Lausitz

After continuous optimization, the so-called BigBattery Lausitz at the Schwarze Pumpe site has prequalified an installed capacity of 58 MW and can store an energy volume of 54 MWh. This means that the BigBattery Lausitz remains one of the largest battery storage facilities in Europe.

The storage system based on lithium-ion technology protects the power grid against short-term fluctuations and is characterized by an innovative, holistic approach to deployment strategy.

BigBattery Oberlausitz

LEAG's second large-scale battery storage facility will be built at the Boxberg site. The BigBattery Oberlausitz will have an installed capacity of around 100 MW and a usable energy volume of around 137 MWh and is scheduled to start operations in 2025. This storage facility will be used to provide capacity and frequency-dependent grid services.

Innovative Jänschwalde storage power plant

At the industrial and energy site in Jänschwalde, LE-K is planning an innovative storage power plant (iSKW), which is expected to start operations at the end of the 2020s and is planned with an installed capacity of around 900 MW. The time of implementation depends on the exact energy industry framework conditions (power plant strategy of the federal government).

Key components of the iSKW are the production of hydrogen from renewable electricity using electrolysis including hydrogen storage and a solid heat storage system with steam generator operated with renewable electricity as well as an H2 $_-$ ready gas and steam turbine plant. Due to the energetic and plant-technical linking of the main components, in addition to natural gas and renewable heat, sustainably produced hydrogen is also used to generate electricity to secure the required residual load. Furthermore, the sustainably produced hydrogen can be made available for industry and mobility as part of sector coupling.

H_2 UB Boxberg

At the Boxberg industrial and energy site, LE-K is planning a modular flexible power plant, which is expected to start operations at the end of the 2020s. The time of implementation depends on the exact energy industry framework conditions (the federal government's power plant strategy). This will completely dispense with fossil fuels. Key components of the H_2 UB Boxberg are hydrogen production from renewable electricity using electrolysis, including hydrogen storage, hydrogen power generation and energy storage based on renewable energies. The plant will be designed to be modularly expandable in order to take account of the increasing availability of green hydrogen in the future. As part of sector coupling, "green" hydrogen can be provided for industry and/or mobility.

H_2 -ready power plants Schwarze Pumpe and Lippendorf

LE-K plans to build H2-ready power plants at the industrial and energy sites of Schwarze Pumpe and Lippendorf , which will begin operations at the end of the 2020s. The time of implementation depends on the exact energy industry framework conditions (the federal government's power plant strategy). The plants can be converted to operate with sustainably produced hydrogen. According to the federal government's current strategy, this conversion will take place between 2035 and 2040. The plants will be built as a highly efficient combination of H2 $_-$ ready gas and steam turbines.

H_2 -ready power plant Leipheim

In addition to the "special grid equipment", a so-called H_2 -ready power plant is planned at the Leipheim energy and industrial site. The plant will be designed as a highly flexible H_2 -ready gas turbine with an output of 350 MW and is scheduled to start operations at the end of the 2020s. The time of implementation depends on the exact energy industry framework conditions (power plant strategy of the federal government).

Decentralized heat and energy solutions

In order to continue, expand and decarbonize LEAG's existing heat supply contracts, both centralized and decentralized heat solutions are being examined depending on the needs of the respective municipalities. As a decentralized heat concept, this includes cooperation with municipalities in the construction of a seawater thermal plant as well as heat pump and geothermal solutions on a medium and large scale. LEAG is also examining the possibility of developing the geologically created open-cast mining structure for subsequent energy use.

Green hydrogen production or derivatives

LE-K plans to build around 500 MW of electrolysis capacity by 2030 to produce green hydrogen. This will be used directly or indirectly in various sectors, in particular mobility (e.g. public transport mobility projects with the city of Cottbus and the Spree-Neiße and Dahme-Spree districts), air traffic (Halle/Leipzig and Dresden airport locations) and industry (Brehna-Sandersdorf Technology Park). Both small electrolysis capacities of 1 to 10 MW and large electrolyzers with capacities of 50 to 200 MW, including innovative approaches, are planned. The latter includes, for example, a large electrolyzer within the "green bridge" joint project, which is being developed together with Mitteldeutsche Netzgesellschaft Gas mbH in Central Germany.

control variables

Management is based on the financial performance indicators that are important for the company's business performance, such as profit after tax, liquidity and important non-financial performance indicators, such as the amount of electricity generated, the availability of power plants, the number of full-time equivalent (FTE) employees and the number of work-related accidents resulting in lost time per million working hours.

With regard to the explanations on the result after taxes and the other key figures for the 2023 financial year, especially in connection with the declining electricity market and CO2 $_{emission}$ price development compared to 2022, reference is made to the statements in the relevant sections of the management report.

Research and Development

The research project VeRa (prediction of contamination up to the cold end of the flue gas path), which was launched in 2021, is still in progress and will continue as planned until 2025. The project partners will contribute to the planned project costs of a mid-single-digit million euro amount. The aim of this project is to understand the formation mechanisms of contamination in detail and to minimize their occurrence through software-supported prediction.

economic report

political environment

The evaluation of the conditions for phasing out coal-fired power generation by 2030, scheduled for August 15, 2022 in the "Coal-Fired Power Generation Termination Act" (KVBG), has been further delayed. The federal government did not announce a specific publication date in 2024 until the end of 2023.

Dealing with the European energy crisis caused by the Russian war of aggression in Ukraine also played a major role in the energy policy debate in Germany in 2023. On the basis of the "Replacement Power Plant Availability Act" passed in 2022 to save natural gas in the short term when generating electricity, the Federal Government has decided, by amending the "Supply Reserve Call Ordinance", that the two LE-K power plant blocks Jänschwalde E and F may return to the market from October 11, 2023 to March 31, 2024 - as in 2022.

The European Emergency Regulation (EU) 2022/1854 was implemented in Germany with the "Law on the introduction of price caps for pipeline-bound natural gas and heat and on the amendment of other provisions" of December 20, 2022 (StromPBG). The law set upper limits for market revenues in electricity generation from lignite, among other things. Revenues that exceed this legally fixed upper limit were skimmed off on a technology-specific basis from December 1, 2022. The term of the skimming off ended on June 30, 2023. LE-K is affected by the profit skimming and is convinced that the StromPBG does not comply with the requirements of the financial constitution and has filed appropriate legal remedies.

With the amendment to the "Energy Industry Act" of November 10, 2023, the legislature has created the basis for the planning and construction of a hydrogen core network. The transmission system operators (TSOs) are therefore obliged to submit a joint application for the hydrogen core network to the Federal Network Agency for approval. The consultation of an interim draft by the TSOs started on November 15, 2023; a final decision by the Federal Network Agency is not expected until the end of the first half of 2024 at the earliest. The tender design for new secured capacity (so-called "EEG Easter package" and so-called "power plant strategy") is expected in the first half of 2024.

With the "Heat Planning Act" of December 29, 2023, the legislature has laid the foundation for the complete conversion of heat supply via heating networks to renewable energies and unavoidable waste heat by 2045, as well as for a binding nationwide heat planning obligation for municipalities in Germany. The gradual decarbonization of grid-based heat supply also has an impact on municipal heat supply contracts and LEAG's heat strategy.

The amendment to the European "Renewable Energy Directive" (so-called "RED III"), which came into force on November 20, 2023, raised the binding EU target for the share of renewable energies in final energy consumption from 32% to 42.5% by 2030 and adopted regulations to accelerate the planning and approval procedures for the expansion of renewable energies, energy storage and grids. The directive must be implemented into national law by the member states by May 21, 2025 at the latest.

economic environment

In 2023, LE-K operated in a market and competitive environment that continued to be shaped by the consequences of the Russian war of aggression against Ukraine and its energy policy, economic and regulatory influences, but was no longer as strongly influenced as in 2022.

Through political interventions (see, among others, the Act on the Provision of Replacement Power Plants) and the creation of new gas supply routes (e.g. new supply contracts and the construction of LNG terminals), the general supply situation was improved - despite the shutdown of the last nuclear power plants - and the electricity price level and volatility on the energy markets were significantly reduced. The persistently weak economy also contributed to this.

In this context, falling electricity prices were already recorded on the markets from January 2023, which meant that the risk of high collateral deposits in the course of stock exchange and OTC marketing, which was still omnipresent in 2022, was not relevant for the company in 2023. In addition to this market development, LE-K itself has concluded contractual solutions through suitable agreements with trading partners and international banks that largely minimized the margining risk on the electricity and CO2 $_{side}$.

The inflation rate in Germany has steadily weakened over the course of 2023, reaching 3.2% in November 2023, the lowest level since June 2021 (+2.4%). Even though the inflation rate rose again in December 2023 due to a special effect, this reflects a continuously declining trend. The main reason for the decline was cheaper energy products, which subsequently also led to cheaper consumer prices.

In addition to meeting electricity demand, the key factors in the German-European energy market environment in 2023 again included the long-term transformation of the energy system, the development of generation capacities and feed-in from renewable sources, as well as the availability of conventional generation capacities.

At the national level, the legislature has also decided not to extend the period of application of the Electricity Price Brake Act and the associated transfer of profits that exceed a permitted revenue beyond 30 June 2023. At present, the results for the two tax-free periods December 2022 to March 2023 and April to June 2023 are being examined.

Even though the main earnings drivers - primarily electricity prices - were exposed to a downward trend in the course of 2023, LE-K was able to increase its annual result compared to 2022 due to concluded forward transactions.

The average day-ahead electricity price in 2023 was €95.18/MWh, remaining well below the previous year's figure (€235.45/MWh), but also below the level of 2021 (€96.85/MWh).

In addition, the prices for emission allowances (EUA) also fell in 2023. However, this development was less pronounced. Prices varied over the course of the year between a peak of €97.04/t and a minimum of €66.33/t, with an annual average price of €83.48/t. As of the balance sheet date of December 31, 2023, the price was €77.25/t (previous year: €80.76/t).

In the balancing energy market, prices have also fallen in line with the general trend.

According to the Federal Network Agency, both (net) electricity generation (448.5 TWh; -9.1%) and grid load (456.8 TWh, -5.3%) in Germany decreased in 2023 compared to 2022.

Renewable energies contributed 251.2 TWh to net electricity generation, 7.5% more than in the previous year. In particular, the share of onshore wind turbines increased compared to the previous year (+18.0%), thus compensating for the lower generation from offshore wind turbines.

As a consequence of lower electricity demand and higher feed-in from renewable energies, the share of conventional energy sources in total net electricity generation fell by 24.0% to 197.2 TWh. The biggest change in this context can be seen in nuclear energy, as after the shutdowns that had already taken place at the end of 2021, the last plant was finally taken off the grid on April 15, 2023. At the same time, generation from natural gas increased by 31.3% compared to the previous year as a result of the falling natural gas prices. Accordingly, gas-fired power plants are increasingly moving ahead of hard coal-fired power plants in the order of use (so-called "merit order"), whose generation fell by 36.8% compared to the previous year. Generation from lignite fell less sharply, by 24.8% compared to the previous year.

For the first time since 2002, Germany was not a net electricity exporter in 2023, but a net electricity importer. This is mainly due to electricity imports increasing by 63.0% (54.1 TWh), while electricity exports falling by 24.7% (42.4 TWh).

In the course of 2023, LE-K concluded electricity futures market transactions for subsequent periods and, in particular, largely hedged the year 2024 at attractive prices. The company benefited from a further growth in the portfolio of OTC partners with EFET contracts, which for the most part enabled hedging without margin obligations.

competitive environment

After 2022 was marked by exceptionally high commodity prices and extreme uncertainty among market participants due to Russia's attack on Ukraine, the market price level declined significantly in the course of 2023 and volatility fell noticeably. The background to this was the good supply situation throughout 2023, caused, among other things, by continued low demand levels due to the economic situation, new LNG terminals and the call within the supply reserve and the resulting lack of bottlenecks. As a result of this development, the inflation rate has also declined, as consumer prices in many areas are directly dependent on the energy costs for production. Even if this development tends to be viewed as positive from an economic perspective, the economic situation in Germany is weak, which is also reflected in electricity demand, among other things. With the shutdown of the remaining nuclear power plants at the end of April 2023, the secured base load capacities in Germany have continued to decline and have strengthened LEAG's competitive position.

As electricity prices have fallen and the requirements for security payments have thus fallen, the risk of liquidity bottlenecks among market participants has also fallen back to normal levels.

Furthermore, the standardized phase-out path for brown coal and hard coal plants and the continued expansion of renewable energies will continue to have a lasting impact on the electricity mix and the competitive structure in Germany. The future of the energy sector will be determined by electricity from renewable energy sources in combination - depending on the framework conditions of the federal government's power plant strategy, which have yet to be defined - with low-emission backup and storage technologies. The aim of reducing the current dependence on gas supplies will also guide the actions of decision-makers.

Competitors are responding to these challenges with different strategies, including by concentrating their business activities on future-proof market segments, cost-cutting programs, spin-offs/spin-offs of business areas and subsequent sales or asset swaps.

environmental protection

LE-K demonstrates its high sense of responsibility for environmental protection through the use of modern, efficient and environmentally friendly technologies.

In this context, LE-K is also meeting the requirements for flexible use of its power plants under the conditions of increased electricity feed-in from renewable energy sources. At the same time, the power plant fleet was equipped with more effective flue gas cleaning technology to reduce nitrogen oxide with urea dosing in the Boxberg Plant III power plant.

Through an external re-certification audit in 2023, LE-K has demonstrated that the requirements of the international management system standards DIN EN ISO 14001 and DIN EN ISO 50001 are fully met. The certificate is valid until July 30, 2026. Re-certification is scheduled for 2026.

The air-side emission limits are monitored by continuous emission measurements or by periodic measurements. The continuously monitored emission values can be viewed online by the monitoring authorities at any time and are subject to a precise assessment with regard to the specified limit values. The periodic measurements are carried out by notified measuring institutes and the reports are sent to the monitoring authorities. Publication obligations in accordance with legal requirements are carried out.

Waste and secondary fuels are co-incinerated in accordance with the applicable permits and in compliance with the specified limit values. All power plants in which co-incineration takes place are certified as specialist waste disposal companies.

By recycling and reusing process water in the power plants, the average specific water requirement was again below the European level for cooling systems in 2023.

In the area of waste management, disposal security and the legally compliant implementation of disposal services are guaranteed. The primary focus of waste management is the idea of waste prevention, and only then the recycling or disposal of waste.

By fulfilling all environmentally relevant requirements for the operation of power plants, LE-K is fulfilling its responsibility towards the environment and society.

location of the company

business performance

The installed power plant capacity of the LE-K lignite-fired power plants (including security standby) totaled 7,372 MW as of December 31, 2023 (previous year: 7,372 MW). Of this, 500 MW were transferred to security standby on October 1, 2018 and 500 MW on October 1, 2019 and withdrawn from the electricity market. The affected blocks E and F of the Jänschwalde power plant were gradually returned to the grid from October 2022 as part of the regulation on calling up the supply reserve. The installed power plant capacity of the LE-K gas turbine power plants as of December 31, 2023 was 338 MW (previous year: 338 MW).

While demand for lignite-fired power reached a high level in 2023, production volumes remained below the previous year's level. The reason for this decline in volumes compared to the energy crisis year of 2022 was the general calming of commodity markets and the good supply situation as a result of measures to increase supply. This effect was reinforced by the mild weather conditions and the weak economy, particularly in Germany.

The electricity marketing and the procurement of CO2 $_{emission}$ certificates for LE-K's lignite-fired power plants are carried out independently by LE-K within defined mandates on the futures market. Remaining quantities are marketed via spot trading. In 2023, EP Commodities as (EPC) was also responsible for the short-term optimization of the portfolio within the framework of day-ahead and intraday transactions on the basis of a service contract.

The revenue situation depends largely on the development of electricity prices on the electricity exchanges.

In the course of 2023, LE-K concluded electricity futures market transactions for the subsequent periods.

The electricity output totaled 51,628 GWh (previous year: 52,354 GWh). Of this, 33,491 GWh (previous year: 41,660 GWh) was generated in-house in the lignite-fired power plants and gas turbine power plants. The share of in-house generation in the electricity output was 64.9% (previous year: 79.9%). Due to electricity prices in 2023 being significantly below expectations, the forecast electricity generation could not be achieved.

Electricity consumption amounted to 18,137 GWh, which is higher than the previous year (10,694 GWh).

The most important primary energy source of LE-K, with a share of almost 100% (previous year: almost 100%) of net electricity generation, is lignite. In 2023, 41.9 million tonnes (previous year: 45.5 million tonnes) of raw lignite were used.

Through co-combustion in LE-K's power plants, 628.2 kt (previous year: 802.7 kt) of secondary fuels were thermally utilized.

The company's own lignite-fired power plants achieved an availability of 80.9% (previous year: 85.6%). The capacity utilization was 57.3% (previous year: 70.8%).

Electricity sales in 2023 amounted to 51,234 GWh (previous year: 52,235 GWh).

Deliveries of process steam and district heating amounted to 2,875.4 GWh th in 2023 (previous year: 3,632 GWh $_{th}$). Of this, 36.0% (previous year: 47.1%) were deliveries to municipal utilities and 52.1% (previous year: 45.2%) were deliveries to LE-B.

business planning

The regulations from the KVBG and the public law contract (örV) are taken into account accordingly in the company planning. The compensation payments regulated in the örV and a planned partial assignment of these compensation claims to LE-B have been fully incorporated into the company planning. LE-K continues to assume that the compensation payment stipulated in the KVBG and agreed in the örV will be fully approved by the EU Commission.

value of long-term assets

No need for unscheduled depreciation was apparent for the 2023 financial year.

earnings situation

LE-K achieved earnings after taxes of €1,528.4 million in the 2023 financial year (previous year: €387.1 million).

Through consistent and continuous hedging activities, the vast majority of the positions for 2024 were closed at attractive prices and the result was secured accordingly. Lower expenses for electricity purchases also contributed significantly to the positive result.

However, the open positions could not be marketed at the planned prices because, contrary to expectations, electricity prices were significantly lower in the course of 2023. As a result, earnings after taxes were below the figure forecast for 2023.

million €	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022
sales revenues and earnings	10,906.4	9,694.9
Operating expenses	-8,783.0	-8,997.3
financial result	43.8	-217.0
Taxes on income and earnings	-638.8	-93.5
earnings after taxes	1,528.4	387.1

Sales revenues totaling €10,086.9 million (previous year: €8,008.0 million) were mainly attributable to electricity supplies and system services (€9,810.5 million; previous year: €7,574.3 million) and heat supplies (€56.5 million; previous year: €84.2 million). Other sales accounted for €219.9 million (previous year: €349.5 million). These relate in particular to revenues from leasing power plant sections to LE-B and the fee for the associated operational management, the operational management of Block S of Energie Baden-Württemberg AG (EnBW) in the Lippendorf power plant, the co-combustion of secondary fuels, security standby, revenues from rental and the sale of gypsum.

Other operating income of €818.3 million (previous year: €1,686.3 million) results primarily from sales of CO2 $_{emission}$ certificates from the utilization of provisions for impending losses and the reversal of provisions. Since it is not possible to clearly allocate the utilization of provisions for impending losses amounting to €623.4 million (previous year: €1,106.5 million) to the individual types of expenses, the consumption is recorded in other operating income for the sake of simplicity.

The capitalized own work included in the item sales revenues and income amounted to €1.3 million in the financial year (previous year: €0.5 million).

Operating expenses consist primarily of expenses for CO2 $_{emission}$ certificates amounting to €3,473.9 million (previous year: €3,885.7 million), fuel costs, costs for other input materials and disposal services totaling €1,086.4 million (previous year: €1,145.8 million), expenses for electricity purchases of €1,776.4 million (previous year: €2,956.9 million) and maintenance expenses, other materials and purchased services of €253.6 million (previous year: €213.7 million).

Expenses for personnel amounted to €202.0 million (previous year: €182.7 million) and depreciation amounted to €144.9 million (previous year: €141.7 million).

Other operating expenses totaling €1,818.0 million (previous year: €441.4 million) result mainly from the allocation to provisions under the Electricity Price Brake Act (€422.5 million, previous year: €- million), a liability of €317.3 million to LE-B relating to the making of an outstanding payment from another contractual obligation, losses from the sale of CO2 $_{certificates}$ (€772.5 million; previous year: €96.2 million), the allocation to provisions for impending losses (€70.2 million; previous year: €226.1 million), services (€50.6 million; previous year: €46.4 million) and rents paid to KSP (€7.9 million; previous year: €22.5 million) and insurance premiums (€9.2 million; previous year: €5.4 million).

The positive financial result of €43.8 million (previous year: €-217.0 million) is mainly due to interest income of €107.0 million (previous year: €7.9 million) and the investment result of KSP of €8.0 million (previous year: €8.0 million). This was offset by interest expenses for margining loans of €0.0 million (previous year: €157.0 million), guarantee commissions in connection with credit lines of €44.9 million (previous year: €47.2 million), loans to affiliated companies of €17.8 million (previous year: €17.9 million) and the interest component of provisions of €4.3 million (previous year: €5.1 million).

financial situation

million €	December 31, 2023	December 31, 2022	change
assets			
fixed assets	631.6	686.5	-54.9
current assets (including RAP)	7,821.5	7,789.0	32.5
Deferred tax assets	237.2	401.7	-164.5
	8,690.3	8,877.2	-186.9
liabilities			
own funds	2,284.0	755.3	1,528.7
Long-term debt	667.9	721.5	-53.6
medium- and short-term borrowings	5,738.4	7,400.4	-1,662.0
	8,690.3	8,877.2	-186.9

The previous overview does not include a special loss account

The total assets and liabilities decreased by €187.0 million at the end of the reporting year compared to the previous year.

assets

Fixed assets consist of intangible assets and property, plant and equipment amounting to €516.0 million and financial assets amounting to €115.6 million. Taking into account depreciation of €144.9 million and disposals of property, plant and equipment and intangible assets amounting to €1.5 million, the book values of fixed assets decreased by a total of €54.9 million.

Investments in property, plant and equipment in the 2023 financial year amounting to €75.8 million were mainly focused on the construction of the auxiliary steam generator plant at the Boxberg site (€16.5 million) and at the Jänschwalde site (€3.0 million), on the implementation of the BigBattery Oberlausitz (€12.4 million) and on the construction of a secondary fuel co-incineration plant "MaxIV" at the Boxberg power plant (€9.5 million). In order to comply with the NOx emission limit, investments were also made in the construction of an SNCR test plant at the Boxberg power plant (€1.5 million). In the course of planning the next generation of power plants at the existing energy sites in Jänschwalde, Schwarze Pumpe, Lippendorf and Thyrow, as well as at the Leipheim site, €9.6 million were invested in 2023.

The fixed assets are fully covered by equity and long-term debt.

Current assets, including deferred items, increased by €32.5 million. This was due to the increase in inventories by €1,681.8 million, in particular due to the higher inventory of CO2 $_{certificates}$, the increase in cash and cash equivalents by €848.2 million, and the increase in receivables from affiliated companies by €105.0 million. This was offset by the lower trade accounts receivable of €259 million and the lower other assets of €2,357.3 million.

liabilities

The change in medium and short-term borrowings results mainly from the decrease in provisions for the fulfillment of the obligation to surrender CO2 $_{emission}$ certificates and the lower provisions for impending losses as well as reduced trade accounts payable and a repaid short-term loan.

Furthermore, the increase in equity on the liabilities side results from the annual surplus for the financial year.

financial situation

The company was able to meet its financial obligations at all times during the past financial year and has sufficient liquid assets to cover its financial needs for the next twelve months. In addition to its own financial resources (€2,647.2 million), it has a short-term credit line of up to €300 million available as part of LEAG-wide cash pooling.

employees

As of December 31, 2023, LE-K employed 2,033 people, which corresponded to 2,022 FTE in full-time equivalents (previous year: 1,994 FTE) - and 165 trainees. The number of employees increased by 27 people compared to December 31, 2022. This development was in line with the forecast for the previous year. The increase resulted from 141 departures and 168 additions.

Of the 46 trainees, 38 were taken on as employees within the company, 23 of them on a permanent basis and 15 on a temporary basis. Two further trainees were taken on by other LEAG companies (permanently).

On September 23, 2023, a new "collective agreement on table remuneration (TVT)" was concluded. With effect from December 1, 2023, the table remuneration increased by 7%. Training allowances were increased disproportionately. Furthermore, a one-off payment of €6,000 was agreed for union members. Non-members received a one-off payment of €4,500.

To mitigate the inflation-related disadvantages of employees, the company paid an inflation compensation of up to €1,500 in October, depending on the level of employment.

To support the structural change, further external cooperations were prepared and concluded in order to secure existing skills and infrastructure in the field of training and further education and thus create a basis for providing the qualifications required for the transformation process. In addition, demographically based personnel planning is being developed with the partner companies in order to counteract the ever-increasing shortage of skilled workers.

The activities of strategic human resources management address the changes brought about by the phase-out of coal and structural change, as well as the consequences of the shortage of skilled workers in the company. The recruitment of personnel to secure business activities and measures in the area of retention management were key areas.

The number of work-related accidents with lost time (from 1 working day) per million working hours (LTIF) at LE-K reached a value of 0.5 in 2023 (previous year: LTIF 0.3). This means that the number of accidents remained at a very low level. The target of not exceeding an LTIF of 1.5 was thus achieved.

Overall statement by the Management Board on the company's situation and business performance in the 2023 financial year

The year 2023 was characterized by falling market prices and an increasing normalization of the supply and market situation. After electricity prices had been comparatively high at the beginning of the year, a significant correction took place over the course of the year. The reasons for this include a weak economy, the good supply situation, the feed-in from renewable energy plants, the instruments for providing additional capacities and the absence of further major exogenous shocks.

Even though electricity prices corrected for 2024, the company was able to benefit from the price level through consistent and continuous hedging activities, closing the vast majority of the positions for 2024 at attractive prices and securing the result accordingly. The focus in the operational areas is consequently on ensuring the availability of the power plants, on which work is ongoing. The outlook for 2024 is overall declining compared to 2023, but can still be viewed as positive.

An additional significant effect on the result results from the recognition of liabilities to LE-B as an expense, which serves to make an outstanding payment from a joint other contractual obligation.

As the most important domestic, non-subsidized energy source, lignite also made a significant contribution to the security and price stability of the electricity supply in 2023. Lignite-fired power plants operated in a flexible mode balance out fluctuations in supply and demand in the electricity grid and thus contribute to the secure supply of electricity in Germany. The flexible adaptation to the current supply situation, market and price signals has a significant impact on the use of the power plants.

As a result of this and the revision work, electricity generation by the power plants was lower at 37.1 TWh compared to the previous year (-8.7 TWh).

The heat output of the power plants also decreased accordingly compared to the previous year (-0.8 TWh). A total of 2.9 TWh were sold.

The crisis-related rise in electricity prices and the increased demand had a significantly positive effect on LE-K's annual result, which is higher than the previous year. Another factor to consider is the revenue skimming, which has a retroactive effect on the annual result as of December 1, 2022.

The reorientation as a broadly positioned energy transition company was consistently pursued in 2023. In view of the legally required phase-out of coal, LE-K created further conditions to continue to make a significant contribution to a secure electricity and heat supply in the future. The focus here is on the area of renewable energies.

LEAG wants to build a cluster for green onshore energy that is unique in Germany and Europe by 2030 - the GigawattFactory. As an intelligent, modular system of generation, storage and use, this GigawattFactory is intended to make green electricity base-load capable and thus available around the clock, regardless of the season and weather. In parallel with the large-scale expansion of wind and photovoltaics, hydrogen-capable gas-fired power plants (H2-ready) and pure hydrogen power plants, large-scale energy storage facilities and systems for the generation, storage and use of green hydrogen are being planned and prepared at the developed power plant sites. The conception and implementation of the GigawattFactory is based on the following roadmap:

- Construction of up to 7 GW of wind power and photovoltaics by 2030 and doubling this capacity to up to 14 GW by 2040
- Construction of 3 GW of flexible H_2 -ready gas power plants by 2030 and expansion to 4.5 GW by 2040
- Construction of 2 GWh storage capacity by 2030 and expansion to 3 GWh by 2040
- Construction of 0.5 GW capacity for green hydrogen by 2030 and expansion to 2 GW by 2040

In the regions of eastern and central Germany, which are undergoing structural change, green energy forms a sustainable basis for companies, new settlements and future-proof jobs, enables new regional value creation and creates the conditions for the implementation of the municipal energy transition in the areas of heat and mobility.

The current projects are to be pushed forward further in 2024. In addition to the further expansion of renewable energies on post-mining areas, the preparatory construction measures for the construction of a giga battery storage facility and a hydrogen power plant (H_2 UB) at the Boxberg site will set important milestones. At the same time, LEAG expects the federal government to set key energy policy decisions as part of the power plant strategy.

The evaluation of the conditions for phasing out coal-fired power generation, as provided for in the Coal-fired Power Generation Termination Act, is still pending. The federal government did not announce a specific publication date in 2024 until the end of 2023.

At present, the LE-K assumes that the Federal Republic of Germany will comply with the provisions of the KVBG and örV and that the EU Commission's review of state aid conformity will be completed promptly.

The political and legal framework at EU, federal and state level will continue to have a major impact on business development in the future. In addition to the still outstanding tender design for new H2 $_{-}$ ready gas power plants and the final design of the hydrogen core network, the federal government's other measures for an accelerated expansion of renewable energies by shortening the planning and approval procedures at federal level are of particular importance for LEAG's new business areas. The extent to which new environmental requirements will arise for existing power plants from the Industrial Emissions Directive, which will be amended at European level at the end of 2023, remains to be seen until national implementation.

The board of directors and owners will continue to work on the reorganization of the group of companies in a sustainable organizational structure in order to be able to introduce it in 2024 after the approval of all committees and stakeholders involved. The supervisory boards of LE-B and LE-K made it possible to set the course for this future structure in a fundamental resolution in December 2023. Accordingly, LEAG will in future divide its business areas into four areas, which are set up under the umbrella of a joint holding company. The substructure of LE-V with LE-B and LE-K will remain unchanged as a pillar for 1) conventional extraction and generation. In addition, three other operationally independent companies are to be formed for the climate-friendly business models of the future:

2) Modern, hydrogen-capable gas power plants and large-scale battery storage systems,

3) Photovoltaic and wind power plants,

4) Biomass activities.

In addition, a future agreement between the management board, the group works council, the IG BCE union and the owner underlines the socially acceptable design of the company restructuring. The aim of the agreement is to offer as many employees as possible a perspective in the new business areas as part of the transformation and to continue the social partnership, combined with constructive operational and entrepreneurial co-determination, in the new structure.

The Board of Directors also assumes that the necessary measures for the long-term development of the company, particularly on the expenditure side in the lignite business in the wake of the coal phase-out, have been initiated and are being implemented. Overall, the Board of Directors is satisfied with the course of business and the economic situation is assessed as orderly.

forecast report

The main market factors influencing business success are the development of electricity prices and the costs of CO2 $_{emission}$ certificates, the economic development in Germany and Europe and the speed of expansion of new business areas. In addition, the price development on the global fuel markets, which continue to be significantly influenced by geopolitical developments, as well as the factors influencing the electricity market, such as electricity demand, the feed-in of renewable energies, the availability of secured services and the weather, determine the future course of business.

The gas storage levels at the end of the 2023/2024 heating period and the resulting filling requirements will again have a significant impact on the course of 2024. At the time of preparing the annual report, it is currently apparent that the filling levels will be above the previous year's level. Furthermore, indirect effects, such as price changes or interruptions in supply chains, cannot be ruled out for all economies and would lead to considerable burdens in the future if they were to occur.

Compared to the previous year, the general supply situation appears more stable and the various market players have adapted to the changed conditions. Nevertheless, the existing geopolitical conflicts (including the war in Ukraine and the Gaza conflict) are leading to uncertainties that are difficult to calculate, the effects of which could also influence the energy markets again.

The company therefore continuously monitors the risks that have a direct impact on its business activities in order to be able to best assess and exploit possible risks and opportunities arising from the changing framework conditions for the company-specific situation.

In the medium to long term, the gas price and the prices for EUAs will remain the decisive parameters for the electricity price level. In principle, however, the long-term development of the exchange electricity price also depends to a large extent on the expansion of renewable energies, the economic development in Germany and Europe, the further expansion of the grid and the creation of additional flexibility and storage capacities.

With regard to the development of heat marketing, a continuous business trend can be expected due to weather conditions. In contrast, the market for control energy provision is characterized by increased participation of new providers, volatile prices and a normalized market price level.

Despite progress in grid expansion, LE-K's power plants will have to continue to adapt to fluctuating feed-ins from wind and solar energy and respond to this by making flexible, temporary adjustments to their feed-in capacity in an economically optimal and system-friendly manner in the respective market and grid situation.

Investments with a total volume of €215.0 million are planned for 2024. These mainly concern the construction of the "MaxIV" secondary fuel co-incineration plant at blocks Q and R of the Boxberg power plant and the BigBattery Oberlausitz. Another focus of the planned investment activity will be on the implementation of the energy transition. The focus here is on projects for innovative power plants and modern H2 $_{-}$ ready gas power plants at the Boxberg, Jänschwalde, Lippendorf, Schwarze Pumpe and Leipheim sites.

LE-K's electricity generation is expected to remain at a high level in 2024. It is also assumed that the availability of LE-K's power plants will be at a slightly higher level in 2024 than in 2023.

The Management Board assumes that prices for raw lignite will remain fundamentally stable in 2024 due to the current market environment.

For 2024, a positive annual profit after taxes in the high three-digit million range is expected. Positive earnings effects arise from the clean lignite spreads already realized through forward transactions. The planned marketing volume for the 2024 financial year was almost completely hedged at attractive prices via forward transactions in 2023. The production volumes in 2024 are aligned with the hedge transactions already realized and will be reduced in low-price phases (approx. 10%, with a focus on the second and third quarters). The extension of the regulation on the temporary expansion of the electricity generation supply through plants from the supply reserve until March 31, 2024 has been taken into account in the planning. Uncertainties regarding the development of earnings exist primarily in the general price development for electricity, CO2 $_{\text{emission}}$ certificates as well as materials and third-party services.

LE-K's liquidity position is secured for 2024 and can be further increased if necessary by swapping EUA certificates in stock to later delivery dates

Uncertainties regarding the development of earnings exist primarily in the general price development for electricity, CO2 $_{\text{emission}}$ certificates as well as materials and third-party services.

The decision in the formal EU state aid review procedure on compensation in connection with the Coal Phase-out Act is expected by autumn 2024 at the latest.

A slight decline in the workforce is expected for 2024.

Due to the existing accident prevention measures, it is assumed that the number of industrial accidents can be kept at a low level.

Opportunities and Risks Report

risk management system

LE-K's risk management ensures the proper recording and control of risks and risk management measures as well as up-to-date reporting in accordance with legal requirements. The risk management system provides relevant information so that management can make business decisions on a sound basis, weighing up risks but also taking into account opportunities in terms of both value creation and competitiveness.

Risk management is organized as an ongoing process for identifying, assessing, controlling, managing and monitoring business risks. The risk managers in the individual areas of the company are responsible for providing the information needed to record risks and implementing measures to manage them.

The risk management process, including risk documentation, is managed and supported by the Risk Management department. The risk situation and control are coordinated at management level in quarterly meetings of the Risk Committee. In addition, the risk situation on the sales and procurement markets is given special consideration through regular meetings of the Electricity Risk Committee. Regular reports to the Executive Board and Supervisory Board on relevant individual risks and the overall risk situation of the company and LEAG as a whole ensure that decision-makers are fully informed at all times.

opportunities and risks

The following risks essentially exist for LE-K, which are sorted within the risk areas according to their importance for the company.

Legal risks and political environment

The evaluation of the conditions for the phase-out of coal-fired power generation, scheduled for August 15, 2022 in the KVBG, has been postponed several times and is to be rescheduled for 2024.

Compliance

Applicable laws and internal guidelines and regulations form the basis of all LE-K's business activities. Regular compliance training for employees ensures the highest level of preventive awareness with regard to compliance with laws, internal guidelines and regulations. This is an elementary component of the established compliance management system, which coordinates and controls all compliance activities.

The Supply Chain Due Diligence Act (LkSG) came into force on January 1, 2023 for companies with more than 3,000 employees (LE-B) and on January 1, 2024 for companies with more than 1,000 employees (LE-K). The boards of directors and management of the companies in the LEAG Group supervise the implementation of and compliance with the "Declaration of Principles on Respect for Human Rights". Compliance with human rights and environmental protection are an essential part of the code of conduct applicable to the companies in the LEAG Group. As part of the implementation of the Supply Chain Due Diligence Act passed in June 2021, LEAG has appointed a human rights officer and introduced a complaints system.

financial risks

Financing transactions and cash management are managed independently by the company. Due to the company's financing structure, no significant risks can be identified in the short term from fluctuations in market interest rates.

Compared to previous years, the risk of payments for security deposits (so-called margining) was further significantly reduced through active portfolio management. The successful conversion of the portfolio to a predominantly margining-free hedge would limit the liquidity risk even in the event of sharp increases in electricity prices. The basis for this changed risk situation is, on the one hand, bilateral transactions with business partners and corresponding agreements with banks.

To reduce liquidity risks, the company can use the joint cash pool with LE-B.

As of December 31, 2023, this cash pool overdraft facility had not been used by LE-K.

To ensure liquidity in a volatile market environment, loan agreements were concluded with banks. The liquidity credit line was not used as of December 31, 2023.

Furthermore, there are fundamental risks of counterparty default - particularly in the electricity business. These risks are counteracted by consistent monitoring and ongoing supervision of business partners.

Technical risks

This area includes risks such as power plant shutdowns due to damage to machinery, boilers or other power plant components. Production outages in the generation sector, due to malfunctions in conveyor systems or power outages in upstream mining operations, are also taken into account in the risk assessment.

In order to avoid or minimize such failures, regular inspections and maintenance measures are carried out to ensure the functionality and operational safety of the systems, and employees are comprehensively trained.

The effects of damage can be limited by taking out property damage and business interruption insurance.

In order to ensure grid stability, power plant operations can be flexibly restricted as feed-in from solar and wind energy plants increases due to the priority given to renewable energies over conventional power generation. This risk is further reduced by the faster adaptation of power plant schedules to grid utilization and the more precise forecast of wind energy feed-in in model calculations for power plant deployment planning.

environmental risks

The emission values of LE-K's power plants are subject to continuous monitoring in order to comply with the requirements of legal regulations.

The legal and approval-compliant organization of operational water protection, waste disposal, transport of hazardous goods, radiation protection and emission control is confirmed by the annual external audit and certification of the environmental management system according to DIN ISO 14001. All aspects of the standard-compliant operational environmental protection thus confirmed are described in the annual environmental information report.

risks on the sales and procurement market

In the area of market risks, price developments for electricity and CO2 products are $_{\text{of}}$ great importance. As in previous years, the company was able to hedge a significant amount on the futures market at an adequate level until the end of 2023.

A fall in the market prices for electricity or rising prices for CO2 $_{\text{emission}}$ certificates would lead to a reduction in the margins from the sale of electricity with the risk of not being able to enter into long-term profitable hedging transactions.

Careful monitoring of the waste and operating materials markets and timely contractual commitments with suppliers and customers reduces the price and quantity risk. Supply bottlenecks for absorption agents for use in the power plant process can lead to unplanned shutdowns of the generation plants. These risks are countered by sufficient storage capacity for substitute materials and the timely selection of alternative suppliers.

In the case of power plant overhauls and maintenance projects, the risk of price increases is limited by framework agreements and suitable contract structures. One risk is a decline in capacity and a decline in the know-how of the service partners in the region who are commissioned to carry out maintenance work, as a result of a trend towards lower order volumes and demographic developments.

personnel risks

Personnel risks recorded in risk management result, for example, from higher collective wage agreements, the departure of key employees (particularly in key positions), short-term unplanned adjustment requirements and the development of the age structure of employees. The goal of phasing out coal by 2030, as formulated in the coalition agreement, generally increases the risk of fluctuation. At the same time, it can be seen that the company's attractiveness on the personnel market for specialists and managers has increased significantly due to the transformation, which was also broadly based on communication, and the GigawattFactory project. The successful acquisition of specialists and managers in recent months, including in key positions, is an indication of this.

The needs-based recruitment of young talent, targeted personnel development, framework agreements on part-time retirement and strengthening of the health management system reduce these risks. In addition, training and further education measures are carried out and extensive succession planning is implemented. The collaboration with universities also creates good conditions for successful knowledge transfer and the presentation of LE-K as an attractive employer. In addition, the company uses cooperation with partner companies to successfully complete the transformation and to be able to offer employees prospects.

information processing

Information and communication technologies are crucial for the management and execution of LE-K's business processes. Ensuring high availability and implementation of agreed standards is therefore of central importance. Regular functional checks, careful data backup and constant monitoring of system operations ensure the maintenance and optimization of IT systems.

The increase in cybercrime, corresponding attacks on institutional and company networks and increasing digitalization have resulted in a changed threat situation. Against this background, the topic of information security is being intensively addressed, including the definition of appropriate security mechanisms. As a power generator and as part of the critical infrastructure in Germany, LE-K is subject to the law to increase the security of information technology systems (IT Security Act). The relevant measures are currently being implemented.

opportunities

The business result depends to a large extent on the development of the prices for electricity and CO2 $_{\text{emission}}$ certificates. In the future, as a result of the increasing scarcity of secured electricity generation capacity in Germany due to the phase-out of nuclear energy and coal, there will be profit opportunities in particular on the spot and futures markets.

In order to better adapt the operation of the lignite power plants to market requirements and the grid situation, components of the power plants were made more flexible through various measures. The goals are to reduce the technically possible minimum load and to improve the block dynamics so that the power plants can be operated economically even with increasing feed-in of renewable energy. Examples of this include the projects to build auxiliary steam generators at the Jänschwalde and Boxberg sites.

The company is intensively working on the development of new business areas after the end of coal-fired power generation, which will create new opportunities for the company in the long term.

One focus is the development of innovative power plant capacities (innovative storage power plants and H2 $_{-}$ ready gas power plants).

The announcements made by the new federal government in the coalition agreement that future-proof ("H $_{2}$ -ready") gas-fired power plants are to be built at existing power plant sites to ensure security of supply are supporting the company in its ongoing restructuring process. However, the exact implementation period depends on the precise design of the power plant strategy by the federal government.

overall risk situation

For the financial year ending December 31, 2023, there was no threat to the company's continued existence due to either individual risks or aggregated risk positions. In the medium term, if spreads between prices for electricity and CO2 emission certificates remain low, the economic risk in LE-K's electricity business may $_{\text{increase}}$.

Closing statement on the report of the Management Board on relations with affiliated companies pursuant to Section 312 AktG

Since December 27, 2023, LE-K has been a dependent company of EP Energy Transition, as, Prague, within the meaning of Section 312 of the Austrian Stock Corporation Act.

The Management Board of LE-K has therefore prepared a report on relations with affiliated companies in accordance with Section 312 Paragraph 1 of the German Stock Corporation Act (AktG), which contains the following concluding statement:

"We declare that in the legal transactions and measures listed in the report on relations with affiliated companies from January 1 to December 31, 2023, the company received appropriate consideration for each legal transaction according to the circumstances known to us at the time the legal transactions were carried out or measures were taken or omitted. Other measures within the meaning of Section 312 AktG were neither taken nor omitted."

Declaration on Corporate Governance (§ 289f HGB)

The Supervisory Board has set targets for the proportion of women in accordance with Section 111 Paragraph 5 of the German Stock Corporation Act (AktG).

The LE-K Supervisory Board has decided to set a target for the LE-K Supervisory Board of reaching the statutory value of 30% for co-determined companies by June 30, 2026 at the latest. The shareholders' and employees' sides have set themselves the goal of meeting the 30% quota separately for each side. The aim is to achieve three representatives of the minority gender on each side.

Furthermore, the LE-K Supervisory Board has decided that the target to be achieved is that at least one woman must be represented on the Executive Board by June 30, 2026 at the latest. The Executive Board reports annually on the development of the proportion of women in the top two management levels below the Executive Board. According to Section 76 Paragraph 4 of the German Stock Corporation Act (AktG), the following target is set: If the proportion of women in the top two management levels below the Executive Board is below 30%, the currently achieved proportion of women should be increased within the above-mentioned period. The Executive Board reports annually to the Supervisory Board on the measures taken to achieve the targets for gender-equitable participation in the company. The content of this includes age and structure reports on the two top management levels and the levels below.

balance sheet

ASSETS

million €	Attachment	December 31, 2023	December 31, 2022
fixed assets	(1)		
Intangible assets		0.6	0.8
property, plant and equipment		515.4	585.4
financial investments		115.6	100.3
		631.6	686.5
current assets			
supplies	(2)	2,449.4	767.6
Receivables and other assets	(3)	2,705.4	5,217.1
Liquid assets		2,647.2	1,799.0
		7,802.0	7,783.7
deferred income	(4)	19.5	5.3
Deferred tax assets	(5)	237.2	401.7
special loss account from provision creation	(6)	44.3	47.0
		8,734.6	8,924.2

LIABILITIES

million €	Attachment	December 31, 2023	December 31, 2022
Equity capital	(7)		
Subscribed capital		200.1	200.1
capital reserve		316.4	316.4
retained earnings		0.1	0.1
retained earnings		1,808.1	281.8
		2,324.7	798.4
special items	(8)	5.2	5.5
provisions	(9)	5,017.1	5,852.3
liabilities	(10)	1,380.9	2,261.1
deferred income	(11)	6.7	6.9
		8,734.6	8,924.2

profit and loss statement

million €	Attachment	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022
sales revenues	(12)	10,086.9	8,008.0
inventory changes		-0.1	0.1
Other capitalized own work		1.3	0.5
Other company income	(13)	818.3	1,686.3
material costs	(14)	-6,618.1	-8,231.5
personnel expenses	(15)	-202.0	-182.7
depreciation	(16)	-144.9	-141.7
Other operating expenses	(17)	-1,818.0	-441.4
financial result	(18)	43.8	-217.0
Taxes on income and earnings	(19)	-638.8	-93.5
earnings after taxes		1,528.4	387.1
Other taxes	(20)	-2.1	-1.8
annual surplus		1,526.3	385.3
profit/loss carryforward	(21)	281.8	-103.5
retained earnings		1,808.1	281.8

Attachment

General Preliminary Remarks

The annual financial statements of Lausitz Energie Kraftwerke AG (LE-K), based in Cottbus, were prepared in accordance with the commercial accounting regulations for large capital companies and the supplementary provisions of the Stock Corporation Act (AktG) as well as in compliance with the Energy Industry Act (EnWG). LE-K is registered in the commercial register of the Cottbus District Court under registration number HRB 8327.

For a clearer presentation, items are summarized in the balance sheet and profit and loss account and shown and explained separately in the appendix. The profit and loss account is prepared using the nature of expense method. All values are shown in millions of euros.

LE-K is included in the consolidated financial statements of Lausitz Energie Verwaltungs GmbH (LEV), based in Cottbus (smallest district), and EP Corporate Group, based in Prague, as well as EP Investment Sarl, based in Luxembourg (largest district). LEV's consolidated financial statements are prepared in accordance with German law and disclosed in the company register. LEV is registered with the Cottbus District Court under the number HRB 12691 CB.

According to Section 291 of the German Commercial Code (HGB), LE-K is therefore exempt from the obligation to prepare its own consolidated financial statements and a consolidated management report.

There is no control and profit transfer agreement between LEV and LE-K.

LE-K is included in the LEV’s VAT consolidated group.

accounting and valuation methods

ASSETS

fixed assets

Intangible assets acquired for a fee are recorded at acquisition cost and amortized on a straight-line basis over their expected useful life of three to five years.

Tangible assets are valued at acquisition or production cost less depreciation. The production costs of self-produced assets include, in addition to the directly attributable individual costs, an appropriate proportion of overhead costs. Interest on borrowed capital is not included.

Depreciation for property, plant and equipment acquired or manufactured before January 1, 2008 is carried out using the declining balance method, as far as permitted by tax law. A transition to the straight-line method takes place as soon as this leads to higher depreciation amounts. The straight-line depreciation method is applied for property, plant and equipment acquired or manufactured from January 1, 2008.

Tangible assets are depreciated based on their expected useful lives: five to fifty years for buildings and land improvements, ten to twenty years for technical equipment and machinery, and three to fourteen years for operating and business equipment. The useful lives of technical equipment and machinery are based on the remaining operating lives of the power plants, where applicable.

Unscheduled depreciation of intangible and tangible assets is carried out when a permanent impairment requires recognition at a lower fair value. If the reasons for the unscheduled depreciation no longer apply, the value is reversed up to a maximum of the amortized cost of the asset.

Low-value assets acquired from the 2013 financial year onwards are reported as collective items and depreciated on a straight-line basis over five financial years.

Financial assets are accounted for at the lower of acquisition cost or fair value, taking into account the requirement to reverse the impairment. Unscheduled write-downs due to temporary impairment are not made.

Loans are stated at their nominal value or, where necessary, discounted to the balance sheet date.

current assets

Inventories are valued at acquisition cost and production cost using permissible simplified valuation methods and in compliance with the lower of cost or market principle. Inventory risks resulting from storage periods and reduced usability are taken into account by appropriate write-downs.

Entgeltlich erworbene CO$_2$-Emissionszertifikate sind zu Anschaffungskosten unter Beachtung des strengen Niederstwertprinzips bilanziert. Die unentgeltlich erhaltenen CO$_2$-Emissionszertifikate werden mit Anschaffungskosten von null Euro bewertet.

Forderungen und sonstige Vermögensgegenstände sowie Flüssige Mittel sind mit dem Nennwert oder mit dem niedrigeren beizulegenden Wert angesetzt. Allen erkennbaren Einzelrisiken und dem allgemeinen Kreditrisiko wird durch angemessene Wertabschläge Rechnung getragen.

Rechnungsabgrenzungsposten

Als Rechnungsabgrenzungsposten sind auf der Aktivseite Ausgaben vor dem Abschlussstichtag ausgewiesen, die Aufwand für eine bestimmte Zeit nach diesem Tag darstellen.

Sonderverlustkonto aus Rückstellungsbildung

Mark Balance Sheet Act (DMBilG) is shown for provisions that had to be created in the German Mark opening balance sheet (DMEB) due to the first-time application of Section 249 Paragraph 1 Sentence 1 of the German Commercial Code (HGB) (old version).

The special loss account changes according to the use and release of the underlying DMEB provisions. The use of provisions causes write-downs on the special loss account and thus expenses, which are shown in the profit and loss account according to the type of expense; when the DMEB provisions are released, the special loss account is offset against the provisions without affecting the income statement.

LIABILITIES

Equity capital

Equity items are stated at nominal value.

special items

Investment grants received are shown as special items. The release with an effect on income is made in accordance with the depreciation history of the assets receiving the grant.

provisions

When calculating provisions, all identifiable risks and uncertain liabilities are taken into account to the extent necessary according to prudent commercial judgment.

Provisions for pensions and similar obligations as well as the anniversary bonuses recorded under other provisions are determined actuarially using the projected unit credit method based on biometric probabilities (Heubeck 2018 G mortality tables). The liability items from top-up amounts and the accumulated backlog of payments for part-time retirement contracts are valued at the actuarial present value. Expected future salary and pension increases are taken into account when determining the obligations.

actuarial premises

%	December 31, 2023	December 31, 2022
discount factor for long-term pension obligations	1.83	1.78
discount factor for long-term personnel provisions	1.75	1.44
discount factor for obligations arising from part-time retirement arrangements	1.07	0.58
Long-term salary increase rate (including career trend) until 2026	2.5	2.00
Long-term salary increase rate (including career trend) from 2027	2.5	2.00
Long-term pension growth rate	0.00 to 3.00	0.00 to 3.00
turnover rate	0.00 to 1.80	0.00 to 1.80
inflation rate	2.00	2.00
Dynamics of the Contribution Assessment Ceiling	3.00	2.50

For the discounting, interest rates extrapolated to December 31, 2023 are used. The basis for the extrapolation is the average market interest rates calculated by the Deutsche Bundesbank and published on November 30, 2023. For pension provisions, the last ten financial years are used to calculate the average interest rate, and for other provisions, the last seven financial years are used. A remaining term of 15 years is assumed for long-term pension and personnel provisions, and three years for part-time retirement provisions.

To the extent that pension obligations are reinsured with an insurance asset value, these are offset against the respective provisions.

Congruently reinsured pension commitments, the amount of which is therefore determined exclusively by the fair value of a reinsurance claim, are valued at this value to the extent that it exceeds the guaranteed minimum amount (discounted settlement amount of the guaranteed benefit). The fair value of a reinsurance claim consists of the policyholder's so-called business plan coverage capital plus any existing balance from premium refunds (so-called surplus participation).

A trust agreement (double-sided trust model) is in place to ensure insolvency protection of assets within the meaning of Section 8a of the Partial Retirement Act and Section 7e Paragraph 2 of the Social Security Code IV for long-term assets of LE-K employees. The assets are protected from access by other creditors and are offset against the associated provisions.

The interest portion of the addition to pensions and other provisions is recorded in the interest result. The result from interest rate adjustments is offset against the amounts added to the provision. Any resulting expense is recorded in personnel expenses for pensions provisions and in other operating expenses for other provisions; any resulting income is reported in other operating income.

The other provisions and tax provisions are valued at the settlement amount necessary according to prudent commercial judgment. Future price and cost increases are taken into account if there is sufficient objective evidence that they will occur. Provisions with a remaining term of more than one year are discounted using the average market interest rate of the past seven financial years corresponding to their remaining term. The underlying interest rate for the discounting is the average market interest rate determined by the Deutsche Bundesbank and published for December 31, 2023.

The provisions created for the obligation to surrender CO2 $_{\text{emission}}$ certificates to the German Emissions Trading Authority are valued at the expected carrying amount of the CO2 emission certificates to be surrendered $_{\text{or}}$ at the market value.

LE-K did not exercise its right to offset transactions with positive and negative market values in accordance with IDW RS ÖFA 3.

liabilities

Liabilities are recorded at their settlement amount.

deferred income

Prepaid expenses are income received before the balance sheet date that represents income for a specific period after that date.

Construction cost subsidies received are reported as deferred income and amortized on a straight-line basis over the expected useful life of the associated fixed assets.

deferred taxes

Deferred taxes are calculated on temporary or quasi-permanent differences between the commercial value of assets, liabilities and deferred items and their tax value or on the basis of tax loss carryforwards. This includes not only the differences from the company's own balance sheet items, but also those that exist at subsidiaries. The amounts of the resulting tax burden and relief are valued at the tax rates of 29.63% (previous year: 29.63%) at the time the differences are eliminated and are not discounted.

Deferred tax assets and liabilities are reported on a net basis. In the financial year, after netting out deferred tax assets and liabilities, there was a surplus of deferred tax assets. The differences mainly arise from the non-recognition of the provision for impending losses, property, plant and equipment and pension and personnel provisions.

According to Section 274 Paragraph 1 Sentence 2 of the German Commercial Code (HGB), there is an option to recognize tax relief resulting from the difference between the commercial law values of these assets and liabilities and their tax values as deferred tax assets in the balance sheet. The company will exercise this activation option as of December 31, 2023.

currency conversion

Business transactions in foreign currencies are valued at the exchange rate at the time of initial recording. On the balance sheet date, assets and liabilities are converted using the mean spot exchange rate. The lower of cost or market principle for receivables with a remaining term of more than one year and the higher of cost or market principle for liabilities with a remaining term of more than one year are taken into account in the valuation.

Notes to the Balance Sheet

(1) Fixed assets

The breakdown of the fixed asset items summarized in the balance sheet in the 2023 financial year is shown in the statement of changes in fixed assets.

development of fixed assets

million €	acquisition/production costs					
	January 1, 2023	reorganization	entrances	rebookings	departures	December 31, 2023
Intangible assets						
Concessions, industrial property rights and similar rights and assets acquired for a fee, as well as licenses to such rights and assets	4.1	-	0.4	-0.4	0.0	4.1
	4.1	-	0.4	-0.4	0.0	4.1
property, plant and equipment						
Land, land rights and buildings, including buildings on third-party land	595.7	-	0.3	0.3	3.7	592.6
Technical equipment and machinery Power plants	7,570.2	-	2.7	7.1	0.3	7,579.7
Other equipment, operating and business equipment	47.0	-	1.4	1.0	0.6	48.8
Advance payments and assets under construction	45.3	-	71.4	-8.0	0.0	108.7
	8,258.2	-	75.8	0.4	4.6	8,329.8
financial investments						
shares in affiliated companies	100.0	-	-	-	-	100.0
Loans to affiliated companies	0.0	-	15.3	0.0	0.0	15.3
securities of fixed assets	32.5	-	0.0	-	-	32.5
offsetting against other personnel provisions	-29.4	-1.8	-	-	-	-31.2
Other loans	0.3	-	0.0	-	-	0.3
	103.4	-1.8	15.3	-	-	116.9
fixed assets	8,365.7	-1.8	91.5	0.0	4.6	8,450.8

million €	depreciation					
	January 1, 2023	reorganization	entrances	attribution	rebookings	departures
Intangible assets						
Concessions, industrial property rights and similar rights and assets acquired for a fee, as well as licenses to such rights and assets	3.4	0.0	0.1	-	-	0.0
	3.4	0.0	0.1	-	-	0.0
property, plant and equipment						
Land, land rights and buildings, including buildings on third-party land	468.8	0.0	10.1	-	0.0	2.3
Technical equipment and machinery Power plants	7,159.7	0.0	133.4	-	-	0.2
Other equipment, operating and business equipment	42.6	0.0	1.3	-	0.0	0.6
Advance payments and assets under construction	1.6	0.0	-	-	-	-
	7,672.7	0.0	144.8	-	-	3.1
financial investments						
shares in affiliated companies	-	0.0	-	-	-	-
Loans to affiliated companies	0.0	0.0	0.0	-	-	-
securities of fixed assets	3.1	0.0	0.0	-	- 1.8	-
offsetting against other personnel provisions	-	0.0	-	-	-	-
Other loans	-	0.0	-	-	-	-
	3.1	0.0	0.0	-	1.8	-
fixed assets	7,679.2	0.0	144.9	-	1.8	3.1

million €	depreciation	book values	
	December 31, 2023	December 31, 2023	December 31, 2022
Intangible assets			
Concessions, industrial property rights and similar rights and assets acquired for a fee, as well as licenses to such rights and assets	3.5	0.6	0.7
	3.5	0.6	0.7
property, plant and equipment			
Land, land rights and buildings, including buildings on third-party land	476.6	116.0	126.9
Technical equipment and machinery Power plants	7,292.9	286.8	410.5
Other equipment, operating and business equipment	43.3	5.5	4.4
Advance payments and assets under construction	1.6	107.1	43.7
	7,814.4	515.4	585.5
financial investments			
shares in affiliated companies	-	100.0	100.0
Loans to affiliated companies	0.0	15.3	0.0
securities of fixed assets	1.3	31.2	29.4
offsetting against other personnel provisions	-	-31.2	-29.4
Other loans	-	0.3	0.3
	1.3	115.6	100.3
fixed assets	7,819.2	631.6	686.5

shareholding

LE-K's shareholdings as of the balance sheet date are as follows:

	shareholding 31.12.2023 %	Equity 31.12.2023 million €	Result 01.01. to 31.12.2023 million €
Affiliated Companies			
Kraftwerk Schwarze Pumpe GmbH, Spremberg - Schwarze Pumpe	100	100.0	- *

* Profit and loss transfer agreement

(2) Inventories

million €	December 31, 2023	December 31, 2022
CO$_2$ emission certificates	2,345.7	673.0
raw materials, auxiliary materials and operating supplies	103.5	94.2
Work in progress and services	0.1	0.2
Advance payments made	0.1	0.2
	2,449.4	767.6

(3) Claims and other assets

million €	December 31, 2023	of which remaining term > 1 year	December 31, 2022	of which remaining term > 1 year
Requests from deliveries and services	1,151.8	0.0	1,411.2	0.0
Claims against affiliated companies	511.8	0.0	406.8	0.0
Other assets	1,041.8	0.3	3,399.1	0.3
	2,705.4	0.3	5,217.1	0.3

Of the receivables from affiliated companies, €332.2 million (previous year: €365.1 million) relate to deliveries and services and €39.7 million (previous year: €41.7 million) to other receivables, as well as receivables from LE-B from the cash pool agreement amounting to €139.9 million (previous year: €-404.7 million).

Of the other assets, €986.5 million (previous year: €3,379.8 million) relate to margin payments (initial payments to trading partners based on the current market rate).

(4) Prepaid expenses

The prepaid expenses mainly include advance payments for the storage of residual materials.

(5) Deferred tax assets

As of December 31, 2023, the surplus of deferred tax assets after impairment testing amounted to €237.2 million (previous year: €401.7 million).

The excess of deferred tax assets is mainly the result of differing valuations for commercial and tax purposes for the provision for impending losses on property, plant and equipment and various provisions. According to Section 268 Paragraph 8 of the German Commercial Code (HGB), a distribution restriction of €237.2 million must be observed for amounts from the activation of deferred taxes.

million €	December 31, 2023	change in the financial year	December 31, 2022
Deferred tax assets	362.1	-64.0	426.1
Deferred tax liabilities	124.9	-100.5	24.4
total balance	237.2	-164.5	401.7

(6) Special loss account from provision creation

The development of the special loss account in the reporting year is as follows:

million €	January 1, 2023	resolution	consumption	December 31, 2023
Other provisions				
Ecological burdens	41.0	0.9	1.6	38.5
demolition	6.0	0.2	0.0	5.8
	47.0	1.1	1.6	44.3

The consumption of the special loss account is included in the corresponding expense types of the profit and loss account in the amount of the consumption of the respective provisions.

(7) Equity

The share capital of €200.1 million is divided into 200,100,000 no-par value shares, 80% of which is held by LEV, Cottbus, and 20% by EP Energy Transition, as, Prague (Czech Republic).

The retained earnings include a special reserve of €0.1 million pursuant to Section 27 DMBilG from an asset allocation under the Asset Allocation Act.

The retained profit in the 2023 financial year amounts to €1,808.1 million (previous year: €281.8 million).

(8) Special items

The special item includes taxable subsidies of €5.2 million (previous year: €5.5 million).

(9) Provisions

million €	December 31, 2023	December 31, 2022
Provisions for pensions and similar obligations	32.0	32.5
tax provisions	182.9	348.1
Other provisions		
Provisions for the obligation to surrender CO$_2$ emission certificates	3,388.2	4,207.9
provision for impending losses	773.0	1,029.7
Provision for the skimming of surplus proceeds under the StromPBG	422.5	0.0
provisions for the removal of ecological burdens	132.6	145.3
provisions for litigation risks	6.2	4.1
provisions for demolition costs	25.6	34.2
personnel provisions	33.2	39.3
rest	20.9	11.2
	5,017.1	5,852.3

The pension provisions cover the pension obligations towards former and current employees.

Obligations from pension commitments are partially secured by assets. The assets invested serve exclusively to meet pension obligations and are not accessible to other creditors. They are offset against the underlying obligations in accordance with Section 246 Paragraph 2 Sentence 2 of the German Commercial Code (HGB). These are assets in reinsurance policies.

The provisions for pensions and similar obligations amounting to €32.0 million with a remaining term of more than one year were discounted using the average market interest rate from the past ten financial years. If these provisions were discounted using the average market interest rate from the past seven years (1.75%), the provision would be €32.5 million higher, which is €0.5 million (previous year: €2.2 million). According to Section 253 Paragraph 6 Sentence 2 of the German Commercial Code (HGB), this difference is not subject to distribution.

million €	December 31, 2023	December 31, 2022
settlement amount of pensions and similar obligations	84.7	87.4
Fair value of assets	52.7	54.9
Net value of pensions and similar obligations (provisions)	32.0	32.5

The fair value of assets corresponds to the acquisition cost plus accrued interest.

Provisions of €3,388.2 million (previous year: €4,207.9 million) have been made for the obligation to surrender CO2 emission certificates to the German Emissions Trading Authority. The provision for fulfilling the obligation to surrender CO2 emission certificates to the DEHSt is based on the quantities of CO2 emitted by LE-K during electricity generation .

The provisions for impending losses relate to pending sales transactions from the electricity business and for the procurement of CO2 certificates .

The provisions for ecological burdens exist in particular for the securing, rehabilitation and recultivation of landfills and for non-operational real estate. For the permanent burden, an expenditure period of 60 years was assumed.

The provisions for litigation risks cover possible litigation risks.

Personnel provisions mainly relate to obligations under part-time retirement arrangements, working time credits and performance-related remuneration for employees.

The remaining provisions amounting to €422.5 million relate to the collection of surplus proceeds under the Electricity Price Brake Act.

(10) Liabilities

million €	December 31, 2023			December 31, 2022		
	in total	remaining term		in total	remaining term	
		< 1 year	> 5 years		< 1 year	> 5 years
liabilities to credit institutions	-	-	-	0.0	-0.5	-
Payments received	0.1	0.1	-	0.1	0.1	0.0
liabilities from goods and services	196.0	0.0	-	817.8	748.6	0.0
Liabilities to affiliated companies	1,036.6	616.1	300.0	1,338.9	888.9	330.0
Other liabilities	148.2	142.4	-	104.3	98.1	0.0
of which from taxes	(44.5)	(44.5)	-	(1.8)	(1.8)	-
of which in the context of social security	(0,0)	(0,0)	-	(0,0)	(0,0)	-
	1,380.9	758.6	300.0	2,261.1	1,736.2	330.0

Of the liabilities to affiliated companies, €450.0 million relates to loans from Lausitz Energie Bergbau AG (LE-B) (previous year: €480.0 million), €125.2 million to interest-bearing short-term borrowings (cash pool) (previous year: €523.2 million), of which €0.0 million is from LE-B (previous year: €404.7 million) and €125.2 million is from KSP (previous year: €118.5 million), €136.6 million is trade accounts payable (previous year: €175.0 million) and €324.8 million is other liabilities (previous year: €10.7 million). The previous year also included interest-bearing short-term loans of €150.0 million.

The other liabilities included in liabilities to affiliated companies relate to a liability of €317.3 million to LE-B for making an outstanding payment into Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg mbH & Co. KG (LEVEB) and Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG (LEVES) from another contractual obligation.

Other liabilities include liabilities from margin payments amounting to €74.2 million (previous year: €39.8 million).

(11) Prepaid expenses

Deferred income mainly includes advance income in connection with the leasing of power plant sections.

Notes to the Profit and Loss Account

(12) Sales revenues

million €	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022
electricity revenues and system services	9,810.5	7,574.3
district heating (including steam)	56.5	84.2
Others	219.9	349.5
	10,086.9	8,008.0

Sales revenues were generated almost exclusively domestically.

Other sales revenues mainly relate to revenues from the leasing of power plant sections to LE-B and the fee for the associated operational management, the operational management fee for Block S of the Lippendorf power plant, the co-combustion of secondary fuels, revenues from the sale of gypsum and rental.

(13) Other operating income

million €	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022
Income from the release of provisions *	647.3	1,233.6
Income from the sale of CO_2 certificates	158.7	439.8
Income from damages *	0.0	0.1
Income from revaluation of fixed assets *	1.8	0.0
Other income	10.5	12.8
	818.3	1,686.3

* income from other periods

The income from the reversal of provisions includes indirect utilization of provisions for impending losses amounting to €623.4 million (previous year: €1,106.5 million). Since it is not possible to clearly allocate the amounts to the individual types of expenses, for the sake of simplicity the amount already provided for as of January 1, 2023 is not eliminated from the various types of expenses.

Furthermore, other operating income includes profits from the sale of CO2 emission certificates in connection with liquidity-securing measures in 2022 and 2023.

(14) Material costs

million €	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022
Expenses for raw materials, consumables and supplies	6,298.6	7,952.0
expenses for services received	319.5	279.5
	6,618.1	8,231.5

The majority of the expenditure on raw materials, consumables and supplies is attributable to electricity purchases, input materials in lignite-fired power plants and CO2 emission certificates. The expenditure on purchased services mainly relates to external services for maintenance measures in the power plant sector.

(15) Personnel expenses

million €	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022
Wages and salaries	162.1	144.9
social security contributions	30.0	26.9
pension expenses	5.9	7.1
for support	4.0	3.8
	202.0	182.7

employees on average per year

	2023	2022
industrial employees	1,309	1,212
Employee	737	741
	2,046	1,953

(16) Depreciation

The depreciation can be seen in detail in the development of fixed assets.

No extraordinary depreciation was made either in the previous year or in the current financial year.

(17) Other operating expenses

million €	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022
Allocation of provisions for impending losses *	70.2	226.1
losses from the sale of CO_2 certificates	772.5	96.2
Allocation of provisions for the skimming of surplus proceeds under the StromPBG	422.5	0.0
services	50.6	46.4
rent KSP	7.9	22.5
insurance companies	9.2	5.4
Other expenses *	485.1	44.8
	1,818.0	441.4

* expenses not related to the accounting period

The additions to provisions for impending losses relate to electricity forward transactions amounting to €70.2 million (previous year: €226.1 million), which mainly arose from falling electricity prices in 2023 for transactions concluded in the 2022 financial year to secure liquidity. Furthermore, other operating expenses include losses from the sale of CO2 emission certificates, which were also made in connection with liquidity-securing measures.

The remaining expenses result from the skimming off of surplus proceeds in accordance with the Electricity Price Brake Act (EUR 422.5 million) and from a liability to LE-B (EUR 317.2 million) for making an outstanding payment into Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg mbH & Co. KG (LEVEB) and Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG (LEVES) from another contractual obligation.

auditor's fees

The total fee charged by the auditor for the financial year, broken down by type of services provided, to be stated in accordance with Section 285 No. 17 of the German Commercial Code (HGB), can be found in the consolidated financial statements in which LE-K is included.

(18) Financial result

million €	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022
income from investments	8.0	8.0
of which from affiliated companies	(8.0)	(8.0)
Income from loans from financial assets	0.0	0.0
of which from affiliated companies	(0,0)	(0,0)
Other interest and similar income	110.8	15.9
of which from affiliated companies	(32.8)	(6.9)
less custody fees for bank deposits	-3.8	-8.0
	107.0	7.9
depreciation on financial assets	0.0	-3.2
Interest and similar expenses	-71.2	-229.7
of which to affiliated companies	-(17.8)	-(17.9)
	43.8	-217.0

The investment result relates to income from the profit and loss transfer agreement with the affiliated company KSP (€8.0 million; previous year: €8.0 million).

Interest and similar expenses include expenses for guarantee commissions of €44.9 million (previous year: €47.2 million) and interest expenses to affiliated companies of €17.8 million (previous year: €17.9 million). The previous year also included interest expenses of €154.3 million, which were incurred in connection with a loan from the Kreditanstalt für Wiederaufbau (KfW). This loan was fully repaid in 2022.

The interest portion of the allocation to pension and personnel provisions is shown under "Interest and similar expenses". In the financial year, this is the net expenditure after offsetting against income from assets.

In the financial year, expenses from the interest on pension and long-term personnel provisions (€1.8 million; previous year: €1.7 million) were offset against income from the associated assets (€1.1 million; previous year: €1.1 million).

The interest on pension and long-term personnel provisions after offsetting against income from assets and the interest on tax and other provisions resulted in expenses totaling €4.3 million (previous year: €5.1 million).

(19) Taxes on income and profits

Taxes on income and profit result from trade taxes amounting to €222.7 million (previous year: €0.2 million), corporation tax and the solidarity surcharge amounting to €251.6 million (previous year: €0.2 million) and the release of deferred tax assets amounting to €164.5 million (previous year: €94.6 million).

(20) Other taxes

Other taxes mainly concern electricity and property taxes.

(21) Appropriation of profits

The total amount of the amounts within the meaning of Section 268 Paragraph 8 of the German Commercial Code (HGB) that are subject to a distribution ban amounts to €237.7 million and also includes the difference from pension provisions from item nine of this appendix.

The Management Board of LE-K proposes to the Annual General Meeting that the retained profit of €1,808.1 million shown in the Company's annual financial statements be carried forward in full to new account.

Other Information

Off-balance sheet transactions and other financial obligations

As of December 31, 2023, there was an order commitment less advance payments for investments and maintenance measures in the amount of €141.8 million (previous year: €93.6 million), of which €0.3 million was due to affiliated companies (previous year: €0.4 million).

A long-term contract with LE-B for the purchase of lignite and the disposal of power plant waste gives rise to purchase obligations totalling approximately €3.8 billion over the next five years.

A control and profit transfer agreement exists between LE-K and its subsidiary KSP. This agreement obliges LE-K to compensate for any annual deficit incurred during the term of the agreement in accordance with Section 302 of the German Stock Corporation Act (AktG).

The KSP is included in the LE-K corporate and trade tax group.

Due to immensely rising energy prices, it became necessary to deposit higher collateral for electricity futures transactions concluded on the electricity exchange. In this context, LE-K concluded a loan agreement with the Kreditanstalt für Wiederaufbau (KfW) with a credit limit of up to €5.5 billion. This loan was fully repaid in 2022. Against the background of the loan being granted, LE-K has committed to contributing income resulting from market price developments in 2022 to the special purpose vehicles of the states of Brandenburg and Saxony. The resulting payment obligation amounts to €317.3 million. The provisions of the public law contract for the reduction and termination of lignite-fired power generation in Germany apply accordingly to the use of the assessment amount by LEAG and the special purpose vehicles, including the obligations of LEAG and the special purpose vehicles set out therein.

As part of a purchase agreement, LE-K has transferred contracts related to the marketing of renewable energies to energy cubes GmbH (EC). LE-K acts as a trustee for EC for some of these contracts and forwards the resulting expenses and income to EC. Economically, the expenses and income are attributable to EC.

liability relationships

As part of the completed spin-off of the Moorburg hard coal power plant business unit and the hydroelectric power generation business unit, the legal entities involved in the split are jointly and severally liable for liabilities that arose before the split took effect. The liability periods pursuant to Section 133 of the German Transformation Act for pension obligations arising before the split took effect based on the Company Pension Act are 10 years. The receiving legal entity will probably be able to meet obligations arising from joint and several liability. It is therefore not expected that this will be claimed.

Larger-scale transactions pursuant to Section 6b Paragraph 2 of the Energy Industry Act (EnWG)

There are no transactions of a larger scale pursuant to Section 6b Paragraph 2 EnWG.

Disclosure pursuant to Section 160 Para. 1 No. 8 AktG

Lausitz Energie Verwaltungs GmbH has informed us that it directly owns more than a quarter of the shares in LE-K (notification pursuant to Section 20 Paragraphs 1 and 3 of the German Stock Corporation Act) as well as a direct majority shareholding within the meaning of Section 16 Paragraph 1 of the German Stock Corporation Act in LE-K (notification pursuant to Section 20 Paragraph 4 of the German Stock Corporation Act).

LEAG Holding as has informed us that it indirectly owns more than a quarter of the company's shares (notification pursuant to Section 20 Para. 1 AktG) as well as a majority shareholding within the meaning of Section 16 Para. 1 AktG in the company (notification pursuant to Section 20 Para. 4 AktG).

EP Energy Transition, as (CZ) has informed us that it indirectly owns more than a quarter of the shares in LE-K (notification pursuant to Section 20 Para. 1 of the Stock Corporation Act) as well as a majority shareholding within the meaning of Section 16 Para. 1 of the Stock Corporation Act in LE-K (notification pursuant to Section 20 Para. 4 of the Stock Corporation Act).

The following companies and persons have informed us that they indirectly own more than a quarter of the shares of the company (notification pursuant to Section 20 Para. 1 AktG):

- EP Investment S.à.rl
- EP Corporate Group, as
- Daniel Kretínský
- GEMCOL LIMITED
- PPF Investments Ltd
- Tomáš Brzobohatý

Information on the company's bodies

The members of the Supervisory Board and the Management Board are listed in a separate overview as an appendix to the notes.

Expenses for the remuneration of the Executive Board amounted to €1.9 million in the reporting year (previous year: €1.4 million). They consist primarily of fixed remuneration, performance-related remuneration and other non-performance-related remuneration.

The members of the LE-K Supervisory Board received €0.2 million (previous year: €0.2 million) for their work.

supplementary report

No events of particular significance occurred after the balance sheet date.

Cottbus, March 28, 2024

Board of Directors of Lausitz Energie Kraftwerke AG

Thorsten Kramer

Dr. Markus Binder

Jörg Waniek

Dr.-Ing. Philipp Nellessen

organs of the company

supervisory board

REPRESENTATIVES OF THE SHAREHOLDERS

Andreas Lusch

chairman

Director at Consenec AG

Tomáš David

Deputy Chairman of the Board of EP Power Europe as,

Chairman of the Board of EP Energy as

Milan Jalový

Head of Controlling at Energetický a průmyslový holding, as

Jens Machoy

Legal Advisor to EP Power Europe, as

Martina Matoušková

Member of the Board of EP Energy Transition as

Dr. Hans-Jürgen Meyer

lawyer

Dr. Helmar Rendez

engineer

Petr Šimek

Controller of Energetický a průmyslový holding, as

Jan Špringl

Member of the Board of Energetický a průmyslový holding, as

Leif Timmermann

Member of the Board of EP Power Europe as

EMPLOYEE REPRESENTATIVES

Oliver Heinrich (until December 31, 2023)

Deputy Chairman

Member of the Executive Board of the Industrial Union of Mining, Chemical and Energy

Stefanie Albrecht-Suliak (from January 1st, 2024)

Deputy Chairwoman

Regional Director Northeast of the Industrial Union of Mining, Chemical and Energy

Sandra Bränzel

Secretary of the Department of Economic and Sustainability Policy

Karla Georgi-Kruggel (since November 1, 2023)

Process Engineer at Lippendorf Power Plant

Enrico Kockrow

Chairman of the Works Council of the Cottbus headquarters of Lausitz Energie Kraftwerke AG

Jens Littmann

Chairman of the Works Council of the Lippendorf Power Plant of Lausitz Energie Kraftwerke AG

Reni Richter (since May 1, 2023)

District Manager of the Lausitz District of the Mining, Chemical and Energy Industrial Union

Maik Rolle

Chairman of the Works Council of the Jänschwalde Power Plant of Lausitz Energie Kraftwerke AG

Toralf Smith

Deputy Chairman of the Group Works Council LEAG

Chairman of the General Works Council of Lausitz Energie Kraftwerke AG

Martin Schautschick

Chairman of the Works Council of the Boxberg Power Plant of Lausitz Energie Kraftwerke AG

Andreas Thiem

Head of the Jänschwalde power plant of Lausitz Energie Kraftwerke AG

Martina Kutter (until October 31, 2023)

former works council chairwoman of the Boxberg power plant of Lausitz Energie Kraftwerke AG

Philipp Zirzow (until April 30, 2023)

District Manager Dresden-Chemnitz of the Industrial Union of Mining, Chemical and Energy

board

Thorsten Kramer

chairman

Dr. Markus Binder

Finance Department

Dr.-Ing. Philipp Nellessen

Production Department

Jörg Waniek

Human Resources / Legal Department

Hubertus Altmann (until June 30, 2023)

Department of Technology Projects

independent auditor's report

To Lausitz Energie Kraftwerke AG, Cottbus

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

audit opinions

We have audited the annual financial statements of Lausitz Energie Kraftwerke AG, comprising the balance sheet as of December 31, 2023 and the income statement for the financial year from January 1 to December 31, 2023, and the notes, including the presentation of the accounting and valuation methods. In addition, we have audited the management report of Lausitz Energie Kraftwerke AG, Cottbus, for the financial year from January 1 to December 31, 2023. In accordance with German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Section 289f Paragraph 4 HGB (information on the quota of women), which is included in the section "Statement on corporate governance pursuant to Section 289f HGB" of the management report.

In our opinion, based on the findings of our audit

- the accompanying annual financial statements comply, in all material respects, with the German commercial law requirements applicable to corporations and, in compliance with German generally accepted accounting principles, give a true and fair view of the assets and financial position of the Company as of December 31, 2023, as well as its earnings position for the financial year from January 1 to December 31, 2023, and
- the attached management report as a whole provides a suitable view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the above-mentioned statement on corporate governance pursuant to Section 289f Paragraph 4 of the German Commercial Code (HGB).

Pursuant to Section 322 Paragraph 3 Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legality of the annual financial statements and the management report.

basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under these requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and the management report" section of our auditor's report. We are independent of the Company in accordance with German commercial and professional law requirements and have fulfilled our other German professional 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 audit opinions on the annual financial statements and the management report.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the statement on corporate governance pursuant to Section 289f Paragraph 4 of the German Commercial Code (HGB) (information on the quota of women), which is included in the section "Statement on corporate governance pursuant to Section 289f of the German Commercial Code" of the annual report.
- but not the annual financial statements, not the audited management report information and not our associated auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information and, accordingly, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information referred to above and, in doing so, to consider whether the other information

- contain material inconsistencies with the annual financial statements, the audited management report information or our knowledge obtained during the audit, or
- otherwise appear materially misrepresented.

Responsibility of the legal representatives and the supervisory board for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the German commercial law provisions applicable to corporations, and for ensuring that the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company in compliance with German generally accepted accounting principles. In addition, the legal representatives are responsible for such internal controls as they have determined necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement due to fraud (i.e. manipulation of the accounting and damage to assets) or errors.

In preparing the annual financial statements, management is responsible for assessing the company's ability to continue as a going concern. In addition, they have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for preparing the financial statements based on the going concern basis of accounting, unless actual or legal circumstances conflict therewith.

In addition, the legal representatives are responsible for the preparation of the management report that as a whole provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) that they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Company's accounting process for preparing the annual financial statements and the management report.

Responsibility of the auditor for the audit of the annual financial statements and the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. 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 annual financial statements and management report.

During the audit, we exercise professional judgment and maintain a critical attitude. In addition,

- We identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- We obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of the arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- we evaluate the appropriateness of the accounting policies used by management and the reasonableness of estimates and related disclosures made by management.
- we draw conclusions on the appropriateness of the going concern basis of accounting used by management 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to no longer be able to continue as a going concern.
- We evaluate the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company in compliance with German generally accepted accounting principles.
- We evaluate the consistency of the management report with the annual financial statements, its conformity with law and the view of the company's position it provides.
- we carry out audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we particularly evaluate the significant assumptions underlying the prospective information used by the legal representatives and assess the appropriate derivation of the prospective information from these assumptions. We do not issue a separate audit opinion on the prospective information or the underlying assumptions. There is a significant unavoidable risk that future events will deviate materially from the prospective information.

We communicate with those charged with governance regarding, among other things, 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.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Note on the audit of compliance with the accounting obligations pursuant to Section 6b Paragraph 3 EnWG

We have examined whether the company has complied with its obligations under Section 6b Paragraph 3 Sentences 1 to 5 EnWG to maintain separate accounts for the financial year from 1 January to 31 December 2023.

In our opinion, the obligations under Section 6b Paragraph 3 Sentences 1 to 5 EnWG to maintain separate accounts were complied with in all material respects.

We conducted our audit of compliance with the obligations to maintain separate accounts in accordance with Section 6b (5) EnWG and the IDW Auditing Standard: Audit pursuant to Section 6b of the Energy Industry Act (IDW PS 610 nF (07.2021)). Our responsibilities under these requirements and principles are further described below. We are independent of the company in accordance with German commercial and professional law and have fulfilled our other German professional responsibilities in accordance with these requirements. As an audit firm, we apply the requirements of the IDW quality management standards. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinion on compliance with the financial reporting obligations pursuant to Section 6b (3) EnWG.

The legal representatives are responsible for compliance with the obligations under Section 6b Paragraph 3 Sentences 1 to 5 EnWG to maintain separate accounts.

In addition, the legal representatives are responsible for the internal controls that they have considered necessary to comply with the obligations to keep separate accounts.

The Supervisory Board is responsible for monitoring compliance with the company's accounting obligations pursuant to Section 6b Paragraph 3 EnWG.

Our objective is to obtain reasonable assurance as to whether the legal representatives have complied with their obligations under Section 6b Paragraph 3 Sentences 1 to 5 EnWG to maintain separate accounts in all material respects. Furthermore, our objective includes including a note in the auditor's report that contains our audit opinion on compliance with the financial reporting obligations under Section 6b Paragraph 3 EnWG. The audit of compliance with the obligations under Section 6b Paragraph 3 Sentences 1 to 5 EnWG to maintain separate accounts includes assessing whether the accounts have been allocated to the activities under Section 6b Paragraph 3 Sentences 1 to 4 EnWG in an appropriate and comprehensible manner and whether the principle of consistency has been observed.

Berlin, March 28, 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Gerald Reiher, auditor

Christoph Henry Krause, auditor

Report of the Supervisory Board for the 2023 financial year

In the 2023 financial year, the Supervisory Board performed the duties incumbent upon it under the law and the Articles of Association and monitored and advised the Management Board in its management of the company. The Supervisory Board was always able to satisfy itself that the work of the Management Board was legal, expedient and orderly.

Based on the written quarterly reports and the oral and written reports of the Management Board, particularly on the Supervisory Board meetings, the Supervisory Board was regularly and comprehensively informed about the company's situation. This included the main business transactions and projects, fundamental questions of corporate policy, the development of new business areas, the liquidity situation and risk management. The focus was on the strategic reorientation and transformation process of the company, in particular the new structure of LEAG.

Measures that required the approval of the Supervisory Board were presented by the Executive Board and decided upon by the Supervisory Board. The members of the Supervisory Board always had the opportunity to critically examine the reports and resolution proposals submitted by the Executive Board in committees or in plenary sessions. Business transactions that were important to the company were discussed and reviewed in detail on the basis of written and oral reports from the Executive Board. The employee representatives discussed the agenda items for the Supervisory Board meetings in separate preliminary discussions. The members of the Executive Board attended the meetings of the Supervisory Board. Four regular meetings of the Supervisory Board took place in the reporting year.

At its meeting on March 23, 2023, the Supervisory Board discussed the annual financial statements and the Management Board's report on relations with affiliated companies for the 2022 financial year. The Supervisory Board followed the recommendation of the Company's Audit Committee and approved the annual financial statements for the 2022 financial year.

At its meeting on June 27, 2023, the Supervisory Board approved the adjustment of the existing mandate to mitigate the CO2 $_{price}$ risk and the conclusion of an EFET framework agreement for electricity supplies.

At its meeting on September 15, 2023, the Supervisory Board discussed the HR Director's personnel report in addition to the structural reorganization of LEAG.

At the Supervisory Board meeting on December 8, 2023, the Supervisory Board approved the personnel, economic and investment planning for the 2024 financial year. Against the background of the future agreement concluded between EPH, the Executive Board, the Group Works Council and IGBCE, the Supervisory Board passed a fundamental resolution on the new Group structure. The implementation and design of the new LEAG structure will be continued in 2024.

Compliance is LE-K's top priority. The basis for this is a comprehensive compliance management system (CMS). There is close monitoring of the marketing transactions, the earnings and liquidity situation of the companies, and a regular review of the court-proof organization. The LE-K supervisory boards receive comprehensive information on the topic of compliance on an ad hoc basis or regularly as part of the management board's quarterly reporting.

The Chairman of the Supervisory Board was also in regular contact with the Management Board outside of the Supervisory Board meetings. He was informed about important events and upcoming decisions of the Management Board. In addition, the Economic Committee (according to Section 106 of the Works Constitution Act) was comprehensively informed about the business, economic and financial situation. Regular meetings and preliminary discussions of the company's Audit Committee took place. The Innovation Committee of the Supervisory Board met three times in the 2023 financial year.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor for the 2023 financial year at the Annual General Meeting on March 23, 2023. The annual financial statements and the management report for the 2023 financial year prepared by the Management Board were audited by the auditor, including the accounting records, and were given an unqualified audit opinion. The risk management system was also included in the audit. Furthermore, the Management Board's report on relationships with affiliated companies was audited by the auditor and confirmed with the note in accordance with Section 313 Paragraph 3 Sentence 1 of the German Stock Corporation Act (AktG) that no objections were to be raised.

The annual financial statements, the Management Board's proposal for the appropriation of retained earnings and the management report, the Management Board's report on relations with affiliated companies, the Supervisory Board's report and the auditor's report for the 2023 financial year were handed over to all members before the Supervisory Board meeting on April 12, 2024. They were discussed in detail and comprehensively at this meeting. The representatives of the auditing firm took part in this meeting of the Supervisory Board, informed about the results of the audit and were available to provide additional explanations.

The Supervisory Board examined the annual financial statements, the management report, the Management Board's proposal for the use of retained earnings and the Management Board's report on relations with affiliated companies. According to the final result of the audit, no objections were raised. In accordance with the recommendation of the Audit Committee, on April 12, 2024, the Supervisory Board approved the annual financial statements prepared by the Management Board as of December 31, 2023, which are thus adopted. The Management Board's proposal for the use of retained earnings was noted with approval and submitted to the Annual General Meeting for a resolution.

The Supervisory Board would like to thank the Management Board and all employees for their successful work in the 2023 financial year.

Cottbus, April 12, 2024

The Supervisory Board

Andreas Lusch, Chairman

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