

MVM Energetika Zártkörűen Működő Részvénytársaság

Interim Condensed Consolidated Financial Statements
of the MVM Group
for the period ended 30 June 2024
prepared in accordance with
International Financial Reporting Standards as adopted by the EU

Budapest, 29 August 2024



Károly Tamás Mátrai
Chief Executive Officer



László Fazekas
Deputy CEO, Chief Financial Officer

Contents

I.	INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	3
1.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	3
2.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
3.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
4.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
II.	NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS –	
	GENERAL.....	10
III.	NOTES TO THE FINANCIAL STATEMENT ITEMS	12
1.	TANGIBLE AND INTANGIBLE ASSETS.....	12
2.	INVENTORIES	13
3.	OTHER NON-FINANCIAL ASSETS	13
4.	RESTRICTED CASH	14
5.	CASH AND CASH EQUIVALENTS	15
6.	SHARE CAPITAL AND RESERVES.....	15
7.	LOANS AND BORROWINGS	17
8.	PROVISIONS.....	21
9.	OTHER CURRENT NON-FINANCIAL LIABILITIES	24
10.	SALES REVENUE.....	26
11.	OTHER OPERATING INCOME	27
12.	MATERIAL-TYPE EXPENSES	28
13.	STAFF COSTS	29
14.	OTHER OPERATING EXPENSES	30
15.	NET FINANCE COST	30
16.	INCOME TAXES.....	32
17.	CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS.....	33
18.	BUSINESS COMBINATIONS	43
19.	CONTINGENT LIABILITIES AND COMMITMENTS.....	46
20.	RELATED PARTIES.....	46
21.	SEGMENT INFORMATION	47
22.	SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD.....	53

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Interim condensed consolidated statement of financial position

Consolidated statement of financial position (in HUF million)	Note III.	30.06.2024 unaudited	31.12.2023 audited
Property, plant and equipment	1.	2,464,322	2,520,947
Investment property		3,834	3,884
Goodwill	18.	99,239	98,662
Other intangible assets	1.	253,297	259,485
Interests in associates and joint ventures		206,341	204,411
Interests in other entities		2,866	2,588
Non-current loans and receivables		14,980	14,478
Derivative financial assets	17.	44,045	27,099
Deferred tax assets		51,321	82,376
Non-current assets		3,140,245	3,213,930
Inventories	2.	508,108	665,022
Derivative financial assets	17.	160,517	208,995
Trade receivables and other non-derivative financial assets	17.	879,017	1,672,926
Other non-financial assets	3.	1,215,711	929,855
Current tax assets		14,941	15,319
Non-current assets held for sale		1,372	1,519
Restricted cash	4.	97,620	72,304
Cash and cash equivalents	5.	384,460	245,582
Current assets		3,261,746	3,811,522
Total assets		6,401,991	7,025,452

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

Consolidated statement of financial position (in HUF million)	Note III.	30.06.2024 unaudited	31.12.2023 audited
Share capital	6.	849,379	849,379
Capital reserve	6.	51,892	51,892
Retained earnings	6.	378,579	482,705
Other reserves	6.	695,290	552,608
Equity attributable to the owners of the Company		1,975,140	1,936,584
Non-controlling interests		359	142
Equity		1,975,499	1,936,726
Non-current loans and borrowings	7.	1,081,268	1,333,217
Non-current derivative financial liabilities	17.	34,035	71,850
Non-current provisions	8.	133,457	128,332
Deferred tax liabilities		305,188	336,494
Liabilities related to long-term employee benefits		23,964	22,898
Other non-current financial liabilities		54,134	53,040
Non-current liabilities		1,632,046	1,945,831
Current loans and borrowings	7.	135,587	329,883
Current derivative financial liabilities	17.	233,251	496,411
Trade payables and other non-derivative financial liabilities	17.	474,751	688,753
Current provisions	8.	89,881	55,663
Liabilities related to short-term employee benefits		27,367	32,188
Current tax liabilities		139,209	173,988
Other current non-financial liabilities	9.	1,694,400	1,366,009
Current liabilities		2,794,446	3,142,895
Liabilities		4,426,492	5,088,726
Total equity and liabilities		6,401,991	7,025,452

2. Interim condensed consolidated statement of comprehensive income

Consolidated statement of comprehensive income (in HUF million)	Note III.	2024 H1 unaudited	2023 H1 unaudited
Sales revenue	10.	2,156,227	2,769,551
Other operating income	11.	454,088	827,193
<i>Operating expenses</i>		2,281,468	3,216,382
Material-type expenses	12.	1,823,004	2,739,527
Staff costs	13.	156,571	141,871
Depreciation/Amortisation		121,597	132,656
Recognition and release of provisions		-8,642	-17,264
Recognition and reversal of impairment		13,865	7,656
Payment to Central Nuclear Financial Fund (hereinafter referred to as: CNFF)		16,467	15,535
Other operating expenses	14.	200,229	233,957
Own performance capitalised		-41,623	-37,556
Operating profit		328,847	380,362
Finance income	15.	157,092	289,816
Finance costs	15.	197,106	377,766
Net finance costs		-40,014	-87,950
Share of profit/loss of associates and joint ventures		9,647	-19,732
Profit before tax		298,480	272,680
Income tax expense	16.	76,433	63,190
Profit after tax		222,047	209,490
Profit after tax attributable to the owners of the Company		221,114	209,551
Loss after tax attributable to non-controlling interests		-67	-61
Other comprehensive income that cannot be accounted for in profit or loss in subsequent periods:		-46,197	-37,076
Revaluation of tangible assets (net of tax)		-46,022	-36,480
Revaluation of employee benefits (net of tax)		-434	-276
Changes in fair value of interests measured at fair value through other comprehensive income (net of tax)		259	-320
Other comprehensive income that can be accounted for in profit or loss in subsequent periods:		186,646	-190,792
Foreign currency translation differences (net of tax)		5,405	-101,693
Change in cash flow hedge (net of tax)		180,594	-88,271
Equity-accounted investees – share of OCI		647	-828
Other comprehensive income for the year, net of tax		140,449	-227,868
Total comprehensive income		362,496	-18,378
Total comprehensive income attributable to the owners of the Company		362,556	-18,306
Total comprehensive income attributable to non-controlling interests		-60	-72

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

3. Interim condensed consolidated statement of cash flows

Consolidated statement of cash flows (in HUF million)	Note III.	2024 H1 unaudited	2023 H1 unaudited
Profit for the period (profit after tax)		222,047	209,490
Depreciation/ Amortisation		121,597	132,656
Impairment and scrapping of property, plant, equipment and intangible assets		756	584
Development grant received		-3,786	-4,541
Impairment of goodwill (+)		449	-
Impairment (+)/reversal (-) of purchased CO ₂ allowances		215	-39
Impairment of inventories (+) and reversal thereof (-)		45	98
Impairment of receivables (+) and reversal thereof (-), derecognition of bad debts		12,614	6,965
Impairment of non-current assets held for sale		1	9
Gain (-)/Loss (+) on the derecognition of property, plant and equipment and other intangible assets		1,279	2,260
Gain (-)/Loss (+) on the derecognition of non-current assets held for sale		-883	-25,152
CO ₂ allowance used		3,876	6,410
Changes in allocated CO ₂ allowances		287	-115
Green certificate generated in the reporting year		-326	-484
Share of profit (-)/loss (+) of equity-accounted investees, net of tax		-9,647	19,732
Unrealised foreign exchange gains (-)/losses (+)		26,646	-6,332
Negative goodwill		-500	-
Dividends received		-12	-30
Interest income	15.	-15,202	-15,650
Interest expense	15.	39,937	64,575
Income tax expense		76,433	63,190
Cash flows from operating activities before changes in working capital		475,826	453,626
Changes in inventories	2.	157,080	446,274
Purchase of CO ₂ allowances		-408	- 1,129
Changes in trade receivables and other non-derivative financial assets	17.	485,260	164,500
Changes in other non-financial assets	3.	-280,542	-144,922
Changes in trade payables and other non-derivative financial liabilities	17.	-205,432	-605,194
Changes in provisions	8.	35,604	15,105
Changes in other non-current financial liabilities		948	-5,364
Changes in other non-financial liabilities	9.	296,787	207,123
Changes in liabilities related to employee benefits		-5,292	-11,926
Changes in derivative financial assets and liabilities	17.	-29,978	-102,070
Changes in restricted cash	4.	-25,316	-30,437

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

Consolidated statement of cash flows (in HUF million)	Note III.	2024 H1 unaudited	2023 H1 unaudited
Cash flows from operating activities		904,537	385,586
Income tax paid		-126,881	-49,388
Net cash flows from operating activities		777,656	336,198
Dividends received		3,614	3,850
Interest received		16,367	14,176
Acquisition of property, plant and equipment, intangible assets		-123,350	-134,809
Sale of property, plant and equipment, intangible assets		479	942
Sale of non-current assets held for sale		1,415	29,268
Development grant received	9.	34,264	25,243
Granting and repayment of loans		65	22
Acquisition of subsidiaries and business units, net of cash received (including current account overdrafts)	18.	-19,405	-135
Sale of interests in other entities		1	-
Acquisition of interests in associates and joint ventures		-2,624	-3,229
Cash flows from investing activities		-89,174	-64,672
Dividends paid		-15,068	-108,058
Interest paid		-36,446	-52,432
Transactions related to owners		-	-
Loans and borrowings	7.	789,388	1,140,994
Repayment of loans and borrowings	7.	-1,282,857	-1,442,785
Payment of lease liability		-5,678	-4,861
Transactions with non-controlling interests		345	-
Cash flows from financing activities		-550,316	-467,142
Net increase/decrease in cash and cash equivalents		138,166	-195,616
Cash and cash equivalents at the beginning of the year		244,196	404,556
Effect of movements in exchange rates on cash held		1,148	-1,594
Cash and cash equivalents at the end of the year	5.	383,510	207,346

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

4. Interim condensed consolidated statement of changes in equity

2023 H1

in HUF million)	Note III.	Attributable to the owners of the Company												Attributable to non-controlling interests	Total	
		Share capital	Capital reserve	Retained earnings	Reserves											Total
					Allocated reserve	Cash flow hedges	Revaluation reserve of tangible assets	Fair value reserve	Translation reserve related to foreign currencies	Reserve for employee benefits	Valuation of associates	Total other reserves				
Balance at 1 January 2023 - audited		849,379	51,892	224,061	282	-5,099	970,400	1,030	142,206	43	-	1,108,862	2,234,194	165	2,234,359	
Profit/Loss for the reporting period		-	-	209,551	-	-	-	-	-	-	-	-	209,551	-61	209,490	
Other comprehensive income		-	-	-	-	-88,271	-36,480	-320	-101,682	-276	-828	-227,857	-227,857	-11	-227,868	
Total comprehensive income		-	-	209,551	-	-88,271	-36,480	-320	-101,682	-276	-828	-227,857	-18,306	-72	-18,378	
Reclassification from other comprehensive income to retained earnings		-	-	-24	-	-	-	-1	-	25	-	24	-	-	-	
Recognition/Release of allocated reserve		-	-	-127	127	-	-	-	-	-	-	127	-	-	-	
Dividend payment		-	-	-108,048	-	-	-	-	-	-	-	-	-108,048	-10	-108,058	
Balance at 30 June 2023 – unaudited	6.	849,379	51,892	325,413	409	-93,370	933,920	709	40,524	-208	-828	881,156	2,107,840	83	2,107,923	

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

2024 H1

(in HUF million)	Note III.	Attributable to the owners of the Company												Attributable to non-controlling interests	Total	
		Share capital	Capital reserve	Retained earnings	Reserves											Total
					Allocated reserve	Cash flow hedges	Revaluation reserve of tangible assets	Fair value reserve	Translation reserve related to foreign currencies	Reserve for employee benefits	Valuation of associates	Total other reserves				
Balance at 1 January 2024 - audited		849,379	51,892	482,705	2,871	-267,087	774,690	919	43,119	-1,384	-520	552,608	1,936,584	142	1,936,726	
Profit/Loss for the reporting period		-	-	222,114	-	-	-	-	-	-	-	-	222,114	-67	222,047	
Other comprehensive income		-	-	-	-	180,594	-46,022	259	5,398	-434	647	140,442	140,442	7	140,449	
Total comprehensive income		-	-	222,114	-	180,594	-46,022	259	5,398	-434	647	140,442	362,556	-60	362,496	
Reclassification from other comprehensive income to retained earnings		-	-	-14	-	-	-	-	-	14	-	14	-	-	-	
Recognition/Release of allocated reserve		-	-	-2,226	2,226	-	-	-	-	-	-	2,226	-	-	-	
Transactions with non-controlling interests														345	345	
Dividend payment		-	-	-324,000	-	-	-	-	-	-	-	-	-324,000	-68	-324,068	
Balance at 30 June 2024 – unaudited	6.	849,379	51,892	378,579	5,097	-86,493	728,668	1,178	48,517	-1,804	127	695,290	1,975,140	359	1,975,499	

II. Notes to the interim condensed consolidated financial statements – General

Introduction of the Group

MVM Energetika Zártkörűen Működő Részvénytársaság (formerly MVM Magyar Villamos Művek Zártkörűen Működő Részvénytársaság, hereinafter referred to as MVM Zrt., Company or the Parent company) was formed on 31 December 1991 through transformation of its legal predecessor Magyar Villamos Művek Tröszt.

MVM Zrt. is a Hungarian-registered private company limited by shares. Its owner is the Hungarian State which holds 100% of its shares; ownership rights and obligations pertaining to the shares of the State have been exercised by the Ministry of Energy since 1 December 2022.

Registered office of MVM Zrt.: 1031 Budapest, Szentendrei út 207-209.

MVM Zrt. and the companies controlled by it (hereinafter referred to as MVM Group or Group) form together a vertically integrated national energy group, the operation of which covers the entire Hungarian energy sector.

With its power plants, electricity transmission network, natural gas and electricity distribution network as well as its natural gas trading and electricity trading (from wholesale to direct sale to consumers), as a competitive strategic holding the MVM Group is a dominant participant of the Hungarian electricity and natural gas market who undertakes a role in the energy sector of the region and in ensuring secure gas supply for Hungary by operating its four underground natural gas storing facilities.

All – primarily residential – customers in Hungary subject to universal natural gas and electricity service provision are served by the MVM Group.

The interim condensed consolidated financial statements have been prepared based on IAS 34 Interim financial reporting and in accordance with the International Financial Reporting Standards as adopted by the European Union (hereinafter referred to as EU) (hereinafter referred to as EU IFRSs).

The condensed consolidated half-year financial report is unaudited information.

The interim condensed consolidated financial statements include the consolidated unaudited figures for the six-month period ended 30 June 2023, the consolidated audited figures for the financial year ended 31 December 2023 and the consolidated unaudited figures for the six-month period ended 30 June 2024 of the MVM Group.

The significant accounting policies applied by the Group and the critical accounting estimates are the same as those used in the consolidated annual financial statements for the year ended 31 December 2023.

Initial application of new and amended IFRS standards and interpretations in the reporting period:

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

IASB AND IFRS IC DOCUMENTS	Adopted by the EU effective from
Measurement of Lease Liability in a Sale and Leaseback (date of issue: 20 November 2022).	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements: classification of non-current and current liabilities and classification of liabilities from loan agreements with covenants as current or non-current (date of issue: 19 December 2023).	1 January 2024
Amendment to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (date of issue: 15 May 2024)	1 January 2024

The amendments have no significant impact on the financial statements of the Group in the current or future reporting periods or on foreseeable future transactions.

Seasonality

Some of the MVM Group's activities, particularly the sale of natural gas and electricity, may be characterised by seasonality. Revenue from storage and sale of natural gas is higher in the winter heating season and the annual peak loads of the electricity system are usually in winter, although the use of air conditioners generates an increasing volume of electricity consumption in summer as well. These seasonality-related effects have to be considered when analysing the half-year financial information.

Significant impacts affecting operation

In the first half of 2024, the macroeconomic consolidation that started last year continued, with inflation declining, but at a much slower pace than in the previous period, and remaining within the MNB's 4% tolerance band every month so far this year. With inflation stabilising, there is now scope for further interest rate cuts. The base rate fell significantly in 2023, and this continued in 2024 (from 10.75% at the end of last year to 6.75% by the middle of this year), which could lead to a rebound in the economy.

Similarly to 2023, the EUR-HUF exchange rate managed to remain in the 380-400 range with a slight depreciation, amid continued interest rate cuts, but volatility on the FX markets did not decrease. The forint was also a particularly vulnerable currency by regional comparison.

The protraction of the war between Russia and Ukraine and a number of conflicts in the Middle East have also highlighted that geopolitical factors can trigger extremely sudden and hectic changes on the global economy compared to previous years. The risk of further disturbances, unrest and new hotspots arising persists. Despite this, prices have fallen from their record high in 2022 to a consolidated level.

The MVM Group commands a diversified portfolio of activities, with significant assets and positions in almost all parts of the energy value chain; its activities extend beyond Hungary to other countries in the region, primarily the Czech Republic. The negative, inflationary effects of the war on economic growth also affect the MVM Group's activities.

The management of MVM Zrt. and its subsidiaries are constantly monitoring the impacts on the Group of the changed business and economic circumstances, and regularly consult with the competent government bodies on behalf of the Sole Shareholder, the Hungarian State, regarding the necessary measures to ensure that the MVM Group is able to fulfil its tasks and contractual obligations even under the changed circumstances.

III. Notes to the financial statement items

1. Tangible and intangible assets

Assets under construction

In the first half of 2024 the Group purchased tangible and other intangible assets in an amount of HUF 119,614 million, while the corresponding amount for 2023 H1 was HUF 126,381 million.

The purchases during the reporting period mainly comprise network development, power plant reconstructions and the construction of the Göd2 substation.

Disposals

There were no significant disposals in the six-month periods reported.

Impairment

The MVM Group performed the annual impairment test in December 2023 during which the necessary impairment amounts were booked. In June 2024 the Group assessed whether there is any indication of impairment, but it did not identify circumstances which would have necessitated a detailed impairment test.

In addition to the assessment of indications of overall impairment, which did not result in booking overall impairment, in the first half of 2024 the Group accounted for HUF 890 million impairment/reversal in relation to its individual assets (including CO₂ allowances), while the respective amount in 2023 H1 was HUF -105 million. Reporting-period impairment results primarily from impairment booked on the trademark owned by NGBS Hungary Kft. and on the goodwill related to the company.

Purchase commitments

Contractual commitments of the MVM Group to purchase tangible and intangible assets amounted to HUF 60,633 million on 30 June 2024 and to HUF 69,369 million on 30 June 2023. Commitments as at the end of the reporting period mainly relate to network development and nuclear power plant renovations.

2. Inventories

<i>(in HUF million)</i>	30.06.2024 unaudited	31.12.2023 audited
Goods	472,626	633,270
Raw materials	19,020	14,301
Finished products and work in progress	6,259	4,921
Other materials	10,203	12,530
Total	508,108	665,022

The closing value of inventories was mainly influenced by the change in the MVM Group's natural gas inventories. The fall resulted on the one hand from the decrease in inventory level in line with seasonal needs, on the other hand, from the price difference between inventories put in and removed from storage as a result of the fall in natural gas prices.

In the first half of 2024 impairment booked and reversed in relation to inventories amounted to HUF 46 million.

3. Other non-financial assets

<i>(in HUF million)</i>	30.06.2024 unaudited	31.12.2023 audited
Receivables related to stock exchange transactions	1,034,779	741,092
VAT receivables	95,801	124,681
Advances given	29,117	26,022
Spare parts and accessories	22,548	19,370
Prepayments	20,930	11,378
Receivables arising from Electricity Act settlements	3,537	2,670
Incremental costs of obtaining contracts with customers	2,374	1,931
Receivables related to use of LNG terminal	1,736	-
Other receivables from authorities	870	724
Miscellaneous receivables	4,019	1,987
Total	1,215,711	929,855

Receivables related to stock exchange transactions

The significant growth in receivables related to stock exchange transactions results from the higher number and volume as well as the changes in the price of electricity products and CO₂ allowance open transactions.

VAT receivables

A significant item within value added tax receivables is the VAT receivable related to advances from customers.

Advances given

Significant items within advances given include advances related to purchase of nuclear fuel inventories, purchase of natural gas and electricity and sponsor activity.

Spare parts and accessories

The majority of spare parts and accessories are necessary for the Group's generation of electricity, and serve the activity of the enterprises in the short term.

Miscellaneous receivables

A significant item within the increase in miscellaneous receivables is the change in trade creditors with debts.

4. Restricted cash

Composition of restricted cash:

<i>(in HUF million)</i>	30.06.2024 unaudited	31.12.2023 audited
MÁK electricity networks development (RRF funds), other advance for grant	41,316	31,694
Feed in Tariff restricted deposit account	21,502	5,035
Fees to support the stranded costs of conversion of the cogeneration process	9,423	11,455
Other restricted cash	25,379	24,120
Total	97,620	72,304

The HUF 25,316 million reporting-period increase in restricted cash was primarily attributed to the change in the balance of the Feed in Tariff restricted deposit account.

In the case of Feed in Tariff, the higher cash derives from the difference of production between winter and summer (production is higher in the summer), furthermore, no payments were made to producers yet from the income received by the end of the month.

The reason for the increase in other advance for grant is that this cash is to cover expenditure throughout the year, thus the interim balance is higher than the opening balance at the beginning of the year.

Other restricted cash includes securities deposited for grid connections and restricted security deposit accounts of project companies.

5. Cash and cash equivalents

Cash and cash equivalents (in HUF million)	30.06.2024 unaudited	31.12.2023 audited
Petty cash, cheques	45	42
Bank deposits	384,415	245,540
Cash and cash equivalents	384,460	245,582
Overdraft facilities (see Note III.7.)	-950	- 1,386
Cash and cash equivalents in the statement of cash flows	383,510	244,196

6. Share capital and reserves

Share capital

Share capital of MVM Zrt. consists of 106,172,431 ordinary shares, which were fully paid to the Company. The face value of shares is HUF 8,000 each.

All of the shares of the Company is owned by the Hungarian State, it exercises its ownership rights and obligations as a sole shareholder since 1 December 2022 by the Ministry of Energy.

In 2023 and in the first half of 2024 the share capital has not changed.

(number)	Ordinary shares	of which Treasury shares
Number as at 31 December 2022	106,172,431	-
Number as at 31 December 2023	106,172,431	-
Number as at 30 June 2024	106,172,431	-

Capital reserve

The capital reserve comprises on the one hand the HUF 31,257 million originated upon the transformation of MVM Tröszt into a business association, on the other hand, the HUF 20,635 million transferred from retained earnings to the capital reserve in 2020. The value of the capital reserve rarely changes because the capital reserve is not directly distributable, the amount can change only in certain cases (withdrawal from capital reserve accompanied by asset withdrawal and transfer to other components of equity).

Retained earnings

Retained earnings of the Group comprises the accumulated earnings of previous years less dividends paid to owners.

The following dividends were paid:

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

<i>(in HUF million)</i>	30.06.2024 unaudited	31.12.2023 audited
Dividends paid	324,000	108,048
Dividend per share at MVM Zrt. (HUF/share)	3,052	1,018

Based on its Resolution 25/2023 (VI.25.), in 2023 the sole shareholder of MVM Zrt. decided to distribute HUF 108,048 million dividend in cash benefit.

On the basis of the interim balance sheet of MVM Zrt. for the period ended 30 June 2023, based on its Resolution 87/2023 (XI.24.) the sole shareholder of the Company decided to distribute HUF 309,000 million interim dividend, which was paid through cash transfer in 2023. Based on the accounting policies of the Group this is recognised as at the end of 2023 as receivable from the owners.

Based on its Resolution 27/2024 (IV.24.), in 2024 the sole shareholder of MVM Zrt. decided to distribute HUF 324,000 million dividend in cash benefit, of which HUF 15,000 million remaining following the payment of the interim dividend was paid to the owner in 2024 H1.

Allocated reserve

The allocated reserve comprises equity components of the Group to be recognised as allocated reserve in accordance with the law.

Other reserves – Fair value reserve

The Group primarily records its interest in PannErgy Nyrt. as FVOCI assets.

Other reserves – Revaluation reserve of tangible assets

Revaluation reserve includes the result from revaluing the nuclear technology assets of MVM Paksi Atomerőmű Zrt. using the revaluation method; it is non-distributable.

Other reserves – Cash flow hedge valuation reserve

To mitigate its financial risks the Group enters into hedging derivative (typically commodity and foreign exchange) transactions and designates them as cash flow hedging relationships. The Group performed a hedge effectiveness test for hedging derivative transactions open as of the reporting date, based on which the transactions are considered effective.

Other reserves – Reserve for employee benefits

Actuarial gains and losses arising from defined benefit plans (post-employment benefits) are accounted for in other comprehensive income.

7. Loans and borrowings

Non-current loans and borrowings

<i>(in HUF million)</i>	Non-current bank loans	Non-current bond liabilities
01.01.2023 – audited	1,053,609	251,749
Increase	2,146,882	255,484
Increase due to acquisition/loss of control	-	-
Repayment	- 2,121,350	-
Reclassification into current loans	- 246,674	-
FX revaluation	- 342	- 6,141
31.12.2023 – audited	832,125	501,092
Increase	418,879	270,509
Increase due to acquisition/loss of control	8,882	-
Repayment	-609,472	-
Reclassification into current loans	-369,839	-
FX revaluation	1,961	27,131
30.06.2024 – unaudited	282,536	798,732

Non-current loans and bond liabilities of the Group outstanding at end of reporting period: HUF 1,081,268 million, influenced by the following main factors:

- On 13 March 2024, MVM Zrt. successfully completed an international foreign-currency bond issue, raising USD 750 million nominal amount in funds, with 6.5% fixed interest, maturing in 7 years. The funds raised as a result of the issue are for general corporate finance and will contribute to implementing the MVM Group's strategy. In addition, the carrying amount of the bonds was affected by the unwinding of discount and the FX exchange rate differences.
- Foreign currency investment loans (current and non-current) with the European Investment Bank (EIB) amount to EUR 149 million, maturing in 2025, 2036 and 2037, and are designed to finance the reinforcement and expansion of the transmission network owned by MAVIR ZRt. No FX amounts were drawn in the reporting period.
- Most significant items from investment loans drawn in HUF (total amount of current and non-current liabilities, net of upfront loan costs, is HUF 142.4 billion):
 - = Loans concluded with EIB for a term of 15 years each (maturing in 2027-2038) were drawn under the investment credit facility agreements for the financing of the strengthening and expansion of the electricity transmission network owned by MAVIR ZRt., the renovation of the storage facilities owned by Magyar Földgáztároló

Zrt. and network development constructions of MVM Démász Áramhálózati Kft. and MVM Émász Áramhálózati Kft.

- = Furthermore, the 15-year loan agreement with the International Investment Bank (IIB), taken over by the Hungarian Development Bank (MFB) on 30 March 2022, and the 15-year loan agreement with the MFB both concluded to finance the gas network development investments of MVM Főgáz Kft. and MVM Égáz-Dégáz Zrt., for which no additional drawdowns were made during the reporting year.
- On 6 May 2022, a new EUR 350 million multi-currency revolving credit facility agreement for general corporate finance was signed with Bank of China Limited Magyarországi Fióktelepe; the Group has no outstanding debt from this credit facility, which is provided until the termination of the agreement.
- Based on a HUF 347 billion revolving credit agreement originally concluded in 2017 with UniCredit Bank as agent and creditor and further 12 creditors for refinancing and general corporate finance, amended several times since, there is no outstanding debt at the end of the period after repayments in the reporting year; the credit facility is provided until the termination of the agreement.
- On 25 March 2021 the Group signed a loan agreement with a consortium consisting of three Hungarian banks with OTP Bank Nyrt. as the agent, for a total amount of HUF 100 billion. The term of the loan is 10 years; this non-current funding will assist the MVM Group in implementing its business strategy. The loan outstanding at the end of the period totals HUF 69 billion (net of upfront loan costs), its current portion amounts to HUF 10 billion.
- An EUR 500 million revolving credit agreement was concluded in 2021 (with OTP Bank as agent and creditor and 11 creditors) for refinancing and general corporate finance, expiring in 2026, of which there is no debt outstanding at the end of the period after drawdowns and repayments in the reporting year; the credit facility is provided until the termination of the agreement.
- On 14 October 2022, the Group entered into a EUR 250 million revolving credit agreement with ICBC Austria Bank GmbH for a 3-year term for general corporate finance purposes. After repayment of the total amount drawn down during the reporting period, no new drawdowns were made up to the end of the period; the Group has no outstanding liability.
- The amount of the non-current loan outstanding as at the end of the reporting year of MVM ZG Solar Kft. under the agreement concluded with MFB to replace the shareholder outstanding debt and to finance in part the purchase price of Mátrai Fotovoltaikus Erőmű as per the purchase contract, totals HUF 17.6 billion (net of upfront loan costs).

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

Current loans and borrowings

<i>in HUF million</i>	Overdraft facility	Portion of non-current loans reclassified into current loans	Other current borrowings and loans	Accrual of interest payable	Total
01.01.2023 – audited	2,974	23,698	118,683	5,272	150,627
Increase	-	-	271,766	6,210	277,976
Increase due to acquisition/loss of control	-	-	-	-	-
Decrease	- 1,588	-	-	- 5,272	- 6,860
Reclassification	-	246,674	-	-	246,674
Repayment	-	- 72,059	- 262,910	-	- 334,969
FX revaluation	-	159	- 3,724	-	- 3,565
31.12.2023 – audited	1,386	198,472	123,815	6,210	329,883
Increase	-	-	100,000	11,983	111,983
Increase due to acquisition/loss of control	-	562	2	60	624
Decrease	- 436	-	-	- 6,210	- 6,646
Reclassification	-	369,839	-	-	369,839
Repayment	-	- 547,176	-126,209	-	- 673,385
FX revaluation	-	135	3,154	-	3,289
30.06.2024 – unaudited	950	21,832	100,762	12,043	135,587

Other current loans include a HUF 51,370 million current loan (net of upfront loan costs) concluded with China Construction Bank in 2024 and a current loan of HUF 49,394 million drawn from Citi Bank.

In the reporting year the Group repaid its revolving credit from Všeobecná úverová banka in Slovakia as well as its revolving credits from ERSTE Bank and K&H Bank. It drew down HUF 100 billion in the reporting year from the revolving credit facility agreement concluded with MFB and repaid this amount by 30 June 2024.

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

Loan collateral

Loan	Borrower	Collateral
MFB Project loan	MVM ZG Solar Kft.	Collateral complying with market standards and normal for project financing: framework mortgage on all properties, business shares, assets, bank account and other receivables of the company. Amount of principal debt as at 30 June 2024: HUF 19,538 million.
KHB project loan	MVM ZG Solar Star Kft.	Collateral complying with market standards and normal for project financing: framework mortgage on all properties, business shares, assets, bank account and other receivables of the company. Amount of principal debt as at 30 June 2024: HUF 2,525 million.
Erste Project loan	Raaba Energy Kft.	Collateral complying with market standards and normal for project financing: framework mortgage on all properties, business shares, assets, bank account and other receivables of the companies. Amount of principal debt as at 30 June 2024: HUF 4,333 million.
OTP Project loan	“4D Energetika” Kft.	Collateral complying with market standards and normal for project financing: framework mortgage on all properties, business shares, assets, bank account and other receivables of the companies. Amount of principal debt as at 30 June 2024: HUF 9,466 million.

The other loans of the Group are unsecured short-, medium- and long-term loan contracts, in which the Group does not provide any tangible collateral to the banks, and therefore it has to comply with standard market covenant clauses and financial covenants, the breaching of which may result in the termination of the loan contracts.

Loan covenants

In 2023 and 2024 H1 the Group complied with all loan covenants. Based on the loan agreements, the ratio of adjusted EBITDA to interest expenses must exceed 3, the ratio of adjusted net debt to net asset value must be less than 0.9, and the ratio of net debt to EBITDA must be less than 4.5.

8. Provisions

Total current and non-current (in HUF million)	30.06.2024 unaudited	31.12.2023 audited
Recultivation and environmental protection obligations	138,058	142,450
CO ₂ allowance	48,960	4,713
Onerous contracts	11,753	11,913
Other	24,567	24,919
Total	223,338	183,995

Recultivation provisions

Recultivation provisions were recognised due to liabilities of the MVM Group arising from legal regulations related to environmental protection.

Provision for recultivation of natural gas storage facilities

The provision for the full recultivation of the four storage facilities of the MVM Group (Hajdúszoboszló, Zsana, Kardoskút, Pusztaederics) amounts to HUF 41,410 million within the total balance (in 2023: HUF 44,418 million). Specific data (liquidation of wells, recultivation costs) for the calculation of the recultivation provisions were provided by a technical plan approved by the competent mining office. The value of the provision decreased by HUF 1,228 million as a result of interest effect and by HUF 4,236 million due to change in estimate. The change in estimate is mainly caused by the decrease in the provision owing to the increase in the risk-free interest rate. The total number of wells to be liquidated is 246 (in 2023: 246), which includes active and observation wells. The business assumptions used for the closure of storage facilities did not change, the expected year of the recultivation is 2030 for Hajdúszoboszló and Pusztaederics, 2031 for Kardoskút and 2047 for Zsana.

In addition, on 30 June 2024 HUF 213 million (2023: HUF 213 million) was the balance of the well recultivation provision recognised for one well in connection with field abandonment work. Furthermore, HUF 1,592 million (2023: HUF 1,637 million) environmental protection provision was recognised in relation to site soil contamination, based on measurements and expert opinions.

Provision for mine closure and environmental protection liabilities related to Mátra power plant

In 2023 the MVM Group revised its liabilities and ordered new studies to support its mine closure and environmental protection liabilities related to the Mátra power plant, according to which work will be completed by 2032. (There is no legal obligation to dismantle the plant. Most of the power plant site will remain in use after the lignite operations are terminated, since the new production unit(s) will use the existing roads, structures and buildings, and preservation work is ongoing.)

In 2024 H1 HUF 1,308 million provision was used, HUF 2,323 million provision was recognised (mainly due to the change in the timing of the occurrence of recultivation costs) and HUF 1,017 million interest effect was accounted for, resulting in HUF 36,577 million reporting-date balance of the provision. (2023: HUF 34,545 million).

Provision for recultivation of Óbudai Gázgyár

The Group recognised a provision for expected costs of remediation intervention of the soil and groundwater contamination in the area of the former Óbudai Gázgyár (and in a smaller part at the sites in South Pest).

E.ON Beteiligungen GmbH and the Municipality of Budapest undertook to reimburse to the MVM Group HUF 8,750 million and HUF 1,500 million of the costs related to the known pollution in the territory of Óbudai gázgyár; this receivable is recognised at present value under Non-current loans and receivables.

In the first half of 2024 the value of the provision increased by HUF 404 million as a result of interest effect and decreased by HUF 2,566 million as a result of the change in estimate; furthermore, HUF 7 million was used from the provision recognised previously, and as a joint effect, the balance of the provision as at the reporting date was HUF 33,173 million (2023: HUF 35,342 million). The main reason for the change in estimate was the decrease in the provision due to the increase in the risk-free interest rate. No changes were made to the technical content authorised for implementing the remediation. A public procurement tender for the recultivation tasks has been prepared, but has yet to be approved and launched.

Provision for long-term handling of liquid radioactive waste

MVM Paksi Atomerőmű Zrt. recognised a provision for the obligation of handling low and medium activity liquid waste generated during production. The use and recognition of the provision due to waste generated are continuous. The estimate for the amount of the provision is affected by the planned costs of waste processing, the expected industry producer price index and the average interest used in discounting.

In 2024 H1 HUF 62 million provision was used, HUF 256 million provision was released and HUF 404 million interest effect was accounted for, resulting in HUF 13,418 million reporting-date balance of the provision (2023: HUF 13,332 million).

The reason for the change in estimate of the provision is the decrease in the provision due to the increase in the interest used for discounting.

The amount paid by the MVM Group to the Fund in relation to decommissioning and waste management of nuclear installations does not cover the resources expected to be necessary to fulfil the above obligations, therefore the Group is required to recognise provisions for these.

Provision for power plant closure and recultivation at Oroszlány

The provision for the recultivation of the power plant at Oroszlány and the slurry fields, as well as for related other recultivation and environmental protection obligations amounted to HUF 12,928 million as at the end of 2023.

In 2024 H1 the value of the provision increased by HUF 514 million as a result of interest effect, decreased by HUF 1,483 million due to use, and fell by HUF 319 million as a result of change in estimate and reclassification to the other provision category, resulting in HUF 11,640 million balance as at the reporting date.

Vértesi Erőmű Zrt. has not produced or sold electricity and thermal energy since 1 January 2016. The Hungarian Energy and Public Utility Regulatory Authority revoked the operating licence of Vértesi Erőmű Zrt. as an electricity producer and district heating producer with regard to the Oroszlány Power Plant from 5 September 2022.

On 9 September 2022, the Veolia Group took over the assets of the Oroszlány Power Plant. The new owner aims to refurbish and modernise the plant, and then re-commission it as a dual-fuel plant, based on mostly biomass and a small amount of selected waste that can no longer be utilised but can be prepared for energy purposes (SRF). The Group provides the necessary slurry store for this activity, so the recultivation of the secondary waste disposal slurry fields 5-6 of the Oroszlány Power Plant is not expected to start, and therefore no provisioning is expected in this case.

CO₂ allowance

Based on emission data, in the first half of 2024 a significant amount of provision was recognised to cover the need for CO₂ allowances. The reason behind the significant increase during the year in the provision for CO₂ allowances is primarily the fact that the companies settle a significant part of the allowances held at the end of the year. The amount of provision recognised for CO₂ allowances is significantly influenced by the production volume, the increasing trend of the market price of CO₂ allowances and the changes in the EUR/HUF exchange rate.

Provisions for onerous contracts

Provision for onerous contracts

This line item contains the cost of the capacity allocated in the Szeged-Arad gas pipeline until 2030 that is not likely to be recovered, discounted as of the reporting date (in 2024 H1: HUF 3,762 million, in 2023: HUF 3,646 million).

There are also provisions for the Group's existing onerous natural gas trading contracts and for statutory obligations, in the context of which unavoidable losses are foreseeable over the business planning horizon. Provisions were determined based on current medium-term business plan of the Group and assumptions to the best of its knowledge, discounted as of the reporting date. (In 2024 H1: HUF 7,991 million, in 2023: HUF 8,267 million).

9. Other current non-financial liabilities

<i>(in HUF million)</i>	30.06.2024 unaudited	31.12.2023 audited
Liabilities related to stock exchange transactions	1,030,715	708,112
Advances for grants and deferral thereof	301,531	279,212
Liabilities related to contracts with customers	228,540	224,652
Related to central budget	77,838	130,979
VAT	62,306	116,862
Other taxes and contributions related to employees	8,022	6,726
PIT	3,575	3,151
Energy tax	1,914	2,420
Water use fee	1,309	1,295
Other tax liability	712	525
Liabilities from FIT settlement	37,435	7,028
Tax on public utilities	4,437	-
Extra-profit tax	4,097	4,471
Accrual of capacity auction gain/loss	1,668	3,915
Customs duties	1	2,485
Other	8,138	5,155
Total	1,694,400	1,366,009

The change in other current non-financial liabilities as compared with the previous period resulted primarily from the increase in liabilities related to stock exchange transactions and in liabilities from FIT settlement. This was slightly counterbalanced by the decrease in VAT liability.

The main reason behind the increase in liabilities related to stock exchange transactions is the higher number and volume of electricity product deals.

Grants

In the first half of 2024, advances for grants amounted to HUF 88,557 million (2023: HUF 75,186 million), deferrals related to grants and network development contributions totalled HUF 169,779 million (2023: HUF 162,303 million), while deferrals related to other assets was HUF 43,195 million (2023: HUF 41,723 million).

In 2024 H1 HUF 536,684 million state and EU grant was disbursed (including HUF 34,264 million for development purposes), of which the most significant items are:

- The Group is entitled to compensation for protecting utility payments under Government Decree 289/2022 (VIII.5.) “on the protection of utility payments ensuring the universal electricity and natural gas service under unchanged conditions during the state of emergency”. The compensation is settled in accordance with the contract signed with the designated Ministry and the relevant legislation. During the first half of 2024 HUF 434,700 million was disbursed to the MVM Group as compensation for protecting utility payments in Hungary and HUF 9,795 million due to the Czech price cap, of which amounts

HUF 27,893 million was recognised as deferred income and HUF 17,435 million among deferred expenses and accrued income as at the end of 2024 H1.

- In the first half of 2024 the MVM Group received HUF 51,938 million grant as compensation for system security service.

In the reporting period the Group had to repay HUF 478 million grant, of which HUF 305 million related to the GINOP-3.4.1-15 "Development of (Next Generation Access (NGA)) and Backhaul Networks" Superfast Internet Programme, and HUF 105 million to the project of the ZFR-ZBP-005 tender issued in the framework of the Green Bus Programme with the title of "For the purchase of environmentally friendly, climate neutral city electric passenger transport vehicles and the construction of related charging infrastructure".

In addition, the amount of grants was shaped by disbursement of other than state or EU grants, repayment of previous grant amounts and by the amount of release in proportion to the depreciation of assets purchased from the grants.

10. Sales revenue

<i>(in HUF million)</i>	2024 H1 unaudited	2023 H1 unaudited
Sale of natural gas*	1,123,974	1,464,408
Electric energy trade	677,035	870,046
Transmission, system operation, system-level services	181,027	250,841
Revenue from natural gas and electricity distribution*	81,342	85,233
Economic, IT, engineering and other services	50,315	46,489
Sale of heat	20,768	38,101
Network, technological installation	11,447	7,169
Storage revenue	10,319	7,264
Total	2,156,227	2,769,551

* The comparative data was reclassified between the categories for a more transparent presentation.

The sales revenue of the Group was HUF 613,324 million down on the previous period.

The revenue from natural gas sales in the first half of 2024 amounted to HUF 1,123,974 million, which is HUF 340,434 million or 23.2% lower than in the previous period. Market prices decreased in the first half of 2024, similar to the same period of the previous year, but to a lesser extent and at a lower level. While the average price of natural gas on the gas exchange (TTF) was 58.3 EUR/MWh in 2023, it fell 48.7% to 29.9 EUR/MWh by the end of the first six months in 2024. The volume of natural gas sold was higher than in the previous year, despite volumes sold under the universal service and to consumers being lower. In spite of the higher sales volumes, the price fall caused a reduction in sales revenue overall.

The revenue from electricity trading in the first half of 2024 was HUF 193,011 million or 22.2% lower than in the first half of 2023. Similar to the developments on the natural gas market, there was a correction in electricity product prices in the first half of 2024: the average price of Hungarian baseload energy fell by 36.1% to 74.5 EUR/MWh in the first half of 2024, from 116.6 EUR/MWh in the previous period. In addition to lower sales prices, the volume sold was also lower than in the previous period.

Sales revenue from transmission, system operation and system-level services fell by HUF 69,814 million compared to the first half of 2023 due to the lower volumes and because the transmission network access fee was reduced from HUF 9.9/kWh to HUF 6.8/kWh from 1 January 2024 in line with a decision by the Hungarian Energy and Public Utility Regulatory Authority.

Sales revenue from natural gas and electricity distribution fell by HUF 3,891 million compared to the first half of 2023, primarily because of the decrease in electricity distribution output and volume fees as of 1 January 2024 in line with the decisions of the Hungarian Energy and Public Utility Regulatory Authority. In addition, for natural gas distributors, the impact of the volume reduction was only partially offset by the increase in tariffs.

Export revenue amounted to HUF 890,898 million, which is 41% of total net sales revenue. The change relative to the previous period was primarily determined by the development in prices.

11. Other operating income

<i>(in HUF million)</i>	2024 H1 unaudited	2023 H1 unaudited
Grants	437,185	785,294
Damage, indemnity, penalties, fines	9,490	4,317
Net compensation due to distributors	2,677	8,450
Intangible and tangible assets sold	1,158	24,808
Income accounted for in connection with business combination	500	-
Impaired receivables and bad debts settled financially	164	326
Other income	2,914	3,998
Total	454,088	827,193

Grants

The most significant item among the grants is the subsidy for protecting utility payments affecting the Hungarian and Czech subsidiaries and amounting to HUF 412,149 million, which is detailed in Note III.9.

Other significant items include HUF 16,478 million in compensation for system security services, HUF 3,980 million in subsidies for operating district heating services, and HUF 3,786 million in EU and government grants received to implement tangible and intangible assets.

Net compensation due to distributors

The net compensation payable to electricity distributors shall be the net amount of the compensation payable by the transmission system operator and the compensation payable by electricity distributors to the transmission system operator. The decrease in the reporting period is due to the lower amount of national energy available and a decrease in the compensation rate for electricity distributors compared to the first half of 2023.

Intangible and tangible assets sold

In the first half of 2024 the MVM Group realised HUF 816 million gain on sale of cushion gas in storage (2023 H1: HUF 24,172 million).

12. Material-type expenses

<i>(in HUF million)</i>	2024 H1 unaudited	2023 H1 unaudited
<i>Purchase of natural gas</i>	1,256,161	1,791,222
<i>Purchase of electric energy</i>	368,517	717,489
Total purchase cost of resold energy	1,624,678	2,508,711
<i>System-level services</i>	37,252	54,996
<i>Control energy</i>	23,213	32,269
<i>Purchase of energy for transmission losses</i>	13,435	23,673
<i>Other system operation costs</i>	1,681	2,713
Total system operator activity costs	75,581	113,651
Costs of electric energy and purchased energy used for heat production	24,348	34,686
Costs of maintenance and other materials	49,786	43,445
Costs of CO₂ allowances	48,611	39,034
Total material-type expenses	1,823,004	2,739,527

Purchase cost of resold energy

Purchase cost of resold energy decreased (- HUF 884,033 million) as compared to the previous year.

The value of natural gas purchases decreased by HUF 535,061 million, chiefly due to lower market prices in 2024 H1 (down by 51.3% compared to 2023 H1), lower results from hedging transactions closed in 2024 H1 and lower sales of natural gas in storage.

The cost of purchasing electricity decreased by HUF 348,972 million due to the combined effect of lower prices and volumes purchased. A correction in electricity product prices was observed in the first half of 2024 (down 22.2% compared to the first half of 2023).

Expenses related to system operation activity

The 33% decrease in the value of system-level services was due to a general decrease in the value of products (FCR, aFRR, mFRR) (average price decrease of 33.9%), coupled with a small increase in volume (1.9%).

The decrease in control energy expenses was a joint result of the change in prices of control and balancing energy and the change in the volume of energy purchased from outside the Group.

The amount of energy purchased for transmission losses fell by 43%. Average purchase prices decreased by 52% and the purchased volume grew by 18%.

Costs of electric energy and purchased energy used for heat production

Costs of electric energy and purchased energy used for heat production decreased primarily due to the fall in costs of natural gas use (2024: HUF 21,094 million, 2023: HUF 31,195 million).

Costs of maintenance and other materials

Costs of maintenance and other materials grew by HUF 6,341 million, mainly due to the increase in costs of auxiliary materials (+ HUF 2,934 million) and maintenance costs (+ HUF 2,497 million). These costs relate to increased material requirements for maintenance and construction projects.

Costs of CO₂ allowances

Major items within material costs of CO₂ allowance include the balance of the value of allowances used and the balance of provisions recognised and used for settlement obligation.

The increase compared to the previous year resulted from the change in the provision for settlement of CO₂ allowance.

13. Staff costs

<i>(in HUF million)</i>	2024 H1 unaudited	2023 H1 unaudited
Wage costs	118,238	106,470
Wage contributions	19,104	17,234
Other staff costs	19,229	18,167
Total	156,571	141,871

In total, staff costs grew by HUF 14,700 million as a result, on the one hand, of average headcount growth, on the other hand, of the payment of basic wage increase accepted within the MVM Group, based on the wage agreement for 2024. The average wage increase at Group level was 10% effective from 1 May.

Amounts paid to pension and other welfare funds based on defined contribution plans are recognised as other staff costs. Expenses accounted for based on defined contribution plans amounted to HUF 5,766 million in 2024 H1 (2023 H1: HUF 5,148 million).

Average Group-level headcount

Average headcount (persons)* Staff category **	2024 H1 unaudited	2023 H1 unaudited
Manual	6,389	6,317
Non-manual	12,829	12,233
<i>Total payroll staff</i>	<i>19,218</i>	<i>18,550</i>
<i>Not on the payroll</i>	<i>29</i>	<i>95</i>
Total	19,247	18,645

* In HC

** The average headcount is the average over 6 months of the average monthly headcount, irrespective of the operation period of the member firm in the reporting year.

14. Other operating expenses

<i>(in HUF million)</i>	2024 H1 unaudited	2023 H1 unaudited
Expenses related to distribution and universal service provision	52,158	85,956
Costs of technical, IT and operating services	31,100	26,983
Fees paid to authorities, insurance premiums, membership fees and taxes	27,250	30,945
Public utility charges, telecommunication services	23,551	35,556
Subcontractors' performance, mediated services, cost of materials sold	19,873	17,614
Marketing costs	9,267	9,646
Advisory costs	4,986	2,535
Penalties, indemnity, fines, repair costs paid and other punitive expenses	2,249	1,365
Rental and other fees	1,789	1,519
Loss on intangible and tangible assets sold	1,582	-
Financial support granted	1,382	760
Other operating expenses	25,042	21,078
Total	200,229	233,957

The main reason behind the HUF 33,728 million decrease in other operating expenses is the fall in the costs of the distribution activity and in public utility charges (- HUF 45,803 million) in connection with the drop in energy costs. Fees paid to authorities, insurance premiums, membership fees and taxes decreased (- HUF 3,695 million) because of the extra-profit tax levied on system-level services and trading activity in Romania, as well as the fall in fees paid to authorities, licensing and supervisory fees. Compared to the same period in the previous year, technical and IT services as well as licence fees increased significantly (+ HUF 4,117 million).

15. Net finance cost

Finance income

<i>(in HUF million)</i>	2024 H1 unaudited	2023 H1 unaudited
Foreign exchange gain	64,012	210,988
Gain on derivative transactions not subject to hedge accounting	74,619	59,307
Interest income	15,202	15,650
Dividends received	12	30
Other finance income	3,247	3,841
Total	157,092	289,816

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

Finance income decreased as compared with the previous period, largely due to the lower foreign exchange gain caused by more moderate exchange rate fluctuations. This effect was partly counterbalanced by the growth relative to the previous period in realised and unrealised gain on FX and interest rate swap derivative transactions not subject to hedge accounting.

A significant part of interest income derives from interest settlement with financial institutions, from interest income received on fixed deposits and restricted accounts.

Finance costs

(in HUF million)	2024 H1 unaudited	2023 H1 unaudited
Foreign exchange loss	98,573	204,532
Loss on derivative transactions not subject to hedge accounting	55,769	105,149
Interest expense on loans, borrowings, leases	34,312	53,725
Interest expense due to change in the time value of provisions	3,782	8,258
Other interest expense	1,843	2,592
Other finance costs	2,827	3,510
Total	197,106	377,766

Finance costs were down on the previous period, primarily as a result of changes in realised exchange loss on assets and liabilities denominated in foreign currencies that decreased due to more moderate exchange rate fluctuations.

The main items within derivative transactions are realised and unrealised gain and loss on FX and interest rate swap derivative transactions not subject to hedge accounting. The year-on-year decrease is due to more favourable market prices compared to the dealing prices of transactions not subject to hedge accounting.

16. Income taxes

Income tax recognised in profit or loss for the period

In the interim consolidated financial statements the income tax recognised in profit or loss for the period in 2023 H1 and 2024 H1 comprises the following elements:

<i>(in HUF million)</i>	2024 H1 unaudited	2023 H1 unaudited
Tax for the period	91,948	93,811
Effect of tax loss	- 146	-674
Adjustments for prior years	152	-2,226
Total current tax	91,954	90,911
Deferred tax	- 15,521	-27,721
Total income tax	76,433	63,190

The current tax for the period includes the income taxes payable for the given year, calculated net of tax losses (tax loss carry-forwards) and prior-year tax effects. The effect of tax loss line item includes the tax effect of the tax loss carry-forward in the given year, which shows the amount by which the tax loss carry-forward used in the year reduced the current-year tax payment liability.

Income tax recognised in other comprehensive income

<i>(in HUF million)</i>	2024 H1 unaudited			2023 H1 unaudited		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Revaluation of property, plant and equipment	- 88,818	42,796	- 46,022	- 61,705	25,225	- 36,480
Cash flow hedges	239,465	- 58,871	180,594	- 189,153	100,882	- 88,271
Employee benefits	- 688	254	- 434	- 447	171	- 276
Interests measured through other comprehensive income	279	- 20	259	- 343	23	- 320
Total	150,238	-15,841	134,397	-251,648	126,301	-125,347

Revaluation of property, plant and equipment arises from the revaluation of nuclear technology assets of MVM Paksi Atomerőmű Zrt. which can be considered in the tax base only upon accounting for the value of the tangible assets in profit or loss.

The value of cash flow hedges accounted for in other comprehensive income can be considered in the tax base only upon accounting for the transaction in profit or loss, therefore the Group recognises deferred tax assets and deferred tax liabilities related to the transactions and accounted for in other comprehensive income.

The value of employee benefits accounted for in other comprehensive income is the actuarial profit or loss on benefits related to retirement; it can be taken into account in the tax base in the period of actual payment.

The impact on profit or loss of revaluation of interests measured at fair value through other comprehensive income is at the same time taxable income up to the extent of impairment reversal recognised by tax laws as well as of gain or loss on sale; the attributable current tax is presented in the comprehensive income. Furthermore, the deferred tax liability attributable to the portion of revaluation exceeding the impairment reversal recognised by tax laws, as taxable temporary difference, is also included in other comprehensive income.

Of the above items, primarily the deferred tax recognised in relation to nuclear technology assets and cash flow hedges changed; the reason behind is the change in the fair value of these assets and liabilities.

Income tax accounted for directly in equity

In the first half of either 2023 or 2024 the Group did not account for deferred tax assets or tax liabilities directly in equity.

Deferred tax acquired in business combination

In the first half of either 2023 or 2024 the Group did not account for deferred tax assets or tax liabilities in relation to the acquisitions completed.

17. Carrying amount and fair value of financial instruments

Risk management

The Group's CEO is responsible for setting the risk management guidelines and frameworks for the Group. When meeting such responsibility, he relies extensively on facts discovered by the Group Risk Management Directorate of MVM Zrt. in relation to the various risks as well as on their recommendations aimed at managing the risks. The principles, procedures and methods set forth in relation to the risk management system implemented by the Group ensure identification, analysis, evaluation and continuous monitoring of risks to which the Group is exposed as well as development of necessary action plans.

The Deputy CEO, Chief Financial Officer is responsible for reviewing risk management policies and systems, as well as adjusting them if necessary to changed market environment and group activities.

Integrated Enterprise Risk Management (ERM)

To identify and assess risks that threaten the achievement of organisational objectives and to mitigate them as far as possible, the MVM Group operates an integrated Enterprise Risk Management system.

This includes

- identifying, correcting and managing events and risks that could hinder the achievement of the objectives,
- helping management to manage risks, and
- regulating the processes needed to achieve the above.

The integrated risk management procedure sets out the actions to be taken in relation to each risk – and how to take them – to reduce or eliminate the risks, and how to monitor the completion of the actions on an ongoing basis.

The Group is exposed to the following risks derived from financial instruments:

- credit risk (counterparty risk);
- liquidity risk;
- market risk (including foreign exchange risk, interest rate risk, equity price risk and commodity price risk arising from trading commodities).

This Note presents information about the Group's exposure to the above risks, the Group's objectives, rules and processes for measuring and managing risk.

a) Market risk

Market risk is the risk that changes in market prices – such as exchange rates, interest rates and commodity prices – will affect the Group's profit or loss and the fair values of financial instruments reported in the financial statements. The objective of market risk management is to ensure that the planned profit or recovery that can be achieved during the performance of the individual business activities (energy trading, services, implementation, etc.) should be influenced by relevant market factors, such as exchange rates, interbank interest rates or changes in commodity prices only up to a tolerable extent.

Market risk management policy and guidelines are specified at group level involving the companies concerned and are reviewed periodically.

It is the joint and coordinated responsibility of the Group Risk Management Directorate of MVM Zrt. and the companies to ensure management of market risks as well as full compliance with internal procedures and legal regulations.

The Group Risk Management Directorate of MVM Zrt. measures and reports sensitivity analyses relating to the commodity price risks present in the Group on a weekly basis, in individual cases it performs scenario analysis and stress tests. In terms of market risk the Group is primarily exposed to risks arising from changes to the price of electric energy, natural gas, primary energy resources and emission allowances, currency risks as well as risks derived from changes to interest rates.

Commodity price risk

Electric energy trading business line

Due to its electric energy trading activity the MVM Group faces various market commodity risks during its operation, such as risks arising from changes to the price of electric energy, primary energy resources and emissions allowances. The risk deriving from electricity price fluctuations affects both divisions of the electric energy wholesale activities: wholesale covered by assets and own-account trading.

Open positions from asset-backed wholesale activities, which are expected to be settled upon the delivery of the underlying commodity at the close of the transaction, do not qualify as derivatives under IFRS 9, since the purpose of such activities is to sell electricity generated by the Group's power plants or purchased from other power plants and other traders and organised markets to end-consumers through the MVM Group's retail electricity business.

To reduce commodity price risk, longer open positions (more than 1 month) of foreign retail electricity companies belonging to the Group are hedged (and subsequently delivered) on a back-to-back basis by the wholesaler. The purpose of asset-based trading is therefore to ensure the wholesale activity necessary for the sale of electricity generated by the company's own and other contracted power plants and to meet the needs of end-consumers at all times.

To a limited extent, the MVM Group carries out own-account trading as well, which is aimed at achieving short-term exchange gains and taking advantage of geographical and timing pricing ineffectiveness, opportunities to realise arbitrage. These transactions are considered financial instruments held for trading and are measured at fair value through profit or loss.

In order to manage risks effectively, both short-term and long-term market commodity risks are measured, valued and reported on a daily and weekly basis.

To mitigate the commodity price risk of the electric energy wholesale division, in line with the hedging policy approved by the owner for asset-based activities, some part of the open positions are regularly closed basically on OTC market or on stock exchange with forward and futures financial commodities. The hedging policy also takes into account the volumes sold on mandatory sale auctions organised quarterly based on regulatory provisions due to the SMP status of the electric energy wholesale business line.

Due to different risks and accounting treatment, risks of own-account trading are measured separately from asset-based trading according to a separate limit structure. The Group developed a Value at Risk (VaR) type risk measurement technique to measure market risks of own-account trading. VaR estimates the potential highest loss of open positions at a statistical confidence level determined for a given period, assuming "normal" market conditions.

For measuring market risks of own-account trading the VaR calculated at 95% on a 100-day sample was approved.

On 30 June 2024 the portfolio-level daily VaR limit of own-account electric energy trading amounted to EUR 5,000,000 (HUF 1,976 million). This means that the (estimated) market risk of the MVM Group from own-account electric energy trading at 95% confidence level and considering the historical price of 100 days may amount to EUR 5,000,000 (HUF 1,976 million). On 31 December 2023 the portfolio-level VaR limit of own-account electric energy trading also amounted to EUR 5,000,000 (HUF 1,914 million).

Natural gas trading business line

Typically two pricing methods are common on the regional natural gas market: indexing to European liquid gas exchanges and trading at fixed prices. Of the gas exchanges, the price quotations of the largest Dutch TTF exchange that determines the European price level, the Austrian VTP exchange that influences the Hungarian price level based on its physical proximity and liquidity and the German THE exchange that is widespread mainly on Czech and Slovakian markets are typical in the wholesale segment, while sale at fixed prices may derive mainly from needs connected to retail trading.

Measuring and managing market risks of natural gas trade is very important for the Group, as the pricing of products requested by consumers often differs from the pricing of purchasing sources. For this reason the Group continuously monitors the composition of its purchase and sales portfolios and manages it actively while adhering to the set limit structure. In order to manage risks effectively, both short-term and long-term market commodity risks are measured, valued and reported on a daily and weekly basis. To mitigate its financial risks the Group enters into hedging derivative (typically commodity and foreign exchange swap/forward) transactions and designates a part of them as cash flow hedging relationships.

Through regulatory prices relating to the universal service provision the Group undertakes the wholesale risks of the supply chain which result from the difference between the recognised specific natural gas price taken into account when determining the justified amount of the purchase cost of natural gas and the actual purchase cost. Due to the significant flexibility deriving from consumption depending on temperature, this risk can be managed with limited efficiency.

On 30 June 2024 the portfolio-level 3-day VaR limit of own-account natural gas trading amounted to HUF 1,085 million (about EUR 2.7 million). This means that the (estimated) market risk of the MVM Group from own-account natural gas trading at 95% confidence level and considering the historical price of 250 days may not exceed HUF 1,085 million during 3 days. On 31 December 2023 the portfolio-level VaR limit of natural gas trading amounted to HUF 1,718 million (about EUR 4.3 million).

Foreign exchange risk

The functional and presentation currency of the MVM Group is the Hungarian forint. The Group's significant regional presence and the euro-based price quotations of its main markets constitute a significant foreign exchange exposure. In accordance with the risk management guidelines, subsidiaries seek to establish natural hedge positions in foreign currency, i.e. applying the principle of FX purchase/liability versus FX sale/asset. If this is not possible for some reason, the net foreign exchange position is hedged with a derivative – generally a forward purchase/sale of foreign exchange. The amount of foreign exchange risk that subsidiaries can take on is capped by a limit system or hedge path.

During the long-term management of the Group's FX balance sheet items, the expected probabilities of FX appreciation and depreciation based on historical exchange rate movements and the current hedging cost of the given hedging direction are considered.

Similar to commodity risk, the effective time horizon for managing FX risk is typically 1-2 years at most, which means, just like all market participants, the Group will have to adapt to a changed exchange-rate environment in the medium to long term.

Interest rate risk

The MVM Group is exposed to changes in interest rates in the context of its business activities and financial transactions. MVM Zrt. provides the necessary financing for the members of the MVM Group – with the exception of certain project financing transactions – in the form of a parent company loan. Such parent company loans are usually linked to benchmarks bearing variable interest. Accordingly, the member companies of the MVM Group are exposed to risks related to changes in reference rates. MVM Zrt. also uses external financing in addition to the financing needs of individual members of the Group to finance acquisitions and group-wide capex.

The MVM Group manages the interest rate risks stemming from its financing activities by choosing the type of interest rate used for the financing source and by using interest rate derivatives, typically interest rate swaps.

Share price risk

The Group is exposed to share price risk which derives from the change of listed price of financial assets measured at fair value through other comprehensive income. These interests are companies listed on the Budapest Stock Exchange, in 2023 and 2024 H1 PannErgy Nyrt.

b) Credit risk (counterparty risk)

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations in full and/or on time. For the Group this primarily means risk from non-payment/non-performance by its commercial or financial partners. The risk arises primarily from financial - economic factors, such as insolvency of the partner, or for technical - commercial or administrative reasons.

Furthermore, because of increasing outstanding receivables due to rising sales volumes and market prices, the electric energy and natural gas market trade debtors as well as banks and investment partners, where the current liquidity surplus of variable amount and composition is deposited represent counterparty risk for the Group.

To mitigate the above risk the Group applies various procedures and measures:

- preliminary review of creditworthiness of new partners; periodic review of existing partners;
- establishing individual partner limits and ongoing checking of adherence to such limits, monitoring of any breaches of limit, developing action plans;
- establishing partner limits for treasury partners based on an internal model, taking the data of external rating agencies into account, and continuous monitoring thereof;
- for treasury partners, in addition to the ISDA contracts that provide the legal background of hedge transactions, the use of a Credit Support Annex that requires in the case of all partners two-way margining on a weekly basis, based on the current market value (MtM) of the transactions concluded;
- regular review and modification if necessary of the recorded partner limits, taking into account past experience and available information relating to the partner;
- continuous reconciliation of cash flows required from the partner and cash flows that can actually be realised;
- continuous check of the changes in outstanding receivables;

- application of collection measures;
- requesting financial collateral in advance to secure the exposure in the case of partners considered risky and those who fail to meet the required rating category.

Based on the internal credit risk management procedures of the Group and the related contracts, in certain cases collateral may be requested from the debtor to secure an existing or future outstanding receivable. Preferred collateral securing outstanding receivables is mainly bank guarantees or sureties provided by the partner's parent company/related company, as well as advances which are required by the Group primarily from partners considered risky and in all cases when the credit facility approved for the given partner is not sufficient with regard to the given partner/transaction.

The Group seeks to manage the ever-changing market/economic conditions by periodically reviewing and adjusting the counterparty rating model in a manner consistent with the Group's risk appetite (e.g. critical sectors have been identified where a more stringent limit-setting methodology is applied, i.e. lower limits may be issued in these segments).

The uncertain economic environment fuelled by the war in Ukraine as well as the price volatility on the energy market and the risk factors caused by high prices are being addressed by the Group through more stringent counterparty rating methodology and the inclusion of more guarantees.

Collection policy

The Group continuously monitors overdue outstanding receivables and sends reminders to its partners in payment default. If the partner fails to pay despite several reminders, the Group uses all legal means to ensure recovery of past due receivables to the greatest extent possible.

In spite of the market difficulties, in 2024 H1 there was no significant deterioration in the general payment behaviour.

c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities when they fall due.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, where possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group prescribes for its entities that they must maintain a strong liquidity position and shape the liquidity profiles of their assets, liabilities and contingent liabilities to ensure balanced cash flows and the settlement of all obligations when due.

The objective of the Group is that the aggregated value of its cash, cash equivalents and other easy-to-sell investments exceed at all times the amount of expected cash outflows related to its financial liabilities. Compliance with the above objective is continuously monitored with the help of regular cash flow forecasts, based on which amounts, maturities and dates of performance of expected cash inflows related to receivables and cash outflows related to liabilities are compared.

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

To ensure efficient and as cost-effective as possible management of liquidity risk the Group uses cash pool accounts which ensure daily liquidity of the members involved in the cash pool; bank credit facilities are also available for the Group to cover potential unexpected illiquidity. The available financing portfolio provides appropriate conditions to ensure liquidity as well as financial flexibility for the Group.

Unused credit facilities of the Group at the end of the periods under review:

Credit facility	Expired (30 June 2024)	30.06.2024 unaudited		31.12.2023 audited	
		Original currency, million*	in HUF million	Original currency, million	in HUF million
EUR credit facility	2024-2041	1,140,344	450,607	443,793	169,875
HUF credit facility	2024-2025	1,020,517	1,020,517	644,768	644,768
USD credit facility	2024	3	1,150	3	1,150
CZK credit facility	2025-without expiry	870	13,746	870	13,468
RON credit facility	2024	9	691	9	669
Multi-currency credit facility*	2027	138,303	138,303	21,053	21,053

*In the case of the multi-currency credit facility the amount of the credit facility is shown in HUF in the 'Original currency' column.

d) Fair value of financial instruments

The following table presents fair values and carrying amounts of financial instruments:

(in HUF million)	30.06.2024 unaudited		31.12.2023 audited	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans and receivables	14,980	14,980	14,478	14,478
Trade receivables and other non-derivative financial assets	879,017	879,017	1,672,926	1,672,926
Restricted cash	97,620	97,620	72,304	72,304
Cash and cash equivalents	384,460	384,460	245,582	245,582
Total financial assets measured at amortised cost	1,376,077	1,376,077	2,005,290	2,005,290
Interests in other entities	2,866	2,866	2,588	2,588
Total financial assets measured at fair value through other comprehensive income	2,866	2,866	2,588	2,588
Derivative financial assets (non-current)	44,045	44,045	27,099	27,099
Derivative financial assets (current)	160,517	160,517	208,995	208,995
Non-current derivative financial liabilities	34,035	34,035	71,850	71,850
Current derivative financial liabilities	233,251	233,251	496,411	496,411
Total derivative financial assets and liabilities	-62,724	-62,724	-332,167	-332,167
Non-current loans and borrowings	1,081,268	1,033,356	1,333,217	1,295,172
Other non-current financial liabilities	54,134	54,134	53,040	53,040
Current loans and borrowings	135,587	133,340	329,883	328,252
Trade payables and other non-derivative financial liabilities	474,751	474,751	688,753	688,753
Total other financial liabilities	1,745,740	1,695,581	2,404,893	2,365,217

In the periods reported there were no changes in the classification of financial assets as a result of changes in the purpose or use of these assets.

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

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

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

Description	30.06.2024 unaudited			31.12.2023 audited		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Interests in other entities	2,866			2,588		
Derivative financial assets (non-current)	-	44,045	-	-	27,099	-
Derivative financial assets (current)	-	160,517	-	-	208,995	-
Total financial assets measured at fair value	2,866	204,562	-	2,588	236,094	-
Non-current derivative financial liabilities	-	34,035	-	-	71,850	-
Current derivative financial liabilities	-	233,251	-	-	496,411	-
Total financial liabilities measured at fair value	-	267,286	-	-	568,261	-
Fixed-rate loans and borrowings	-	932,989	-	-	648,016	-
Total financial liabilities not measured at fair value where fair value is measured for disclosure purposes	-	932,989	-	-	648,016	-

In the periods reported there were no transfers between the individual levels of the fair value hierarchy used to measure the fair value of the financial instruments.

e) Financial assets and liabilities

Derivative financial assets and liabilities

Non-current and current derivative financial assets (in HUF million)	30.06.2024 unaudited	31.12.2023 audited
Electricity derivatives	125,501	111,335
Natural gas derivatives	64,867	118,789
FX derivative transactions	6,797	4,109
Other	7,397	1,861
Total	204,562	236,094

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

Non-current and current derivative financial liabilities (in HUF million)	30.06.2024 unaudited	31.12.2023 audited
Natural gas derivatives	151,662	433,472
Electricity derivatives	105,635	111,748
FX derivative transactions	5,147	14,171
Other	4,842	8,870
Total	267,286	568,261

Electricity derivatives

Electricity derivatives are concluded by MVM Partner Zrt. The market value of derivatives is significant on both the receivable and liability side, due to the large number of open forward contracts that were entered into last year and are still open on the balance sheet.

Natural gas derivatives

The tables above show that the development of natural gas derivatives accounted for the largest part of the change in both derivative financial receivables and derivative financial liabilities. The reason behind is that by 30 June 2024 a significant part of the year-end positions had expired, and the global natural gas price showed no significant fluctuation in 2024 H1 compared to previous years, so the result on the new transactions was not of the magnitude seen with the positions that expired at the end of 2023.

Trade receivables and other non-derivative financial assets

Trade receivables and other non-derivative financial assets (in HUF million)	30.06.2024 unaudited	31.12.2023 audited
Accrued revenue	309,288	282,656
Trade receivables and assets related to customer contracts	268,004	466,773
Bail, deposit and other receivables	216,368	476,773
Receivable from Feed in Tariff and price subsidy settlement	24,437	1,198
Income due to compensate for the system security service	23,218	58,678
Accrued subsidy for protecting utility payments	17,435	55,589
Dividend receivables from entities in which the company has a significant equity share	7,386	-
Priced hedges	3,985	6,521
Interim dividend	-	309,000
Other	8,896	15,738
Total	879,017	1,672,926

The decrease of HUF 793,909 million in trade receivables and other non-derivative financial assets is due to the fact that the HUF 309,000 million interim dividend paid to the owner in 2023 was declared a dividend in 2024 and charged to retained earnings, so it is no longer included under receivables. On the other hand, the decrease is caused by a combined decrease in trade receivables and accrued sales revenue of HUF 172,137 million, a significant part of which is due

to the fall in trade receivables and accrued sales revenue of HUF 50,391 million in wholesale natural gas activity, which is largely attributable to the reduced sales volumes. A further marked decrease was caused by a fall in electricity and natural gas retail trade receivables and accrued sales revenue of HUF 109,483 million, which is mainly due to a decrease in natural gas receivables and to a lesser extent electricity receivables, driven by seasonality, volume and price effects. Another equally significant drop of HUF 260,405 million stemmed from the fall in Bail, deposits and other receivables, due to the fact that by 30 June 2024 a significant part of the year-end loss-making natural gas derivative positions had expired, and the global natural gas price showed no significant fluctuation in 2024 H1 compared to previous years, so the result on the new transactions was not of the magnitude seen with the positions that expired at the end of 2023, and therefore the margin call paid by the Group to banks in relation to these transactions fell sharply.

Trade payables and other non-derivative financial liabilities

<i>Trade payables and other non-derivative financial liabilities (in HUF million)</i>	30.06.2024 unaudited	31.12.2023. audited
Accruals	207,056	173,338
Trade liabilities	163,697	368,301
Priced hedges	53,014	85,590
Security deposits received in relation to forward transactions and for other reasons	30,626	34,517
Liabilities related to fees to support the stranded costs of conversion of the cogeneration process	10,761	14,258
Short-term finance lease	8,520	8,026
Liabilities from Feed in Tariff and price subsidy settlement	110	2,692
Other	967	2,031
Total	474,751	688,753

The HUF 214,002 million decrease in trade payables and other non-derivative financial liabilities resulted mainly from the HUF 170,886 million fall in trade liabilities and accruals as compared to the previous year, which is in turn due primarily to the change in the balance of natural gas wholesale (HUF 109,739 million).

18. Business combinations

a) Acquisition of Sysco-Lux Kft.

Effective from 1 January 2024 Sysco-Lux Kft., a company engaged in retail and wholesale trade of lights and providing lightning technology and engineering services, became a fully consolidated subsidiary within the MVM Group. A 60% interest in the company was acquired by MVM Optimum Zrt. in November 2022, then in December 2023 it became wholly owned by the MVM Group after MVM Lumen Kft. purchased the remaining 40% interest held by private individual owners.

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

The Group accounted for HUF 29 million other operating expenses in relation to the acquisition, which mainly include business and technical advisory services.

The table below presents the main data related to the acquisition:

Data in HUF million	Sysco-Lux Kft.
Consideration (cash) paid (A)	1,177
Cash and cash equivalents	-95
Net cash flow	1,082

Other assets and liabilities of the subsidiary:	
Property, plant and equipment	22
Inventories	79
Trade receivables and other non-derivative financial assets	251
Other non-financial assets	7
Current tax assets	1
Assets (1)	360

Other non-current financial liabilities	5
Current loans and borrowings	2
Trade payables and other non-derivative financial liabilities	193
Liabilities related to short-term employee benefits	7
Current tax liabilities	1
Other current non-financial liabilities	96
Liabilities (2)	304

Net asset value net of cash (1-2)	56
Net asset value including cash (B)	151
Goodwill (A)-(B)	1,026

Following its inclusion into consolidation, Sysco-Lux Kft. realised HUF 516 million revenue until 30 June 2024, while it had HUF 73 million profit after tax after the acquisition.

b) Acquisition of “4D Energetika” Kft.

In January 2024, as a further step in the expansion of renewable energy portfolio, MVM Zöld Generáció Zrt. purchased 100% interest in “4D Energetika” Kft. engaged in the operation of photovoltaic power plants.

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

The table below presents the information related to the acquisition:

Data in HUF million	"4D Energetika" Kft.
Consideration (cash) paid (A)	17,017
Cash and cash equivalents	-1,133
Assumed owner's loan	2,439
Net cash flow	18,323

Other assets and liabilities of the subsidiary:	
Property, plant and equipment	26,826
Other intangible assets	1
Inventories	65
Trade receivables and other non-derivative financial assets	307
Other non-financial assets	677
Current tax assets	50
Assets (1)	27,926

Non-current loans and borrowings	11,321
Current loans and borrowings	622
Trade payables and other non-derivative financial liabilities	50
Current tax liabilities	4
Other current non-financial liabilities	45
Liabilities (2)	12,042

Net asset value net of cash (1-2)	15,884
Net asset value including cash (B)	17,017

Following its inclusion into consolidation, "4D Energetika" Kft. realised HUF 1,603 million revenue until 30 June 2024, while it had HUF 519 million profit after tax after the acquisition.

c) Subsequent adjustment related to the acquisition of MVM Émász Áramhálózati Kft.

In August 2021 MVM Zrt. acquired full ownership of MVM Émász Áramhálózati Kft.; the main duty of this company is transmission of electricity on the distribution networks, supplying it to consumers and the provision of related services. The transaction was the last step of the comprehensive framework agreement signed by MVM Zrt. and E.ON Beteiligungen GmbH on 3 October 2019.

Because of the increase in the costs of IT separation related to the acquisition, the parties agreed on a subsequent purchase price adjustment prior to the completion of the transaction, and as a result, in 2024 the MVM Group recorded **HUF 500 million** current receivables from the seller within the Trade receivables and other non-derivative financial assets balance sheet line item, which increased the amount of negative goodwill recognised previously.

19. Contingent liabilities and commitments

Guarantees

The MVM Group is exposed to the risk that the following guarantees be called from it on 30 June 2024.

Description	Amount	Currency
Bank guarantees given	41.43	CNY million
Bank guarantees given	2.05	CZK million
Bank guarantees given	45.78	EUR million
Bank guarantees given	1,598.97	HUF million
Bank guarantees given	1.86	RON million

These guarantees were provided by banks on behalf of the member companies of the MVM Group as a security of certain contractual liabilities of the Group.

The table shows the performance, completion, warranty, guarantee and availability (non-payment) guarantees by currency. The breakdown by type of bank guarantee is dominated by the value of completion guarantees.

So far the Group has met its contractual liabilities, therefore no such guarantees were called in 2024 H1, nor is it expected in the future either.

Litigations

The members of the Group have been involved in several litigations during their normal course of business. The value of the expected compensation claims for lawsuits or lawsuit threats, in which members of the Group are or may be involved in the future as defendants, is HUF 16,186 million, for which a provision of HUF 4,424 million has been recorded.

Other off-balance sheet liabilities

If the Group were to breach the full feed-in obligation under the gas procurement contracts for the years 2024-2035, the maximum penalty payable (calculated based on current price assumptions) would be HUF 9,864 billion.

In relation to LNG purchase contracts and the natural gas purchase contracts concluded with RWE, the Group currently does not expect to pay any penalty, since it believes that revenue (net of redirection and other costs) from the alternative sales opportunity will cover for the suppliers the penalty payable, which compensation is allowed under the contractual terms.

20. Related parties

Related parties of the MVM Group are the following companies and persons:

- Hungarian State (as owner)
- Institutions and companies majority owned by the Hungarian State
- Associates and joint ventures of the MVM Group
- Key management personnel of the MVM Group

Several Group companies have transactions with external partners over which the Hungarian State has significant influence.

The following transactions are deemed individually significant considering their volume:

- The MVM Group sells electricity and natural gas to Magyar Állam Vasutak Zrt. (decrease relative to the same period in the previous year: HUF 41,154 million) and Magyar Posta Zrt. (decrease HUF 4,103 million);
- The MVM Group accounted for sales revenue from NISZ Zrt. in relation to use of network, leased line services and the provision of integrated telecommunication services (increase relative to the same period in the previous year: HUF 1,837 million).
- Several members of the Group uses the services of Magyar Posta Zrt. (increase relative to the same period in the previous year: HUF 2,005 million).
- By the reporting date electricity and natural gas was sold to Nemzeti Sportügynökség Nonprofit Zrt., Győr-Sopron-Ebenfurti Vasút Zrt. and Magyar Közút Nonprofit Zrt. (decrease relative to the same period in the previous year: HUF 622 million).

21. Segment information

In the first half of 2024 during day-to-day operating and strategic assessments the Board of Directors of the MVM Group reviews the effectiveness of the following 9 largest Group companies:

- MVM Partner Zrt.
Electric energy trade
- MVM CEEnergy Zrt.
Natural gas trade
- MAVIR Zrt.
System operation, network development, electricity market integration
- MVM Paksi Atomerőmű Zrt.
Generation of electricity
- Magyar Földgáztároló Zrt.
Natural gas storage
- MVM Zrt.
Strategic holding, group integration
- MVM Next Energiakereskedelmi Zrt.
Retail trade of natural gas and electricity
- MVM Mátra Energia Zrt.
Generation of electricity from lignite fuel extracted from mines owned by it
- innogy Energie s.r.o
Retail trade of natural gas and electricity

The scope of member companies reviewed did not expand relative to 2023 H1.

Operation and strategy analyses are performed using the data of the nine key Group companies, as these jointly represent a decisive part of the Group performance.

In the decision-making processes the management of the Group regularly reviews the IFRS financial statements prepared for Group purposes of the key member firms.

Intra-group transactions between the individual companies are significant in volume and arise primarily between MVM Paksi Atomerőmű Zrt., MVM Partner Zrt., Magyar Földgáztároló Zrt., MVM Next Energiakereskedelmi Zrt., MVM CEEnergy Zrt. and MAVIR Zrt.

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

(in HUF million)	30.06.2024 – unaudited												
	MVM Partner Zrt.	MVM CEEnergy Zrt.	MAVIR ZRt.	MVM Paksi Atomerőmű Zrt.	MVM Zrt.	Magyar Földgáz-tároló Zrt.	MVM Next Energia-kereskedelmi Zrt.	Mátrai Erőmű Zrt.	innogy Energie s.r.o	All other segments	TOTAL	Intersegment eliminations, consolidation adjustments	IFRS consolidated figures
Sales to third parties	92,916	451,657	149,410	701	63	686	750,358	4,534	409,029	296,873	2,156,227	-	2,156,227
Intersegment sales	566,917	328,716	42,314	115,250	17,542	20,985	26,416	70,721	31,107	460,016	1,679,984	-1,679,984	-
Other operating income	24	358,791	493	617	62	1,102	43,911	16,906	1,319	32,003	455,228	-1,140	454,088
Total operating expenses	-576,763	-1,020,792	-129,265	-133,406	-24,501	-10,211	-808,420	-88,483	-427,460	-735,961	-3,955,262	1,673,794	-2,281,468
Depreciation and amortisation	-171	-104	-12,665	-54,141	-342	-3,296	-971	-7,977	-409	-39,350	-119,426	-2,171	-121,597
Recognition and reversal of impairment	-2,097	-3,145	-211	-79	-34	0	-4,609	-15	-1,064	-1,644	-12,898	-967	-13,865
Operating profit/loss	83,094	118,372	62,952	-16,838	-6,834	12,562	12,265	3,678	13,995	52,931	336,177	-7,330	328,847
Finance income	14,115	18,176	9,605	2,119	424,439	4,826	17,586	2,404	19,972	42,567	555,809	-398,717	157,092
Finance costs	-7,354	-32,951	-5,332	-5,893	-226,634	-4,405	-28,701	-1,448	-12,164	-24,639	-349,521	152,415	-197,106
Share of profit/loss of associates and joint ventures	0	0	0	0	10,809	0	178	0	0	1	10,988	-1,341	9,647
Profit/Loss before tax	89,855	103,597	67,225	-20,612	201,780	12,983	1,328	4,634	21,803	70,860	553,453	-254,973	298,480
Income tax payment liability	-38,027	-8,906	-1,186	-10,011	-402	-1,263	-7,178	-2,374	-6,094	-17,632	-93,073	16,640	-76,433

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

(in HUF million)	30.06.2024 – unaudited												
	MVM Partner Zrt.	Magyar Földgáz-kereskedő Zrt.	MAVIR ZRt.	MVM Paksi Atomerőmű Zrt.	MVM Zrt.	Magyar Földgáz-tároló Zrt.	MVM Next Energia-kereskedelmi Zrt.	Mátrai Erőmű Zrt.	innogy Energie s.r.o	All other segments	TOTAL	Intersegment eliminations, consolidation adjustments	IFRS consolidated figures
Assets	1,407,030	665,019	736,212	861,978	3,740,168	216,821	820,439	209,967	400,519	2,227,624	11,285,777	-4,883,786	6,401,991
Interests in associates and joint ventures	0	30,549	0	0	193,844	0	360	0	0	277	225,030	-18,689	206,341
Assets under construction	1	0	72,857	113,676	2,042	9,136	9	4,758	3	85,855	288,337	-20,150	268,187
Liabilities	1,338,626	507,473	395,044	190,154	2,461,785	130,157	723,607	103,288	309,250	1,076,820	7,236,204	-2,809,712	4,426,492

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

(in HUF million)	30.06.2023 – unaudited												
	MVM Partner Zrt.	MVM CEEnergy Zrt.	MAVIR Zrt.	MVM Paksi Atomerőmű Zrt.	MVM Zrt.	Magyar Földgáz-tároló Zrt.	MVM Next Energia-kereskedelmi Zrt.	Mátrai Erőmű Zrt.	innogy Energie s.r.o	All other segments	TOTAL	Intersegment eliminations, consolidation adjustments	IFRS consolidated figures
Sales to third parties	84,904	371,972	203,255	884	37	3,782	1,239,976	4,013	505,207	355,521	2,769,551	-	2,769,551
Intersegment sales	958,932	534,174	65,537	100,428	18,639	20,558	64,511	73,117	37,172	622,410	2,495,478	-2,495,478	-
Other operating income	58	580,084	1,023	608	1,380	4,734	73,941	38	57,110	97,356	816,332	10,861	827,193
Total operating expenses	-918,391	-1,464,472	-175,650	-144,073	-21,562	-20,816	-1,325,364	-64,174	-523,232	-1,031,714	-5,689,448	2,473,066	-3,216,382
Depreciation and amortisation	-144	-78	-11,194	-69,653	-484	-2,997	-765	-4,748	-800	-33,981	-124,844	-7,812	-132,656
Recognition and reversal of impairment	47	23	102	-87	-16	0	-4,378	-10	-323	-2,932	-7,574	-82	-7,656
Operating profit/loss	125,503	21,758	94,165	-42,153	-1,506	8,258	53,064	12,994	76,257	43,573	391,913	-11,551	380,362
Finance income	12,559	21,396	12,123	994	700,749	1,865	51,517	1,346	70,876	58,072	931,497	-641,681	289,816
Finance costs	-63,567	-40,289	-15,448	-9,675	-485,477	-8,207	-50,504	-5,561	-83,367	-50,897	-812,992	435,226	-377,766
Share of profit/loss of associates and joint ventures	0	0	0	0	9,634	0	0	0	0	0	9,634	-29,366	-19,732
Profit/Loss before tax	74,495	2,865	90,840	-50,834	223,400	1,916	54,077	8,779	63,766	50,748	520,052	-247,372	272,680
Income tax payment liability	-36,288	0	-983	-4,200	-408	-1,331	-13,069	-2,022	-21,321	-12,083	-91,705	28,515	-63,190

MVM Energetika Zártkörűen Működő Részvénytársaság
and Subsidiaries Interim Condensed Consolidated Financial Statements
for the period ended 30 June 2024
(All figures are in HUF million except if otherwise indicated)

(in HUF million)	31.12.2023 – audited												
	MVM Partner Zrt.	Magyar Földgáz-kereskedő Zrt.	MAVIR ZRt.	MVM Paksi Atomerőmű Zrt.	MVM Zrt.	Magyar Földgáz-tároló Zrt.	MVM Next Energia-kereskedelmi Zrt.	Mátrai Erőmű Zrt.	innogy Energie s.r.o	All other segments	TOTAL	Intersegment eliminations, consolidation adjustments	IFRS consolidated figures
Assets	1,251,278	1,052,753	587,669	1,001,129	4,902,669	220,586	1,092,351	180,287	503,841	2,299,697	13,092,260	-6,066,808	7,025,452
Interests in associates and joint ventures	0	27,754	0	0	193,844	0	360	0	0	277	222,235	-17,824	204,411
Assets under construction	0	0	52,851	109,110	1,288	8,470	1	6,261	0	67,497	245,478	-12,638	232,840
Liabilities	1,115,833	1,094,008	292,308	182,636	3,501,938	128,751	999,923	75,743	463,020	1,223,843	9,078,003	-3,989,277	5,088,726

22. Significant events after the end of the reporting period

MVM Group acquires stake in one of the world's largest deepwater gas fields

On 5 June 2024, the MVM Group signed an agreement with the Azerbaijani state-owned Southern Gas Corridor CJSC (SGC) to acquire a 5% stake in the production-sharing agreement for the Shah Deniz offshore gas and condensate field in Azerbaijan, and a further 4% stake in the Azerbaijan Gas Supply Company (AGSC), a trading company established for the exclusive sale and supply of natural gas produced from the Shah Deniz gas and condensate field.

Shah Deniz, discovered in 1999, is one of the world's largest natural gas fields, located on the deep-sea shelf of the Caspian Sea, 70 km southeast of Baku. Shah Deniz is an unincorporated partnership without legal personality, operated by BP on behalf of the prevailing owners.

Shah Deniz has an annual production capacity of about 29 billion cubic metres of natural gas and about 60 million barrels of condensate. The gas field has very significant hydrocarbon reserves and has been producing steadily and reliably for almost 20 years. It has produced more than 218 billion cubic metres of natural gas and 371 million barrels of condensate in total since its inception.

Natural gas from the deep-sea field is sold and transported by the trading company AGSC to partners in Azerbaijan, Georgia, Turkey and Europe through pipelines under long-term agreements.

By acquiring a stake in the Shah Deniz gas field, the MVM Group will partner with SGC and world-leading energy majors such as the co-owners BP (29.99%), Lukoil (19.99%), TPAO (19%) and NICO (10%).

The transaction is fully in line with the European Union's diversification efforts, the national energy strategy and the MVM Group's growth strategy. The transaction is expected to be closed and MVM will become an owner on 30 August 2024 after the necessary conditions have been met.

Expanding the green portfolio of the MVM Group

In line with its recently published strategy, the MVM Group continues to expand its renewable energy portfolio: under agreements signed on 17 and 31 May 2024, MVM Zöld Generáció Zrt. is to acquire additional solar power plants.

The contracts signed will give the MVM Group an extra 249 MWp of installed solar power capacity overall. The power plants involved in the transaction are in four locations around the country with different environmental characteristics, each with a capacity of between 3 MWp and 63 MWp. The transaction closed on 4 July 2024 and the MVM Group acquired Tatooine SolarPark Kft., Békés Solar Kft., Napraforco-Operation Kft., Solar Engine Kft. and Finasys Solarpark Kft.

MVM Energetika Zártkörűen Működő Részvénytársaság

Management and Business Report

Budapest, 29 August 2024



CONTENTS

Consolidated financial statements 5

Consolidated financial results of the MVM Group 6

Results of the business divisions of the MVM Group 14

Management Report..... 26

The situation of the MVM Group, current events 27

Business environment of the MVM Group 28

MVM Group’s objectives and strategic vision 32

Main risks of the MVM Group..... 34

Liability statement..... 38

INTRODUCTION OF THE MVM GROUP

General information

MVM Energetika Zártkörűen Működő Részvénytársaság (hereinafter referred to as MVM Zrt., Company or the Parent company) was formed on 31 December 1991 through transformation of its legal predecessor Magyar Villamos Művek Tröszt (hereinafter referred to as MVM Tröszt). MVM Zrt. is a Hungarian-registered private company limited by shares. Its owner is the Hungarian State which holds 100% of its shares; ownership rights and obligations pertaining to the shares of the State have been exercised since 1 December 2022 by the Ministry of Energy.

Registered office of MVM Zrt.: 1031 Budapest, Szentendrei út 207-209.

Activity of the MVM Group

MVM Zrt. and the companies controlled by it (hereinafter referred to as MVM Group or Group) form together a vertically integrated national energy group, the operation of which covers the entire Hungarian energy sector. With its power plants, electricity transmission network, natural gas and electricity distribution network as well as its natural gas and electricity trading, the MVM Group is a dominant participant of the Hungarian electricity and natural gas market. The MVM Group undertakes a role in the energy sector of the region, in particular in the natural gas and electricity trading market of the Czech Republic through innogy Česká republika a.s. and its subsidiaries, and in ensuring secure gas supply for Hungary by operating its four underground natural gas storing facilities.

MANAGEMENT AND BUSINESS REPORT

The 2024 half-year consolidated financial statements of MVM Energetika Zártkörűen Működő Részvénytársaság have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS consists of standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

MVM Energetika Zártkörűen Működő Részvénytársaság (hereinafter referred to as “MVM Zrt.”) has prepared and hereby discloses its Consolidated Management and Business Report relating to its financial statements for 2024 H1, by which it complies with

- the provisions of Decree No. 24/2008. (VIII. 15.) of the Minister of Finance in respect of the management report and the liability statement.

The consolidated financial statements for the first half of 2024 were approved and authorised for issue by the Board of Directors of MVM Zrt. on 29 August 2024.

Budapest, 29 August 2024



Károly Tamás Mátrai
Chief Executive Officer
MVM Zrt.



László Fazekas
Deputy CEO, Chief Financial Officer
MVM Zrt.

Consolidated financial statements

2024H1

1. CONSOLIDATED FINANCIAL RESULTS OF THE MVM GROUP

1.1. Income statement

MVM Group, consolidated HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
OPERATING INCOME	2,610,315	3,596,744	-986,429	-27%
Net sales revenue	2,156,227	2,769,551	-613,324	-22%
Other operating income	454,088	827,193	-373,105	-45%
OPERATING EXPENSES	2,281,468	3,216,382	-934,914	-29%
Material-type expenses	1,823,004	2,739,527	-916,523	-33%
Staff costs	156,571	141,871	14,700	+10%
Depreciation/ Amortisation	121,597	132,656	-11,059	-8%
Recognition and release of provisions	-8,642	-17,264	8,622	-50%
Recognition and release of impairment	13,865	7,656	6,209	+81%
Payment to the CNFF	16,467	15,535	932	+6%
Other operating expenses	200,229	233,957	-33,728	-14%
Own performance capitalised	-41,623	-37,556	-4,067	+11%
EBITDA	450,444	513,018	-62,574	-12%
OPERATING PROFIT	328,847	380,362	-51,515	-14%
Net finance costs	-40,014	-87,950	47,936	-55%
Profit/Loss of associates	9,647	-19,732	29,379	-149%
PROFIT BEFORE TAX	298,480	272,680	25,800	+9%
Income tax expense	76,433	63,190	13,243	+21%
PROFIT AFTER TAX	222,047	209,490	12,557	+6%
Other comprehensive income for the year, net of tax	140,449	-227,868	368,317	-162%
TOTAL COMPREHENSIVE INCOME	362,496	-18,378	380,874	-2072%

Net sales revenue

Net sales revenue was HUF 613.3 billion below the prior-year figure, primarily due to lower prices in the natural gas and electricity market.

- Retail electricity sales (without universal service provision sales) fell by HUF 228.4 billion, while wholesale of electricity increased by HUF 46.7 billion. Universal service provision sales fell by HUF 11.3 billion. Revenue from electricity distribution was down by HUF 4.1 billion.
- Revenue from electricity system operator activity decreased by HUF 69.8 billion mainly as a result of lower tariff income.
- Revenue from natural gas trade fell by HUF 250.6 billion parallel to the decrease in market prices, while natural gas universal service sales were lower by HUF 89.8 billion due to the decrease in volume and in the average sales price.
- Natural gas storage revenues were HUF 3.1 billion up, mainly as a result of the higher tariff. Revenue from natural gas distribution increased by HUF 0.2 billion.
- Revenue from sale of heat decreased by HUF 17.3 billion, while revenue from economic, engineering and other services grew by HUF 3.8 billion and revenue from network, technological installation by HUF 4.3 billion.

Other operating income was HUF 373.1 billion down. The amount of grants decreased by HUF 348.1 billion, mainly due to the lower amount of the compensation for protecting utility payments. The base effect of the temporary sale of own natural gas in storage in 2023 and other minor items resulted in a further HUF 25.0 billion decrease.

Operating expenses (without depreciation/amortisation)

The cost of purchasing electricity decreased by HUF 349 billion and the cost of purchasing natural gas by HUF 535.1 billion. System operation expenses were HUF 38.1 billion down as a consequence of the reduction in prices.

Also owing to price decreases, power plant material costs fell by HUF 10.3 billion. Maintenance costs grew by HUF 6.5 billion.

Other material costs were higher by HUF 9.4 billion mainly in relation with CO₂ allowance trading.

The increase in staff costs totalled HUF 14.7 billion, primarily owing to the increase in salaries, and the higher headcount at the customer service, support and international functions.

Other operating expenses were HUF 33.7 billion down on the prior-period figure. The costs of network and metering losses as well as of the difference from profile-based metering decreased by HUF 29.2 billion, costs of corrective gas and volume variances by HUF 6.7 billion, while operational and IT costs by HUF 7.9 billion. In contrast, a cost increase resulted from EEO obligations (+HUF 6.0 billion) and other minor items (+HUF 4.1 billion).

Own performance capitalised increased profit for the period by HUF 4.1 billion, primarily in relation with the infrastructure segment.

The amount of payments to the Central Nuclear Financial Fund grew by HUF 0.9 billion.

Recognition and release of provisions is HUF 8.6 billion worse. The amount released from provisions for contractual and other expected liabilities was lower by HUF 18.8 billion, while recognition and release of reclamation provisions is worse by HUF 0.7 billion. At the same time, recognition and release of provisions for power plant and mine closure is better by HUF 5.7 billion, of provisions for EEO obligations by HUF 3.2 billion, while of provisions for radioactive waste processing by HUF 1.9 billion.

The amount of impairment grew by HUF 6.2 billion mainly due to impairment booked on receivables.

EBITDA

Due to the above, EBITDA decreased by HUF 62.6 billion.

Depreciation

The amount of depreciation decreased by HUF 11.1 billion due to the re-measurement of nuclear technology assets of Paksi Atomerőmű recognised at fair value; however, acquisitions and capitalisation of assets under construction resulted in growth, mainly in the production and the infrastructure business divisions.

Net finance cost

The HUF 47.9 billion improvement of net finance cost resulted from the HUF 64.7 billion improvement in the gain/loss on derivative transactions as well as the HUF 24.3 billion decrease in net interest payment liability; in contrast, the balance of exchange gains and losses worse by HUF 41.0 billion represented a deteriorating item.

Share of profit/loss of associates and joint ventures

Share of profit/loss of associates and joint ventures increased by HUF 29.4 billion as a result of the HUF 28.0 billion rise in profit from valuation of associates and the HUF 1.4 billion growth in dividend income.

Tax liability

The HUF 13.2 billion increase in tax liability resulted from an increase by HUF 12.2 billion in deferred tax, by HUF 7.2 billion in the settlement of income tax for energy suppliers and by HUF 1.4 billion in income tax paid abroad, while the amount of corporation tax and windfall tax paid abroad fell by HUF 4.6 billion, of the business tax by HUF 2.5 billion and of the innovation contribution by HUF 0.4 billion.

1.2. Cash flow

MVM Group, consolidated HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Profit after tax	222,047	209,490	12,557	+6%
Depreciation/ Amortisation	121,597	132,656	-11,059	-8%
Other changes	132,182	111,480	20,702	+19%
Cash flows from operating activities before changes in working capital	475,826	453,626	22,200	+5%
Changes in inventories	157,080	446,274	-289,194	-65%
Changes in trade receivables and other non-derivative financial assets	485,260	164,500	320,760	+195%
Changes in trade payables and other non-derivative financial liabilities	-205,432	-605,194	399,762	-66%
Changes in provisions	35,604	15,105	20,499	+136%
Other changes in working capital	-43,801	-88,725	44,924	-51%
Income tax paid	-126,881	-49,388	-77,493	+157%
Net cash flows from operating activities	777,656	336,198	441,458	+131%
Dividends received	3,614	3,850	-236	-6%
Interest received	16,367	14,176	2,191	+15%
Acquisition of property, plant and equipment, intangible assets	-123,350	-134,809	11,459	-9%
Sale of property, plant and equipment, intangible assets	479	942	-463	-49%
Sale of non-current assets held for sale	1,415	29,268	-27,853	-95%
Development grant received	34,264	25,243	9,021	+36%
Granting and repayment of loans	65	22	43	+195%
Acquisition of subsidiaries and business units, net of cash received	-19,405	-135	-19,270	+14,274%
Sale of interests in other entities	1	0	1	N/A
Acquisition of interests in associates and joint ventures	-2,624	-3,229	605	-19%
Cash flows from investing activities	-89,174	-64,672	-24,502	+38%
Dividends paid	-15,068	-108,058	92,990	-86%
Interest paid	-36,446	-52,432	15,986	-30%
Loans and borrowings	789,388	1,140,994	-351,606	-31%
Repayment of loans and borrowings	-1,282,857	-1,442,785	159,928	-11%
Payment of lease liability	-5,678	-4,861	-817	+17%
Transactions with non-controlling interests	345	0	345	N/A
Cash flows from financing activities	-550,316	-467,142	-83,174	+18%
Net increase/decrease in cash and cash equivalents	138,166	-195,616	333,782	-171%
Cash and cash equivalents at the beginning of the year	244,196	404,556	-160,360	-40%
Effect of movements in exchange rates on cash held	1,148	-1,594	2,742	-172%
Cash and cash equivalents at the end of the year	383,510	207,346	176,164	+85%

The net balance of **operating cash flow** amounted to HUF 777.7 billion, which is HUF 441.5 billion up on the same period in the previous year. The main reasons behind include:

- Operating profit increased cash by HUF 22.2 billion.
- Changes in working capital increased operating cash flows by HUF 496.8 billion:
 - the effect of changes in inventories is - HUF 289.2 billion, largely in relation to purchase of natural gas inventories, due to the base effect of higher energy prices in the previous year;
 - the balance of trade receivables and payables and non-derivative financial receivables and liabilities (deposits related to stock exchange and OTC transactions, interim dividend paid in the previous year) is + HUF 720.5 billion.
- - HUF 77.5 billion is attributable to higher tax paid.

Investment cash flow reduced cash and cash equivalents by HUF 89.2 billion. This means HUF 24,5 billion higher cash outflow than the same period in the previous year, principally as a result of the higher amount of purchase of interests and the lower amount of development grants.

The balance of **financing cash flow** amounts to HUF -550.3 billion, which represents HUF 83.2 billion fall yoy, mainly as a result of the balance of loans drawn, issue of bonds and repayment of loans (HUF -191.7 billion), lower interest expenses (HUF +16.0 billion) and the lower amount of dividends paid (HUF +93.0 billion).

1.3. Assets

MVM Group, consolidated HUF million	2024 H1 unaudited	2023 audited	Change	Change %
NON-CURRENT ASSETS	3,140,245	3,213,930	-73,685	-2%
Property, plant and equipment	2,464,322	2,520,947	-56,625	-2%
Investment property	3,834	3,884	-50	-1%
Goodwill	99,239	98,662	577	+1%
Other intangible assets	253,297	259,485	-6,188	-2%
Interests in associates and joint ventures	206,341	204,411	1,930	+1%
Interests in other entities	2,866	2,588	278	+11%
Non-current loans and receivables	14,980	14,478	502	+3%
Derivative financial assets	44,045	27,099	16,946	+63%
Deferred tax assets	51,321	82,376	-31,055	-38%
CURRENT ASSETS	3,261,746	3,811,522	-549,776	-14%
Inventories	508,108	665,022	-156,914	-24%
Derivative financial assets	160,517	208,995	-48,478	-23%
Trade receivables and other non-derivative financial assets	879,017	1,672,926	-793,909	-47%
Other non-financial assets	1,215,711	929,855	285,856	+31%
Current tax assets	14,941	15,319	-378	-2%
Non-current assets held for sale	1,372	1,519	-147	-10%
Cash and cash equivalents	384,460	245,582	138,878	+57%
Restricted cash	97,620	72,304	25,316	+35%
TOTAL ASSETS	6,401,991	7,025,452	-623,461	-9%

Non-current assets

As at the end of 2024 H1 non-current assets totalled HUF 3,140.2 billion, which is HUF 73.7 billion down on the figure as at the end of the previous year. The decrease is mainly due to the re-measurement of nuclear technology assets recognised at fair value (- HUF 88.8 billion) and the fall in deferred tax assets (- HUF 31.1 billion). Furthermore, the revaluation of non-current commodity derivative transactions due to the change in natural gas and electricity prices increased the amount of assets by HUF 16.9 billion and the consolidation of acquired companies by HUF 26.8 billion.

Current assets

At the end of 2024 H1 current assets stood at HUF 3,261.7 billion, down by HUF 549.8 billion relative to the end of the previous year.

Inventories are lower by HUF 156.9 billion due to the lower amount of natural gas inventories.

Derivative financial assets are lower by HUF 48.5 billion because of the revaluation of current derivative transactions.

The change in trade receivables and other non-derivative financial assets as well as in other non-financial assets was primarily influenced by the lower balance of trade receivables (- HUF 199.7 billion), the lower amount of stock exchange and other deposits (- HUF 277.4 billion), the settlement of interim dividend (- HUF 309.0 billion) and the higher amount of receivables connected to electricity and natural gas trading power exchange and OTC transactions (+ HUF 293.7 billion).

Closing cash and cash equivalents amounted to HUF 384.5 billion, which represents HUF 138.9 billion increase relative to the end of the previous year. The closing amount of restricted cash is HUF 25.3 billion up on the 2023 year-end figure, chiefly due to the change in restricted cash of MAVIR Zrt.

1.4. Equity and liabilities

MVM Group, consolidated HUF million	2024 H1 unaudited	2023 audited	Change	Change %
EQUITY	1,975,499	1,936,726	38,773	+2%
Share capital	849,379	849,379	0	0%
Capital reserve	51,892	51,892	0	0%
Retained earnings	378,579	482,705	-104,126	-22%
Reserves	695,290	552,608	142,682	+26%
Non-controlling interests	359	142	217	+153%
LIABILITIES	4,426,492	5,088,726	-662,234	-13%
Non-current liabilities	1,632,046	1,945,831	-313,785	-16%
Non-current loans and borrowings	1,081,268	1,333,217	-251,949	-19%
Non-current derivative financial liabilities	34,035	71,850	-37,815	-53%
Non-current provisions	133,457	128,332	5,125	+4%
Deferred tax liabilities	305,188	336,494	-31,306	-9%
Liabilities related to long-term employee benefits	23,964	22,898	1,066	+5%
Other non-current financial liabilities	54,134	53,040	1,094	+2%
Current liabilities	2,794,446	3,142,895	-348,449	-11%
Current loans and borrowings	135,587	329,883	-194,296	-59%
Current derivative financial liabilities	233,251	496,411	-263,160	-53%
Trade payables and other non-derivative financial liabilities	474,751	688,753	-214,002	-31%
Current provisions	89,881	55,663	34,218	+61%
Liabilities related to short-term employee benefits	27,367	32,188	-4,821	-15%
Current tax liabilities	139,209	173,988	-34,779	-20%
Other current non-financial liabilities	1,694,400	1,366,009	328,391	+24%
TOTAL EQUITY AND LIABILITIES	6,401,991	7,025,452	-623,461	-9%

Equity

The 2024 H1 amount of equity totals HUF 1,975.5 billion, which is higher by HUF 38.8 billion than at the end of the previous year. The reason behind is the combined effect of the dividend paid from the 2023 profit (- HUF 324.0 billion), the 2024 H1 profit (+ HUF 222.0 billion), and the increase in reserves (+ HUF 142.7 billion) mainly as a result of open hedges included in hedge accounting and the fair value measurement of assets.

Non-current liabilities

Non-current liabilities are HUF 313.8 billion down on the prior-year figure. The change is chiefly due to the decrease in non-current loans and borrowings (- HUF 251.9 billion) as a joint result of the issue of USD bonds and loan repayments, and also to the lower deferred tax liabilities (- HUF 31.3 billion) and the revaluation of non-current derivative transactions (- HUF 37.8 billion).

The closing amount of non-current provisions was at almost the same level, HUF 5.1 billion up on the end of the previous year.

Current liabilities

Current liabilities decreased by HUF 348.4 billion relative to the previous year.

The difference is primarily due to the decrease in current loans and borrowings (- HUF 194.3 billion), current derivative transactions (- HUF 263.2 billion), tax liabilities (- HUF 83.5 billion) and accrued trade liabilities and material-type expenses (- HUF 80.7 billion), as well as the higher liabilities connected to electricity and natural gas trade power exchange and OTC transactions (+ HUF 322.6 billion).

1.5. Capital expenditures and investments

MVM Group, consolidated HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Capital expenditures ¹	119,206	125,253	-6,047	-5%
Investments	22,029	3,364	+18,665	+555%
TOTAL DEVELOPMENTS	141,235	128,617	+12,618	+10%

Capital expenditures (CAPEX)

The MVM Group carried out HUF 119.2 billion CAPEX in the first half of 2024, HUF 6.0 billion less than in the same period in the previous year. Main constructions included the following items:

- purchase of nuclear fuel, replacement and control technology investment projects, regular targeted safety inspections of MVM Paks Atomerőmű Zrt., as well as CAPEX related to the preparation of the life extension;
- constructions of MVM Mátra Energia Zrt. essential for maintaining power plant operations;
- MAVIR ZRt.'s constructions for operational safety and network development purposes as well as IT improvements;
- investments related to the storage infrastructure of Magyar Földgáztároló Zrt. and accounting for the replacement of cushion gas;
- constructions at distribution network companies (MVM Démász Áramhálózati Kft., MVM Émász Áramhálózati Kft., MVM Főgáz Földgázhálózati Kft., MVM Égáz-Dégáz Földgázhálózati Zrt.) in line with the asset strategy and customer requirements;
- in addition to constructions related to the core activity of MVM Zrt., CAPEX connected to infrastructure-related integration of customers taken over from E.ON.

Investments

In 2024 H1, the MVM Group realised HUF 22.0 billion in investments, HUF 18.7 billion more than in the same period in the previous year. The most significant investments were:

- MVM Zöld Generáció Zrt. purchased the solar power plant with installed capacity of 63 MW on the outskirts of Tázlár.
- MVM CEEnergy Zrt. acquired further interests in OGD Berettyóújfalu Koncessziós Kft.

¹ Without CO₂ allowances and including purchase of right of use assets related to lease

2. RESULTS OF THE BUSINESS DIVISIONS OF THE MVM GROUP

The MVM Group is divided into six main business divisions:

- Power generation (electricity and heat generation),
- Infrastructure (electricity transmission, electricity and natural gas distribution, natural gas storage)
- Wholesale (electricity and natural gas wholesale)
- Retail and customer relations (retail trade of electricity and natural gas, street lighting e-mobility)
- International (operations in the Czech Republic, Romania and Azerbaijan)
- Other companies (holding, technical service providers, other providers)

The analyses are based on the individual contributions of the activities to the consolidated results of the MVM Group under IFRS.

Revenues of the individual business divisions for the 2024 January-June period were as follows:

NET SALES REVENUE HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Power generation	242,110	241,498	+612	+0%
Infrastructure	337,580	426,238	-88,658	-21%
Wholesale	1,538,746	2,121,158	-582,412	-27%
Retail and customer relations	842,012	1,385,911	-543,899	-39%
International	449,820	553,776	-103,956	-19%
Other	84,906	72,621	+12,285	+17%
Consolidation between business divisions	-1,338,947	-2,031,651	+692,704	-34%
MVM Group, consolidated	2,156,227	2,769,551	-613,324	-22%

EBITDA figures of the individual business divisions for the 2024 January-June period were as follows:

EBITDA HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Power generation	69,898	58,626	+11,272	+19%
Infrastructure	129,301	148,699	-19,398	-13%
Wholesale	212,442	170,029	+42,413	+25%
Retail and customer relations	13,721	58,395	-44,674	-77%
International	19,306	82,669	-63,363	-77%
Other	8,398	7,082	+1,316	+19%
Consolidation between business divisions	-2,622	-12,482	+9,860	-79%
MVM Group, consolidated	450,444	513,018	-62,574	-12%

Main non-financial quantitative indicators specific to power generation and trading activities of the MVM Group in the 2024 January-June period:

Indicators		2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Generation of electricity	GWh	9,686	9,516	170	+2%
Generation of heat	TJ	1,981	2,269	-288	-13%
Installed electric capacity	MW	4,170	4,060	110	+3%
nuclear	MW	2,027	2,027	0	0%
renewable	MW	629	419	210	+50%
lignite, natural gas and other	MW	1,514	1,614	-100	-6%
Sale of electricity	GWh	18,922	19,990	-1,068	-5%
Sale of natural gas	GWh	75,958	65,887	10,071	+15%
Carbon-free generation of electricity	GWh	8,197	7,913	284	+4%
nuclear	GWh	7,701	7,656	45	+1%
renewable	GWh	496	257	239	+93%
Carbon-free generation of electricity	%	85	83	2	+2%

2.1. Power generation business division

The Paks Nuclear Power Plant, owned by MVM Paksi Atomerőmű Zrt., is the largest power plant in Hungary. For more than 30 years, safe and cheap electricity generated from nuclear power plants in an environmentally friendly manner has provided a significant share of Hungary's electricity needs.

The purpose of Zöld Generáció Zrt. is to increase the share of safe, reliable, cheap and environmentally friendly renewable electricity generation in line with the National Energy Strategy and the national commitments to the European Union. Increasing the share of renewable power plants in MVM's portfolio will be achieved via developments in renewable energy programmes, acquisitions and the exploration of other alternative renewable energy generation options (geothermal, biomass, biogas, etc.). MVM Zöld Generáció Zrt. and its subsidiaries also have solar, hydro and wind power units.

In 2020, the MVM Group acquired sole ownership of the lignite-fired Mátra Power Plant, which has been in operation since 1969. The fuel is provided by the Visonta and Bükkábrány mines through open-cast mining.

MVM Balance Zrt. is responsible for operating the gas turbine power plants, as well as selling the available electricity capacity and the electricity and heat generated. In 2021 the Miskolc Combined Cycle Power Plant – shut down in 2014 – was relaunched, and thanks to the modernisation work completed it now operates reliably and complies with the stricter EU environmental rules.

The MVM Group is also an active player on the district heating market, where it supplies district heating to the given regions in Oroszlány, Szolnok, Tatabánya, Miskolc and North Buda by implementing state-of-the-art technologies.

MVM ERBE Zrt. that has been operating for 70 years, participates in the preparation, planning and implementation of projects necessary for the operation of electric and heat energy generating units, electricity transmission and distribution networks, and it undertakes comprehensive engineering services for these activities.

Power generation HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Net sales revenue	242,110	241,498	+612	+0%
EBITDA	69,898	58,626	+11,272	+19%
Indicators				
Generation of electricity (GWh)	9,661	9,474	+187	+2%
Generation of heat energy (TJ)	1,683	1,685	-2	-0%

Power generation based on nuclear energy

The amount of EBITDA from power generation based on nuclear energy was HUF 9.5 billion up on the prior-period figure.

Net sales revenue increased by HUF 17.4 billion, mainly due to the increase in the unit price of electricity sales, which was moderated by the lower volumes produced. Other income is lower by HUF 0.7 billion as a one-off base effect of an intra-group transfer of division in 2023. Maintenance and material costs grew by HUF 1.1 billion, operating, subcontractor and other costs by HUF 3.5 billion and staff costs by HUF 3.5 billion. The balance of provisions improved by HUF 1.7 billion, mainly due to the impact of the change in the provision recorded for radioactive waste processing. The amount of payments to the Central Nuclear Financial Fund grew by HUF 0.9 billion.

Renewable power generation

Renewable capacities grew by 210 MW compared to the previous period, thanks to the expansion of photovoltaic power plant capacities. This means that the power generation portfolio of the MVM Group using renewable resources reaches 629 MW installed capacity.

EBITDA from the generation of electricity using renewable resources was up by HUF 7.9 billion.

Revenue from the sale of electricity increased by HUF 9.2 billion, primarily owing to higher sales prices and the increasing volume of power generation in solar power plants as a result of extended capacities. The HUF 0.3 billion growth in other income results from the higher amount of grants received for development purposes and penalties received. Operating costs rose by HUF 1.6 billion.

Flexible electricity generation and heat generation

The amount of EBITDA from flexible electricity generation and heat generation is HUF 2.3 billion down on the prior-period figure.

Revenue from sale of heat decreased by HUF 14.9 billion due to lower unit prices and volume sold. Revenue from sale of electricity decreased by HUF 5.1 billion due to the lower volume sold and unit prices, as well as the fall in revenue from system-level services. Other revenue overall fell by HUF 0.6 billion.

Heat subsidy revenue is lower by HUF 3.2 billion, which is determined based on the methodology used by MEKH. The insurance compensation received in connection with the failure of a gas turbine increased the reporting-period profit by HUF 2.1 billion as a one-off effect.

The costs of fuel oil and natural gas use decreased by HUF 15.7 billion parallel to the lower volume of heat and electricity generation and due to the fall in the purchase unit price. Operating and other costs dropped by HUF 3.7 billion.

Coal-fired power generation

EBITDA from the activity is HUF 5.7 billion down on the base-period figure.

Revenue from sale of electricity decreased by HUF 2.3 billion, mainly due to the decrease in the volume sold, moderated by the rise in unit prices. Revenue from heat generation and from other activities are higher by HUF 1.1 billion.

Other income grew by HUF 16.8 billion as a result of the amount received as compensation for the system security service.

Costs of materials purchased for power generation rose by HUF 9.4 billion mainly due to the higher unit price of CO₂ allowances. Staff costs increased by HUF 0.9 billion.

The balance of provisions worsened by HUF 10.9 billion, primarily as a result of provisions recorded for mine closures and reclamation.

Other activities

The change in EBITDA of the other activities in the business division totalled HUF 1.0 billion, mainly owing to the improved provision balance of Vértesi Erőmű Zrt.

The change in the consolidation effects within the business division is HUF 0.9 billion.

2.2. Infrastructure business division

MAVIR ZRt. is the transmission system operator of the Hungarian electricity system, and the owner and operator of the transmission network. As a subsidiary of the MVM Group, MAVIR ZRt. operates according to the ITO model, which ensures compliance with the rules on the separation of activities in line with the EU directive. The company is responsible for maintaining the capacity balance of the national energy system, balancing the deviations of the balance groups from the plans. It ensures the smooth operation and further expansion of the electric energy market and the system of balance groups helping the market, as well as equal access for system users.

HUPX Zrt. is the operator on the Hungarian electricity market, its core activity is to provide the reference prices and the exchange trading platform.

The MVM Group includes two electricity and two natural gas distribution network companies. Distribution networks are operated by MVM Démász Áramhálózati Kft. in the Southern Great Plain, by MVM Émász Áramhálózati Kft. in Northern Hungary, by MVM Főgáz Földgázhálózati Kft. in Budapest and in 18 municipalities near the capital and by MVM Égáz-Dégáz Földgázhálózati Zrt. in North-Western Hungary and in the Southern Great Plain. The companies are engaged in establishing, developing, operating, maintaining and managing the networks.

Magyar Földgáztároló Zrt. is the company with the largest Hungarian and one of the largest Central European gas storage capacities. It has 4.3 billion m³ of natural gas storage capacity at four sites.

Infrastructure HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Net sales revenue	337,580	426,238	-88,658	-21%
EBITDA	129,301	148,699	-19,398	-13%
Indicators				
Electric energy transmission (GWh)	19,963	20,030	-67	-0%
Electricity distribution (GWh)	4,978	4,987	-9	-0%
Natural gas distribution (GWh)	14,907	16,674	-1,767	-11%
Natural gas storage level (GWh)	33,473	26,581	+6,892	+26%
Natural gas storage level (%)	73	56	+17	+30%

Electric energy transmission

The EBITDA of the electric energy transmission activity decreased by HUF 29.6 billion.

The revenue from the activity fell by HUF 76.8 billion. Sales revenue from energy regulation items fell HUF 5.4 billion short of the base-period figure, tariff revenues fell by HUF 135.6 billion as a result of lower system operator tariff, and electricity sales also decreased slightly. Revenue from the sale of cross-border capacity was down by HUF 3.1 billion, while other items overall caused a HUF 3.6 billion increase in sales revenue.

Other operating income was HUF 0.5 billion down.

System operator costs decreased by HUF 48.1 billion due to the fall in prices on the electricity market, while staff costs increased by HUF 1.2 billion and other minor items resulted in a HUF 0.5 billion improvement in the result.

Natural gas distribution

The amount of EBITDA from natural gas distribution is more by HUF 5.9 billion.

Net sales revenue was HUF 0.5 billion lower, since the rise in the tariff could counterbalance only in part the effect of the decrease in volume; other income increased by HUF 0.2 billion.

Gas procurement costs fell by HUF 7.0 billion, maintenance costs were HUF 1.0 billion higher, and other operating items increased by HUF 0.7 billion. Own performance capitalised improved profit for the period by HUF 0.9 billion.

Electricity distribution

The EBITDA of the electricity distribution activity decreased by HUF 4.7 billion.

Distribution revenue was HUF 6.3 billion lower, mainly due to the tariff decrease. Revenue from selling back electricity purchased for the residual curve deviation decreased by HUF 5.1 billion. Other operating income dropped by HUF 19.6 billion, as unlike in the base period, there was no income from funding to protect utility payments in the reporting period, furthermore, the balance of compensation payable and received was also less favourable.

The cost of purchased electricity decreased by HUF 29.2 billion. Maintenance costs rose by HUF 1.4 billion, staff costs were HUF 0.9 billion higher, and other minor items caused a HUF 0.6 billion decrease in the result.

Natural gas storage

The EBITDA from this activity exceeded the base period by HUF 4.6 billion.

Storage revenues fell by HUF 6.6 billion due to the combined effect of unit prices and volume decrease. Revenues related to cushion gas were HUF 1.7 billion lower, because sales of cushion gas decreased both in terms of volume and unit price. The sale of recovered cushion gas resulted in sales revenue of HUF 1.0 billion in the base period, while no such income arose in the reporting period.

Electricity procurement costs decreased by HUF 3.4 billion and natural gas procurement costs by HUF 1.0 billion; other minor items pushed costs up by HUF 0.2 billion.

The more favourable balance of reclamation provisions owing to interest-rate changes increased the activity's result by HUF 9.7 billion.

Telecommunications

EBITDA from the activity was HUF 1.6 billion up on the base-period figure, mainly due to the increase in revenue.

Other activities

The change in EBITDA of the other activities in the business division totalled HUF 0.6 billion.

The change in the consolidation effects within the business division is HUF 2.2 billion.

2.3. Wholesale division

MVM Partner Zrt. is a major player on the Hungarian electricity market with the largest generation portfolio in terms of purchases and contributes to the stable domestic supply of electricity in many ways. The company supplies the majority of its (mainly residential) consumers entitled to a universal service through the universal service providers and is also active in regional electricity trading with countries neighbouring Hungary. The company pursues trading throughout Europe and is present on several European stock exchanges and OTC markets through its Budapest headquarters.

MVM CEEnergy Zrt. is the leading player on the Hungarian natural gas wholesale market. The company is the most important partner of the universal natural gas supplier and the natural gas traders in ensuring a reliable supply of natural gas to residential consumers as well as small and medium enterprises, and also plays a significant role in the end-consumer market, as a partner to power plants, district heating companies and industrial customers. The company grows its regional market presence through its subsidiaries.

Wholesale HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Net sales revenue	1,538,746	2,121,158	-582,412	-27%
EBITDA	212,442	170,029	42,413	+25%
Indicators				
Sale of electricity (GWh)	18,643	18,000	+643	+4%
Sale of natural gas (GWh)	76,818	62,996	+13,822	+22%

Electric energy wholesale

The extremely high volatility of previous years consolidated at lower levels in the first six months of 2024. The fall in allowance and natural gas prices played a significant role in the drop in electricity prices, but the unusually mild winter weather also exerted an impact through lower demand, while supply remained relatively stable.

EBITDA from electricity wholesale activities was HUF 46.3 billion lower than in the previous period.

Sales revenue from electricity trading decreased by HUF 393.0 billion, with sales to universal service providers coming in HUF 17.0 billion higher due to the combined effect of higher unit prices and volume growth. Revenue from energy regulation dropped by HUF 13.8 billion.

Parallel to this, the costs of purchasing electricity fell by HUF 351.8 billion, the costs of balancing energy dropped by HUF 6.3 billion, and the cross-border capacity reservation fee decreased by HUF 3.7 billion. One temporary effect was the HUF 2.1 billion impairment charge recognised on the accrual for outgoing invoices. At the same time, the extra-profit tax payable decreased by HUF 1.9 billion, while other minor items pulled the profit down by HUF 1.1 billion.

Natural gas wholesale

In terms of TTF prices, the Dutch stock exchange exhibited a downwards trend at the beginning of the year, before starting to rise in February and has remained in the EUR 30-40 range ever since, slightly better than in the previous period.

The EBITDA of natural gas wholesale rose by HUF 95.0 billion compared to the previous period.

Natural gas trading revenues came in HUF 312.9 billion lower, with unit prices and volumes decreasing, of which the universal service segment accounts for a decrease of 2.5 TWh. The purchase price of natural gas continues to exceed the average price of sales to the universal service segment, although at a decreasing rate, which is compensated via the utility protection fund. Due to the lower funding to protect utility payments as a result of lower purchase prices, other operating income were down by HUF 221.9 billion on the prior-period figure.

The costs of natural gas procurement decreased by HUF 655.2 billion due to the lower volumes purchased.

The change in provisions reduced profit for the period by HUF 17.5 billion, as a significantly lower amount of provisions for contractual obligations and other expected liabilities was released compared to the base period. Impairment of bad debts totalled HUF 3.2 billion, while debts assumed from MVM Next Zrt. decreased profit by HUF 5.0 billion. Other minor items improved the profit for the period by HUF 0.3 billion.

The change in the consolidation effects within the business division is - HUF 6.3 billion.

2.4. Retail and customer relations division

MVM Next Energiakereskedelmi Zrt. plays a significant role on the Hungarian universal service provision market for electricity and also supplies the entire Hungarian universal service provision segment for natural gas. In addition to the universal service provision activities, it has a significant share in both electricity and natural gas retailing on the competitive market.

Within the MVM Group, MVM Ügyfélkapcsolati Kft. supports the customer side operation of the main licensed activities. Its key priority is to operate customer-centric service channels and enhance the real customer experience.

Via MVM Mobiliti Kft. the MVM Group is a leading player in the fast-growing e-mobility market, and also operates CNG filling stations.

The MVM Group has a significant share in the street lighting market, which includes the modernisation and expansion of street lighting, and the development, expansion and operation of outdoor lighting.

Retail and customer relations HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Net sales revenue	842,012	1,385,911	-543,899	-39%
EBITDA	13,721	58,395	-44,674	-77%
Indicators				
Sale of electricity (GWh)	11,297	13,344	-2,047	-15%
Sale of natural gas (GWh)	23,283	28,017	-4,734	-17%

Retail

EBITDA from the retail activity is HUF 42.7 billion down on the base-period figure.

Revenues from the sale of electricity by universal service providers decreased by HUF 14.5 billion due to changes in consumption patterns and the composition of the customer base. Revenues from user sales were down by HUF 277.0 billion with significant unit price hikes and a 0.7 TWh increase in traded volumes. The settlement of quantity differences with distributors decreased the sales revenue by HUF 21.7 billion, as it declined both in volume and unit price.

Revenue from natural gas trade was HUF 136.4 billion lower alongside a decrease of 2.3 TWh in trading. Universal service sales revenue decreased by HUF 94.7 billion, with a lower average selling price and a 2.5 TWh decrease in traded volumes.

Other sales revenue, mainly related to electricity and natural gas trading, was HUF 1.9 billion lower due to a decrease in revenue from mediated services and other minor items.

Other income dropped by HUF 69.3 billion, mainly because the amount allocated to protect utility payments to compensate for losses in the universal service segment of electricity was lower.

Electricity procurement costs decreased by HUF 401.8 billion, and natural gas procurement costs by HUF 173.1 billion.

The balance of provisions improved the result for the period by HUF 8.6 billion due to the more favourable balance of provisions for EEO obligations and reclamation provisions. The balance of impairment booked on receivables and reversed reduced the result for the period by HUF 0.6 billion.

Services related to billing and receivables management rose by HUF 3.7 billion, energy efficiency obligations by HUF 6.0 billion, and staff costs by HUF 0.3 billion.

Client relations

The EBITDA of customer service decreased by HUF 1.0 billion, primarily due to the higher increase in operating and staff costs relative to that of revenue.

Other activities

The EBITDA from the other activities in the business division increased by HUF 0.3 billion, primarily thanks to the more favourable results of the electric charging network operation activities.

The change in the consolidation effects within the business division is - HUF 1.3 billion.

2.5. International division

Since 2020, MVM Zrt. has wholly owned the innogy Česká republika Group, the number one natural gas trader in the Czech Republic, supplying energy to nearly 1.7 million retail and corporate customers. It operates in a competitive market environment in both the business and retail sectors. It is also involved in combined heat and power generation, power plant installation and e-mobility.

MVM Energy Romania performs maintenance work for and operates micro-hydroelectric power plants at Csíkmadaras, Úz-völgy and Vargyas. It provides clean and affordable energy for its customers in a sustainable way.

International HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Net sales revenue	449,820	553,776	-103,956	-19%
EBITDA	19,306	82,669	-63,363	-77%
Indicators				
Sale of electricity (GWh)	2,675	2,846	-171	-6%
Sale of natural gas (GWh)	11,552	12,623	-1,071	-8%
Generation of electricity (GWh)	17	35	-18	-51%
Production of heat energy (TJ)	297	584	-287	-49%

Presence on the Czech market

EBITDA from electricity and natural gas trade is HUF 63.2 billion down on the base-period figure.

Electricity trading revenues were HUF 40.5 billion lower due to the reduction in sales prices and alongside a decrease in traded volumes of 0.2 TWh.

Sales revenue from natural gas trading decreased by HUF 62.0 billion, driven by a decrease unit prices and a 1.1 TWh fall in traded volumes.

Revenues from heat generation were HUF 3.2 billion lower, while other income, mainly from services, decreased by HUF 3.6 billion. The funding received in the previous period to compensate for a significant part of the losses caused by the introduction of the price cap in the Czech electricity and natural gas markets was not an item in the reporting period due to the phasing out of the price cap, which reduced income by HUF 51.2 billion between the two periods.

The cost of purchasing electricity decreased by HUF 62.5 billion and the cost of purchasing natural gas by HUF 32.3 billion.

Alongside the rise in purchasing costs, staff costs rose by HUF 1.0 billion, while utility fees decreased by HUF 3.0 billion and costs of services used and other minor items by HUF 0.9 billion.

The balance of impairment of receivables was HUF 0.4 billion worse than in the previous year.

Presence on the Romanian market

The EBITDA figure from the Romanian market activity decreased by HUF 0.4 billion, mainly due to the lower profitability of electric energy trade.

The change in the consolidation effects within the business division is HUF 0.2 billion.

2.6. Other companies

The main activity of MVM Zrt. – as a holding entity – comprises asset management, group management and optimising operations, as well as communicating owner interests. In addition, the company's activities include the provision of management services, rental activities and the utilisation of other real estate. The profitability of the entities in the portfolio affects the company's results via dividend income.

The technical service companies of the MVM Group provide installation, construction and maintenance services related to the transmission and distribution network systems, mainly for members of the MVM Group. With its water-saving cooling systems, MVM EGI Zrt. provides a reliable foundation for thousands of power plants worldwide.

The other entities provide IT, accounting, property management, energy efficiency, innovation and other services, mainly for members of the MVM Group.

Other HUF million	2024 H1 unaudited	2023 H1 unaudited	Change	Change %
Net sales revenue	84,906	72,621	12,285	+17%
EBITDA	8,398	7,082	1,316	+19%

Holding entity

The EBITDA of the holding entity fell HUF 5.5 billion short of the figure in the previous period.

Net sales revenue decreased by HUF 1.0 billion, primarily owing to the lower amount of intra-group financial services. Other income fell by HUF 1.3 billion, mainly due to the lack of the 2023 one-off profit increasing effect of the property contribution in kind within the Group.

Staff costs increased by HUF 0.3 billion, advisory costs by HUF 1.8 billion, while IT and other costs by HUF 1.1 billion.

Technical service providers

EBITDA from technical service provision exceeded the base-period figure by HUF 3.3 billion.

The increase in sales revenue above operating costs improved the result from installation and maintenance services by HUF 3.8 billion in connection with the substation construction and transmission divisions.

EBITDA from the production of refrigeration systems decreased by HUF 0.6 billion due to project delays.

Other service providers

The EBITDA from other services – typically inside the Group – exceeded the previous period by HUF 2.5 billion.

The EBITDA of IT services increased by HUF 1.5 billion and the result from other, mainly internal administrative services by HUF 1.0 billion.

The change in the consolidation effects within the business division is HUF 1 billion.

The change in the consolidation effects between the business divisions is HUF 9.9 billion.

Management Report

2024H1

1. THE SITUATION OF THE MVM GROUP, CURRENT EVENTS

The MVM Group's mission is to provide clean and affordable energy for its customers in a sustainable way, meeting the requirements and customer expectations of the 21st century. The MVM Group aims to improve operational efficiency, ensure decarbonisation and flexibility in its operations, and further build and expand its role in the regional market along both the electricity and natural gas value chains by 2035 as the leading energy and infrastructure player in Central and Eastern Europe providing carbon neutral solutions. To this end:

- On 20 December 2023, MVM Zöld Generáció Zrt. acquired the 63 MWp Tázlar solar power plant owned by "HO-ME 2000" Vagyonkezelő Kft., MASPED Első Magyar Általános Szállítmányozási Zrt. and MET Green Asset Holding AG.
- At the beginning of 2024, Morningstar Sustainalytics published MVM's latest ESG rating, which improved to 26.5 from 41.4.
- On 5 March 2024, MVM Zrt. successfully completed another international foreign currency bond issue with strong investor interest. The USD 750 million raised will be used for general corporate financing purposes and will contribute to the implementation of the MVM Group's recently presented strategy.
- Under agreements signed by the MVM Group on 17 and 31 May 2024, MVM Zöld Generáció Zrt. is to acquire additional solar power plants. The contracts signed will give the MVM Group an extra 249 MWp of installed solar power capacity overall. The power plants involved in the transaction are in four locations around the country with different environmental characteristics, each with a capacity of between 3 MWp and 63 MWp. The transactions are expected to be completed in the second half of 2024.
- On 5 June 2024, the MVM Group signed an agreement with the Azerbaijani state-owned Southern Gas Corridor CJSC (SGC) to acquire a 5% stake in the production-sharing agreement for the Shah Deniz offshore gas and condensate field in Azerbaijan, and a further 4% stake in the Azerbaijan Gas Supply Company (AGSC), a trading company established for the exclusive sale and supply of natural gas produced from the Shah Deniz gas and condensate field.
- Credit rating agencies Fitch Ratings and S&P Global Ratings confirmed the MVM Group's credit rating in their annual reviews. Fitch Ratings didn't change its investment-grade rating (BBB), which is the same as the Hungarian sovereign debt rating, and S&P Global Ratings affirmed its standalone credit rating on MVM (investment grade 'BBB-'), which is the same as the Hungarian State's current sovereign credit rating.

2. MVM GROUP BUSINESS ENVIRONMENT

The performance of the MVM Group is influenced by several factors, including the general global economic environment, energy market developments and national economic conditions. In addition to the international and Hungarian macroeconomic and regulatory environment, the energy market, regulatory changes, climate policy, technology and social impacts are of the greatest importance here, as they interact closely with each other and with the environments above.

2.1. Macroeconomic environment

In the first half of 2024, the macroeconomic consolidation that started last year continued, with inflation declining, but at a much slower pace than in the previous period and remaining within the MNB's 4% tolerance band every month so far this year (ranging between 3.6% and 4% on a year-on-year basis). In the first half of the year, inflation was boosted by higher prices for services, while the year-on-year declines in the prices of consumer durables and household energy were the main drag on inflation. With inflation stabilising, there is now scope for further interest rate cuts. The base rate fell significantly in 2023, and this continued in 2024 (from 10.75% at the end of last year to 6.75% by the middle of this year), which could lead to a rebound in the economy. The latest annual average GDP figure for Q1, seasonally and calendar adjusted, showed a 1.7% increase. Growth was mainly driven by rising household consumption and an improving external trade balance. The improvement in the external trade balance was driven by a significant fall in the price of imported raw materials, with the value of energy imports in euros 36% lower than in the same period a year earlier. Similarly to 2023, the EUR-HUF exchange rate managed to remain in the 380-400 range with a slight depreciation, amid continued interest rate cuts, but volatility on the FX markets did not decrease. The forint was also a particularly vulnerable currency by regional comparison.

However, besides the consolidation of the main macroeconomic indicators, it is important to underline that the volatility – already mentioned for currencies – has not decreased and the global economy is expected to stabilise at higher interest levels than before (higher interest rates, higher inflation). As a result, the long-term growth outlook appears less favourable, contrary to earlier expectations, and it may take longer for market confidence to return and stabilise fully.

2.2. Regulatory environment

State-of-emergency legislation continued to have an impact on the MVM Group's operations and the regulatory environment in 2024. Pursuant to Government Decree 86/2024 (IV.17), the state of emergency was extended by 180 days and will thus end on 20 November 2024.

In the first half of 2024, several changes in Hungarian legislation and several new laws came into force that impact heavily on the MVM Group's operations.

In the first half of 2024, the main legislative amendments were the changes to the provisions of Act LXXXVI of 2007 on Electricity (Act on Electricity) and Act XVIII of 2005 on District Heating Services (Act on District Heating) that fundamentally determine the MVM Group's operations.

Government Decree 96/2024 (V.7) on different provisions for public construction investments concerning energy systems entered into force on 8 May 2024, creating the possibility for derogating from the legal provisions with regard to energy investments falling within the scope of Act LXIX of 2023 on Public Construction Investments (i.e. construction investments reaching the national public procurement threshold under the Public Procurement Act, for which central budget or indirect European Union funding is utilised that exceeds 50% of the investment value). The regulatory concept covers the widest possible range of companies concerned in the MVM Group. The detailed rules for the exemption and the granting of relief under the Public Construction Investments Act were laid down in Government Decree 148/2024 (VI.28).

The EU has introduced the so-called ESG approach – Environmental, Social and Governance – into the way the economy works. The aim is to enable objective assessments of the activities of individual companies in terms of sustainability and corporate responsibility. Act CVIII of 2023 on the rules of corporate social responsibility, considering environmental, social and societal aspects to promote sustainable finance and unified corporate responsibility and amendments to other related acts (ESG Act) entered into force on 1 January 2024. The ESG Act creates a new

regulatory basis for Hungarian business organisations based on sustainability considerations and the sustainability frameworks in force in the EU.

With Government Decree 289/2022 (VIII.5) “on the protection of utility payments ensuring the universal electricity and natural gas service under unchanged conditions during the state of emergency”, the Government designated MVM CEEnergy Zrt. as the natural gas service provider and MVM Next Energiakereskedelmi Zrt. and E.ON Áramszolgáltató Kft. as the electricity service providers for the period between 1 January 2022 and 31 December 2024. The Government decided to add further category to the expenses related to the Compensation for protection of utility payments chapter of the Budget Act and called on the Minister of Energy to ensure the transfer of compensation to be paid to the electricity and natural gas suppliers contracted to ensure the protection of utility payments in the first and second quarters of 2024, from this one-off transfer.

With its decision on 11 April 2024, the Government agreed to maintain the positive balance of the district heating fund from central budget resources, and to this end, ordered a one-off transfer from Annex 1, Chapter L of the Utility Protection Fund (to the expenses category for compensating district heating providers). It called upon the Minister of Finance to ensure that the funds are used to pay the specified amounts by the given deadlines to the separately managed account of the transmission system operator as specified in the Electricity Act.

According to the Government’s decision (Government Decree 117/2024 (V.30)), during the state of emergency the natural gas consideration payable to the contracting party under the natural gas supply contract concluded by MVM CEEnergy Zrt. may not be seized, subjected to execution or subjected to an insurance measure in order to secure or satisfy a third-party claim.

Pursuant to Government Decree 72/2024 (III.28) on the revision of the obligation to maintain oil stocks of primarily natural gas-fired power plants with a capacity of 50 MW or more, the primarily natural gas-fired power plants listed in Annex 1 shall not keep either normative energy stocks or reserve energy stocks in accordance with the relevant ministerial decree during the state of emergency, in derogation from the relevant provision of the Act on Electricity. The natural gas-fired power plants exempted from the obligation to maintain liquid hydrocarbon stocks include MVM Balance Zrt. (Bakony Gas Turbine Power Plant), MVM Mátra Energia Zrt. (Visonta) and MVM Tisza Erőmű Kft. (Tiszaújváros).

Regarding price regulation, Government Decree 484/2022 (XI.29) is still in force, and the Hungarian Energy and Public Utility Regulatory Authority (MEKH) sets the electricity network access fees taking this into account, the rates of which for 2024 cannot increase the network access fees payable by residential consumers. On 15 December 2023, the MEKH published its decision on the network access fees applicable from 1 January 2024. MEKH Decree 4/2024 (VI.14), which entered into force on 15 June 2024, shall apply to the setting of system charges, network access fees and special charges for the price regulation cycle starting on 1 January 2025 and ending on 31 December 2028.

The annexes to NFM Decree 67/2016 (XII.29) on the quantity and price of natural gas offered for purchase by universal service providers and of the natural gas produced in Hungary as well as on the scope of those entitled and obliged to use it, will continue to be amended on a quarterly basis.

With Government Decree 76/2024 (IV.3), to ensure that residential consumers are entitled to claim the discounted quantities under the relevant government decree on a pro rata basis, the universal service provider applies a daily billing system. In the case of the universal natural gas service, the consumption curve-based discounting according to the business policy of the universal service provider shall apply. In the case of partial invoices for the same quantity of natural gas, the reduced quantity shall be applied on a daily basis.

EM Decree 5/2024 (IV.3) amended NFM Decree 69/2016 (XII.29) on the assessment and application of sales prices for the natural gas universal service. The maximum quantity of natural gas that can be consumed by residential customers with a gas meter of less than 20 m³/h and by non-residential customers with a gas meter of less than 20m³/h under the category I tariffs was determined per point of use and per calendar year. The universal service provider, with certain exceptions, shall apply the tariffs according to price categories I and II by employing the consumption curve.

2.3. Climate policy environment

The international environment surrounding climate policy was radically affected by the Russia-Ukraine war that broke out in February 2022, and the energy-driven responses of the European Union in reaction to the conflict. The REPowerEU plan, published on 18 May 2022, builds on the results of the Fit For 55 legislative package adopted in July 2021 to rapidly reduce dependence on Russian fossil fuels and to accelerate the green transition.

The key strategic objectives of the current National Energy Strategy (NES) include strengthening energy independence and energy security, maintaining the results of the reductions in utility bills, as well as decarbonising energy production through the combined use of nuclear and renewable energy sources. The strategy sets out the transformation of the Hungarian energy sector up to 2030, based on the energy mix outlined, using solar and nuclear energy together, 90% of Hungary's electricity generation could be carbon-free by 2030, contributing to the climate neutrality of the whole European continent.

The introduction of the EEO under the Energy Efficiency Directive began from 1 January 2021. In the Hungarian EEO, obligated parties can implement energy efficiency measures anywhere, including in the industrial, residential, public, transport, service and agricultural sectors. The obligation currently covers energy trading and universal service licensees, natural gas trading and universal service licensees, as well as entities selling transport fuel to final customers. As of 2024, under the European Commission proposal, the annual energy savings obligation of Member States, and thus the EEO obligation of the MVM Group, will rise significantly under the Fit for 55 package.

In 2023, the EU Finance Ministers adopted Hungary's Recovery and Resilience Facility. The measures in the REPowerEU chapter aim to promote the spread of renewable energy sources, develop and strengthen electricity infrastructure and promote energy efficiency.

2.4. Energy market

Electric energy

The protraction of the war between Russia and Ukraine and several conflicts in the Middle East have also highlighted that geopolitical factors can trigger extremely sudden and hectic changes on the global economy compared to previous years. The risk of further disturbances, unrest and new hotspots arising persists. Despite this, prices have fallen from their record high in 2022 to a consolidated level.

According to data from the International Energy Agency (IEA), growth in global electricity demand has slowed only slightly, rising by 2.2% in 2023 and 2.3% in 2022. Nevertheless, the report expects electricity demand to grow at a faster pace over the next three years, averaging at 3.4% per year until 2026.

The EU's electricity demand fell by 3% in 2023 to its lowest level in two decades. The EU's electricity consumption is expected to return to 2021 levels by 2026 at the earliest. According to preliminary industry estimates, the industrial sector will gradually recover as energy prices moderate, so EU electricity demand growth is forecast to average 2.3% in 2024.

According to the data published by MAVIR ZRt., the absolute record for system load was reached on 22 January at 7,441 MW. However, in parallel with the new peak in system loads, the popularity of solar power plants and the increase in the number of installations is also a feature of this year. By the end of the first half of 2024, a total of 6,712 MW solar power plant capacity had been commissioned. Systems above 50 kW reached their all-time quarter-hour production peak in June this year, just shy of 3,200 MW.

On the HUPX Day-Ahead market, the number of negative price periods exceeded the total of all the previous years combined (150 instances in the first half of 2024). This trend is particularly visible during peak weekend periods and is becoming increasingly common on the European electricity markets. The continued growth in renewable generation capacities and the low weekend electricity demand resulted in significant export positions. The combination of capacity growth in the EU, the lack of overproduction caps and the lack of unused energy storage capacity results in extremely low prices.

Natural gas market

The benchmark stock markets moved in different directions in the first half of 2024: the TTF closed with a gain of 4.6%. The Dutch stock market exhibited a downwards trend at the beginning of the year before starting to rise in February, and it has remained in the EUR 30-40/MWh range ever since, which is a tenth of the price seen in August 2022 above EUR 300/MWh but double the average price before 2020. The US Henry Hub, on the other hand, fell by 5% over the reviewed period, dropping to a low of USD 1.5/MMBtu in the spring, before a correction from May onwards, but it still failed to reach the levels of the beginning of the year and remained stuck in the USD 2-3/MMBtu range. JKM LNG in

Asia ended the half-year up 9.6%, thanks to surging demand driven by the major economies in the Far East (China, Japan).

Following the outbreak of the war between Russia and Ukraine, several European countries expressed their intention to cut off Russian supplies completely, which some countries achieved (such as Italy), but other countries (Austria, Slovakia, Hungary) remain heavily dependent on Russian gas, which has increased on a year-on-year basis towards Europe. The continent endeavours to make up for the shortfall with LNG, but some of this also comes from Russia. A European Parliament resolution adopted this summer bans the onward export of LNG to third countries but does not ban Russian imports of the product. Previous defaults by the Russian energy company Gazprom have led to several arbitration judgments. And the court wants to recover the damages awarded to European companies by seizing payments from clients still connected to the Russian company.

There is also growing uncertainty in Europe over Ukrainian transit gas as the contract expires at the end of 2024. Shutting off the flow of gas from Russia through Ukraine could deprive Hungary of 1 billion m³ of gas a year – unless this can be replaced by alternative sources, or Gazprom diverts it to the other route still in operation, TurkStream. The European Union has started negotiations with Azerbaijan to increase its supplies to the continent, including via Ukraine. Uncertainty over gas supplies from Ukraine did not significantly impact on the TTF stock price.

Solar power plants

The investment costs of main equipment for solar power plants, especially PV panels, continued to fall in 2024 due to oversupply from Chinese manufacturers. In the household segment, a new grant opportunity combined with energy storage was launched. With the majority of feed-in eligible projects coming on stream, less attractive METÁR or market-based (PPA) power plant projects are next, with a more moderate deployment rate. However, the role of captive power plants, which can be developed at consumers without feeding into the grid (feed-in protection) has been enhanced, supported by certain greening subsidies and tax incentives.

By the end of 2023, the Hungarian electricity system had about 6,040 MW of power plant and household solar capacity in operation, rising to 6,712 MW by the end of the first half of 2024. In addition to the total capacity of the solar panels, their number is also decisive for the development of the national grid: more than 274,000 household solar panel systems, nearly 1,400 captive power plants and 33,200 additional generation connection points feed into the national grid. The installed capacities in each segment totalled 2,514 MW, 520 MW and 3,678 MW respectively.

2.5. Social and technology environment

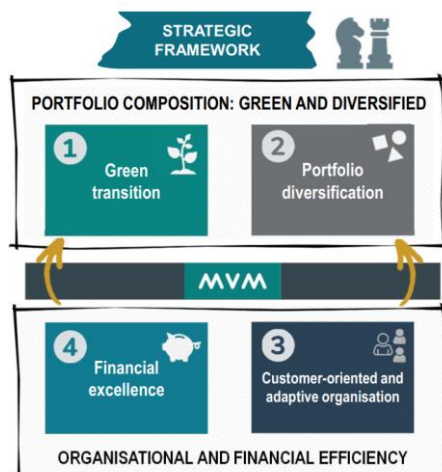
The dynamic technological changes of recent years also had a significant impact on the energy sector. Internationally, efforts to achieve energy independence led to a continuation in 2024 H1 as well of the energy efficiency developments launched during the state of emergency and a further increase in interest in alternative, low-carbon energy sources and related solutions (e.g. green power generation, flexibility solutions, utility-scale energy storage, alternative gases (e.g. green hydrogen). On the consumer side, the increase in the number of small household systems had an impact on the measures to be considered to increase the flexibility of the electricity system. In addition, on the distribution side, the installation of smart meters has started at consumer points across Europe. Furthermore, several countries in Europe announced declarations of intent to build a new type of relatively small modular nuclear reactor (SMR), and/or continued existing conventional nuclear production programmes (e.g. the Czech Republic, Poland, Romania and Hungary).

Geopolitical risks have not diminished compared to 2023, and there is still uncertainty on the energy market. Europe still has an interest in establishing its own energy sovereignty.

3. MVM GROUP'S OBJECTIVES AND STRATEGIC VISION

The MVM Group's vision is to become the leading energy and infrastructure player in Central and Eastern Europe (CEE) by 2035 relying on carbon-neutral solutions.

The realisation of this vision is mapped out in the MVM Group's new four-pillar system of strategic objectives published at the beginning of 2024:



- **Green transition**

Transforming electricity generation capacity with carbon-neutral solutions is a key strategic objective of the MVM Group. This involves reducing greenhouse gas intensity, expanding the carbon neutral and flexible generation portfolio, extending the lifetime of the Paks nuclear power plant and optimising the generation mix by phasing out coal-based electricity generation.

- **Portfolio diversification**

Hungary remains the MVM Group's core market, but plans include expanding activities in the region, and ensuring that EBITDA from outside Hungary reaches at least 25% by 2035.

The MVM Group aims to further improve its gas and electricity wholesale positions, especially in neighbouring countries.

The development of transmission and distribution networks, substations, interconnectors and energy storage is key to serving the rapidly growing electricity demand and integrating new renewable capacity. Digital solutions are playing an increasingly important role in optimising network development and operational costs.

- **Customer-oriented and adaptive organisation**

At the heart of this pillar are efficiency, digitalisation and customer orientation. This includes improving the customer experience, comprehensive digitalisation of processes, increasing the utilisation of online channels, becoming the preferred energy provider, transforming governance, continuously improving MVM's employer brand value, and becoming one of the Top 3 in Hungary and the Czech Republic.

- **Financial excellence**

A stable and predictable financial position is essential for implementing the MVM Group's overall strategy. Accordingly, a prudent funding policy is a key objective, focusing on competitive funding costs, a healthy mix of banking and bond funding, a comfortable liquidity position and a balanced repayment schedule.

With the primary objective of maintaining investment-grade credit ratings, the Sole Shareholder of the MVM Group and its management are strongly committed to conservative leverage ratios.

The 4 pillars are designed to cover the main priorities, so they support growth objectives, the development of a customer-focused, efficient organisation and sound financial foundations. Each of the strategic objective pillars supports the realisation of each element of the vision, and are individually in line with the owners' expectations (customer focus, efficiency, profitability, regionality) that define the MVM Group's mission.

The 4 pillars serve both the green and diversified growth objectives, as well as ensuring organisational and financial efficiency, thereby securing MVM's long-term position among the Top 5 companies in the CEE region.

4. MAIN RISKS OF THE MVM GROUP

4.1. Risk management policy

As a group of companies owned by the State, the MVM Group strives to operate prudently and essentially to assume a low risk profile, but at the same time, it is confronted with new situations in the context of its strategic objectives, where other, previously unknown risks may emerge. The MVM Group management therefore pays particular attention to identifying and systematically managing the risks that arise.

The purpose of the risk management is to support the long-term success of the MVM Group by identifying and responding to the risks that affect it. The MVM Group is exposed to risks typical for the industry, which it seeks to manage to the extent that does not already jeopardise the achievement of the strategy and business objectives. The MVM Group's risk management focuses on striking the right balance between risks and opportunities, and on applying management methods that are proportionate to the nature and extent of the risks.

Managing risks effectively is of paramount importance to the Group's growth and success, and also contributes to maintaining the MVM Group's good reputation.

Main risks affecting the Company:

- Risks of regulated operations
- Risks of market and customer demand changes, and adapting to them
- Financial risks
- Commercial risks
- Corporate governance risks
- Information security risks
- Risks to human resources
- Technical risks
- Health, safety and environmental protection risks
- Risks related to climate change

The risk management report prepared for the senior management at MVM Zrt. ensures the monitoring of the most significant risks, up-to-date risk mitigation measures and their regular follow-up.

4.2. Management of financial risks

In accordance with Group-level risk management guidelines, the MVM Group's member companies monitor risk elements in regular risk reports, which are kept at the desired level through a system of volumetric, financial and VaR-based limits. The risks to be identified can be grouped into the following categories, according to their main characteristics:

- Interest rate risk: The interest rate risks of the MVM Group typically arise in connection with managing its floating-rate external debt and refinancing external debt.
- Foreign exchange risk: The MVM Group's FX risks typically arise in connection with the commercial/service provision divisions and with its financing/capital market transactions.
- Bulk commodity risk: The MVM Group's bulk commodity risks typically arise in connection with its trading activities in electricity, natural gas, oil products, CO₂ allowances and coal.
- Counterparty risk: The MVM Group's counterparty risks typically arise in connection with activities with its business partners (e.g. commercial, banking, insurance, investment and other).

4.3. Integrated risk management system

The MVM Group operates an integrated Enterprise Risk Management (ERM) system to identify and assess risks that threaten the achievement of organisational objectives and to mitigate them as far as possible.

This includes:

- identifying, correcting, and then – looking ahead – preventing future events and risks that could hinder the achievement of the objectives,
- helping management to manage risks, and
- regulating the processes needed to achieve this.

The integrated risk management procedure sets out the actions to be taken in relation to each risk – and how to take them – to reduce or eliminate the risks, and how to monitor the completion of the actions on an ongoing basis.

The risks and the responses thereto are continuously monitored via regular risk management reporting.

Each department is required to continuously monitor and track the risks it is associated with, and in each data reporting request made they must update the information related to existing risks, and record new risks, according to the current status.

4.4. Funding, liquidity risk

As with all companies that finance themselves from the loan and capital markets, the MVM Group is exposed to the general sentiment of the international loan and capital markets as well as the risk appetite of financing banks and institutions when it comes to raising external debt. The availability of debt capital has been unproblematic in recent months/years.

An escalation in the geopolitical situation and the resulting increased volatility on money and capital markets may make it more difficult or expensive to raise external funds. The MVM Group currently has an appropriate amount of undrawn credit available, which provides an adequate source of liquidity in case of a sudden increase in financing needs.

4.5. Commodity market risk

Overall, the MVM Group's retail and wholesale activities cover numerous countries in Europe. In these markets, the MVM Group is exposed to commodity price fluctuations – mainly in the markets for electricity, gas and carbon dioxide (CO₂) emission allowances. Because of heightened geopolitical risks and the prolonged military conflict, the regional energy market prices are still characterised by increased uncertainty, which underpins the principle of operating within strict risk management limits.

In addition to commodity price risk, the liquidity and availability of individual markets are also critical for risk management, as they create the opportunity for appropriate risk management.

On the MVM Group's main markets (natural gas, electricity), one of the main tasks of the wholesale activity is to serve/supply the cyclicity of demand, i.e. to convert/supplement the often rigid and homogeneous "standard" products. The resulting basis risk constitutes a very significant part of the commodity market risk faced by the MVM Group.

To mitigate its financial risks the MVM Group enters into hedging derivative (typically commodity and foreign exchange) transactions and designates a part of them as cash flow hedging relationships. Derivative transactions entered into with hedging purpose are designated as hedges when these transactions are entered into, that is, the related hedged item and the type of risk intended to be hedged are clearly designated. Application of hedge accounting commences on the date of the establishment of the hedging relationship, which is the date of entering into the derivative transaction. The MVM Group prepares hedging documentation on hedges and performs effectiveness tests monthly and upon the expiry of the transaction.

4.6. Foreign exchange risk

The functional and presentation currency of the MVM Group is the Hungarian forint. The MVM Group's significant regional presence and the EUR-based price quotations of its main markets constitute a significant foreign exchange

exposure. In accordance with the risk management guidelines, the member companies seek to establish natural hedge positions in foreign currency, i.e. applying the principle of FX purchase/liability versus FX sale/asset. If this is not possible for some reason, the net foreign exchange position is hedged with a derivative – generally a forward purchase/sale of foreign exchange. The amount of foreign exchange risk that member companies can take on is capped by a limit system.

During the long-term management of the MVM Group's – and MVM Zrt.'s – FX balance sheet items, the expected probabilities of FX appreciation and depreciation based on historical exchange rate movements and the current hedging cost of the given hedging direction are considered.

Similar to commodity risk, the effective time horizon for managing FX risk is typically 1-2 years at most, which means, just like all market participants, the MVM Group will have to adapt to a changed exchange-rate environment in the medium to long term.

4.7. Interest rate risk

The MVM Group is exposed to changes in interest rates in the context of its business activities and financial transactions. MVM Zrt. provides the necessary financing for the members of the MVM Group – with the exception of certain project financing transactions – in the form of a parent company loan. Such parent company loans are usually linked to benchmarks bearing variable interest. Accordingly, the members of the MVM Group are exposed to the risks associated with changes in such variable rate benchmarks, which they can manage with interest rate derivatives entered into through the central Treasury. MVM Zrt. also uses external financing in addition to the financing needs of individual members of the MVM Group to finance acquisitions and group-wide capex.

The MVM Group manages the interest rate risks stemming from its financing activities by choosing the type of interest rate used for the financing source and by using interest rate derivatives, typically interest rate swaps.

4.8. Counterparty risk

The MVM Group's counterparty risks typically arise in connection with activities with its business partners (e.g. commercial, banking, insurance, investment and other).

Counterparty risk is the probability that a business partner will not fulfil its contractual obligations. The most important are non-payment risk – where the counterparty is unable to make the required payments when due, with negative effects on the seller's liquidity and financial performance – and default risk, where the counterparty fails to meet its supplier obligations and so the purchase has to be replaced at a higher price.

The MVM Group seeks to manage the ever-changing market and economic conditions by periodically reviewing and adjusting the counterparty rating model in a manner consistent with the MVM Group's risk appetite (e.g. critical sectors have been identified where a more stringent limit-setting methodology is applied, i.e. lower limits may be issued in these segments).

The uncertain economic environment fuelled by the continuously changing geopolitical situation as well as the price volatility on the energy market and the risk factors caused by high prices are being addressed by the MVM Group through more stringent counterparty rating methodology and the inclusion of more guarantees.

The MVM Group continuously monitors overdue outstanding receivables and sends reminders to its partners in default. If the partner fails to pay despite several reminders, the Group uses all legal means to ensure recovery of past due receivables to the greatest extent possible.

4.9. Project risk

Each project is implemented under different conditions. Under these constantly changing individual circumstances, it is necessary to find the fixed points at which the project risks can be identified, assessed and managed.

As a result of the MVM Group's acquisitions, the MVM Group is now seeing projects from Hungary to China, including individual projects worth several billion forints, with a risk profile – in addition to the highly volatile cost elements at present – that can reach a gross exposure of up to several billion Hungarian forints. This size of risk already poses a significant threat to the achievement of targets of the subsidiaries, but these targets can be accomplished if the risks are managed effectively.

The professional assistance provided to the subsidiaries in the area of project risk management ranges from general training through process reviews to support for specific projects. In the latter case, in relation to specific projects, the support includes the preparation of a project risk profile, an assessment of the specific risk elements and/or a proposal for the definition of a specific risk management methodology.

Liability statement

2024H1

LIABILITY STATEMENT

The undersigned, as persons authorised to sign on behalf of and represent MVM Energetika Zártkörűen Működő Részvénytársaság (MVM Zrt.), declare that MVM Zrt. assumes full responsibility for the fact that the 2024 H1 consolidated financial statements published by MVM Zrt. have been prepared to the best of our knowledge and in compliance with Hungarian accounting standards (pursuant to Article 10 of Act C of 2000 on Accounting), in accordance with International Financial Reporting Standards (IFRS), and provide a true and fair view of the assets, liabilities, financial position and profit and loss of MVM Zrt. and the consolidated companies.

Furthermore, we declare that the Management Report provides a reliable picture of the situation, development and performance of MVM Zrt. and the companies included in the consolidation, outlining the main risks and uncertainties.

Budapest, 29 August 2024



Károly Tamás Mátrai
Chief Executive Officer
MVM Zrt.



László Fazekas
Deputy CEO, Chief Financial Officer
MVM Zrt.