Annual Report for 2023

Group ZSE

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Foreword by the Chairman of the Board of Directors

Markus Kaune, Chairman of the Board of Directors and CEO

Dear ladies and gentlemen,

I am happy to look back on the year 2023 with you and share our achievements and challenges we had to face. Firstly, I would like to emphasise that despite the persisting crisis, we managed to provide our customers with secure and reliable energy supply, thus showing once again our strength and stability. Secondly, we managed to implement all our ambitious investment plans and develop our distribution system. Last but not least, the integration of the VSE Holding Group in the ZSE Group is an important milestone which enables us together to successfully master the multiple challenges of the energy transition ahead of us.

We overcame energy crisis

We started the year in the most severe energy crisis Europe has ever experienced. As a result of the Russian war in Ukraine, energy prices were rising significantly, their volatility was unprecedented, and moreover, inflation was accelerating. Free sources were hardly available on the market. Obviously, such chaotic situation affected all market participants, including our companies. Above all, our priority was to stabilise the situation and help customers in all segments. I am confident that we have responded swiftly and guided our customers through this period successfully.

We started building a new company

We successfully completed the legal steps leading to the integration of the companies of the ZSE Group and VSE Holding Group. The integration process started back in 2020, with an agreement based on which E.ON acquired a 49% package of shares in VSE Holding. Since 23 November 2023, the VSE Holding Group has been a member of the integrated ZSE Group. After reaching this milestone, we are proceeding with the integration process so that we can continue to operate on the Slovak market under our successful brands - ZSE and VSE – but as one group that will be able to better respond to market challenges and significantly contribute to the energy sector transition.

We are a part of energy transition

The energy crisis has confirmed that the transformation, which the energy sector is gradually undergoing, is necessary, and that change will be irreversible. Diversification of energy sources and the shift to sustainable energy is a long-term challenge for all sectors and countries of the European Union.

The so-called EU "winter energy package" has been gradually implemented in our environment and laws, creating conditions for the emergence of new forms and market participants (aggregators, energy communities, electricity sharing, etc.). If the market players are to operate effectively, a number of partial steps must be taken. These steps include, for example, a new energy act, the recent adoption of new market rules and the launch of a central platform for the exchange of energy data. Most importantly, such changes in the energy business require a new category of investment in the distribution system, focused on building a smart grid, as well as new products and services.

Investing in the distribution system

Within the ZSE Group, in 2023 we invested up to EUR 210 million in the upgrade and development of the infrastructure in both the west and the east of the country. It is an unprecedented sum. We are also part of European projects of common interest, focused on the smartification of the system, which allows us to obtain additional funds for our development activities. For several years we have been running two projects – ACON Smart Grids and Danube InGrid – primarily focused on building a smart grid in the Central and Eastern Europe. Furthermore, cross-border cooperation among distribution systems helps improve the European Union's single energy market, contributing considerably to the stability of Europe. As a part of the ACON project, we completed the construction of the substation in Borský Svätý Jur, which will increase energy security in Western Slovakia. The investment worth almost 11 million will solve a long-standing electricity supply problem in the Záhorie region. Within the Danube InGrid project, we launched a construction of the new substation near Bratislava, which should cover the increasing demands for connecting new sources in Western Slovakia. Over EUR 20 million will be invested in its construction. Eastern Slovakia sees the biggest strategic investment in the industry over the last decades, namely the preparations for the successful establishment of a new automotive plant VOLVO near Košice. We have been actively involved in building the electricity infrastructure and increasing the necessary capacity in the system, and we are professional partners in other highly specialised electricity services too. Another key project is a new high voltage power line on the Snina - Sobrance route, where we have already started the implementation phase for a 38 km section. In general, power lines contain optical fibres, which will be used for the development of communication and automation functionalities of the distribution system. Investment projects started also in Bardejov, Stará Ľubovňa, Haniska pri Košiciach, and partially in the regions of High Tatras, Spiš, Gemer and other distribution areas of VSD.

More photovoltaics for customers

The investments are also needed to expand the capacity for the integration of renewable energy producers with the distribution system. Increased interest in photovoltaic solutions by households and businesses continued in 2023. Both distribution companies, VSD and ZSD, processed several times more applications for connection of small photovoltaic sources than in the previous period. They connected more than 14 thousand sources with a total installed capacity of 128 MW. Coping with the enormous and sudden surge in demand for connecting new sources required a change in our internal processes so that we can process these applications more efficiently and reduce the waiting times for installation. In order to help general public better navigate the new possibilities of electricity generation, we launched the Photovoltaic Advisory on the websites, where interested parties can find guides and recommendations on how to seize the opportunity. Interest in photovoltaic solutions is also effectively used by the business part of the integrated ZSE Group which, for the second year in a row, installs approximately 1,000 photovoltaic solutions. This makes the ZSE Group the Slovak market leader in the design and installation of photovoltaic solutions. To optimize the entire process, an IT solution for order management was deployed. Furthermore, a modern logistics centre for photovoltaic components was opened in Senec.

We keep our pledge to the planet

The ZSE Group has committed to do its best to contribute to the European Green Deal and achieve carbon neutrality by 2050. We are aware of our responsibility in the energy sector and are determined to be part of sustainable solutions.

We offer our customers more and more green solutions, because the less demand there is for fossil fuels, the greater Europe's energy independence will be. In addition to the photovoltaic solutions, almost 143 thousand customers can also have chosen their electricity by source and origin of production. The ZSE Group managed to keep its position of a leader in e-mobility charging infrastructure development. ZSEDrive operates more than 400 charging points in Slovakia, making it the most modern and largest e-mobility charging network. 100% certified RES-generated power is used to charge electric vehicles. In 2023, we connected the virtual battery product with a network of ZSE Drive charging stations. In practice, this means that the customer can use electricity generated from domestic photovoltaic panels at public charging points of ZSE Drive.

Our commitment to the environment is implemented through the Sunny Roofs scheme, within which the ZSE Foundation distributes a part of the proceeds from the Green Electricity product for the installation of photovoltaic panels at selected schools and social care facilities. Within the pilot and first year, we implemented 20 installations with a total value of almost EUR 280 thousand. The VSE Foundation was active too, evaluating the first year of the For a Healthy and Clean Region grant scheme and announcing its second year to support projects focused on tree planting, climate and community gardens and the like. We recognize that the development of renewable resources is a long-term activity, and we are therefore prepared to continue with these schemes in the years to come.

Profile and Structure of the Západoslovenská energetika, a.s. Group

The Západoslovenská energetika, a.s. Group (hereinafter the "ZSE Group") is a leading electricity group in Slovakia whose parent company is Západoslovenská energetika, a.s. (hereinafter ZSE).

On 8 April 2022, E.ON SE („E.ON") and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic („State"), have concluded the Future Consolidation Agreement, under which, in late 2023, ZSE companies and Východoslovenská energetika Holding a.s. („VSEH") companies, in which they are direct or indirect exclusive shareholders („FCA") (as amended by Addendum 1 of 4 May 2023) were consolidated as specified in the FCA. Under the FCA, 100% shares of VSEH were invested into ZSE, resulting in VSEH becoming a subsidiary of ZSE, and subsequently, VSEH subsidiaries, specifically Východoslovenská distribučná, a.s. and Východoslovenská energetika a.s. were sold to ZSE.

The ZSE Group comprises the parent company Západoslovenská energetika, a.s. and its subsidiaries:
- Západoslovenská distribučná, a.s. (ZSD),
- ZSE Energia, a.s. (ZSE Energia),
- ZSE Elektrárne, s.r.o, (ZSE Elektrárne)
- Východoslovenská energetika Holding a.s.
- Východoslovenská energetika a.s. (VSE),
- Východoslovenská distribučná, a.s. (VSD),
- ZSE Energy Solutions s.r.o.,
- ZSE MVE, s. r. o.,
- ZSE Business Services, s. r. o.,
- ZSE Energetické služby, s.r.o.,
- VSE Solutions, s.r.o.
- VSE Call centrum, s.r.o.
- VSE Ekoenergia, s.r.o.

Západoslovenská energetika, a.s. is also the sole founder of the ZSE Foundation. VSEH is also the sole founder of the VSE Foundation.

ZSE Energia, a.s. has an organizational unit in the Czech Republic. Západoslovenská energetika, a.s. does not have any other organisational units abroad.

ZSE Group acquired a 58% business share in EKOTERM, s.r.o., and 67% of shares in BK, a.s. and also owns a 66.6% stake in SPX, s.r.o. The ZSE Group also owns shares (less than 50%) in Energotel, a.s., Bioplyn Rozhanovce, s.r.o., TRANSELEKTRO spoločnosť s ručením obmedzeným Košice, or People2People, s.r.o.

The parent company ZSE, Company ID: 35 823 551, with its seat at Čulenova 6, 816 47 Bratislava was established on 15 October 2001 and incorporated in the Commercial Register on 1 November 2001. The Company is registered with the Commercial Register of the Bratislava III Municipal Court, Section: Sa, File No.: 2852/B.

The mission of the ZSE Group is to carry out electricity and gas supplies and electricity distribution and to provide comprehensive energy-related services to all categories of customers – households, SMEs and strategic enterprises in the Slovak economy. Services are provided in the long-term and reliably, at affordable prices, in an environmentally-friendly manner and in accordance with the EU regulations. The ZSE Group provides services related to electricity distribution in the region of western and eastern Slovakia and electricity and gas supplies all over Slovakia. In addition to two small hydropower plants and a minority stake in a biogas plant, the ZSE Group also has a steam-gas power plant near Malženice in western Slovakia with an installed capacity of 430 MW. Západoslovenská energetika, a.s. is also active in the field of electromobility.

Certain aspects of the relationship between the ZSE Group and its customers with respect to electricity distribution, and electricity and gas supplies, including the pricing of services provided to certain groups of customers, are regulated by the Regulatory Office for Network Industries (RONI). Electricity distribution is subject to regulation, price or factual, to the largest extent.

The Company did not acquire any own shares, temporary certificates, any business shares or ownership interest, temporary certificates or business shares of the parent entity.

Company Bodies

The structure of statutory and supervisory bodies of the Company during the year 2023 was as follows:

Statutory Body

Board of Directors	
As at 31 December 2023	
Chairman	Markus Kaune (start of office on 1 September 2020)
Vice-Chairman	Ing. Ľuboš Majdán (start of office as member and vice-chairman on 1 September 2020 and end of the office of Vice-Chairman of the Board of Directors on 12 March 2023)
	Ing. Erik Döme (start of the office on 13 March 2023)
Members	Ing. Ľuboš Majdán (start of the office on 1 September 2020)
	Marian Rusko (start of the office on 16. March 2020 and of the office on 14 March 2023)
	Ing. Tomáš Turek, PhD. (start of the office on 15 March 2023)
	Mgr. Juraj Krajcár (start of office on 6 December 2021)

Supervisory Body

Supervisory Board	
As at 31 December 2023	
Chairman	Mgr. Tomáš Galbavý (start of office as a Member on 20 November 2020 and as the Chairman on 14 December 2020)
Vice-Chairman	Johan Magnus Mörnstam (start of office on 1 June 2020 and as vice-chairman on 24 June 2020, end of the office on 11 December 2023)
	Attila Kiss (start of the office as member and vice-chairman on 12 December 2023)
Members	Silvia Šmátralová (start of the office on 23 Septeber 2022)
	Ing. Martin Mislovič (start of the office on 23 September 2022)
	Ing. Juraj Nyulassy (start of the office on 23 September 2022)
	Ing. Eva Milučká (start of office on 5 December 2019, end of the office on 5 December 2023)
	Mgr. Tomáš Popovič (start of office on 20 November 2020)
	Mgr. Lenka Jakubčová (start of office on 20 November 2020)
	Mgr. Daniel Kravec (start of office on 20 November 2020)

Audit Committee

The Audit Committee was established by a decision of the Company's General Meeting dated 12 December 2014. The Audit Committee has three members elected and dismissed by the Company's General Meeting.

In 2023, the Audit Committee of the Company had the following structure:

Audit Committee in 2023
Ing. Michal Kubinský (till 6 December 2021)
Ing. Boris Németh (from 24 September 2021)
Martin Dohnal (from 13 June 2022, till 31 May 2023)

Shareholders' Structure

The shareholders' structure in Západoslovenská energetika, a.s. as at 31 December 2023 was as follows:

Shareholders' Structure

As at 31 December 2023	Absolute amount in € thousand	Equity share in the share capital in %	Voting rights
Slovak Republic represented by the Ministry of Economy of the Slovak Republic	144,058	51%	51%
E.ON Slovensko, a.s.	68, 272	24.17%	24.17%
E.ON Beteiligungen GmbH	28,247	10%	10%
E.ON International Participations N.V	41,890	14.83%	14.83%

Corporate Governance Declaration

The methods and principles of corporate governance are comprised in the Articles of Association of the Company. The Articles of Association are available in the Collection of Documents of the relevant court – Municipal Court Bratislava III.

The Organisational Manual of the Company sets out the principles of the Company´s organisation and internal management of the Company and is the basic and supreme organisational and managing document on the top level in the Company except for the Articles of Association of the Company.

The corporate governance model of the Company includes also internal managing documents which contains orders of the Board of Directors, orders of a member of the Board of Directors, orders of the Chief Executive Officer, orders of a director of a division, directives, manuals and procedures.

Description of Key Internal Control and Risk Management Systems in relation Financial Statements

The Company has internal control and risk management system in place, relating financial statements. This system consists of various instruments, processes and activities which have been used in accounting and preparing the separate and consolidated financial statements (hereinafter jointly "financial statements") of the Company.

The activities within accounting and preparing financial statements are divided in individual functional steps. Automatic and manual controls are a part of every of these steps. The defined procedures ensure that all accounting transactions and preparation of the Company´s financial statements are recorded and processed in line with the accrual principle and documented in a complete, timely and precise manner.

The Company has introduced and has been using internal managing documentation which includes several directives and procedures. These documents focus mainly on the way of accounting in the Company, accounting procedures, signature rules, chart of accounts, account classification, inventory of assets and liabilities, activation and disposal of assets, impairment provisions, creation and use of reserves, preparation of financial statements, consolidation and calculation of direct and indirect taxes. Internal managing documentation is a binding document for all employees and represents the application of main accounting principles and accounting methods applied by the Company. In practice the Company follows the amendments to laws, new and amended accounting standards and other relevant documents that have impact on the accounting and financial statements and, if needed, updates internal managing documentation in a relevant way.

The Company has been using an accounting information system which contains pre-set automatic control mechanisms. Efficiency of these automatic controls within the accounting information system and other key applications is strengthened by other manual checks. Access rights and their extent are limited depending on the need and only for a specified group of employees.

The preparation of the Company´s financial statements require for further qualitative and quantitative indicators and other information. Furthermore, in order to assess the correctness of this information, procedures for the relevant organisational units to assess completeness of this information on a regular basis.

The elementary elements of the internal control and risk management system in relation to the financial statements are: approving, review procedures, segregation of duties, four-eye principle, master data and access rights management, and specific requirements for risk management in many key areas and processes such as accounting, financial reporting, communication, planning and controlling and risk management.

Internal controls are an integral part of the Company´s accounting procedures. Internal managing documentation defines uniform requirements for reporting and accounting procedures for the entire ZSE Group. Adhering to these rules give sufficient certainty to prevent errors or fraud which may cause material misstatement in the Company´s financial statements.

The Company´s organisational unit in charge of accounting and taxes carries out, among other things, implementation, administration and setting of accounting information systems and ensures compliance of accounting, financial statements and tax calculations with the Slovak and European laws. Within this unit, individual accounting transactions and financial statements of the Company are subject to review by managers.

The Company´s organisation structure includes Controlling. Unit Controlling processes create a part of internal control mechanism and risk management of the Company. Controlling ensures continuous control of accounting and financial statements.

The role and competences of Internal Audit, Audit Committee, Board of Directors, Supervisory Board and General Meeting of the Company in relation to internal control environment and risk management and to financial statements are presented below.

The organisational structure of the Company also includes the position of Compliance Manager and Department of Internal Audit whose roles are:

- assessment of adequacy and effectiveness of the system of internal supervision, financial, operational and information systems, corporate governance processes and the quality of tasks assigned and performed;
- identification and assessment of operational risks of the Company by using the adequate methodology;
- responsibility for planning and conducting audit of IT systems, their functionalities and equipment including diverse and global environment of information technologies, operation systems and applications;
- performance of audit of information systems and IT infrastructure safety;
- assessment of risk assessment and the conducting of investigations based on risk assessment;
- investigation of crucial suspicions of embezzlement and fraud within companies of the Group;
- responsibility for making and updating of the documentation with the Compliance Programme; as well as for monitoring and supervising compliance,
- updating of the Company Code of Conduct;
- performance of the activities relating to verification of the breach of the Company Code of Conduct;
- Implementation of methodological and training activities in the field of Compliance.

Results of their activities have been regularly assessed and proposals for improvements applied to individual areas of the governance of the Company. Efficiency of internal control and risk management systems in the Company have been also monitored by the Audit Committee of the Company.

Governance Methods and Bodies of the Company

The shareholders exercise their rights by means of the General Meeting in accordance with the regulation contained in the Commercial Code and the Articles of Association of the Company as follows:

General Meeting

1. The General Meeting is the supreme body of the Company. It shall take decisions on the issues relating to the activities of the Company which the Articles of Association, Commercial Code or a specific act place within its authority.

2. A shareholder may exercise its rights in the General Meeting in person or in representation under the written power of attorney.

3. The General Meeting shall be convened by the Board of Directors unless the Articles of Association or Commercial Code provide otherwise. The Board of Directors shall be obliged to convene an ordinary General Meeting within 12 months from the end of the financial year. The invitation to the Annual General Meeting or its annex must contain the main data from the annual accounts.

4. The Board of Directors shall be obliged to convene an extraordinary General Meeting especially due to reasons under Article XIII(3) of the Articles of Association. The Supervisory Board shall convene an extraordinary General Meeting due to reasons under Article XX(2) of the Articles of Association. The Board of Directors shall convene the General Meeting by an invitation to the General Meeting that must be delivered to all shareholders in the form of a registered mail directly to the address specified in the list of shareholders at least 30 days prior the General Meeting. The invitation to the General Meeting must contain all formalities laid down by applicable laws including information that documents which will be discussed at the General Meeting will be available to shareholders for viewing in the seat of the Company no later than 3 calendar days prior to the meeting of the General Meeting. The invitation to the General Meeting with documents which will be discussed at the meeting shall be sent by the Board of Directors no later than 30 days prior to the General Meeting also to every member of the Supervisory Board to the address specified by him/her.

5. The General Meeting is usually held in the Company´s seat, however, it may be organised in a different place too. The General Meeting is attended by the members of the Board of Directors, the Supervisory Board and/or other persons.

6. If the Company has a single shareholder, this shareholder shall exercise the powers of the General Meeting by a written resolution which he/she must sign. In the cases provided for by law, this resolution shall take the form of a notarial deed.

7. The number of votes of a shareholder is determined by the nominal value of their shares. One vote for every whole EUR 1 (in words: one euro)

8. The General Meeting is present if shareholders whose shares correspond to at least two-thirds of the votes of all shareholders are present. The General Meeting shall take decisions with the two-thirds majority of votes of all the shareholders. Any decision made by the General Meeting on any alterations of the rights associated with a certain type of the shares shall require the approval of two-thirds votes of shareholders. For this reason, the shareholders, being the owners of such shares, simultaneously, at first, shall vote for changes in the rights and then it is the General Meeting of all the shareholders.

9. The General Meeting shall make decisions on the following corporate affairs:
   a) Any amendment of the Articles of Association of the Company (including changing the business name of the Company) and adopting or amending the Articles of Association, Deed of Partnership, Deed of Incorporation, Association Agreement, Statutes or any similar document of any Subsidiary (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below);

   b) Resolutions on increasing and decreasing the registered capital, on authorising the Board of Directors to increase the registered capital pursuant to the provisions of the Commercial Code and on issuing bonds of ZSE or its subsidiary (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below);

c) Resolutions on winding up the Company by splitting, merging or transformation to a different legal form of Company or cooperative;

d) Sale of the Company or its part pursuant to the provisions of Section 476 et seq. of the Commercial Code;

e) Approving the transfer of assets of the Company, the market value of which exceeds 20% of the Company's turnover in the previous accounting period, or the sale of which concerns more than 20% of the Company's employees;

f) Resolutions on public offers (for the purposes of this Clause f), a "public offer" shall mean (a) any expression of the will of the Company, by which it approaches an unspecified group of entities to inform them on the conditions of the sale/transfer or acquisition of Company shares, convertible bonds or any other securities or financial instruments, which grant their holder rights connected or related to Company shares or rights specified in the conditions governing Company shares, or (b) placing, admitting or allowing the trading with Company shares, convertible bonds or any other securities or financial instruments, which grant their holder rights connected or related to Company shares or rights specified in the conditions governing Company shares on the public market;

g) Resolutions on approving dividends and other amounts to be distributed among the Company shareholders;

h) Resolutions on issuing options or any other securities or instruments, which result in rights to shares or other equity participation in the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below) or the right to subscribe them, and the resolution that the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below) shall grant any rights for acquiring shares or other equity participation in the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below);

i) Resolutions on changing the legal form of the Company;

j) Electing and recalling members of the Supervisory Board, except for the members of the Supervisory Board elected and recalled by employees;

k) Electing and recalling members of the Board of Directors and appointing the Chairman and Vice-Chairman of the Board of Directors;

l) Resolutions on liquidating the Company, appointing the liquidator and determining the liquidator's remuneration;

m) Approving the ordinary and extraordinary individual financial statements, ordinary and extraordinary consolidated financial statements of the Company, deciding on the distribution of dividends or any other profit of the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries) or covering the losses, including determining the amount of royalties in the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries) and approving the annual report;

n) Appointing and recalling the auditor of the Company upon proposal of the Board of Directors and following the statement of the audit committee;

o) Substantial change of the character or scope of business of the Company;

p) Approving or amending the office agreements of members of the Board of Directors and their remuneration upon proposal of the Board of Directors and approving or amending the office agreements of members of the Supervisory Board and their remuneration;

q) Approving any agreements on any of the matters under Sub-clauses (a) through (p) above of this Clause;

r) Approving the rules of procedures of the Company's Supervisory Board;

s) Resolutions on changing the rights attributed to individual types of the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries);

t) Resolutions on commencing or terminating the trading of Company shares on the stock market;

u) Approving the transfer of shares pursuant to the provisions of Article VII;

v) Appointing or recalling the Decision-making person;

w) Approving drafts rejected by the Supervisory Board pursuant to the provisions of Article XXI., Clause 8 of these Articles of Association;

x) Electing and recalling members of the Audit Committee of the Company, approving the office agreements of individual members of the Audit Committee and their remuneration and approving the rules of procedures of the Audit Committee of the Company;

y) Deciding on any other matters that are reserved for the General Meeting by either applicable laws or the Articles of Association;

z) Pre- approving any changes/amendments/supplements in the Novation Agreement concluded between the Company and ZSD on 7 August 2014,the unabridged version of which was approved by the General Meeting on 30 May 2014; and

aa) Pre-approving matters related to ZSD, ZSE Energia, ZSE Elektrárne, VSEH, VSE and VSD and their subsidiaries specified in the Articles of Association of the Company;

Rights and Duties of Shareholders

1. A Company shareholder may be Slovak or foreign legal or natural person.

2. By making the entry of the Company or of an increase in the share capital in the Companies Register a share underwriter shall obtain the rights of a shareholder as a partner of the joint stock company corresponding to the shares underwritten.

3. Fundamental rights of a shareholder shall include the right to participate in Company´s management activities, in profit sharing and liquidation balance following the dissolution of the Company with liquidation. The right to participate in corporate governance shall be exercised by shareholders through their participation and voting at the General Meeting.

4. The rights and obligations of the shareholders are defined in detail in the Articles of Association and the Commercial Code.

The Board of Directors

1. The Board of Directors is a statutory body of the Company. It shall act on behalf of the Company in relation to the third persons. The Board shall control the corporate activities and take decisions in all the matters associated with the Company unless applicable laws or the Articles of Association place them within the authority of other bodies of the Company.

2. The Board of the Company consists of five (5) members. The members of the Board of Directors are elected and removed by the General Meeting, with Chairman and Vice-Chairman of the Board of Directors being appointed. The term of office of the members of the Board of Directors shall be four (4) years; the term of office is renewable. Any member of the Board of Directors shall have the right to give up his/her position. A member of the Board of Directors of the Company mustn´t be a member of the Board of Directors of the subsidiary ZSD and VSD. The performance of the office of the member of the Board of Directors may not be delegated.

3. If the number of members of the Board of Directors is not less than half, the Board of Directors shall have the right to appoint alternates until the time of the nearest General Meeting of the Company. The Board of Directors has a quorum if the absolute majority of its members are present at the meeting. The Board of Directors shall adopt resolutions by absolute majority of votes of the members present at the meeting. With the exception of decisions on certain matters for which a higher majority of votes is required under the articles of association or the relevant legislation in force at the time. Neither Chairman nor Vice-Chairman shall have the casting vote in case of a tie. Members of the Board of Directors may participate in a meeting of the Board of Directors by means of conference telephone calls, videoconferences or other technical means that permit (i) all other members of the Board of Directors participating in the meeting to hear and (ii) address all other members of the Board of Directors participating in the meeting, in which case they shall be deemed to be present at the meeting of the Board of Directors. Members of the Board of Directors may vote by such form of communication or by written statement if they are not physically present at the place where the greatest number of members are assembled, in which case such place shall be deemed to be the place of the meeting.

4. The resolutions of the Board of Directors may be adopted, in addition to meetings of the Board of Directors, by members of the Board of Directors, out of the meeting of the Board of Directors ("per rollam decision").

5. E.ON, a shareholder of the Company, shall be obliged to exercise all its rights in order to make sure that the Board of Directors of the Company will not adopt any resolution if not a single member nominated by the Ministry of Economy of the Slovak Republic (only the "Ministry") as a shareholder of the Company is present at the relevant meeting. If a member nominated by the Ministry is absent from two consecutive, regularly convened meetings of the Board of Directors, the above stated shall not apply to the second of these meetings.

Structure and activities of the Board of Directors

In 2023, the Board of Directors of the Company had the following structure:

Board of Directors of the Company in 2023

Chairman of the Board of Directors:	Markus Kaune
Vice-chairman of the Board of Directors:	Ing. Luboš Majdán (till 12 March 2023)
	Erik Döme (from 13 March 2023
Members of the Board of Directors:	Ing. Ľuboš Majdán
	Mgr. Juraj Krajcár
	Marian Rusko (till 14 March 2023)
	Ing. Tomáš Turek,PhD. (from 15 March 2023)

The activities of the Board of Directors were performed in line with the Articles of Association and Commercial Code; in 2023 the Board of Directors held meetings regularly and in line with Articles of Association, and in line with Articles of Association the Board of Directors adopted several resolutions, out of the meeting of the Board of Directors ("per rollam decisions") in 2023.

Supervisory Board

1. The Supervisory Board is the supervisory body of the Company which oversees the activities of the Board of Directors and business activities of the Company. Resolutions and duties charged with the Board of Directors by the Supervisory Board were performed, and regularly reviewed and assessed at the meetings of the Supervisory Board. The activities of the Supervisory Board are explained in detail in Articles of Association.

2. The Supervisory Board of the Company has nine (9) members. Two thirds of members of the Supervisory Board shall be elected and removed by the General Meeting of the Company and one third by the Company's employees. The term of office of the members of the Supervisory Board shall be four (4) years. The term of office is renewable. The Chairman and Vice-chairman of the Supervisory Board of the Company shall be elected and removed by the members of the Supervisory Board; the persons concerned shall also vote. The office of the Chairman and Vice-chairman of the Supervisory Board shall commence on the day of their election and end upon their removal by the Supervisory Board. Neither Chairman nor Vice-Chairman shall have the casting vote in case of a tie. Performance of the office of the member of the Supervisory Board of the Company may not be delegated.

3. The meeting of the Supervisory Board of the Company shall be convened by a written invitation sent to every member of the Supervisory Board to the address (including e-mail address) specified by him/her or to the address of the seat of the Company no later than 15 days prior to every meeting. The invitation must include date, time, venue and the agenda of the meeting.

4. The Supervisory Board has a quorum if the absolute majority of its members are present at the meeting. The Supervisory Board shall adopt resolutions by absolute majority of votes of all members of the Supervisory Board. The members of the Supervisory Board may participate in the meetings of the Supervisory Board in any form of communication during which all participants hear one another. The members of the Supervisory Board may vote by this form of communication or by a written declaration if they are not present in person at a venue where the majority of members are gathered, whereas such venue shall be considered as a venue of the meeting.

5. The resolutions of the Supervisory Board may be adopted, in addition to meetings of the Supervisory Board, by members of the Supervisory Board out of the meeting of the Supervisory Board ("per rollam decision").

6. The Slovak Republic, a shareholder of the Company, shall be obliged to exercise all its rights in order to make sure that the Supervisory Board of the Company will not adopt any resolution if not a single member nominated by E.ON is present at the relevant meeting. If a member of the Supervisory Board of the Company nominated by E.ON Slovensko, a.s. is absent from two consecutive, regularly convened meetings of the Supervisory Board, the above stated shall not apply to the second of these meetings.

In 2023, the Supervisory Board of the Company held regular meetings in line with the Articles of Association. The Supervisory Board of the Company in accordance with Article XXII. Point 8 of the Articles of Association, adopted in 2023 a decision out of the meeting ("per rollam decision").

Audit Committee

Without prejudice to responsibilities of the members of the Board of Directors and the Supervisory Board of the Company, the Audit Committee is a body of the Company in charge of the following activities:

a) monitors the drawing-up of the financial statements (separate and consolidated) and compliance with special regulations and makes recommendations and proposals to ensure the integrity of the process;
b) monitors the efficiency of internal audits and risk management systems in the Company;
c) monitors the progress and results of the audit of the individual financial statements and the audit of the consolidated financial statements;
d) verifies and oversees the independence of the auditor, in particular services provided by the auditor under the special regulation;
e) is responsible for the auditor selection process and recommends the appointment or removal of the auditor to perform the Company's audit;
f) sets him/her deadlines for presenting a declaration on honour on his/her independence.
g) informs the Supervisory Board of the outcome of the audit of the financial statements and explains how the audit contributed to the integrity of the financial statements and what role the audit committee had in that process; and
h) performs all activities of the Audit Committee also for Subsidiaries that meet the conditions pursuant

to Section 34(5)(a) of Act No. 423/2015 Coll. on Statutory Audit and on Amendments and Additions to Act No. 431/2002 Coll. on Accounting, as amended.

The Audit Committee has three (3) members elected and removed by the General Meeting on a proposal from the Board of Directors or shareholders of the Company.

Information pursuant to Section 20(7) of the Act No 431/2002 Z. z. on Accounting as amended:

a) The share capital of the Company of EUR 282,466,533.86 EUR is composed of 5,934,594 pieces of booked ordinary shares of the nominal value of EUR 33.19 per share and 85,497,359 ordinary registered book-entry shares with a nominal value of EUR 1 per share. Shares are not publicly traded. The whole amount of share capital of the Company was issued and paid in full. The Company has no subscribed share capital which would not be listed in the Companies Register. The transferability of the Company's shares is limited to pre-emptive rights of shareholders in cases that do not fall under the permitted transfers.
b) The Company´s bonds are freely transferrable.
c) The following companies own qualified share in the share capital: (at least 10 % share):
    - Slovak Republic represented by the Ministry of Economy of the Slovak Republic - 51% share in the share capital of the Company;
    - E.ON Slovensko, a.s. – 24.17% share in the share capital of the Company;
    - E.ON Beteiligungen GmbH - 10% share in the share capital of the Company.
    - E.ON International Participations N.V. – 14.83% share in the share capital of the Company.
d) There are no persons exercising special control rights among the owners of the bonds.
e) The Articles of Association do not contain any provisions on restrictions of voting rights.
f) The Company is not familiar with any agreements among the owners of the bonds of the Company that might lead to any restrictions regarding the transferability of the bonds or restriction of voting rights.
g) The rules governing the appointment and removal of the members of the Board of Directors as a statutory body of the Company and changes to the Articles of Association:
   Members of the Board of Directors as a statutory body of the Company shall be elected and removed by the General Meeting of the Company. The General Meeting may anytime remove any member of the Board of Directors of the Company. The General Meeting shall also appoint the Chairman or Vice-Chairman of the Board of Directors of the Company. The term of office of the members of the Board of Directors of the Company shall be four (4) years.
   The General Meeting shall make decisions concerning the amendment of the Articles of Association by two thirds majority of votes of all shareholders. The full wording of the proposed amendments of the Articles of Association shall be available to shareholders for viewing at the Company´s seat within a period of time required for the convocation of the General Meeting, as stated in the Articles of Association. A Notarial Deed must be established about the resolution of the General Meeting to amend the Articles of Association. If the General Meeting adopts a resolution the consequence of which will be the amendment of the Articles of Association such resolution shall be considered the amendment of the Articles of Association provided that it was adopted in a manner which is by law or the Articles of Association required for the adoption of the resolution about the amendment of the Articles of Association. Following such amendment the Board of Directors shall be obliged to make without undue delay the full wording of the Articles of Association for the completeness and correctness shall be fully responsible.
h) Powers of the statutory body – the Board of Directors – are presented in the Commercial Code and the Articles of Association.
   The Company´s Board of Directors shall exercise the right to act on behalf of the Company, represent the Company in relation to the third persons. The Board shall govern the activities performed by the Company and take decisions in all the relevant matters unless applicable laws or Articles of Association place them within the authority of other bodies of the Company. The Company´s Board of Directors is mainly in charge of the following:
   (i) Performing the business management of the Company and ensuring all its operational and organisational matters;
   (ii) Exercising the employment rights and duties;
   (iii) Convening the General Meeting;
   (iv) Outlining the Strategy Plan of the Company and submitting the plan for approval to the Supervisory Board of the Company;
   (v) Implementing the resolutions of the General Meeting;
   (vi) Ensuring the prescribed accounting and other records, accounting books and other documents relevant for the Company;
   (vii) Submitting for approval of the General Meeting:
      - Proposals for amendments of the Articles of Association;
      - Proposals for increasing and decreasing the share capital and issue of bonds;
      - Ordinary, extraordinary and consolidated financial statements, proposal for profit distribution, including the setting of the size and manner of the paying out of the bonuses, in case of the loss recognised, proposal for its

settlement;
- Proposal for dissolving the Company or alteration of its legal form;
- Proposal of the remuneration for performing the function of a board member;
- proposals related to the decisions concerning the matters of ZSD, ZSE Energia, VSD, VSE, VSEH a ZSE Elektrárne, where the relevant decision taken by the General Meeting of ZSD, ZSE Energia, VSD, VSE, VSEH a ZSE Elektrárne shall require the prior approval of the General Meeting of the Company to be made in accordance with relevant provisions of the applicable Articles of Association of the Company.

The Company´s Board shall have no right to make decision on the issue of shares or share re-acquisition.

i) The Company has no agreements concluded that are binding to amend its conditions in relation to a potential offer for takeover.

j) There are no agreements on reimbursement concluded between the Company and the body members, once their service term comes to an end. Reimbursement to Company´s employees whose employment contract is terminated is subject to the Labour Code, collective agreement and in-house employment directives.

The Company does not apply special diversity policy in relation to the members of bodies of the Company because their diversity is ensured indirectly through diversity in the structure of shareholders of the Company (state shareholder and non-state shareholders) who propose candidates for the positions of the members of the Board of Directors and Supervisory Board of the Company elected by the General Meeting (candidates for the positions of the members elected by employees are proposed by employees and diversity is ensured indirectly through diversity in the composition of employees who propose candidates and elect such members of the Supervisory Board). No discrimination is allowed in the Company. In proposing candidates for the members of the Board of Directors and Supervisory Board and selecting broader management of the Company, mainly education, competence, experience skills are taken into account.

Compliance Programme

The Company paid special attention to the development and implementation of Compliance Programme, i.e. a set of processes focused on compliance with law and ethical conduct of employees of ZSE Group in all areas of the working life. The Compliance Programme has been gradually implemented in all subsidiaries of the ZSE Group, including Západoslovenská energetika, a.s

The main objective of Compliance Programme is to prevent, reveal and respond to conduct which could be considered in conflict with internal and applicable laws, with the possible result in the personal responsibility of the persons involved, the management of the Company or the Company as such (criminal liability of legal persons).

Code of Conduct

The essential document of the Compliance Programme is the Code of Conduct which defines responsible business principles to which companies of the ZSE Group are committed. At the same time, it is a binding guideline on the conduct of employees and all who cooperate with the companies of the ZSE Group.

The Code of Conduct is amended with supplementary binding internal regulations providing a deeper insight into the areas of compliance (e.g. AML, conflict of interests, criminal liability of legal persons, whistleblowing).

In order to increase ethical awareness of employees, the ZSE Group companies organise many educational activities, scope of which was defined depending on the tasks and responsibilities of individual participants.

In 2023, ZSE Group companies continued to offer new e-learning courses to employees within the Group. As of 2020, all employees must go through the Code of Conduct e-learning module at regular yearly intervals. In 2023, the training focused on whistleblowing and internal reporting systems.

This educational activity of the ZSE Group was one way of our continued support of the so-called speak-up culture aiming to encourage the employees to openly deal with and escalate their concerns related to compliance with the rules. The training module concluded by testing employees' acquired knowledge through hypothetical practical situations that employees may be confronted with.

Employees in units with no internet access participated in the training offline.

New employees went through the e-learning or in-person training about the Code of Conduct, where they were informed of the ZSE Group's compliance rules and whom to contact for consultation or reporting.

Moreover, new ZSE Group leaders went through the "Leaders and integrity" e-learning, highlighting their indispensable role as paragons in the ZSE Group's culture of compliance with rules. As part of the strengthening of the corporate culture at the leadership level, the CEO also sent compliance postcards to the heads of employees with the theme of the role of a leader in the ZSE Group and the listen-up culture.

Compliance and notifications

Transparent and sustainable business relationships, a good working atmosphere and responsible business conduct are of paramount importance to the ZSE Group, its managers, employees and shareholders. The ZSE Group has established reporting channel through which whistleblowers (employees as well as other persons within the meaning of whistleblowing legislation) may report for anti-social activities, the breach of internal or applicable laws. Following the amendment of the rules on whistleblowing, and in order to make it easier for whistleblowers to report possible unfair practices, the ZSE Group has implemented a new whistleblowing channel in 2023, namely a web form available on the ZSE Group's website for both ZSE Group employees and other parties.

Whistleblowers are instructed in detail on the methods of notification, on their position in the investigation process, and if they are interested, they can also make the notification anonymous using notification channels. For the sake of completeness, as per the internal rules of the ZSE Group.

Number of compliance-related claims in the ZSE Group in 2023

For the sake of transparency and clarity, we divide the claims to following categories

Number of compliance-related claims in the ZSE Group in 2023

• Claims regarding business integrity, potential illegal activity, violation of legal regulations, corruption, antitrust rules, compliance with KYC rules and integrity of business partners, insider trading	**1**
• Frauds against ZSE Group companies, such as theft, embezzlement, other fraudulent behaviour	**9**
• HR-related concerns claims, such conflict of interests, mobbing, bossing, sexual harassment, discrimination, etc.	**6**
• Any other topics related to the Code of Conduct	**0**
TOTAL	**16***

* the number of notifications does not include customer complaints and claims that do not reflect anti-social activity, as well as repeat notifications received through internal reporting channels to the Compliance Manager

Zero Tolerance for Corruption

In line with ten principles of the Global Compact under which the companies and firms seek to prevent corruption in all its forms, the ZSE Group engages in the fight of corruption and this commitment is expressed in the Zero Tolerance Plan for Corruption. This Plan is a part of the Code of Conduct and was developed based on the analysis of activities which are exposed to risks of corruption and unfair practices the most. The obligation is also reflected between the ZSE Group and its suppliers, as this is incorporated into the ZSE Group's Code of Conduct for Suppliers.

Giving and accepting gifts

Procedures for giving and accepting gifts are a part of anti-corruption measures included in the Code of Conduct. All gifts to be given, except for gifts within defined limits, must be approved and documented according to the defined procedures in the central register of gifts.

The topic of anti-corruption behaviour, giving and accepting gifts or refreshments is regularly communicated through internal communication channels. The area of gifts and refreshments is also a topic of regular trainings, of both the new employees and as part of regular annual compliance and Code of Conduct trainings.

Contributions to political parties, charity and sponsorship gifts

Programmes for gifts and sponsorship are transparent. As a sponsor, the ZSE Group supports specific projects and initiatives in the areas such as education, environment protection, innovation and community development, if they meet the following criteria:

- objectives are linked to the objectives and mission of the Company,
- the funds have clearly defined purposes, and their use is properly and transparently documented and verifiable anytime.

The ZSE Group does not finance political parties, their candidates or representatives, either in Slovakia or abroad, nor does sponsor meetings or assemblies whose the only or main purpose is political promotion.

Fight against money laundering and terrorist financing

In the fight on money laundering and terrorist financing, the ZSE Group proceeds in line with Slovak and European laws. The ZSE Group never excuses, facilitates or supports money laundering and terrorist financing which means that:

- respects laws concerning money laundering and terrorist financing,
- never engages in risk activities which could be focused on financing or support of criminal terrorist activities,
- adopts measures and mechanisms of assessment of potential and current business partners.

Competition and anti-competitive practices

We, in the ZSE Group, are convinced that we can win and retain customers and build stable relationships with the stakeholders only if we act responsibly and fairly. The ZSE Group is governed by the Rules on Competition and by no means tolerates prohibited agreements restricting competition (cartel agreements) or abuse of the dominant status. All employees of the ZSE Group Companies are under an obligation to act in compliance with the Competition Protection Rules, further detailed in the Code of Conduct.

Under internal rules of the ZSE Group, special attention is paid to observing the competition protection rules in contact with competitors. In contact with competitors, employees must ensure that they would not receive or provide any information which would lead to conclusions on the current or future behaviour of the ZSE Group or its competitors on the market.

Observance of national and internal laws is also immensely important for the ZSE Group. ZSE Group companies require the same from their business partners.

Know your counterpart control (KYC)

The ZSE Group selects its business partners on the basis of professional and economic criteria. However, the Group also pays close attention to the aspect of environmental protection, respect for human rights, labour and other generally standards or anti-discrimination and anti-corruption policies. When selecting business partners, also international sanctions, as well as regulatory, legal or reputational risks capable of causing serious effects on the ZSE Group, are strictly reflected.

Internal control mechanism:

It is a continuous process which is performed by the Board of Directors through managers and experts of the Company, so that all stakeholders are provided with reasonable guarantees to achieve strategic objectives of the Company. For this purpose, the Company has established:

1. **Internal Control Mechanisms** have been implemented at the level of individual processes with the aim of identifying and preventing risks of fraud, corruption and unfair practices. The aim of the system of internal controls is prevention and timely identification of errors and incorrections which may occur as a result of intentional fraud and unintentional action or omission.

2. **Internal audit** is a set of independent, objective, assurance and consulting activities aimed at improving management and control processes, taking into account the internationally accepted auditing standards "International Standards for Professional Practice in Internal Auditing". The ZSE Group has established Internal Audit unit which permanently controls the system of implemented control mechanisms, identifies shortcomings and proposes action plans to improve internal control system and make them more efficient. The Chief Audit Officer is responsible for developing and implementing the Internal Audit Plan, which is based on a risk assessment, taking into account the Company's risk management framework as well as the level of risk management response to the various activities.

3. Part of the organisational structure of the ZSE Group is also the position of the **Compliance Manager**, whose role includes not only the responsibility for drafting and updating documentation related to the Business Compliance Programme, elaboration and updating of the Code of Ethics of the ZSE Group and carrying out activities related to the investigation of violation of the Code of Ethics.

Customer ombudsman

The customer ombudsman is very important for ZSE, given that he acts as an important line of communication between the company and its customers, and builds their trust. The energy market is very regulated and customers may have concerns regarding service level, invoicing or other areas they aren't very familiar with. The customer ombudsman serves as a contact point for customers, listens to their concerns and handles their requests. His role is essential in resolution of disputes, seeking satisfactory solutions in an adequate and unbiased manner.

The customer ombudsman deals with complaints in cooperation with ZSE Group colleagues and seeks the best solution for both parties. The ombudsman also helps the company observe regulation and industry standards.

Last year, the ZSE customer ombudsman handled 978 customer cases, which is in line with the long-term average. Only a small part of cases (123) are official claims received by email. Cases can be primarily divided into two categories. The first includes basic help for a group of customers where it can be assumed that they need assistance. These can be e.g. hearing or vision impaired, physically handicapped or seniors of advanced age. Another group are customers who are not satisfied with the handling of their claim at an existing contact centre, or their case is more complex.

Approximately 1/6 of claims were classified as requests. These concern mostly help with filling out a form, submitting a request or completing documents. 1/3 of claims were classified as complaints. In such cases, the ombudsman enters the process if there was a misunderstanding and the standard process came to a halt. Most often there are complaints regarding the contract on connection or electricity meter failure. Recently, with the launch of photovoltaic panel installations and longer waiting times, the ombudsman has been receiving complaints related to this. The biggest part of the ombudsman's contacts with the customers – up to 1/2 – concerns consultations and/or advisory. The main reason is that the customers naturally don't know the process and often it is easier for them to come and have it explained to them in simple terms.

Moreover, the ombudsman helps identify and address systemic issues within the company and thus improve the overall customer experience. It is thanks to the customer ombudsman that ZSE manages to build better relations with the customers and gain their trust, which in the long term leads to improved loyalty and retention of the customer base.

Cyber-security

In the current digital world, technology and its use became part of the daily standard not only at work but also in private. With the increased use of internet and connected devices, the potential of cyber-security threats or data leaks increases. The energy sector and its infrastructure are an indispensable part of the economy. Digitisation of processes and smartification of devices creates pressure to implement robust cyber-security solutions. The stability of supply in the energy sector is closely connected with cyber-security. An attack on the infrastructure could interrupt electricity supply and even cause blackouts and have serious consequences for both individuals and companies.

To ensure the stability of electricity supply, proper protection of our systems and network is important. The company cooperates with government agencies and other major partners in sharing information on potential threats, and we monitor the best practices in security.

We use advanced SIEM (Security Information and Event Management) analytics to detect security events of highest complexity, arising from identification of non-standard behaviour and event correlations of known attacks. During the year, SIEM registered almost 10,000 security events.

In 2023, a phising bot was deployed across the Group to send tailored phishing emails, using artificial intelligence to help train employees and raise awareness of phishing cyber-attacks.

Both distribution subsidiaries, which are subject to the Cybersecurity Act, were required to undergo a „re-audit" by a certified public accountant after two years.

In 2023, the Cybersecurity Unit was dedicated to further developing the security systems implemented in previous periods and raising security awareness among employees. At the same time, an intensive communication campaign, Octocyber, took place during October - Cyber Security Month.

With a correct strategy, technology and trained employees, the company can resist cybernetic attacks, eliminate adverse impacts of incidents, and ensure uninterrupted electricity supply to our customers.

Expectations 2024

2024 will be characterised by the transition processes launched in 2021, therefore we expect that it will be an extraordinary year in many areas. In the period of supply, we have to cope with higher credit risk of business counterparties caused by the market situation and extremely material weather risk - especially for suppliers to regulated segments.

In Slovakia, the primary energy legislation is being updated, with respect to the fourth package.

Risks and Uncertainties

ZSE Group will continue to be in charge of developing new projects and innovative solutions that will reflect the strategic direction of the ZSE Group facing the challenges resulting from the macro-economic and market changes.

ZSE Energia, a.s. ans VSE, a.s.

The core business activity of ZSE Energia, a.s. and VSE, a.s., is electricity and gas supply to end consumers. In relation to energy supply business, companies are exposed to several risks – especially credit and price commodity risk. Credit risk is related to the liquidity risk of the Companies' business partners, in particular the electricity and gas consumers. The Companies have an internal credit risk assessment process, which involves assigning an individual credit rating to its customers based on a combination of independent financial information and their payment discipline. ZSE Energia, a.s. actively uses insurance of receivables, as an additional risk management tool.

Market risk is caused by changes of market variables as a result of commodity market supply and demand development. It takes a form of energy price fluctuations and economic environment dynamics. Price fluctuations can have impact on the closing price of the open position of the company. The companies applies a conservative approach to managing commodity business by maintaining a limited open position and through back-to-back commodity buying (at the moment of the sales volume contracting).

Západoslovenská distribučná, a.s., and Východoslovenská distribučná, a.s.:

The core business activity of both companies is electricity distribution. The companies are exposed to operational risks, which are related to the distribution system operation and management. It includes failures, unplanned supply disruptions and compliance with applicable laws. The main tool for eliminating these risks is ensuring of the continuous distribution network renewal as well as insurance of unplanned circumstances.

During the normal course of business, various claims against the companies may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator.

The companies is exposed also to credit risk. Due to the monopoly position of the company, the contractual relationship with the customer is strictly regulated. The company actively uses insurance of receivables, as an additional risk management tool.

ZSE Elektrárne, s.r.o.
The main area of operation of ZSE Elektrárne, s.r.o. is the production of electricity.

The biggest risk for the power plant and its economic stability is unplanned short-term power plant outages due to possible failures at the power plant equipment, which means large costs for the deviation caused in the system Slovenská elektrizačná prenosová sústava, a.s. However, these risks are minimised by regular planned and preventive maintenance of all power plant equipment. The power plant is commercially insured against a long-term outage.

The principle of preventive maintenance of power plant equipment continues to apply, where the main tool is diagnostics and early detection of possible machine failure.

On the basis of the Memorandum of Understanding between the companies E.ON and the Slovak Republic represented by the Ministry of Economy of the Slovak Republic, in 2023 the Slovak Republic confirmed its right to the option to acquire a 100% business share in the company ZSE Elektrárne, s.r.o..

Significant events that occurred after the end of 2023 and require disclosure in the annual report
The armed conflict between Russian Federation and Ukraine and related events has increased the perceived risks of doing business in the energy sector. The economic sanctions imposed on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others has resulted in increased economic uncertainty on the markets and increased the volatility of energy prices. The long-term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to assess at this moment.

As at the date these financial statements were authorised for issue, the war continues. The final resolution and the effects of the conflict are difficult to predict but may have negative effects on the Slovak economy. Potential escalation of the conflict and sanctions could negatively affect the Group's results and financial position but currently it is not possible to determine if this risk will materialise and to what extent.

After 31 December 2023, no other significant events have occurred that would require recognition or disclosure in this annual report.

02 | Economy

Economy

Selected Data from the Separate Financial Statements

In 2023, the parent company Západoslovenská energetika, a.s. generated a profit of EUR 110,892 thousand and incurred costs totaling EUR 56,406 thousand.

The Company's key figures according to the International Financial Reporting Standards as adopted by the European Union:

Key Figures as at 31 December

€ thousand	2023	2022
Non-current assets	2,593,275	657,257
Current assets	284,709	476,117
of which:assets held for sale and discontinued operations	8,486	-
Total assets	**2,877,984**	**1,133,374**
Equity	1,161,088	357,593
Non-current liabilities	641,589	323,375
Current liabilities	1,075,307	452,406
of which liabilities directly related to assets held for sale and discontinued operations	22,418	-
Total equity and liabilities	**2,877,984**	**1,133,374**
Revenues from sale	19,656	17,552
Compensation	432	-
EBIT (profit from operations)	**110,829**	**72,406**
EBITDA	113,998	75,365
Total income	167,298	118,053
Total expenses	54,361	44,537
Profit before tax	112,937	73,516
Profit for the year	**110,892**	**72,861**
Total other comprehensive income for the year	152	89
Total comprehensive income for the year	**111,044**	**72,950**
Capital expenditures	6,807	3,666
Average number of employees	182	178

Distribution of the 2022 Profit

The General Meeting of Západoslovenská energetika, a.s. held on 31 May 2023 approved the proposal for the distribution of the 2022 profit of EUR 72,861 thousand. In October 2023 the Company's shareholders were paid dividends from the 2022 profit in the total amount of EUR 72,727 thousand. Also, the amount of EUR 134 thousand from the 2022 profit was designated as a contribution to the social fund from profit. In 2023, the dividend per share amounted to EUR 12.25 (2022: EUR 14.81 per share).

Decision on the 2023 Profit Distribution

Proposal for Distribution of ZSE's 2023 Profit	
Submitted to the Board of Directors of ZSE on 23 April 2024	**EUR thousand**
Result for the year	**110,892**
Contribution to the social fund	331
Contribution to Retained earnings	5,000
Dividends	105,561
Total distribution of profit	**110,892**

Selected Data from the Consolidated Financial Statements

In 2023, the ZSE Group generated a profit of EUR 253,098 thousand and incurred costs totaling EUR 2,264,675 thousand.

The ZSE Group's key figures according to the International Financial Reporting Standards as adopted by the European Union:

Key figures about the ZSE Group as at 31 December		
€ thousand	**2023**	**2022 (restated)**
Non-current assets	2,426,345	1,184,280
Current assets	775,080	490,717
of which:assets held for sale and discontinued operations	83,805	-
Total assets	**3,201,425**	**1,674,997**
Equity	1,285,619	338,537
Non-current liabilities	1,105,845	516,414
Current liabilities	809,961	820,046
of which liabilities directly related to assets held for sale and discontinued operations	44,504	-
Total equity and liabilities	**3,201,425**	**1,674,997**
Continuing operations:		
Revenues from sales	1,857,696	1,618,308
EBIT (profit from operations)	**345,300**	**184,746**
EBITDA	423,664	250,262
Total income	2,372,964	1,711,837
Total expenses	2,042,307	1,544,634
Profit before tax	330,657	167,203
Profit for the year from continuing operations	**248,469**	**126,109**
Profit per year from discontinued operations	4,629	5,119
Profit for the year	**253,098**	**131,228**
Other comprehensive income for the year	1,764	1,066
Total comprehensive income for the year	**254,862**	**132,294**
Average number of employees	**2,316**	**2,151**

Structure of Electricity Sources and Use of electricity

Structure of Electricity Sources and Use of electricity				
In GWh	**As at 31 December 2023**	**Share (%)**	**As at 31 December 2022**	**Share (%)**
Wholesale	5,679	58	5,567	58
Retail – businesses	1,312	13	1,353	14
Retail – households	2,843	29	2,716	28

Structure of Electricity Supplies				
V GWh	K 31. 12. 2023	Podiel (v %)	K 31. 12. 2022	Podiel (v %)
Volume of electricity supplied including losses (GWh)	6,716	100	6,528	100
Of which: supplies to households (GWh)	2,425	36	2,287	35
Of which: supplies excluding households (GWh)	4,291	64	4,241	65

Useful electricity supply (GWh)	
Year	Total
2023	6,716
2022	6,528

Distributed electricity (GWh)			
Year	Total	Of which: wholesale	Of which: retail
2023	9,834	5,679	4,155
2022	9,636	5,567	4,069

Information on sales in monetary and GWh terms from electricity distribution:

Indicators of companies		
As at 31 December	2023	2022
Volume of electricity distributed (GWh)	9,834	9,636
Income from electricity distribution (EUR thousand)*	640,025	448,983
Number of supply points	1,893,822	1,208,656

Information on sales in monetary and GWh terms from electricity supply to customers:

Indicators of companies		
As at 31 December	2023	2022
Volume of electricity sold (GWh)	6,716	6,528
Income from the sale of electricity (EUR thousand)*	1,765,299	2,035,541
Volume of electricity purchased (GWh)	6,716	6,528
Number of supply points	1,591,101	1,016,350

Information on sales in monetary terms for the ZSE Group:

Indicators of the ZSE Group		
As at 31 December	2023	2022
Volume of electricity sold (GWh)	6,716	6,528
Volume of electricity distributed (GWh)	9,834	9,636
Income from the sale and distribution of electricity (EUR thousand)	1,989,527	1,658,720
Volume of electricity purchased (GWh)	5,779	6,270
Volume of electricity generated (GWh)	937	258

Information on sales in monetary terms from gas supply to customers:

Indicators of companies		
As at 31 December	2023	2022
Income from the sale of gas (EUR thousand)*	406,036	278,084
Volume of gas supplied (GWh)	2,717	2,757
Number of supply points	241,522	94,546

* Revenues include intra-company revenues in the ZSE Group.

03 | Human Resources

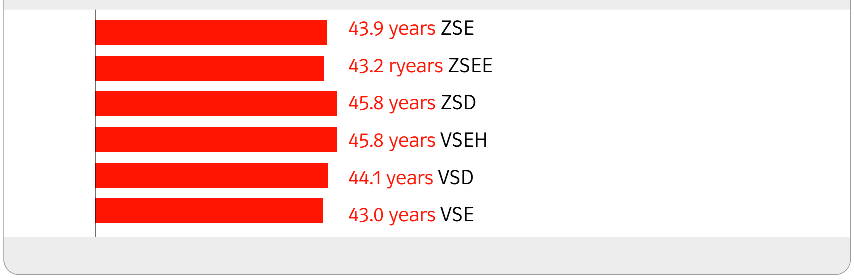
Human Resources

As at 31 December 2023, the staff of the ZSE Group was as follows:

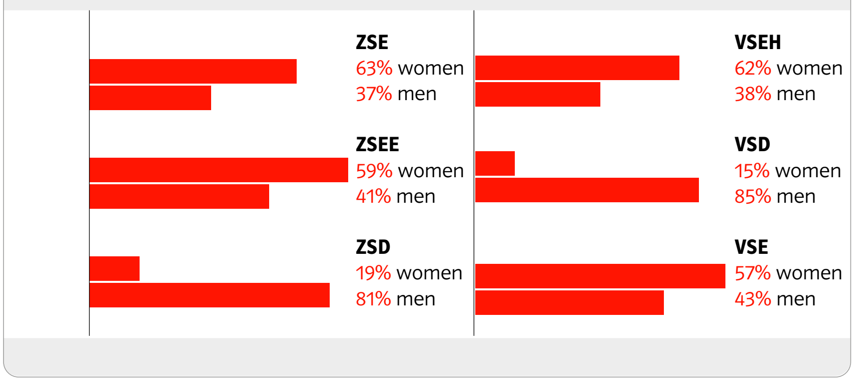
Number of employees in individual companies

	Number of employees
ZSE	**182.34**
ZSEE	**296.63**
ZSD	**1,534.66**
ZSE MVE	**6**
ZSE Elektrárne	**33.43**
VSEH	**301**
VSD	**1,015**
VSE	**254**

Average age



Distribution of women and men in the ZSE Group (by percent)



Remuneration and benefits
In line with the Collective Agreement, the companies of the ZSE provided for a flat-rate increase in basic salaries. Employees were remunerated by performance too, which had a direct impact on the amount of variable pay and special bonuses. All employees of the ZSE Group received a contribution from the Social Fund for regeneration of the workforce. In 2023, the Employer continued to contribute to supplementary pension savings. Each employee was entitled to 5 days of leave beyond the Labour Code.

Following an evaluation of the pilot year of working from home, also known as the New Normal, it was decided to continue in this working regime until the end of 2025, based on positive feedback from employees. In addition, the option of working from home was extended to include the possibility to work from EU countries, subject to specific conditions, and the maximum proportion of working from home was increased from 60% to 80% of an employee's monthly work pool. It is up to the discretion of each supervisor to ensure that employees' requests to use this benefit of regular working from home are assessed in a way that is both motivating for employees and does not negatively affect the team's performance.

Branding and recruitment
The companies of the ZSE Group actively participated in the important job fairs Profesia Days 2023 and the Career, where they presented themselves as modern companies that are interested not only in their current or future employees, but also in the sustainability of their business. They also took part in the traditional job fair at the Technical University in Košice, which is organised every year by the student organisation IAESTE for university students. The fair showcased the Trainee and Practice development programmes, which have been long helping build successorship in the electricity industry's core jobs. In 2023, cooperation with the Office of Labour, Social Affairs and Family was launched in the area of recruitment of new employees. We participated in several selection procedures for various jobs and we were also present at the Job Fair organised by the Office too. At the end of the year, a campaign called "Refer a good colleague – FIND A COLLEAGUE" was launched. The aim of the campaign was to inform employees about new or simplified possibilities of recommending candidates, future colleagues. With the new possibilities we encourage our employees to share advertisements and get contacts to candidates for vacant positions. More than 40 employees participated in the campaign. Thanks to their recommendations, six new colleagues were recruited.

Training and development
In 2023, development activities focused on leadership skills development, self-branding, project management, expert potential development and language skills were implemented as part of the talent programmes. Employees have the opportunity to attend coaching sessions to develop their soft and hard skills, if they wished so.

Regarding the themes such as human resources, diversity and inclusion, the Company minds the necessity of continuous lifelong learning, not only in the area of hard skills, but also with an emphasis on mindfulness, positive thinking and physical balance.

Promoting well-being
In 2022, the Company became a member of the Coalition for Mental Health and Well-being, and as part of this cooperation, a monthly on-line technical discussion was organized for all employees to promote mental health and well-being.

Cooperation with schools and students
In order to provide quality workforce, the companies of the ZSE Group have been long cooperating with schools at all levels of teaching. An important form of cooperation is dual education which prepares students for a job according to their specific needs and requirements directly at their assigned workplace. The students get in contact with work environment and develop the work habits necessary for successful placement after graduation without the need for further training or retraining. In Western Slovakia, in 2023, dual education was provided to 38 pupils in four schools and vocational training was also provided to 11 pupils in six other schools. The students of secondary vocational school also have the opportunity to become young employees through the "Power" programme, in which professionals pass on their valuable experience and technical skills to future colleagues. In 2023, 36 graduates of electrical engineering schools were admitted to the programme. In Eastern Slovakia, VSD cooperates with four schools, train 31 dual students and trained 7 instructors that are involved in the programme. As part of the cooperation with schools, high school students have the opportunity to do traineeships in the Company. In 2023, 54 students showed interest in completing the traineeship. Of them, 33 are students of electrical engineering fields, 15 students study IT fields, and six students study at business college. The students can benefit from the opportunity to visit the electrical station in Lemešany near Košice and Dispatch Centre.

ZSD is a partner of the Duke of Edinburgh´s International Award. The programme is designed to give colleagues teaching energy subjects the opportunity to enrich their mentoring skills.

Promoting diversity
The ZSE Group is a signatory of the Diversity Charter Slovakia, confirming its interest in creating and maintaining an inclusive working environment for all employees and recognising that it will not accept any form of discrimination in the workplace and will protect employees from any intolerance. This experience actively helps us to build a safe and respectful work environment that emphasizes acceptance of people regardless of their individual differences.

Diversity Days were held in May 2023 to raise staff awareness of diversity, equality and inclusion issues through lectures, workshops, talks and excursions.

04 | Occupational Health and Safety

Occupational Health and Safety

The Company continuously monitors and evaluates the work-related risks and adopts measures to mitigate and prevent them. Considering the nature of works in energy business, observance of OHS rules is the top priority.

Companies have long been engaged in systematic training of employees in occupational health and safety. Initial training for new employees was carried out both in the form of face-to-face training and distance learning via the MS Teams application. In 2023, 301 sessions were carried out in the ZSE Group, for a total of 2,756 employees. In 2023, 2 online trainings were conducted for employees on the topic of supplier management from the perspective of HSE. HSE and HR workshops were conducted for company managers. Awareness sessions were also conducted for our contractors and employee safety representatives. To increase the employees' HSE awareness, various articles and quizzes were published on the intranet.

Various articles and competitions have been published on the intranet to promote HSE awareness among employees. Webinars on wellbeing and mental health protection, ergonomics at work in administration and a healthy gut were conducted in the area of employee health protection. In the area of prevention of civilisation diseases, a Health Week was implemented where employees could undergo non-invasive examinations aimed at screening for these diseases. The company also provides medical preventive examinations for selected employees beyond the scope of the law. For all ZSE Group companies, EUR 1.469.369 was spent on personal and protective work equipment and devices, legislative HSE training and preventive medical check-ups.

The ZSE Group monitors TRIF comb., LTIF comb. and NMOF indicators of employees. In 2023, the TRIF comb. reached a value of 1.5, LTIF comb. was 0.8 and NMOF was 332.85. Five registered work accidents were reported in 2023, and 2 accidents of our contractors. In 2023, employees of contractors worked 1,783,703 hours at the sites or facilities of the ZSE Group.

Within the 1.supervisory audit in 2023, the ZSE Group showed improvement of the established System of Integrated Management (SIM) and managed to keep international certificates ISO 14001 and ISO 45 001. The re-certification agency identified SIM strengths and improvements and concluded that SIM is in line with the requirements of ISO 14001 and ISO 45 001 standards, applicable laws and achieves continuous improvement. The audit led to recommendations of the certification agency to continue with the certification.

This year, thanks to the implemented system measures as well as continuous monitoring and improvement of energy parameters, the subsidiary distribution company VSD obtained another international ISO certificate, namely in the field of energy management ISO 50 001. Through such activities, it also contributes to ensuring the functioning of critical processes and thus to the reliable and secure operation of the distribution system.

In November 2023, the subsidiary ZSE Elektrárne, s. r. o. successfully passed the SIM certification audit according to the requirements of ISO 14 001 and ISO 45 001. The audit was carried out by an independent certification company, which assessed that SIM at ZSE Elektrárne, s.r.o. is effectively implemented and managed, is in compliance with the requirements of the standards and with the mandatory requirements in the field of HSE and OHS. The external auditors identified many strengths, no non-conformities were identified.

05 | Environmental Protection and Sustainability

Environmental Protection and Sustainability

All companies of the ZSE Group consider environmental protection as a priority part of the concept of sustainable development. In this area, transparent and professional communication is maintained with important institutions in the field of environment, such as the National Nature Conservation, universities and research institutes, District Environmental Offices and non-governmental organisations involved in environmental protection.

Emphasis on environmental protection is part of all our work activities, including technical and project design of the construction, reconstruction and repair of power lines and substations. We prefer the concepts and design of technologies, equipment or materials that not only ensure the reliability and safety of the operation of the distribution system but respect the strict requirements for environmental protection too. When carrying out repairs of energy facilities and constructions, the ZSE Group ensures that waste is consistently separated and subsequently disposed of and recovered to the maximum extent possible by authorised companies. Special attention is paid to the care of equipment containing SF6 gas, which is classified as a fluorinated greenhouse gas. Gas leaks are closely monitored and recorded.

In all activities, precautionary measures are implemented to prevent pollution of soil and water, and the conditions for preserving biodiversity in the areas affected by our operations are taken into account. An environmental approach is applied to the management of vegetation in the corridors of external power lines, and each corridor is assessed individually with a view to the possibility of applying such an approach. This enhances biodiversity, nesting and foraging opportunities as well as the resilience of native communities.

Both distribution companies are aware that overhead power lines are still perceived as a threat to birds and are therefore they work hard to make them green. This process is also carried out through the so-called LIFE projects (LIFE Eurokite and LIFE Danube Free Sky). At the same time, the relocation of stork nests is being carried out, promoting the monitoring and ringing of the white stork.

Methodologically, the companies focus mainly on protected areas with an increased number of breeding bird habitats and on the main migration corridors. The installation of nest booths for both the peregrine falcon and the rare peregrine falcon on middle-voltage power lines is continuing. Creating nesting opportunities for raptors is one of the compensatory measures that additionally contributes to increasing biodiversity in the landscape. Bird flight deflectors have also been installed in the areas where bird mortality has been detected due to striking power lines. These collisions occur mainly in winter, when swans and other waterbirds stay in large flocks near water surfaces.

In addition to the treatment of existing overhead lines, the companies are also engaged in the relocation of overhead middle-voltage lines into the ground, reducing the risk of bird strikes.

Sustainability

As negotiated at the United Nations Conference of the Parties (COP) 28 in December 2023, nearly every country in the world has now agreed to "transition away" from fossil fuels. Moreover, 117 countries have committed to triple the worldwide capacity of renewable energy. However, there is still a question mark how exactly all these changes are about to happen. It is up to the member states and responsible CO2e producers to figure out a concrete way to mitigate global warming.

ZSE group has a clear a vision of what are the actual steps we need to undertake to fully embark on transition towards decarbonization as the electricity distribution system owner. We see the integration of the VSE Holding group as a huge opportunity to help navigating the energy industry in Slovakia in the sustainable direction. Our absolute priority is to make the distribution network ready for connecting the RES into the system as well as resilient to be able to adapt to upcoming climate events. These are just some of the big challenges in the energy industry world, however, we are keen on managing the sustainable transition bearing in mind the huge investments into our grid that must be made. Our additional priority is to be fully prepared to serve our customers the best possible solutions to support their sustainable choices. This is one of the most effective ways to avoid the production of emissions in the first place with tools such as PVs, e-mobility or energy efficiency services.

After the integration of the VSE Holding into the ZSE Group in the end of 2023, we are going to have a close look at the core ESG strategy published in 2022 and also rewind the CO2e emission reduction targets, since after couple of years working with the decarbonization activities as well as rules and regulations that have been implemented, we can re-evaluate the best possible scenarios. This is our job for 2024. Not to omit the 2023, we have continued our sustainability efforts through decarbonization of our fleet, buildings, digitalization of our external and internal services, paying attention to diversity and inclusion aspects, our suppliers, customers, communities and much more. The ESG summary, activities and projects will be published in a separate Sustainability report 2023 joining the ZSE and VSE Holding implementation activities together under the GRI 2021 umbrella including the common emission balance sheet. Important to mention are the ESG efforts which have received the EcoVadis Gold medal, top 5% of the companies rated by EcoVadis in the world in the first half of 2023. Another recognition was the improved ESG rating from Sustainalytics Risk Rating Agency from 26,9 to 20,5 at the scale 0-40+, where 0 score portrays the lowest ESG risk, that a company can impose on ESG aspects. We succeeded in improving even though our exposure to ESG risk increased last year. This happened also thanks to the high ESG Risk Management, which has according to Sustainalytics increased from 53,9 to 68,8 (on the scale 0-100 ESG Risk Management). In 2024 the ZSE group ESG rating will include the former VSE Holding group entities for the first time. The rating agency has already announced updated methodology, which should include more components and be more strict. We will hence double our efforts to score well.

Západoslovenská energetika a.s. has reported in accordance with the GRI Standards for the period from 1 January 2023 to 31 December 2023.

In accordance with regulation (EU) 2020/852 of the EP and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and related delegated acts (hereafter referred to as „EU Taxonomy" or „EU Regulation 2020/852"). Group's management considers following economic activities of the Group as eligible in accordance with Commission Delegated Act (EU) 2021/2139:

- 4.9. Transmission and distribution of electricity - within subsidiary Západoslovenská distribučná, a.s. a Východoslovenská distribučná, a.s.
- 4.5. Electricity generation from hydropower - within subsidiary ZSE MVE, s.r.o
- 4.10 Storage of electricity - in a new construction project within the subsidiary ZSE Energia, a.s.
- 6.15. Infrastructure enabling road transport and public transport within service line „e-mobility"
- 7.3 Installation, maintenance and repair of energy efficiency equipment - services in the construction and maintenance of energy-efficient heating systems and energy-efficient public lighting provided by the subsidiaries in the Group
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) within service line „e-mobility".
- 7.6 Installation, maintenance and repair of renewable energy technologies - construction, repair and maintenance of photovoltaic devices provided by the subsidiaries in the Group
- 8.1 Data processing, hosting and related activities - IT services and data center management.

The Group is obliged to publish information on economic activities that are consider as environmentally sustainable. Business activities are „environmentally sustainable" if

- significantly contribute to mitigating climate change and adapting to climate change,
- do not cause any significant damage (DNSH) in achieving EU environmental goals and
- observe minimum security and human rights (minimum guarantees, minimum protection).

The proportion of economic activities that are environmentally sustainable and activities eligible under the EU taxonomy on the Group's total consolidated turnover, its consolidated capital and operating expenses for the year 2023 are reported in the tables below. When calculating the indicators, the Group assigned individual items to economic activities so that they were counted only once, primarily through data from segmental analyses. Intra-group transactions were excluded.

Reporting of capital expenditure on environmentally sustainable economic activities within the framework of the EU taxonomy as of 31 December 2023:

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute CapEx (EUR)**	**Proportion of CapEx (%)**	**Climate Change Mitigation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Transmission and distribution of electricity	4.9.	149,762	76.49%	100%					
Infrastructure enabling low-carbon road transport and public transport	6.15.	4,861	2.48%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	792	0.40%	100%					
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**155,415**	**79.37%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Data processing, hosting and related activities	8.1.	188	0.10%						
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		**188**	**0.10%**						
Total (A.1. + A.2)		**155,603**	**79.47%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CapEx of Taxonomy-non-eligible activities (B)		40,201	20.53%						
Total (A+B)		**195,804**	**100.00%**						

Reporting of capital expenditure on environmentally sustainable economic activities within the framework of the EU taxonomy as of 31 December 2023:

	DNSH criteria										
Economic activties	**Climate Change Mitiga-tion (Y/N)**	**Climate Change Adapta-tion (Y/N)**	**Water marine resour-ces (Y/N)**	**Circular Economy (Y/N)**	**Pollution (Y/N)**	**Biodiversi-ty and eco-systems (Y/N)**	**Mini-mum safe-guards (Y/N)**	**Taxonomy--aligned pro-portion of CapEx year 2023 (%)**	**Taxonomy--aligned proportion of CapEx year 2022 (%)***	**Category (enabling activity) (E)**	**Catego-ry (tran-sitional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)											
Transmission and distribution of electricity	Y	Y					Y	76.49%	80.85%	E	
Infrastructure enabling low-carbon road transport and public transport	Y	Y	Y	Y	Y	Y	Y	2.48%	0.14%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	0.40%	1.20%	E	
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)								**79.37%**	**82.19%**		
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Data processing, hosting and related activities											
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)								**0.10%**	**0.14%**		
Total (A.1. + A.2)								**79.47%**	**82.34%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
CapEx of Taxonomy-non-eligible activities (B)											
Total (A+B)											

Reporting of capital expenditure on environmentally sustainable economic activities within the framework of the EU taxonomy as of 31 December 2022:

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute CapEx (EUR)**	**Proportion of CapEx (%)**	**Climate Change Mitigation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Electricity generation from hydropower	4.5.	4	0.00%	100%					
Transmission and distribution of electricity	4.9.	96,046	80.85%	100%					
Infrastructure enabling low-carbon road transport and public transport	6.15.	172	0.14%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	1,421	1.20%	100%					
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**97,643**	**82.19%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Storage of electricity	4.10.	26	0.02%						
Data processing, hosting and related activities	8.1.	142	0.12%						
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		**168**	**0.14%**						
Total (A.1. + A.2)		**97,811**	**82.34%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CapEx of Taxonomy-non-eligible activities (B)		20,985	17.66%						
Total (A+B)		**118,796**	**100.00%**						

Reporting of capital expenditure on environmentally sustainable economic activities within the framework of the EU taxonomy as of 31 December 2022:

	DNSH criteria										
Economic activties	**Climate Change Mitigation (Y/N)**	**Climate Change Adaptation (Y/N)**	**Water marine resources (Y/N)**	**Circular Economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystems (Y/N)**	**Minimum safeguards (Y/N)**	**Taxonomy-aligned proportion of CapEx year 2022 (%)**	**Taxonomy-aligned proportion of CapEx year 2021 (%)***	**Category (enabling activity) (E)**	**Category (transitional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)											
Electricity generation from hydropower	Y	Y	Y				Y	0.00%	0,00%	E	
Transmission and distribution of electricity	Y	Y					Y	80.85%	0,00%	E	
Infrastructure enabling low-carbon road transport and public transport	Y	Y	Y	Y	Y	Y	Y	0.14%	0,00%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	1.20%	0,00%	E	
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)								**82.19%**	**0,00%**		
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Storage of electricity											
Data processing, hosting and related activities											
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)								**0.14%**	**74.00%**		
Total (A.1. + A.2)								**82.34%**	**74.00%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
CapEx of Taxonomy-non-eligible activities (B)											
Total (A+B)											

Reporting of operating expenses for environmentally sustainable economic activities within the EU taxonomy as of 31 December 2023:

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute CapEx (EUR)**	**Proportion of CapEx (%)**	**Climate Change Mitigation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Electricity generation from hydropower	4.5.	205	0.18%	100%					
Transmission and distribution of electricity	4.9.	46,941	41.61%	100%					
Infrastructure enabling low-carbon road transport and public transport	6.15.	255	0.23%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	160	0.14%	100%					
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**47,561**	**42.16%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Data processing, hosting and related activities	8.1.	3,669	3.25%						
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		**3,669**	**3.25%**						
Total (A.1. + A.2)		**51,230**	**45.41%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OpEx of Taxonomy-non-eligible activities (B)		61,588	54.59%						
Total (A+B)		**112,818**	**100.00%**						

Reporting of operating expenses for environmentally sustainable economic activities within the EU taxonomy as of 31 December 2023:

	DNSH criteria										
Economic activties	**Climate Change Mitiga-tion (Y/N)**	**Climate Change Adapta-tion (Y/N)**	**Water marine resour-ces (Y/N)**	**Circular Econo-my (Y/N)**	**Pollution (Y/N)**	**Biodiver-sity and ecosys-tems (Y/N)**	**Mini-mum safe-guards (Y/N)**	**Taxonomy--aligned proportion of CapEx year 2023 (%)**	**Taxonomy--aligned proportion of CapEx year 2022 (%)***	**Category (enabling activity) (E)**	**Cate-gory (transi-tional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)											
Electricity generation from hydropower	Y	Y	Y				Y	0.18%	0.20%	E	
Transmission and distribution of electricity	Y	Y					Y	41.61%	42.87%	E	
Infrastructure enabling low-carbon road transport and public transport	Y	Y	Y	Y	Y	Y	Y	0.23%	0.00%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	0.14%	0.48%	E	
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)								**42.16%**	**43.36%**		
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Data processing, hosting and related activities											
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)								**3.25%**	**4.30%**		
Total (A.1. + A.2)								**45.41%**	**47.86%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
OpEx of Taxonomy-non-eligible activities (B)											
Total (A+B)											

Reporting of operating expenses for environmentally sustainable economic activities within the EU taxonomy as of 31 December 2022:

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute CapEx (EUR)**	**Proportion of CapEx (%)**	**Climate Change Mitigation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Electricity generation from hydropower	4.5.	187	0.20%	100%					
Transmission and distribution of electricity	4.9.	39,905	42.87%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	450	0.48%	100%					
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**40,542**	**43.56%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Storage of electricity	4.10.	89	0.10%						
Data processing, hosting and related activities	8.1.	3,912	4.20%						
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		**4,001**	**4.30%**						
Total (A.1. + A.2)		**44,543**	**47.86%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OpEx of Taxonomy-non-eligible activities (B)		48,534	52.14%						
Total (A+B)		**93,077**	**100.00%**						

Reporting of operating expenses for environmentally sustainable economic activities within the EU taxonomy as of 31 December 2022:

	DNSH criteria										
Economic activties	**Climate Change Mitiga-tion (Y/N)**	**Climate Change Adapta-tion (Y/N)**	**Water marine resour-ces (Y/N)**	**Circular Econo-my (Y/N)**	**Pollution (Y/N)**	**Biodiver-sity and ecosys-tems (Y/N)**	**Mini-mum safe-guards (Y/N)**	**Taxonomy--aligned proportion of CapEx year 2022 (%)**	**Taxonomy--aligned proportion of CapEx year 2021 (%)***	**Category (enabling activity) (E)**	**Cate-gory (transi-tional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)											
Electricity generation from hydropower	Y	Y	Y				Y	0.20%	0.00%	E	
Transmission and distribution of electricity	Y	Y					Y	42.87%	0.00%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	0.48%	0.00%	E	
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)								**43.56%**	**0.00%**		
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Storage of electricity											
Data processing, hosting and related activities											
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)								**4.30%**	**68.00%**		
Total (A.1. + A.2)								**47.86**	**68.00%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
OpEx of Taxonomy-non-eligible activities (B)											
Total (A+B)											

Reporting of income from environmentally sustainable economic activities within the EU taxonomy as of 31 December 2023:

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute CapEx (EUR)**	**Proportion of CapEx (%)**	**Climate Change Mitigation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Electricity generation from hydropower	4.5	633	0.03%	100%					
Transmission and distribution of electricity	4.9.	431,231	21.54%	100%					
Infrastructure enabling low-carbon road transport and public transport	6.15.	1,821	0.09%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	1,107	0.06%	100%					
Installation, maintenance and repair of renewable energy technologies	7.6.	13,087	0.65%	100%					
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**447,879**	**22.37%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Installation, maintenance and repair of energy efficiency equipment	7.3.	1,200	0.06%						
Installation, maintenance and repair of renewable energy technologies	7.6	2,334	0.12%						
Turnover of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		**3,534**	**0.18%**						
Total (A.1. + A.2)		**451,413**	**22.55%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Turnover of Taxonomy-non-eligible activities (B)		1,550,626	77.45%						
Total (A+B)		**2,002,039**	**100%**						

Reporting of income from environmentally sustainable economic activities within the EU taxonomy as of 31 December 2023:

	DNSH criteria										
Economic activties	**Climate Change Mitigation (Y/N)**	**Climate Change Adaptation (Y/N)**	**Water marine resources (Y/N)**	**Circular Economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystems (Y/N)**	**Minimum safeguards (Y/N)**	**Taxonomy-aligned proportion of CapEx year 2023 (%)**	**Taxonomy-aligned proportion of CapEx year 2022 (%)***	**Category (enabling activity) (E)**	**Category (transitional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)											
Electricity generation from hydropower	Y	Y	Y				Y	0.03%	0.00%	E	
Transmission and distribution of electricity	Y	Y					Y	21.54%	24.02%	E	
Infrastructure enabling low-carbon road transport and public transport	Y	Y	Y	Y	Y	Y	Y	0.09%	0.00%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	0.06%	0.08%	E	
Installation, maintenance and repair of renewable energy technologies	**Y**	**Y**					Y	**0.65%**	**0.32%**	E	
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1.)								**22.37%**	**24.42%**		
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Installation, maintenance and repair of energy efficiency equipment											
Installation, maintenance and repair of renewable energy technologies											
Turnover of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)								**0.18%**	**0.05%**		
Total (A.1. + A.2)								**22.55%**	**24.47%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
Turnover of Taxonomy-non-eligible activities (B)											
Total (A+B)											

Reporting of income from environmentally sustainable economic activities within the EU taxonomy as of 31 December 2022:

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute CapEx (EUR)**	**Proportion of CapEx (%)**	**Climate Change Mitigation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Transmission and distribution of electricity	4.9.	463,084	24.02%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	1,474	0.08%	100%					
Installation, maintenance and repair of renewable energy technologies	7.6.	6,091	0.32%	100%					
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**470,649**	**24.42%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Installation, maintenance and repair of energy efficiency equipment	7.3.	409	0.02%						
Installation, maintenance and repair of renewable energy technologies	7.6	604	0.03%						
Turnover of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		**1,013**	**0.05%**						
Total (A.1. + A.2)		**471,662**	**24.47%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Turnover of Taxonomy-non-eligible activities (B)*		1,455,902	75.53%						
Total (A+B)*		**1,927,564**	**100%**						

* Income achieved for 2022 are adjusted for compensation as at 31 December 2023.

Reporting of income from environmentally sustainable economic activities within the EU taxonomy as of 31 December 2022:

	DNSH criteria										
Economic activties	**Climate Change Mitiga-tion (Y/N)**	**Climate Change Adapta-tion (Y/N)**	**Water marine resour-ces (Y/N)**	**Circular Econo-my (Y/N)**	**Pollution (Y/N)**	**Biodiver-sity and ecosys-tems (Y/N)**	**Mini-mum safe-guards (Y/N)**	**Taxonomy--aligned proportion of CapEx year 2023 (%)**	**Taxonomy--aligned proportion of CapEx year 2022 (%)***	**Category (enabling activity) (E)**	**Cate-gory (transi-tional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)	Y	Y					Y	24.02%	0.00%	E	
Transmission and distribution of electricity	Y	Y					Y	0.08%	0.00%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	0.32%	0.00%	E	
Installation, maintenance and repair of renewable energy technologies								**24.42%**	**0.00%**		
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1.)											
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Installation, maintenance and repair of energy efficiency equipment											
Installation, maintenance and repair of renewable energy technologies								0.05%	28.00%		
Turnover of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)								**24.47%**	**28.00%**		
Total (A.1. + A.2)								**24,47%**	**28,00%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
Turnover of Taxonomy-non-eligible activities (B)*											
Total (A+B)*											

06 | Corporate Social Responsibility

Corporate Social Responsibility

The ZSE Group is among the corporate social responsibility leaders in Slovakia and its principles are in the middle of our daily business decisions and strategy. The main areas of the support within the ZSE Group are environmental protection, education support and community-oriented public service activities.

Education

We see education support as a key investment in the future of our company, energy industry and Slovakia. We have been systematically supporting education at several levels, working with schools at all levels, supporting the modernisation of teaching process. Dual education is key for ensuring the vocational training of the younger generation, which and the ZSE Group´s Companies have been using it for long time.

In 2023, VSE Solutions s.r.o., our subsidiary, shared its experience and innovative solutions with students. As a company that has been bringing new technologies to the market for several years, they designed and created a unique classroom for the Secondary School of Electrical Engineering in Trnava. It thus supported young talents and the development of vocational education in Slovakia.

Západoslovenská distribučná, a.s. has been systematically cooperating with vocational schools and supporting the modernisation of pupils' learning, for example by installing training polygons and other training components in school premises. In 2023, training polygons were opened in the Secondary School of Informatics in Bratislava and Secondary School of Electrical Engineering in Trnava.

The schools are in contact with both foundations which have been operating within the ZSE Group. For example, the VSE Foundation offered EUR 24,669.87 for improvement of the educational process of nine schools.

The ZSE Foundation announced its own grant scheme Exceptional Schools. Supporting active teachers with innovative approach and courage to grow both in terms of profession and personality, positive communication and teacher empowerment are aims of the scheme. In 2023, the fifth edition of the scheme was announced, in which 64 projects were supported with a total amount of EUR 120,000. An exceptional project is the Elektrárňa Piešťany, a former municipal power plant and reconstructed industrial monument from the beginning of the 20th century. Since autumn 2016, this power plant building has provided its premises to the project "Elektrárňa Piešťany - Centre of Creative Energy and Art" aimed at offering services of the unique centre for experience education in the area of science, technology and art. Education for schools consists of interactive exhibitions and workshops focusing on promoting learning and acquiring new knowledge in the fields of physics, ecology, sustainable development and natural sciences. In 2023, a number of investment projects and repairs have been carried out at the Elektárňa Piešťany, which allow to increase the quality and comfort of the events and activities carried out.

Environmental protection

Environmental responsibility has long been a priority of the ZSE Group. This is proven by many projects and measures that we implement with the aim of ensuring sustainable business and helping nature.

We also seek to mitigate the negative impact of the energy sector on climate change partially through the activities of foundations too. The grant scheme Switching to Green, announced by the ZSE Foundation, supports projects that focus on environmental education, the use of renewable resources, protection of landscape features and ecotypes, circular economy and reduction of the carbon footprint. In the second edition of the scheme, the ZSE Foundation supported 47 projects by the total amount of EUR 70,000.

The ZSE Foundation, motivated by the urgent climate crisis, opened another scheme through which the ZSE Foundation meets its commitment in the area of environment in region where it is active. The Sunny Roofs scheme is designed for schools and educational facilities, social service facilities, sheltered workshops and registered social enterprises, which can apply for free installation of photovoltaic solutions. In 2023, ZSE Energia offered the ZSE Foundation the sum of EUR 290,000 to implement the scheme.

In 2023, the VSE Foundation announced the scheme called Healthy and Clean Region. Twelve unique projects benefitted from the total amount of EUR 39,967.58. Through the funds collected from customers, the Company supported projects with a total value of more than EUR 23,000. In cooperation with civic association SOSNA, 12 climate gardens were created in regional primary schools. A lavender and blueberry grove suitable for honey bees was completed near the village of Rudník, in cooperation with the Story of the Bee civic association.

Community development

The goal of our corporate social responsibility activities is common - a fair and responsible approach to all communities with which our Company comes into contact.

Community benefit topics and projects have long been the focus of the ZSE Group's employees. Employees again helped mow the precious Kopanecké meadows, twice a year they participated in a joint blood donation and twice they recorded fairy tale audio books for blind children in the Matej Hrebenda library in Levoča. They also took part in the activities of the announced Week of Volunteering and the nationwide event Let´s clean Slovakia. You could also meet them at the Christmas markets in Košice and Prešov, where they distributed Christmas angel cabbage soup. Employees also contributed generously to Christmas collections and together they raised almost EUR 3,500 for selected civic associations and non-profit organizations.

Through its Employee Grant Scheme, ZSE has been supporting the implementation of volunteer activities for those employees who, in addition to their day-to-day work and duties, are interested in getting involved in their community. In 2023, the seventh edition of the scheme was announced, supporting 146 projects by the total amount of EUR 100,000.

The VSE Foundation supported employee engagement in improving the communities in which they live and work through the Companius employee grant scheme - Helping Together. In 2023, it contributed EUR 33,805.80 to community development.

The Making Regions Move grant scheme is key in supporting the projects of active and inspiring people who are making a difference in their immediate surroundings. The ZSE Foundation support particularly the original projects for communities, but also those which highlight the exceptionality of a specific region or its traditional customs or sights. In 2023, 113 projects were supported by the total amount of EUR 120,000.

Mutual aid connects us

The companies actively helped and responded to current issues in 2023 too. The ZSE Group and E.ON Stiftung jointly expressed solidarity with earthquake-affected Turkey and Syria, offering these countries EUR 10,000. When an earthquake struck villages in eastern Slovakia in October 2023, the VSE Foundation offered assistance to the inhabitants of Ďapalovce and donated EUR 6,312.98 for the repair of damaged property.

Power engineers were not indifferent to the damage to precious historical monuments after the devastating fire in Banská Štiavnica in March 2023. The companies of the ZSE Group have decided to contribute a total of EUR 20,000 to their restoration.

The ZSE Foundation in cooperation with the Disabled Aid Association (APPA) has been long financially supporting the implementation of charity events for the benefit of disadvantaged people in the region of Western Slovakia. In 2023, another edition of the scheme Energy for You was announced. Support from the scheme is intended for technical organisation of charity events, the proceeds of which are intended for the benefit of selected APPA club members. The connection of the scheme with APPka by APPA, a unique charitable mobile application, was an innovation in 2023. In total, the scheme supported 10 charity events.

In 2023, the ZSE Foundation became a general partner of the charity mobile application APPka in Slovakia. Thanks to the application, anyone can help those in need without any restrictions, just by walking or doing any sport activity. The first Slovak charity mobile application transforms energy spent during physical activities into financial aid. The ZSE Foundation supported further development of the mobile application in the form of a general partnership and a financial contribution of EUR 25,000.

In 2023, the Košice City held a favourite sport and charity event VSE CITY RUN. Východoslovenská energetika a.s. earmarked for the event the sum of EUR 35,000, and, in addition, together with the participants of the run, it raised the sum of EUR 9,797 which went into the hands of the Society of Children's Oncology in Košice. Another sports and charity event was the Charity Volley Cup tournament. The entry fee of EUR 2,000 went in full to the Society of Friends of Children from Children's Homes "Smile as a Gift" for the creation of a Food Bank in Košice. In 2023, the VSE Foundation supported other activities of Smile as a Gift, thus continuing the development of a long-standing partnership and helping those who are really in need.

Západoslovenská energetika, a.s.

Separate Financial Statements and Independent Auditors' Report

31 December 2023

April 2024

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INDEPENDENT AUDITORS' REPORT

KPMG

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Translation of the Independent Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of Západoslovenská energetika, a.s.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Západoslovenská energetika, a.s. (the "Company"), which comprise:

- the separate statement of financial position as at 31 December 2023;

and, for the period then ended:

- the separate statement of profit or loss and other comprehensive income;
- the separate statement of changes in equity;
- the separate statement of cash flows;

and

- notes to the separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the following key audit matters:

Acquisition of the VSE Group

Investments in subsidiaries and joint venture as at 31 December 2023: EUR 1,910,402 thousand (31 December 2022: EUR 292,663 thousand).

Refer to Notes 2 (Summary of significant accounting policies), Note 10 (Investments in Subsidiaries and Joint Venture), Note 16 (Share Capital) Note 17 (Legal Reserve Fund) and Note 22 (Trade and Other Payable) of the financial statements.

Key audit matter	Our response
As described in Note 10, during the current year, the Company acquired 100% share ownership in Východoslovenská energetika Holding a.s. ("VSEH") together with its subsidiaries and joint ventures ("VSE Group"). The transaction was carried out through the contribution of shares to the Company's equity, while the previous shareholders and partners of VSEH, received shares in the Company. Accordingly, as part of the acquisition, the Company issued new shares to the VSEH shareholders in return for the shares of VSEH, valued at EUR 765,178 thousand. As a result, in the separate financial statements, the Company recognized an increase in share capital and share premium reserve of EUR 85,498 and EUR 662,581, respectively. In respect of the above acquisition, particular complexity was associated with the Company's measurement of the value of VSEH shares, based, primarily, on the income ("DCF") approach with secondary market approach (transaction multiples) for less material entities and as a cross-	Our audit procedures in the area, conducted, where relevant, with the support of our own valuation specialists, included among others: • Evaluating the design and implementation of selected internal controls, including those over the determination of the acquisition date, and consideration, and fair values of the acquiree's shares; • Challenging the Company's determination of the acquisition date and its determination as to whether it was the acquirer in the transaction, whether or not control was obtained over the acquirees, by reference to the underlying share purchase contracts and other acquisition documentation and relevant evidence; • Challenging the appropriateness of the valuation method applied to determine the fair value of the VSEH shares, by reference to commonly used valuation methods and the

check. Within the above valuations, the cash flows were estimated based on approved business plan projections, discounted to present value ("PV"). Making the DCF estimates required significant judgment from the Company's management, due, among other things to an increased estimation uncertainty in respect of the future development of the current economic environment and the conflict in Ukraine. As such, we considered the area to be associated with a significant risk of material misstatement, requiring our increased attention during the audit. Accordingly, we determined the area to be our key audit matter.	relevant requirements of financial reporting standards; • In respect of the DCF-based fair value estimates, considering the effects of the current economic environment, challenging the key underlying assumptions, by reference to, publicly available market information, acquiree historical data as well as budgets and forecasts, macroeconomic data of the European Central Bank and independent market price research. The key assumptions challenged included, among others: o Revenue growth o EBITDA o Capex, and o Discount rate (WACC) • Challenging management of the Company's consideration, in its fair value estimates, of the impact of the volatile economic environment, ongoing war in Ukraine and increased energy prices and its results in the current year and going forward.

Responsibilities of the Statutory Body and Those Charged with Governance for the Separate Financial Statements

The statutory body is responsible for the preparation of separate financial statements that give a true and fair view in accordance with IFRS Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the separate financial statements and our auditors' report thereon. Our opinion on the separate financial statements does not cover the other information in the Annual Report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the separate financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited separate financial statements or our knowledge obtained in the audit of the separate financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the separate financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the separate financial statements, in our opinion, in all material respects:

- the other information given in the Annual Report for the year ended 31 December 2023 is consistent with the separate financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the separate financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of the Company on 31 May 2023 on the basis of approval by the General Meeting of the Company held on 31 May 2023. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 3 years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the audit committee of the Company, which was issued on 16 April 2024.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Company in conducting the audit.

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Slovenská komora audítorov SKAU Č. licencie 96 KPMG Slovensko spol. s r.o.

Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Bratislava, 23 April 2024

In thousands of EUR	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	33,395	28,313
Intangible assets	7	1,392	1,246
Investment properties	8	15,565	15,989
Right-of-use assets	9	2,791	3,143
Investments in subsidiaries and joint venture	10	1,910,402	292,663
Finance lease receivables	11	2,929	3,023
Trade and other receivables	14	1,483	743
Loans provided to subsidiary	12	623,991	311,913
Deferred income tax receivables	19	1,327	224
Total non-current assets		**2,593,275**	**657,257**
Current assets			
Inventories	13	4,306	1,137
Accrued interest on loans provided to subsidiary	12	8,689	320,447
Trade and other receivables	14	7,590	4,122
Current income tax refund receivable	19	-	359
Finance lease receivables	11	692	619
Receivables from cash pooling	23	7,334	128,208
Cash and cash equivalents	15	247,612	21,225
Assets held for sale and discontinued operations	34	8,486	-
Total current assets		**284,709**	**476,117**
TOTAL ASSETS		**2,877,984**	**1,133,374**
EQUITY			
Share capital	16	282,467	196,969
Legal reserve fund	17	56,520	39,421
Other funds	16	662,581	-
Retained earnings		159,520	121,203
TOTAL EQUITY		**1,161,088**	**357,593**

In thousands of EUR	Note	31 December 2023	31 December 2022
LIABILITIES			
Non-current liabilities			
Issued bonds	18	314,008	313,696
Borrowings	24	314,648	-
Lease liabilities	9	5,377	5,747
Trade and other payables	22	7,010	3,213
Post-employment defined benefit obligations	20	385	550
Other long term employee benefits	21	161	169
Total non-current liabilities		**641,589**	**323,375**
Current liabilities			
Issued bonds and accrued interest on issued bonds	18	4,294	321,904
Borrowings	24	-	119,465
Lease liabilities	9	1,216	1,160
Trade and other payables	22	876,462	9,643
Current income tax liability	42	1,344	-
Liabilities from cash pooling	23	169,573	234
Liabilities related to assets held for sale and discontinued operations	34	22,418	-
Total current liabilities		**1,075,307**	**452,406**
TOTAL LIABILITIES		**1,716,896**	**775,781**
TOTAL LIABILITIES AND EQUITY		**2,877,984**	**1,133,374**

These separate financial statements have been approved for issue by the Board of Directors on 23 April 2024.

Markus Kaune
Chairman of the Board of Directors and CEO

Juraj Krajcár
Member of the Board of Directors

In thousands of EUR	**Note**	**2023**	**2022**
Revenues from contracts with customers	25	**19,656**	**17,552**
Compensation		432	-
Raw material, energy and other consumption	26	(5,052)	(3,392)
Employee benefits	27	(11,598)	(10,298)
Depreciation of property, plant and equipment and investment properties	6, 8	(2,324)	(2,151)
Amortisation of intangible assets	7	(321)	(267)
Depreciation of right-of-use assets	9	(524)	(541)
Other operating expenses	28	(9,908)	(8,779)
Other operating income	30	16,232	8,200
Dividend income	29	103,777	71,743
Income from subleases		108	184
Own work capitalised		351	155
Operating profit		**110,829**	**72,406**
Finance income / (costs)			
Interest income calculated using the effective interest method	32	26,742	20,219
Interest costs and similar expense	31	(24,634)	(19,109)
Finance income, net		**2,108**	**1,110**
Profit before tax		**112,937**	**73,516**
Income tax expense	19	(2,045)	(655)
Profit for the year		**110,892**	**72,861**
Other comprehensive loss			
Items that will not be subsequently reclassified to profit or loss			
Actuarial remeasurements of post-employment defined benefit obligations	20	193	113
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	19	(41)	(24)
Total other comprehensive income for the year		**152**	**89**
Total comprehensive income for the year		**111,044**	**72,950**

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Retained earnings	Total equity
Balance at 1 January 2022	**196,969**	**39,421**	-	**136,172**	**372,562**
Profit for the year	-	-	-	72,861	**72,861**
Other comprehensive loss for the year	-	-	-	89	**89**
Total comprehensive income for 2022	-	-	-	**72,950**	**72,950**
Dividends declared and paid (Note 16)	-	-	-	(87,919)	**(87,919)**
Balance at 31 December 2022	**196,969**	**39,421**	-	**121,203**	**357,593**
Profit for the year	-	-	-	110,892	**110,892**
Other comprehensive loss for the year	-	-	-	152	**152**
Total comprehensive income for 2023	-	-	-	**111,044**	**111,044**
Dividends declared and paid (Note 16)	-	-	-	(72,727)	**(72,727)**
New shares issued (Note 16)	85,497	17,100	662,581	-	**765,178**
Other	1	(1)	-	-	-
Balance at 31 December 2023	**282,467**	**56,520**	**662,581**	**159,520**	**1,161,088**

In thousands of EUR	Note	2023	2022
Cash flows from operating activities			
Profit before tax		112,937	73,516
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment and investment properties	6, 8	2,324	2,308
- Loss / (gain) on disposal of property, plant and equipment	6	(6,626)	(95)
- Amortisation of intangible assets	7	321	267
- Impairment of property, plant and equipment and investment properties	6, 8	-	(157)
- Depreciation of right-of-use assets	9	524	541
- Amortization of government grant deferred income		(1,490)	(294)
- Loss on liquidation of subsidiary		-	49
- Interest income		(26,742)	(20,219)
- Interest and similar expense		24,634	18,809
- Dividend income	29	(103,777)	(71,743)
- ECL allowance for loan provided to subsidiary		(1,340)	(290)
- Other non-cash items		(593)	503
Cash generated from operations before changes in working capital		172	3,195
Changes in working capital:			
- Inventories		(3,169)	(194)
- Trade and other receivables		(1,110)	4,177
- Trade and other payables		2,775	(164)
- Lease liabilities		(108)	(184)
- Provisions for liabilities and charges		6	23
Cash (used in)/generated from operations before interest and taxes		**(1,434)**	**6,853**
Interest income received		23,489	20,219
Interest expense paid		(26,475)	(18,351)
Income tax refund/ (paid)	42	(899)	(2,226)
Net cash (used in)/from operating activities		**(5,319)**	**6,495**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(6,807)	(3,666)
Dividend income received	29	103,777	71,743
Receipts from finance lease receivables		800	803
Cash received as a result of government grant		1,925	2,396
Proceeds from sale of property, plant and equipment and intangible assets	6	12,002	155
Receivables from cash pooling	23	-	(74,628)
Proceeds from decrease of financial investments in subsidiaries		-	515
Net cash from investing activities		**111,697**	**(2,682)**
Cash flows from financing activities			
Dividends paid	16	(72,727)	(87,919)
Repayment of principal of lease liabilities	37	(1,157)	(1,126)
Borrowings	24	195,087	98,035
Liabilities from cash pooling		313,806	-
Expenditure on repayment of issued bonds		(315,000)	-
Net cash used in financing activities		**120,009**	**8,990**
Net change in cash and cash equivalents		**226,387**	**12,803**
Cash and cash equivalents at the beginning of the year		21,225	8,422
Cash and cash equivalents at the end of the year	15	**247,612**	**21,225**

1 Introduction

These separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2023 for Západoslovenská energetika, a.s. (hereinafter "The Company" or "ZSE").

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 15 October 2001. The Company was incorporated in the Commercial Register of the Municipal Court Bratislava III on 1 November 2001.

Principal activity. The Company provides supporting services for its subsidiaries and other related parties as accounting, controlling and general administration services, as well as in area of finance services, planning and HR services.

The Company's principal subsidiaries are as follows: Západoslovenská distribučná, a.s. which operates electricity distribution network in Western Slovakia, ZSE Energia, a.s. which supplies electricity and gas to its retail and wholesale customers, Východoslovenská energetika a.s. which supplies electricity and gas to customers, Východoslovenská energetika Holding a.s. which provides supporting services, Východoslovenská distribučná ,a.s. which operates electricity distribution network in Eastern Slovakia, ZSE Energy Solutions, s.r.o. which is in engineering business, ZSE MVE, s. r. o. which operates two small hydroelectric power plants, ZSE Business Services, s. r. o. which is a trading company and ZSE Energetické služby, s.r.o. which are companies providing services, ZSE Elektrárne, s.r.o., which operates gas fired steam turbine power plant. All of the subsidiaries are incorporated in the Slovak Republic and are wholly owned by the Company.

On May 4, 2023, E.ON and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, as shareholders of the Group, signed the Addendum to the Memorandum of Understanding dated July 30, 2020 (the "Memorandum"), on the basis of which the Slovak Republic has the right to request E .ON for the purchase of 100% of the share in the company ZSE Elektrárne, s.r.o. until 31 December 2024. In 2023, the Slovak Republic claim the option to acquire a business share, thereby expressing its interest in the purchase of the share in ZSE Elektrárne, s.r.o. which will be realized for a fair market value and under standard market conditions and in accordance with all legal regulations.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 35 823 551 and its tax identification number (IČ DPH) is: SK2020285256.

Presentation currency. These separate financial statements are presented in Euro ("EUR"), rounded to thousands, unless otherwise stated. Negative amounts are presented in brackets.

Ownership structure at 31 December 2023. Ministry of Economy of the Slovak Republic owns 51% of the Company's shares (31 December 2022: 51% of the Company's shares), E.ON Slovensko, a.s. owns 24.17% of the Company's shares (31 December 2022: 39% of the Company's shares), E.ON Beteiligungen GmbH owns 10% of the Company's shares (31 December 2022: 10% of the Company's shares) and E.ON International Participations N.V owns 14.83% of the Company's shares (31 December 2022: 0% of the Company's shares).
The Company is jointly controlled by E.ON and the Slovak government as a result of a shareholders' agreement, which requires the parties to act jointly together to direct the activities that significantly affect the returns of the reporting entity. Refer to Note 16.

List of members of the Company's board of directors and of the supervisory board is publicly available from the Commercial Register operated by the Ministry of Justice of the Slovak Republic at www.orsr.sk.

Number of employees. The Company employed 182 staff on average during 2023 (2022: 178 employees on average). Number of employees at 31 December 2023 was 188, of which 9 were management (31 December 2022: 183 employees, of which 8 were management).

2 Significant Accounting Policies

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under the historical cost convention. The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented. The financial statements have been prepared on accrual basis and under the going concern assumption. The transactions are recognized in the financial statements in the period to which they relate.
The Board of Directors may propose to the Company's shareholders to amend the separate financial statements until their approval by the general shareholders meeting. However, § 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity's accounting records after the financial statements are approved by the general shareholders' meeting. If, after the financial statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entities to restate comparative information in the reporting period in which the relevant facts are identified.

These separate financial statements have been prepared in addition to the consolidated financial statements of the Západoslovenská energetika, a.s. Group. The separate financial statements should be read in conjunction with the consolidated financial statements to obtain a complete understanding of the Company's results of operations and financial position. These consolidated financial statements can be obtained from the Company at its registered address.

Subsidiaries and joint ventures. Subsidiaries are those investees, including structured entities, that the Company controls because the Company (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive voting rights, including substantive potential voting rights, are considered when assessing whether the Company has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Company may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Company assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Company from controlling an investee.

Joint ventures are those entities in which the Company shares control of the operations with its joint venture partners and where it has rights to a share of their net assets.

Investments in subsidiaries and joint ventures are carried at cost in these separate financial statements. The cost is represented by the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the subsidiaries and joint ventures at the time of their acquisition. Impairment losses are recognized using an allowance account. Allowances are recognized to write down the investment to present value of estimated expected future cash flows.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or costs.

2 Significant Accounting Policies (continued)

Investment property. Investment property represents the building premises (and related part of the land on which the building stands), which is leased out to subsidiaries. Investment property is carried at cost less accumulated depreciation, calculated using straight line method to depreciate the asset to its residual value, based on estimated useful life of 30 to 50 years, similar to buildings held for own use.

Right-of-use assets. The Company leases, energy buildings and equipment and vehicles. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate where the Company is a lessee, Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Assets that represent right-of-use of the underlying leased assets are initially measured at the present value of the future lease payments.

Right-of-use assets are measured at cost at the commencement date of a lease, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct (transaction) costs, and
- costs to restore the asset to the conditions required by lease agreements upon handover to the lessor at the end of the lease.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Office buildings	4-10 years
Energy buildings and equipment	10 years
Vehicles	2-5 years

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Company's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

Discontinued operations. A discontinued operation is a component of the Company that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Revenues, expenses and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

2 Significant Accounting Policies (continued)

Depreciation. Land and construction in progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Office buildings and halls	30 – 50 years
Building sites	40 years
Machinery	4 – 20 years
Fixtures, fittings and equipment	4 – 30 years
Vehicles	4 – 15 years
Other non-current tangible assets	4 – 30 years

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Intangible assets. Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met: (a) it is technically feasible to complete the software product so that it will be available for use; (b) management intends to complete the software product and use or sell it; (c) there is an ability to use or sell the software product; (d) it can be demonstrated how the software product will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (f) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

At the end of each reporting period management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, management reduces the carrying value to the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

Loans provided. Loans provided are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Inventories. Inventories are stated at the lower of acquisition cost and net realizable value. Weighted average method is used for determination of cost of inventories. The cost of material includes purchase price and directly attributable acquisition costs, such as customs duties or transportation costs. Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

Trade receivables. Trade receivables are recognised initially at nominal value and subsequently measured at amortised cost using the effective interest method, net of the allowance for ECL.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against impairment losses within "other operating expenses".

2 Significant Accounting Policies (continued)

Finance lease receivables. Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable at amount equal to the net investment in the lease. At the commencement date, the measurement of net investment in the lease includes the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives payable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be receivable by the Company under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Finance lease receivables are initially recognised at commencement of lease term, using a discount rate implicit in the lease to measure net investment in the lease.

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Credit loss allowance is recognised using a simplified approach at lifetime ECL. The ECL is determined in the same way as for trade receivables. The ECL is recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Operating lease income. Where the Company is a lessor in a lease which does not transfer substantially all the risks and rewards incidental to ownership to the lessee (operating lease), the operating lease payments are recognised on a straight line basis as other operating income.

Lease liabilities. Liabilities arising from a lease are initially measured on a the basis of present value of future payments. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options are exercisable only by the Company and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determinable, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of a value similar to the right-of-use asset in a similar economic environment with similar contract terms and conditions and collateral.

2 Significant Accounting Policies (continued)

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received,
- uses a method adjusting risk-free interest rate by a credit risk margin, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

To optimise lease costs during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases. The Company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically the expected residual value at lease commencement date is equal to or higher than the guaranteed amount, and so the Company does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed, and adjusted if appropriate, to reflect actual residual values achieved on comparable assets and expectations about future prices.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT, if this previously paid output VAT is not expected to be refunded by the authorities.

Receivables from cash pooling. These receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

2 Significant Accounting Policies (continued)

Amortised cost *("AC")* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the separate statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition. All the entity's financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost ("AC"), resulting in an immediate accounting loss.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets only in the amortised cost category. The classification and subsequent measurement of financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at fair value through profit or loss ("FVTPL").

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected. The purpose of the business model of the Company is to hold the financial assets to collect cash flows.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

2 Significant Accounting Policies (continued)

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

The Company holds only trade receivables, loans provided to subsidiary, cash and cash equivalents and receivables from cash pooling. The contractual cash flows of these assets represent principal and interest payments that reflect the time value of money and therefore the Company measures them at amortised cost. In addition, the Company applies expected loss model to credit risk from contract assets and finance lease receivables.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – allowance for expected credit losses ("ECL"). The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC, contract assets, finance lease receivables and issued financial guarantees. The Company measures ECL and recognises ECL allowances for losses on financial assets, contract assets and finance lease receivables and ECL provisions for issued financial guarantees at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Receivables measured at AC, contract assets and finance lease receivables are presented in the statement of financial position net of the allowance for ECL.

The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses a matrix approach for the calculation of lifetime expected loss on trade receivables that takes into account the ageing of the receivables, loss rate for each ageing category of the receivables and the amount of receivables written off. Given that almost all receivables are due from group companies, the Company has considered the expected payment discipline for the next 12 months. On the basis of these indicators, it was decided that the creation of provisions for trade receivables based on historical data is sufficient, as the development of forward looking indicators corresponds to the development in previous periods. Receivables from third parties are insignificant.

The amount of the loss allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivables was reduced using an allowance account, and the amount of the loss was expensed within "other operating expenses".

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

Financial assets - derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from these financial assets as well as substantially all the related risks and rewards to an unrelated third party.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition.

2 Significant Accounting Policies (continued)

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any transaction costs incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any transaction costs incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities designated at FVTPL. The Company may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest ("SPPI").

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the share issue. The amount of compensation received for the issued shares above the nominal value of the issued shares is reported by the Company as share premium in Other funds in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. The separate financial statements of the Company are the basis for profit distribution and other appropriations.

Legal reserve fund. The legal reserve fund is set up in accordance with the Commercial Code. Contributions to the legal reserve fund were made at 10% of the Company's profit for the year, up to 20% of the share capital. Such funds are not distributable and may only be used to increase share capital or to cover losses.

Issued bonds, loans and other borrowings. Issued bonds, loans and other borrowings are recognised initially at fair value, net of transaction costs incurred. Issued bonds, loans and other borrowings are carried at amortised cost using the effective interest method. The liabilities are classified as current liabilities unless the Company has an unconditiional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Liabilities from cash pooling. These liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Income taxes. Income taxes have been provided for in the separate financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

2 Significant Accounting Policies (continued)

Current income tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the separate financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within other operating expenses.

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the respective reporting period and apply to the period when the related deferred income tax asset will be realised, or the deferred income tax liability will be settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company offsets deferred tax assets and deferred tax liabilities where the Company has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority.

Post-employment and other long term employee benefits. The Company contributes to state and private defined contribution pension and social benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are expensed when incurred.

As agreed with the trade unions, the Company also has (a) a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement depending on the number of years worked for the Company and (b) an obligation to pay work and life anniversary long service bonuses (c) an obligation to pay one-off compensation in case of the death of an employee during the performance of the employment, as a result of an occupational disease or outside the performance of the employment.. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

Actuarial remeasurements on post-employment benefits arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise and are immediately reclassified to retained earnings in the statement of changes in equity. Actuarial remeasurements of the obligation to pay work and life anniversary long service bonuses are recognised in profit or loss for the year as employee benefits expense when incurred. Past service costs, if any, are expensed when incurred.

As explained in IAS 19, *Employee Benefits,* the Company does not distinguish current and non-current portions of defined benefit obligations and presents the estimate as a whole within non-current liabilities.

Grants and compensation. Grants and compensation are recognised at their fair value where there is reasonable assurance that the grant and compensation will be received, and the Company will comply with all attached conditions. Grants relating to the purchase of property, plant and equipment are accounted as deferred income and subsequently recognised in other operating income on a straight line basis over the expected lives of the related assets. Grants and compensation relating to costs are deferred and recognised in revenue or other operating income over the period necessary to match them with the costs that they are intended to compensate. Grants relating to past costs are recognised in profit or loss when it is reasonably certain that the grant will be received.

Trade payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within less than one year, or within the entity's operating cycle. All other accounts payable are presented as non-current liabilities.

2 Significant Accounting Policies (continued)

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Provisions / Contingent liabilities. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax-rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognised as interest expense.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Contingent liabilities are not recognised as liabilities in the separate financial statements. They are disclosed in the notes to the separate financial statements, unless the possibility of an outflow of resources embodying the economic benefits is remote.

Revenue recognition. Revenue is recognised, net of value-added tax, estimated returns, rebates and discounts. The Company recognises revenue when it is probable that future economic benefits will flow to the Company, and in the case of variable consideration when it is highly probable that the recognized revenue will not have to be reversed and when specific criteria will be met for each of the Company's activities as described below.

The Company provides supporting services to its subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. such as accounting, controlling and general administration services. These services are provided also to the other subsidiaries ZSE Energy Solutions, s.r.o., ZSE Business Services, s. r. o., ZSE Elektrárne, s.r.o., and ZSE MVE, s. r. o. and to the shareholder E.ON Slovensko, a.s.

Sales of services. In the case of services where customer benefits from the service as it is being performed, revenue from the service is recognised in the reporting period in which the services are rendered, by reference to completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided.

Dividend income. Dividend income is recognised when the right to receive the payment is established and inflow of economic benefits is probable.

Interest income. Interest income is recognised on an accrual basis using the effective interest method.

Revenue from contracts with customers. Standard IFRS 15 Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers:

- identify the contract(s) with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to each performance obligation,
- recognise revenue when a performance obligation is satisfied.

Financial guarantees. Financial guarantees require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised as a liability at fair value and a corresponding receivable for the future fees due from the debtor with excess, if any, increasing the cost of investment (as a contribution in kind in substance) in the subsidiary whose obligations are guaranteed. This liability is then amortised to other operating income on

2 Significant Accounting Policies (continued)

a straight line basis over the life of the guarantee. At the end of each reporting period, the liabilities for the issued guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed

exposure determined based on the expected credit loss model and (ii) the remaining unamortised balance of the amount of the liability recognised at initial recognition. In addition, an ECL loss allowance is recognised in profit or loss for fees receivable that are recognised in the statement of financial position as an asset.

Foreign currency translation. These financial statements are presented in thousands of EUR. The EUR is the Company's presentation currency. The functional currency of the Company is EUR.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Segment information. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Segment result is measured in accordance with accounting policies that are consistent with those applied by the Company in preparing its separate statement of profit or loss and other comprehensive income.

3 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2023, but did not have any material impact:
IFRS 17 Insurance Contracts and Amendments to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted. Endorsed for use in the EU, albeit with an optional exemption from applying the annual cohort requirement.) IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2023.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted.)
Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)
Amendments to IAS 12 *Income taxes*-International Tax Reform – Pillar Two Model Rules (The relief is effective immediately upon issuance of the amendments on 23 May 2023 and applies retrospectively.) Disclosure requirements, other than those about the relief, apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

4 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for annual periods beginning on or after 1 January 2023, and which the Company has not early adopted:

a) New or amended Standards and Interpretations, as endorsed by the EU as at 09 November 2023, that are effective for annual periods beginning after 1 January 2023

Amendments to IAS 12 *Income taxes*-International Tax Reform – Pillar Two Model Rules

4 New Accounting Pronouncements (continued)

(The relief is effective immediately upon issuance of the amendments on 23 May 2023 and applies retrospectively.) Disclosure requirements, other than those about the relief, apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.
Pillar Two taxes' are taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two model rules aim to ensure that large multinational groups pay taxes at least at the minimum rate of 15 percent on income arising in each jurisdiction in which they operate by applying a system of top-up taxes. There are three active mechanisms under Pillar Two model rules that countries can adopt:

- the income inclusion rule,
- the undertaxed payment rule and
- a qualified domestic minimum top-up tax.

They are often referred to as 'global minimum top-up tax' or 'top-up tax'. The amendments address stakeholders' concerns about deferred tax accounting in relation to the new top-up tax under IFRSs by providing entities with a temporary mandatory relief from deferred tax accounting for top-up tax; and requiring entities to provide new disclosures in relation to the top-up tax and the relief. The Company will apply the amendments once the respective tax law is enacted.

b) New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2023, not yet endorsed by the EU as at 09 November 2023

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future).
The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2024. On 31 October 2022 the IASB has issued an amendment deferring the effective date to 1 January 2024. Early application is permitted.) The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Company's right to defer settlement at the end of the reporting period. The Company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Company plans to apply the amendments from 1 January 2024.

Amendments to IAS 1 Presentation of Financial Statements Non-Current Liabilities with Covenants (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted. Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments). The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt). The Company plans to apply the amendments from 1 January 2024.

4 New Accounting Pronouncements (continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Effective for annual periods beginning on or after 1 January 2024. Early application is permitted.) Disclosure of comparative information for any reporting periods presented before, and information as at the beginning of, the annual reporting period in which the entity first applies those amendments is not required. The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure

to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:

- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory.
The Company plans to apply the amendments from 1 January 2024.

Amendments to IFRS 16 Leases Lease Liability in a Sale and Leaseback (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted). Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.
The amendments confirm the following:

- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements because it neither did recognize any sale-and-leaseback transactions in a past (since 2019) nor recognizes them at present. When this kind of lease transaction will occure in a future, the Company will account for it according to these amendments of IFRS 16.

The Company is currently assessing the impact of above stated and other IFRSs and IFRIC interpretations on its financial statements, however, does not expect any material impact on the Company.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability (Effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.) Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency. IAS 21 was amended to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Expected credit losses ("ECL"). IFRS 9, *Financial Instruments*, requires recognition of a loss allowance to reflect probability of a possible default of receivables and loans. The allowance thus does not represent single most likely estimate of future developments but considers possible alternative development scenarios.

Trade receivables. The Company applies a simplified approach to trade receivables under IFRS 9, ie it measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the ageing of receivables, loss rate for each ageing category, and the amount of receivables written off.

The Company has considered the expected payment discipline for the next 12 months. Based on these indicators, it was decided that the expected loss allowance for trade receivables based on historical data is sufficient, as the development of the forward looking indicators corresponds to the development of previous periods. Possible developments of macroeconomic indicators do not have significant impact on expected credit losses from trade receivables.

Loans provided to the subsidiary. The Company recognized a credit risk allowance for loans provided to its subsidiary (Note 12). All loans are in stage 1 as there was no increase of credit risk as these are not past due. These loans do not exhibit signs of any significant increase in credit risk since their origination and thus belong to stage 1 according to IFRS 9. When recognizing the twelve months credit risk allowance, the Company considers that the borrower's business are regulated electricity distribution services, while the regulated prices are regularly revised with an objective to provide adequate capital return. The credit loss allowance is based on market level interest rate derived from market yield on traded bonds that the Company issued with the objective to finance these loans and on an assumption that substantially all credit margin above interbank interest rates is attributable to credit risk.

ECL allowance for receivables from cash pooling due from the subsidiaries and related issued guarantees. The Company also recognised an allowance for receivables from cash pooling due from the subsidiaries (Note 23). The Company calculates ECL based on internal rating model of subsidiaries that is derived from risk rating of Západoslovenská energetika, a.s. and after considering various qualitative criteria the ECL for particular entity is adjusted. The estimate of this allowance is based on cost of debt of 0.95% p.a. (2022:0.98% p.a.), that is part of the market data derived weighted average cost of capital ("WACC") that was used by
The Company also estimated the amount of the provision for guarantees of ZSE Elektrárne's liabilities to its suppliers (Note 42) based on the difference between this cost of debt and the Company's market interest rate as a guarantor, which should reflect the value of credit risk enhancement from the guarantee holder's perspective.

Lease extension and termination options. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, equipment and vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant residual value, the Company is typically reasonably certain to extend (or not terminate) the lease.

The Company considers also other factors including historical lease term and the costs and business disruption required to replace the leased asset. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. The estimated lease term was not revised during the current reporting period.

The Company estimated that residual value guarantees of the leased assets are not significant.

Control over ZSE Elektrárne, s.r.o. On May 4, 2023, E.ON and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, as shareholders of the Group, signed the Addendum to the Memorandum of Understanding dated July 30, 2020 (the "Memorandum"), on the basis of which the Slovak Republic has the right to request E .ON for the purchase of 100% of the share in the company ZSE Elektrárne, s.r.o. until 31 December 2024. In 2023, the Slovak Republic claim the option to acquire a business share, thereby expressing its interest in the purchase of the share in ZSE Elektrárne, s.r.o., which will be realized for a fair market value and under standard market conditions and in accordance with all legal regulations.

The Company's management considered that the Company still has control over ZSE Elektrárne, s.r.o. until the day of the transfer of the business share because its view is that the Memorandum is non-binding, it was signed by E.ON and not by Západoslovenská energetika, a.s. and it is therefore not directly enforceable against the Company and its governing bodies.

In considering of the expressed interest of the Slovak Republic and claim the option to acquire a business share in the company ZSE Elektrárne, s.r.o. the management of the Company consider that the sale of the investment is highly probable within one year. As of 31 December 2023 the Company reclassified this investment as current assets as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (Note 34).

Management also did not have to recognise any deferred tax on this investment as the carrying amount of the investment would also be a tax deductible expense against any proceeds from disposal in the event of a sale and there is therefore no temporary difference for which deferred tax would have to be recognised.

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of EUR	Land	Buildings	Equip-ment, vehicles and other assets	Capital work in progress	Total
Cost at 1 January 2022	1,583	24,707	15,700	3,578	45,568
Accumulated depreciation and impairment losses	-	(8,649)	(9,331)	-	(17,980)
Carrying amount at 1 January 2022	**1,583**	**16,058**	**6,369**	**3,578**	**27,588**
Transfer to investment property	(1)	51	-	-	50
Additions	-	-	-	2,829	2,829
Transfers	-	434	1,314	(1,748)	-
Depreciation charge	-	(630)	(1,022)	-	(1,652)
Disposals	-	(1)	-	(501)	(502)
Cost at 31 December 2022	1,582	25,224	16,967	4,158	47,931
Accumulated depreciation and impairment losses	-	(9,312)	(10,306)	-	(19,618)
Carrying amount at 31 December 2022	**1,582**	**15,912**	**6,661**	**4,158**	**28,313**
Transfer to investment property	(12)	(209)	-	-	(221)
Additions	-	-	-	7,153	7,153
Transfers	-	1,266	1,394	(2,660)	-
Depreciation charge	-	(665)	(1,084)	-	(1,749)
Disposals	(20)	(81)	-	-	(101)
Cost at 31 December 2023	1,550	25,941	18,319	8,651	54,461
Accumulated depreciation and impairment losses	-	(9,718)	(11,348)	-	(21,066)
Carrying amount at 31 December 2023	**1,550**	**16,223**	**6,971**	**8,651**	**33,395**

6 Property, Plant and Equipment (continued)

The Company holds insurance against damages caused by natural disasters up to EUR 328,019 thousand for buildings and up to amount of EUR 10,043 thousand for equipment, fixtures, fittings and other assets (2022: EUR 261,218 thousand and EUR 27,769 thousand).

The proceeds from disposal of property, plant and equipment were as follows:

In thousands of EUR	2023	2022
Net book value of assets disposed of	301	561
(Loss) / gain on disposal of property, plant and equipment	6,626	95
Income from the sale of property intended for future repurchase	5,075	-
Other	-	(501)
Proceeds from disposals	**12,002**	**155**

7 Intangible Assets

Movements in the carrying amount of intangible assets were as follows:

In thousands of EUR	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2023	27,757	543	28,300
Accumulated amortisation and impairment losses	(27,054)	-	(27,054)
Carrying amount at 1 January 2023	**703**	**543**	**1,246**
Additions	-	467	467
Transfers	517	(517)	-
Amortisation charge	(321)	-	(321)
Cost at 31 December 2023	28,274	493	28,767
Accumulated amortisation and impairment losses	(27,375)	-	(27,375)
Carrying amount at 31 December 2023	**899**	**493**	**1,392**

7 Intangible Assets (continued)

In thousands of EUR	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2022	27,435	486	27,921
Accumulated amortisation and impairment losses	(26,787)	-	(26,787)
Carrying amount at 1 January 2022	**648**	**486**	**1,134**
Additions	-	379	379
Transfers	322	(322)	-
Amortisation charge	(267)	-	(267)
Cost at 31 December 2022	27,757	543	28,300
Accumulated amortisation and impairment losses	(27,054)	-	(27,054)
Carrying amount at 31 December 2022	**703**	**543**	**1,246**

8 Investment Properties

The Company leases out part of its administrative and operational buildings as well as subleases office premises primarily to its subsidiaries. Movements in the carrying amount of the investment properties, including properties held under lease agreements were as follows:

	2023			2022		
In thousands of EUR	Investment properties owned by Company	Right-of-use property that was subleased	Total	Investment properties owned by Company	Right-of-use property that was subleased	Total
Cost at 1 January	25,563	-	25,563	25,646	694	26,340
Accumulated depreciation and impairment losses	(9,574)	-	(9,574)	(9,329)	(54)	(9,383)
Carrying amount at 1 January	**15,989**	**-**	**15,989**	**16,317**	**640**	**16,957**
Transfer from property, plant and equipment to investment property	221	-	221	(50)	-	(50)
Transfer from investment property to finance lease receivables	-	-	-	-	(640)	(640)
Additions	130	-	130	280	-	280
Depreciation charge and impairment	(575)	-	(575)	(499)	-	(499)
Disposals	(200)	-	(200)	(59)	-	(59)
Cost at 31 December	25,776	-	25,776	25,563	-	25,563
Accumulated depreciation and impairment losses	(10,211)	-	(10,211)	(9,574)	-	(9,574)
Carrying amount at 31 December	**15,565**	**-**	**15,565**	**15,989**	**-**	**15,989**

8 Investment Properties (continued)

The Company's management estimates that fair value of the investment properties at the balance sheet date is not materially different from their carrying amount.

The Company has verbally agreed with its lessees Západoslovenská distribučná, a.s. and ZSE Energia, a.s., that it will allow them to annually renew the office leases at the then prevailing market level rent for up to 15 years. These leases were classified as operating leases.

Rental income of investment properties is presented in Note 30. Direct operating expenses of investment properties were EUR 4,512 thousand (2022: EUR 3,699 thousand) and these are recharged to the lessees in the lease.

The future rental income from investment properties for the lease term with consideration of the above verbal agreement is receivable as follows:

In thousands of EUR	2023	2022
Due during:		
- year 1	8,192	6,603
- year 2	7,964	6,366
- year 3	7,964	6,366
- year 4	7,964	6,366
- year 5	7,964	6,366
- periods after year 5	39,752	38,130
Total future investment properties operating lease payments receivable	**79,800**	**70,197**

9 Right-of-use Assets and Lease Liabilities

The Company leases energy buildings and equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options as described below.

Leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Company. Movements in right-of-use assets:

In thousands of EUR	Energy buildings and equipment	Vehicles	Total
Carrying amount at 1 January 2022	**2,553**	**177**	**2,730**
Additions	906	60	966
Disposals	-	(1)	(1)
Depreciation charge	(460)	(81)	(541)
Impairment	-	(12)	(12)
Carrying amount at 31 December 2022	**2,999**	**143**	**3,142**
Additions	-	180	180
Disposals	-	(7)	(7)
Depreciation charge	(460)	(64)	(524)
Carrying amount at 31 December 2023	**2,539**	**252**	**2,791**

9 Right-of-use assets and lease liabilities (continued)

The Company recognised lease liabilities as follows:

In thousands of EUR	2023	2022
Short-term lease liabilities	1,216	1,160
Long-term lease liabilities	5,377	5,747
Total lease liabilities	**6,593**	**6,907**

Interest expense on lease liabilities is presented in Note 31.

Expenses relating to short-term leases and to leases of low-value assets other than short-term leases:

In thousands of EUR:	2023	2022
Expense relating to short-term leases	15	16
Expense relating to leases of low-value assets that are not as short-term leases	117	33

Total cash outflows for leases were as follows:

In thousands of EUR:	2023	2022
Short-term lease payments	15	16
Payments for leases of low-value assets other than short-term leases	117	33
Repayment of principal of lease liabilities	1,157	1,126
Interest from leasing paid	175	118
Total cash outflows for leases	**1,464**	**1,293**

The lease agreements do not provide for any collateral other than legal title to the leased assets held by the lessor. Leased assets may not be used as collateral for other borrowings.

As at 31 December 2023, potential future cash outflows of EUR 0 thousand (2022: EUR 0 thousand) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

10 Investments in Subsidiaries and Joint Venture

In thousands of EUR	2023	2022
Total non-current investments at 1 January	**292,663**	**292,664**
Disposals	1,626,224	-
Reclassification of investment into assets held for sale (spol. ZSE Elektrárne, s.r.o. Note 34)	(8,486)	-
Other	1	(1)
Total non-current investments at 31 December	**1,910,402**	**292,663**

In thousands of EUR	2023	2022
Total current investments at 1 January	-	**564**
Additions	-	-
Disposals	-	(564)
Total current investments at 31 December	-	-

In thousands of EUR	% *	Activities	2023	2022
Západoslovenská distribučná, a.s.	100	Distribution of electricity	276,684	276,684
ZSE Energia, a.s.	100	Trade in electricity / gas	6,725	6,725
ZSE Energy Solutions, s.r.o.	100	Engineering	200	200
ZSE MVE, s. r. o.	11.3**	Electricity production	1	1
ZSE Business Services, s. r. o.	100	Trading activities	5	5
ZSE Elektrárne, s.r.o.	100	Electricity production	-	8,486
ZSE Energetické služby, s.r.o.	100	Services	5	5
Východoslovenská energetika Holding a.s.	100	Services	765,178	-
Východoslovenská energetika a.s,	100	Trade in electricity / gas	276,578	-
Východoslovenská distribučná, a.s.	100	Distribution of electricity	584,468	-
Total investments in subsidiaries			**1,909,844**	**292,106**
Energotel, a.s.	20	Telecommunication services	525	525
Total investments in joint ventures			**525**	**525**
Other investments			33	32
Total investments in subsidiaries and joint venture			**1,910,402**	**292,663**

* Ownership interest and voting rights held.
** The Company directly owns only 11.3% in ZSE MVE, s. r. o. but owns in total 100% of this company because its subsidiary ZSE Energia, a.s. holds the remaining 88.7% in ZSE MVE, s. r. o. Therefore, ZSE MVE, s. r. o. was classified as subsidiary in these separate financial statements.

On April 8, 2022, E.ON SE (hereinafter referred to as "E.ON") and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic (hereinafter referred to as the "State"), concluded the Agreement on Future Consolidation, based on which the end of 2023 realized the consolidation of ZSE and Východoslovenská energetika Holding a.s. (hereinafter referred to as the "VSEH"). Subsequently, the

10 Investments in Subsidiaries and Joint Venture (continued)

Extraordinary General Meeting of Západoslovenská energetika, a.s. held on 28 August 2023 approved the implementation steps related to the consolidation process of the ZSE and VSEH.
In connection with the resolution of the Extraordinary General Meeting of the Company on 23 November 2023, the Company acquired 100% of the share capital of the subsidiary Východoslovenská energetika Holding a.s. and thereby gained control through its ability to cast a majority of votes at a general meeting of shareholders. The transaction was carried out through the contribution of shares to the Company's equity, while the previous shareholders and partners of the subsidiary VSEH, which are the Ministry of Economy of the Slovak Republic and E.On First Future Energy Holding B.V. acquired for exchange shares in the Company (Note 16).

As part of the consolidation process of the ZSE and VSEH, the Company acquired business shares in the following companies, thereby becoming their direct shareholder:

- 100% of the shares of Východoslovenská distribučná, a.s. in the purchase price determined on the basis of valuation by an experts´report in the amount of 584,468 thousand. EUR. The transfer of shares was registered in the Central Securities Depositary of the Slovak Republic on 24 November 2023.
- 100% of the shares of Východoslovenská energetika a.s. in the purchase price determined on the basis of an appraisal by an by an experts´report in the amount of 276,578 thousand. EUR. The transfer of shares was registered in the Central Securities Depositary of the Slovak Republic on November 24, 2023.

This share transfers were approved by the General Meeting on 28 August 2023 and realized under standard market conditions and in accordance with all legal regulations.

On June 24, 2021, the Ordinary General Meeting of Západoslovenská energetika, a.s. approved the entry of ZSE Development, s.r.o. to liquidation. It entered into liquidation by registering the liquidator in the Commercial Register on August 2021. Due to this fact, the Company reported the investments in the subsidiary ZSE Development, s.r.o. v likvidácii as short-term. The liquidation of the company ended at 30 April 2022.

11 Finance Lease Receivables

The maturity analysis of the finance lease receivable is as follows:

In thousands of EUR	**2023**	**2022**
Due during		
- the 1st year	765	661
- the 2nd year	765	661
- the 3rd year	755	661
- the 4th year	637	609
- the 5th year	637	546
Later than 5 years	512	816
Total undiscounted finance lease payments receivable	**4,071**	**3,954**
Unearned finance income	(450)	(312)
Finance lease receivable	**3,621**	**3,642**

The finance lease receivables are not collateralised by the leased assets in case of the counterparty's default. The receivables are from subsidiaries and since the ECL allowance for the risk of possible default is insignificant, it was not accounted for.

12 Loans Provided to Subsidiary

An overview of loans provided to subsidiary is as follows:

In thousands of EUR	2023	2022
Loan 1 provided to Západoslovenská distribučná, a.s. - principal	315,000	315,000
Loan 2 provided to Západoslovenská distribučná, a.s. - principal	315,000	-
Allowance for possible impairment of the long term loan (ECL)	(6,009)	(3,087)
Total loans provided to subsidiary – non-current	**623,991**	**311,913**
Loan 2 provided to Západoslovenská distribučná, a.s. - principal	-	315,000
Accrued interest on loans provided to subsidiary due within one year	8,773	8,534
Allowance for possible impairment of the long term loan (ECL)	(84)	(3,087)
Total loans provided to subsidiary – current	**8,689**	**320,447**
Total loans provided to subsidiary	**632,680**	**632,360**

The movements in ECL allowance for loans provided to the subsidiary and in the gross amount of loans were as follows:

In thousands of EUR	Credit loss allowance	Gross carrying amount
At 1 January 2022	**6,527**	**630,000**
Reassessment of ECL during the reporting period	(353)	-
At 31 December 2022	**6,174**	**630,000**
Reassessment of ECL during the reporting period	(81)	-
At 31 December 2023	**6,093**	**630,000**

Refer to Note 5 for methods assumptions used in estimating the ECL allowance.

Loan 1 has maturity on 2 March 2028 and carries interest rate of 2.00% p.a.. In 2023, the Company extended the maturity of loan 2, originally due on 1 October 2023 considering the maturity of bank borrowinds received for bond refinancing. Loan 2 has maturity on 15 October 2026 and carries interest rate of 4.49% p.a..
As the loans are due from a related party without any significant increase in risk of default since their origination, the loans expected loss allowance was calculated on a 12-month basis.

13 Inventories

The inventory items included material, spare parts and goods and are shown net of provision for slow-moving materials and spare parts of EUR 83 thousand (2022: EUR 0 thousand). The cost of inventories recognized as expense and included in 'Raw materials, energy and other consumption' is disclosed in Note 26. No inventories have been pledged as collateral.

13 Inventories (continued)

In thousands of EUR	2023	2022
Material and spare parts	4,355	1,089
Goods	34	48
Provision for inventories	**(83)**	-
Total inventories	**4,306**	**1,137**

14 Trade and Other Receivables

In thousands of EUR	2023	2022
Trade receivables	1,483	743
Less allowance for possible impairment of trade receivables	-	-
Total non-current trade and other receivables, net	**1,483**	**743**

In thousands of EUR	2023	2022
Trade receivables	6,771	3,264
Less allowance for possible impairment of trade receivables	(189)	(137)
Current trade receivables, net	**6,582**	**3,127**
Prepayments	1,008	995
Total current trade and other receivables	**7,590**	**4,122**

Movements in the impairment allowance for current trade receivables are as follows:

In thousands of EUR	2023	2022
Allowance for impairment at 1 January	**137**	**114**
Impairment loss expense	55	32
Amounts written off during the year as uncollectible	(3)	(9)
Allowance for impairment at 31 December	**189**	**137**

Impairment allowance for receivables is calculated based on ageing analysis of individual current receivables.

The Company has a concentration of credit risk towards its subsidiaries and other related parties. Refer to Note 42. The percentage of expected losses for each category of receivables was determined in the model on the basis of the expected settlement, which is based on the ageing analysis for the previous periods, taking into account the probability of repayment in subsequent periods.

14 Trade and Other Receivables (continued)

The credit loss allowance for trade and other receivables is presented below:

	31 December 2023				31 December 2022			
In thousands of EUR	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Non-current	0.00%	1,483	-	1,483	0.00%	743	-	743
Total non-current trade receivables		**1,483**	**-**	**1,483**		**743**	**-**	**743**
Current	0.00%	6,414	-	6,414	0.00%	3,045	-	3,045
Past due:								
- less than 30 days overdue	5.22%	134	7	127	3.77%	53	2	51
- 31 to 60 days overdue	21.74%	23	5	18	23.08%	13	3	10
- 61 to 90 days overdue	66.67%	6	4	2	50.00%	6	3	3
- 91 to 120 days overdue	57.14%	7	4	3	62.50%	8	5	3
- 121 to 180 days overdue	60.00%	10	6	4	60.00%	10	6	4
- 181 to 360 days overdue	66.67%	42	28	14	63.33%	30	19	11
- over 360 days overdue	100.00%	135	135	-	100.00%	99	99	-
Total current trade receivables		**6,771**	**189**	**6,582**		**3,264**	**137**	**3,127**
Total trade receivables		**8,254**	**189**	**8,065**		**4,007**	**137**	**3,870**

15 Cash and Cash Equivalents

In thousands of EUR	**2023**	**2022**
Current accounts with banks	97,612	21,225
Short-term bank deposits	150,000	-
Total cash and cash equivalents in the statement of financial position	**247,612**	**21,225**

The Company has a concentration of cash and cash equivalents balances towards 6 banks (2022: 4 banks).

The credit quality of cash and cash equivalents is as follows:

In thousands of EUR	**2023**	**2022**
Items without significant increase in credit risk (stage 1)		
Credit rating Aa3 by Moody's	76	16
Credit rating A2 by Moody's	227,496	21,209
Credit rating Baa1 by Moody's	20,040	-
Total cash and cash equivalents	**247,612**	**21,225**

The Company did not account for the expected losses on cash and cash equivalents because, considering the probability of bankruptcy of bank institutions, the impact of such expected losses on the Company's financial statements would be insignificant.

16 Share Capital

The Company issued and has outstanding 91,431,953 ordinary shares, whereas 5,934,594 ordinary shares (2022: 5,934,594 shares) with a nominal value of EUR 33.19 per share and 85,497,359 ordinary shares (2022: 0 shares) with nominal value of EUR 1 per share. All issued shares are fully paid in.

Based on the decision of the General Meeting of the Company dated on 28 August 2023, the Company increased the share capital by writing off 85,497,359 new ordinary shares with a nominal value of EUR 1 per share and an issue rate of EUR 8,9497 per share, while the total issue rate of new shares refer to EUR 765,178 thousand. From the total issued price of the new shares, the amount of EUR 662,581 thousand is reported as the share premium.
The new issued shares of the Company were fully paid by non-monetary contributions in the form of a deposit of shares of the company Východoslovenská energetika Holding a.s. in the purchase price of EUR 765,178 thousand.
The change in the Company's share capital was registered in the commercial register of the Bratislava III Municipal Court on 23 November 2023.

Based on the valid shareholders agreement, the Company is jointly controlled by the shareholders, E.ON and the Slovak republic. The Company's strategic plan is approved by all shareholders of the Company. At the same time, all decisions of the general meeting must be made jointly by the existing shareholders, because a qualified two thirds majority of votes is required to pass any decision, while contractual restrictions exist for transfer of shares to parties not under control of existing shareholders.

The general meeting of the Company's shareholders approved the Company's prior year separate financial statements and declared dividends of EUR 72,727 thousand or EUR 12.25 per share (2022: dividends of EUR 87,919 thousand or EUR 14.81 per share). The declaration of dividends by the General Meeting and their payout to the Company's shareholders took place before the Company increased its share capital by issuing 85,497,359 new ordinary shares with a nominal value of EUR 1 per share. Slovak legislation identifies distributable reserves as retained earnings reported in these separate financial statements of the Company.

17 Legal Reserve Fund

The legal reserve fund represents appropriations of profits of the Company required by Slovak legislation. The Company is obliged to appropriate at least 10% of its profit until the legal reserve fund achieves at least 20% of the Company's share capital. This fund is not distributable and exists to cover future losses.

Due to the changes in share capital, the General Meeting of the Company on 28 August 2023 agreed to increase the Company's legal reserve fund by the amount of EUR 17,099 thousand. The replenishment of the legal reserve fund was fully paid as part of a non-monetary deposit in the form of a deposit of shares in the company Východoslovenská energetika Holding a.s.

18 Issued Bonds

The issued bonds (ISIN: XS1782806357) of EUR 315,000 thousand are due on 2 March 2028 and carry a coupon of 1.75% p.a. The bonds are traded on the Irish Stock Exchange, Dublin.

Amortised cost carrying value of the bonds is as follows:

In thousands of EUR	2023	2022
Issued bonds – non-current principal and deferred transaction costs	314,008	313,696
Issued bonds – current principal, accrued interest payable within one year and deferred transaction costs	4,294	321,904
Total carrying value of the bonds	**318,302**	**635,600**

Considering the current situation on the capital markets, the Company on 18 April 2023 prematurely repaid bonds (ISIN: XS0979598462) with a nominal value of EUR 315,000 thousand including the relevant coupon which were originally due in October 2023 and refinanced them through non-current bank loans (Note 24).

19 Income Taxes

Income tax expense comprises the following:

In thousands of EUR	2023	2022
Current tax at standard rate of 21% (2022: 21%)	3,189	596
Deferred tax	(1,144)	59
Total income tax expense	**2,045**	**655**

19 Income Taxes (continued)

In 2023, the applicable standard income tax rate was 21% (2022: 21%). A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates is as follows:

In thousands of EUR	2023	2022
Profit before tax	**112,937**	**73,516**
Theoretical tax charge at applicable tax rate of 21% (2022: 21%)	23,717	15,438
Non-deductible expenses / (non-taxable income) for which deferred tax was not recognised		
- dividend income not subject to tax	(21,793)	(15,174)
- expenses not deductible for tax purposes	312	381
Other	(191)	10
Income tax expense for the period	**2,045**	**655**

The deferred taxes are expected to be recovered or settled after more than twelve months after the end of the reporting period because income tax returns are due annually, that is, the deferred tax outstanding at 31 December 2023, that will become current tax in 2024, will be settled in 2025 upon filing the 2024 tax return. The corporate tax advance payments are calculated based on prior year taxes and are thus unrelated to deferred tax balances or the current tax expense expected for subsequent years.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the taxes relate to the same fiscal authority.

Deferred taxes are attributable to the following temporary differences:

In thousands of EUR	2023	2022
Differences between tax base and carrying value of property, plant and equipment	(1,028)	(2,165)
Post-employment defined benefit obligation and other long term and short term employee benefits	384	376
Other liabilities	384	351
Provision for impairment of trade receivables and loans	1,299	1,543
Other	288	119
Total net deferred tax assets, net	**1,327**	**224**

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (41) thousand (2022: EUR (24) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

The Company has not recorded a deferred tax liability in respect of investments in subsidiaries because (a) the tax is applicable to future profits and thus temporary differences, if any, may only arise in the future, and (b) the tax is not applicable to dividends from Slovak subsidiaries, associates and joint ventures.

In addition, the Company is able to control the timing of the reversal of such temporary differences in respect of subsidiaries and does not intend to reverse them in the foreseeable future, e.g. through sale or taxable dividend income from subsidiaries.

20 Post-Employment Defined Benefit Obligations

As agreed with the trade unions, the Company has a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement depending on the numbers of years worked for the Company. The movements in the present value of defined benefit obligation are:

In thousands of EUR	2023	2022
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	**550**	**613**
Current service cost	55	44
Interest cost	16	6
Total expense (Note 27)	**71**	**50**
Actuarial remeasurements:		
attributable to changes in financial assumptions	(13)	(133)
attributable to changes in demographic assumptions	(90)	(9)
attributable to experience adjustments	(90)	29
Total actuarial remeasurements recognised in other comprehensive income	**(193)**	**(113)**
Benefits paid during the year	(43)	-
Present value of unfunded post-employment defined benefit obligations at the end of the year	**385**	**550**

The principal actuarial assumptions were as follows:

	2023	2022
Number of employees at 31 December	188	183
Staff turnover	4.29%	4.57%
Expected salary increases short-term	7.55%	5.14%
Expected salary increases long-term	2.50%	4.00%
Discount rate	3.30%	3.40%

If the actual discount rate differed by 0.50% from the estimated discount rate, the value of the liability due to pension benefits would be by EUR 24 thousand lower or by EUR 22 thousand higher (2022: EUR 35 thousand lower or EUR 37 thousand higher).

21 Other Long Term Employee Benefits

The Company makes EUR 1,400 (2022: EUR 1,400) payment to each employee at the age of 50, subject to 5 year continuous service (2022: 5 years) vesting condition. In addition, the Company pays regular long term work anniversary bonuses in general every 10 years in amounts between EUR 400 to EUR 1,250 (2022: between EUR 400 to EUR 1,250). (2021: between EUR 400 to EUR 1,250) and from 2023 one-time compensation in case of the death of an employee during the performance of the profession or as a result of an occupational disease in the value of EUR 20,000 and compensation in case of the death of an employee outside the performance of the profession in the value of EUR 13,300.

The liability for other long-term employee benefits was estimated using the Projected Unit Credit Method.

22 Trade and Other Payable

In thousands of EUR	**2023**	**2022**
Other payables from grants	1,593	3,213
	5,417	
Total non-current trade and other payables	**7,010**	**3,213**

In thousands of EUR	**2023**	**2022**
Trade payables	5,192	3,464
Other accrued liabilities	2,479	1,563
Liabilities of purchase of investment in subsiadiaries	861 047	-
Other financial liabilities	7	-
Total current financial instruments within trade and other payables	**868,725**	**5,027**
Employee benefits payable	476	418
Social security on employee benefits	371	409
Accrued staff costs	1,554	1,264
Advance payments	-	42
Value added tax payable	211	361
Liabilities of issued guarantees	2,465	1,526
Other payables	2,660	596
Total current trade and other payables	**876,462**	**9,643**

The Company had overdue trade payables of EUR 6 thousand (2022: EUR 31 thousand).

23 Receivables and Liabilities from Cash Pooling

In thousands of EUR	2023	2022
Receivables from subsidiaries		
Západoslovenská distribučná, a.s	-	62,619
ZSE Energia, a.s.	-	49,289
ZSE MVE, s. r. o.	787	952
ZSE Business Services, s. r. o.	1,638	3,567
ZSE Elektrárne, s.r.o.	-	7,909
ZSE Energetické služby, s.r.o.	4,909	5,047
Total receivables from cash pooling gross	7,334	129,383
ECL allowance for possible impairment of receivables from cash pooling	-	(1,175)
Total receivables from cash pooling	**7,334**	**128,208**
Liabilities to subsidiaries		
ZSE Energy Solutions, s.r.o.	246	234
Západoslovenská distribučná, a.s.	52,692	-
ZSE Energia, a.s.	116,635	-
Total liabilities from cash pooling	**169,573**	**234**

The Company has concluded with its subsidiaries a cash pooling agreement. Based on this agreement the available cash is managed by the Company. In case of additional financing needs the cash from the cash pool of the Company is made available to subsidiaries. The interest rate on receivables from cash pooling in 2023 was €STR* +0.4% p.a., at least 0.4% p.a. (2022: 0.4% p.a.). The interest rate on liabilities from cash pooling in 2023 for Tatra banka was at the level of 0.00% p.a. and from 5 May 2023, the contracted rate was 90% of €STR*, which was changed at monthly intervals and ranged from 2.61% p.a. up to 3.515% p.a.. For VÚB banka, the interest rate on liabilities from cash pooling in 2023 was €STR* - 0.2% p.a. (2022: 0.00% p.a. before Tatra banka; - 0.1% p.a. and - 0.2% p.a. before VÚB banka).
**euro short-term rate*

In 2022 the Company recognised ECL allowance for receivable from cash pooling due from the subsidiary ZSE Elektrárne, s.r.o. of EUR 78 thousand, Západoslovenská distribučná, a.s. of EUR 614 thousand and ZSE Energia, a.s. of EUR 483 thousand. As at 31 December 2023, the Company does not report receivables from cash pooling due from these subsidiaries the ECL allowance was decreased in the full amount of EUR 1,175 thousand as of the date of the Financial statements.
The Company assessed other cash pooling receivables as due on demand; the counterparties are subsidiaries with sufficient assets. ECL on other receivables on cashpool is not material. Subsidiaries do not have an external credit rating and the Company does not consider the receivables due from the subsidiaries to have significant increase in credit risk since origination (stage 1). Refer also to Note 5.

23 Receivables and Liabilities from Cash Pooling (continued)

Movements in the credit loss allowance for receivables from cash pooling and in the gross carrying value was follows:

In thousands of EUR	Credit loss allowance	Gross carrying amount
At 1 January 2022	**1,112**	**61,748**
New receivables from cash pooling	1,097	90,701
ECL allowance change due to cash pooling receivables movement	(1,034)	**(23,066)**
At 31 December 2022	**1,175**	**129,383**
ECL allowance change due to cash pooling receivables movement	(1,175)	**(122,049)**
At 31 December 2023	**-**	**7,334**

24 Borrowings

In thousands of EUR	2023	2022
Bank loans	315,000	-
Accrual of loan-related transaction costs	(352)	-
Total non-current borrowings	314,648	-
Revolving loan	-	19,981
Overdraft loan	-	99,484
Total current borrowings	-	**119,465**
Total borrowings	**314,648**	**119,465**

Additional informations on the Company's borrowings as at 31 December 2023 are presented in the following:

In thousands of EUR

Creditor	Credit withdrawal	Credit line	Interest rate in % p.a.	Date of validity of the credit line	Collateral
Tatra banka-non-current borrowings	78 750	78 750	1M Euribor+0,9%	15.10.2026	-
ČSOB- current borrowings	78 750	80 000	3,84%	15.10.2026	-
UniCredit Bank- current borrowings	157 500	157 500	1M Euribor+0,89%	15.10.2026	-
Tatra banka – overdraft loan	-	50 000	1M Euribor+0,85%	31.03.2026	-
Slovenská sporiteľňa - overdraft loan	-	50 000	€STR+0,65%	15.12.2026	-
Spolu	**315,000**	**416,250**	-	-	-

24 Borrowings (continued)

Additional informations on the Company's borrowings as at 31 December 2022 are presented in the following:

In thousands of EUR Creditor	Credit withdrawal	Credit line	Interest rate in % p.a.	Date of validity of the credit line	Collateral
Tatra banka – revolving loan	-	55 000	1M Euribor+0,5%	31.10.2023	-
Slovenská sporiteľňa - revolving loan	19 981	50 000	€STR+0,65%	15.12.2025	-
UniCredit Bank - overdraft loan	49 975	50 000	1M Euribor+0,0%	30.4.2023	-
ČSOB - overdraft loan	49 509	50 000	0,0%	31.5.2023	-
Spolu	**119 465**	**205 000**	-	-	-

As at 31 December 2023, the Company has agreements with banks about revolving credit facilities amounting to EUR 0 thousand (2022: EUR 105,000 thousand) and overdraft credit facilities amounting EUR 100,000 thousand (2022: EUR 100,000 thousand). As at 31 December 2023 the Company has drawn EUR 0 thousand from these facilities (2022: EUR 119,465 thousand).

All the Company's borrowings are denominated in EUR. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. There is no property, plant and equipment or other assets pledged as collateral for the borrowings.

As 31 December 2023, the Company draws long-term bank loans, which it used to fulfill the obligation to repay the issued bonds (ISIN: XS0979598462) in the nominal value of EUR 315,000 thousand, including the relevant coupon originally due in October 2023.

Analysis of the Company's borrowings movements during the accounting period is reported Note 37.

25 Revenues from Contracts with Customers

Revenues comprise the following:

In thousands of EUR	2023	2022
Services provided to subsidiaries, joint venture and to the shareholder	15,349	15,237
Other revenues	4,307	2,315
Total revenues from contracts with customers *	**19,656**	**17,552**

* The revenues shown in the table above are included in segment other in the segment reporting (Note 0)

Revenue recognition pattern is as follows:

In thousands of EUR	2023	2022
At a point in time	2,768	1,327
Over time	16,888	16,225
Total revenues from contracts with customers	**19,656**	**17,552**

26 Raw Materials, Energy and Other Consumption

The following amounts have been charged to consumption of material, energy and other consumption:

In thousands of EUR	**2023**	**2022**
Energy consumption	2,121	1,918
Purchases of electricity for resale	1,777	1,047
Consumption of other materials and spare parts	1,154	427
Total raw materials, energy and other consumption	**5,052**	**3,392**

27 Employee Benefits

In thousands of EUR	**2023**	**2022**
Wages and salaries	7,614	6,609
Defined contribution pension costs	1,268	1,131
Post-employment defined benefit plan expense (Note 20)	71	50
Other long-term employee benefit plans - current service and interest cost	42	20
Actuarial remeasurements of other long-term employee benefit plans	(27)	(26)
Other social costs	2,630	2,514
Total employee benefits expense	**11,598**	**10,298**

28 Other Operating Expenses

In thousands of EUR	**2023**	**2022**
Information technology and software maintenance costs	744	752
Repairs and maintenance costs	720	484
Postal and telecommunication services	42	26
Security services	1,535	1,401
Advertising and marketing services	832	606
Facility management expenses	967	714
Project management expenses	106	89
Travel expenses	142	97
Gifts	226	78
Insurance	177	119
Advisory services	1,783	913
Statutory audit	356	131
Non-audit services provided by the audit firm	1	7
Central services	646	530
Call center services	121	90
Metrology	63	96
Communication services	376	588
Other operating expenses	468	775
Property and motor vehicle tax	205	191
Impairment loss expenses on loans provided, trade receivables and receivable from cash pooling	(1,201)	(258)
Expenses relating to short-term leases	15	16
Expenses relating to leases of low-value assets	117	33
Other purchased services	1,467	1,321
Total other operating expenses	**9,908**	**8,779**

The KPMG network provided to the Company non-audit services in the amount of EUR 1 thousand (2022: EUR 7 thousand) in 2023. In 2023, these services represented training services. The services were approved by the Audit Committee of the Company.

29 Dividend Income

In thousands of EUR	**2023**	**2022**
Západoslovenská distribučná, a.s.	56,082	53,272

ZSE Energia, a.s.	47,627	18,148
Energotel, a.s.	68	323
Total dividend income	**103,777**	**71,743**

30 Other Operating Income

In thousands of EUR	2023	2022
Operating lease income from investment properties (Note 8)	2,568	2,369
Operating lease income – related services	3,878	3,306
Operating lease income from other assets (Note 6)	857	793
(Loss) / gain on disposal of property, plant and equipment	6,626	95
Income from fees for guarantees issued for subsidiaries	661	1,066
Grants	1,490	308
Other	152	263
Total other operating income	**16,232**	**8,200**

31 Interest and Similar Expenses

In thousands of EUR	2023	2022
Interest expense on bonds	9,172	18,113
Amortisation of bonds transaction costs and similar expenses	429	598
Interest expense on bank loans	9,839	88
Amortisation of loans transaction costs	96	-
Interest expense on the cash pooling	3,304	32
Interest expense on lease liability	175	118
Other interest expense	385	6
Other finance costs	1,234	154
Total interest and similar expenses	**24,634**	**19,109**

32 Interest Income Calculated Using the Effective Interest Method

In thousands of EUR	2023	2022
Interest income from loans due from Západoslovenská distribučná, a.s.	19,616	19,341
Interest income from the bank deposits	6,445	27
Other interest income	681	851
Total interest revenue calculated using the effective interest method	**26,742**	**20,219**

33 Segment Reporting

The operating segments are those used by the Board of Directors to manage the business of the Company and its subsidiaries (together the "Group"), allocate resources and make strategic decisions. The Group identifies its segments according to the nature of products and services provided by each segment. The Group's operating segments are (i) electricity distribution, (ii) electricity and gas supply, (iii) electricity production and (iv) other activities as described below. The Group's activities are concentrated in Slovakia.

The main indicators used by the Board of Directors in their decision making are earnings before interest, taxes, depreciation and amortization (EBITDA), earnings before interest and taxes (EBIT) and capital expenditures. The Board of Directors separately monitor the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance. Segment income and costs are measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The types of products and services from which each reportable operating segment derives its operating results are:

Electricity distribution. Distribution of electricity using the distribution networks in Western and Eastern Slovakia. The distribution business is regulated and the Group is required to provide access to its network to third parties on terms approved by Regulatory Office for Network Industries "RONI".

Electricity and gas supply. Supply of electricity and gas to wholesale and retail customers in Slovakia and supply of electricity to wholesale customers in abroad. This business is open to competition by other suppliers. Pricing for certain classes of customers of the segment is regulated by RONI.

As a result of regulation of the distribution business and partial regulation of the supply business approximately 84% (2022: 87%) of the Group's EBITDA and 83% of the Group's EBIT (2022: 84%) were generated from sales to customers who are subject to the price regulation. As well, approximately 86% of the EBITDA and 85% of the Group's EBIT from continuing activities for the year 2023 (excluding discontinued activities) were made up of sales to customers within the framework of price regulation.

Electricity production. Electricity production in gas fired steam turbine power plant.

Other. Segment 'Other' includes activities provided by the Company together with its subsidiaries Východoslovenská energetika Holding a.s., ZSE Energy Solutions, s.r.o., ZSE MVE, s. r. o. , ZSE Business Services, s. r. o., ZSE Energetické služby, s.r.o., EKOTERM, s.r.o. and BK a.s., VSE Solutions s.r.o., VSE Call centrum, s.r.o. a VSE Ekoenergia, s.r.o.. Board of Directors does not assess activities and results of the Company separately but within segment Other. Segment Other provides mainly headquarter type functions, as central services, accounting, controlling, HR and other services, to both supply and distribution businesses.

33 Segment Reporting (continued)

The segment also realizes electricity production in two small hydroelectric power plants, trading activities and generates also some external revenues from projecting and engineering activities in investment construction and in heat management, operation and maintenance of small-scale electrical networks, air conditioning, photovoltaics, electrical installations and facility management services and and other customer solutions for third parties.

Reportable segment information for 2023 is as follows:

In thousands of EUR	Distri-bution	Supply	Produc-tion	Other	Eliminations / consolidation adjustments	Total Group
Revenue from external customers	195,033	1,765,208	9,055	32,743	-	**2,002,039**
Inter-segment revenues	233,482	242,634	135,288	25,859	(637,263)	-
Total segment revenues	428,515	2,007,842	144,343	58,602	(637,263)	**2,002,039**
Compensation	253,394	210,411	-	432	-	**464,237**
Purchases of electricity, natural gas for electricity production and related fees	(291,130)	(1,694,209)	(126,630)	(32,233)	613,323	**(1,530,879)**
Purchases of natural gas for sale	-	(372,236)	-	(119)	1,203	**(371,152)**
Employee benefits expense	(78,471)	(17,857)	(1,727)	(18,450)	1	**(116,504)**
Other operating expenses	(38,396)	(22,426)	(6,455)	(13,418)	24,757	**(55,938)**
Dividend income	-	-	-	104,097	(104,029)	**68**
Other operating income	8,124	3,420	466	246,473	(239,973)	**18,510**
Income from subleases	-	-	-	108	(108)	-
Own work capitalized	24,915	-	-	388	578	**25,881**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**306,951**	**114,945**	**9,997**	**345,880**	**(341,511)**	**436,262**
Depreciation of property, plant and equipment and investment properties	(76,356)	(70)	76,095	(2,719)	(66,569)	**(69,619)**
Amortisation of intangible assets	(5,399)	(1,927)	(178)	(413)	(1,677)	**(9,594)**
Depreciation of right-of-use Assets	(7,492)	(1,085)	-	(732)	5,653	**(3,656)**
Earnings before interest and taxes (EBIT)	**217,704**	**111,863**	**85,914**	**342,016**	**(404,104)**	**353,393**
Capital expenditures	**158, 344**	**2,273**	**1,989**	**8,374**	**(286)**	**170,694**

33 Segment Reporting (continued)

Reportable segment information for 2022 is as follows:

In thousands of EUR	Distri-bution	Supply	Produc-tion	Other	Eliminations / consolidation adjustments	Total Group
Revenue from external customers	241,418	1,726,068	660	22,644	-	**1,990,790**
Inter-segment revenues	224,241	604,310	308,596	24,968	(1,162,115)	-
Total segment revenues	465,659	2,330,378	309,256	47,612	(1,162,115)	**1,990,790**
Purchases of electricity, natural gas for electricity production and related fees	(195,423)	(1,943,943)	(324,060)	(27,119)	1,143,259	**(1,347,286)**
Purchases of natural gas for sale	-	(291,067)	-	(99)	104	**(291,062)**
Employee benefits expense	(64,372)	(14,245)	(1,686)	(14,154)	-	**(94,457)**
Other operating expenses	(47,432)	(17,471)	(7,751)	(9,527)	21,281	**(60,900)**
Dividend income	-	-	-	71,825	(71,502)	**323**
Other operating income	5,859	2,207	32,725	8,369	(8,461)	**40,699**
Income from subleases	-	-	-	184	(184)	**-**
Own work capitalized	20,392	-	-	155	926	**21,473**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**184,683**	**65,859**	**8,484**	**77,246**	**(76,692)**	**259,580**
Depreciation of property, plant and equipment and investment properties	(69,141)	(18)	(3,817)	(2,444)	18,156	**(57,264)**
Amortisation of intangible assets	(4,495)	(1,905)	(34)	(283)	(346)	**(7,063)**
Depreciation of right-of-use Assets	(7,023)	(849)	-	(649)	5,246	**(3,275)**
Earnings before interest and taxes (EBIT)	**104,024**	**63,087**	**4,633**	**73,870**	**(53,636)**	**191,978**
Capital expenditures	**104,600**	**7,591**	**2,073**	**3,850**	**(7,695)**	**110,419**

The total segment items are measured using the entity's accounting policies for its external reporting and hence, the only reconciling item from segment information to the Company's amounts under IFRS as adopted by the EU are eliminations of effects of consolidating subsidiaries.

Reconciliation of EBIT for all segments to the Company's profit before tax is as follows:

In thousands of EUR	2023	2022
Total EBIT for all operating segments	**353,393**	**191,978**
Interest income of the Group	7,038	94
Interest and similar expense of the Group	(21,681)	(17,637)
Elimination of impact of consolidation of subsidiaries	(225,813)	(100,919)
Profit before tax of the Company	**112,937**	**73,516**

33 Segment Reporting (continued)

The other income and expense line items for the 'Total Group' reported above would reconcile to the Company's statement of profit or loss and other comprehensive income items after elimination of impact of consolidating the Company's subsidiaries and equity accounting for its joint venture.

Reconciliation of capital expenditures for all operating segments to Company's payments for purchases of property, plant and equipment and intangible assets is as follows:

In thousands of EUR	2023	2022
Total capital expenditures for all operating segments	**170,694**	**110,419**
Carbon dioxide emissions quota purchases	20,283	4,399
Assets acquired but not paid for	(38,911)	(33,257)
Payments for assets acquired in prior periods	22,644	27,496
Elimination of impact of consolidation of subsidiaries	(167,903)	(105,391)
Payments for purchases of property, plant and equipment and intangible assets	**6,807**	**3,666**

At 31 December 2023 the property, plant and equipment ("PP&E") of the electricity distribution segment represents 96% of the total Group´s PP&E (2022: 92%).
Entity wide information. Revenue is analysed in Note 25. Substantially all of the Company's revenues are from customers in the Slovak Republic and all of the Company's property, plant and equipment and intangible assets are located in the Slovak Republic.

34 Assets Held for Sale and Discontinued Operations

On May 4, 2023, E.ON and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, as shareholders of the Group, signed the Addendum to the Memorandum of Understanding dated July 30, 2020 (the "Memorandum"), on the basis of which the Slovak Republic has the right to request E .ON for the purchase of 100% of the share in the company ZSE Elektrárne, s.r.o. until 31 December 2024. In 2023, the Slovak Republic claim the option to acquire a business share, thereby expressing its interest in the purchase of the share in ZSE Elektrárne, s.r.o., which will be realized for a fair market value and under standard market conditions and in accordance with all legal regulations.

Considering the above facts and the highly probable purchase of the business share in the company ZSE Elektrárne, s.r.o. within one year, as of 31 December 2023, the Company classified this investment in current assets as assets held for sale according to IFRS 5 Long-term assets held for sale and discontinued operations.

The Company for the reporting to disclose the subsidiary in the Financial statements using the short-cut method. ZSE Elektrárne, s.r.o. for the year 2023 generated profit amounted to EUR 81,138 thousand (2022: profit EUR 2,635 thousand).

Assets classified as held for sale are as follow:

In thousands of EUR	2023
Investment in subsidiary ZSE Elektrárne, s.r.o.	8,486
Total	**8,486**

34 Assets Held for Sale and and Discontinued Operations (continued)

Liabilities associated with assets classified as held for sale are as follows:

In thousands of EUR	**2023**
Liabilities from cash pooling to the subsidiary held for sale (ZSE Elektrárne, s.r.o.)	22,418
Total	**22,418**

35 Financial Risk Management

The Company's activities are exposing it to certain financial risks: market risks, credit risk and liquidity risk. The Company's principal financial instruments comprise trade receivables and payables, cash and cash equivalents, issued bonds, loans provided to subsidiary, receivables and payables from cash pooling, and short-term bank deposits and borrowings.

Foreign exchange risk. The Company operates mainly in the domestic market, and most of its sales, purchases and short-term deposits are denominated in EUR. Management does not consider foreign exchange risk as a significant exposure for the Company's operations as it has only an immaterial volume of transactions in currency other than EUR. A reasonably possible change in spot exchange rate of EUR against foreign currencies as at the end of the reporting period, would not have any impact on the Company's profit or loss for the year.

Equity price risk. The Company is not exposed to significant equity price risk because it does not have material financial investments in equities carried at fair value.

Interest rate risk. The Company is exposed to a certain risk from changes in market interest rates. In 2023, the Companie's management concluded several new agreements for long-term loans with a floating interest rate, which changes depending on market interest rates, such as euribor (In 2022 the Company did not have significant long-term loans with a floating interest rate, but was financed mainly through bonds with a fixed interest rate), but the impact resulting from a reasonably possible change in the interest rate is insignificant for the Company (see table below). The analysis of borrowings including maturities is presented in Note 24. Borrowings are carried at amortized cost using the effective interest method.

Sensitivity analysis to the risk of interest rate changes:

	31 December 2023		31 December 2022	
In thousands of EUR	Interest rate increase/(decrease) (%)	Impact on profit before tax	Interest rate increase/(decrease) (%)	Impact on profit before tax
1M Euribor (EUR)	0.25	(425)	0.25	-
1M Euribor (EUR)	(0.25)	425	(0.25)	-

Commodity price risk. The Company is not exposed to significant commodity price risk because it does not have material commodity contracts.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Exposure to credit risk arises as a result of the Company's sales of services on credit terms and other transactions with counterparties giving rise to financial assets. From 1 July 2007 after legal unbundling, the subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. are the main customers of the Company. The Company's maximum exposure to credit risk at the end of the reporting period is represented by the carrying value of cash and cash equivalents (Note 15), receivables from cash pooling (Note 23), loans provided to subsidiary (Note 12), finance lease receivables (Note 11), the amount guaranteed of subsidiaries' liabilities (Note 42) and borowings (Note 24).

As for the banks and financial institutions, the Company has relationships only with those that have a high independent rating assessment.

35 Financial Risk Management (continued)

The credit quality of outstanding balances with banks is presented in Note 15 and credit quality information about trade receivables is included in Note 14. Refer to Note 5 for information about ECL estimate and thus also credit quality of loans to subsidiary and issued financial guarantees.

As at 31 December 2023 and 2022, there is a significant concentration of credit risk with respect of receivables of the Company towards Západoslovenská distribučná, a.s. and ZSE Energia, a.s. The Company manages this exposure through cash-pooling agreements. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Company beyond the provisions already recorded. As the Company provides supporting services for its subsidiaries and other related parties; currently there is no significant impact from increased overdue receivables.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available. In addition, the Company relies on liquidity of financial markets and its ability to refinance its outstanding bonds in the medium term.

The Company regularly monitors its liquidity position and uses cash pooling with subsidiaries to optimize the use of cash balances within the Company. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 60 days, on average. Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Company, and (b) expected future cash outflows securing operation of the Company and leading to settlement of all liabilities of the Company, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Company to make short-term bank deposits.

The table below analyses the Company's undiscounted amount of financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The maturity analysis is as follows at 31 December 2023:

In thousands of EUR	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Issued bonds – principal due	-	-	-	315,000	-	**315,000**
Issued bonds – future interest payments	-	5,513	-	22,050	-	**27,563**
Borrowings (Note 24)	-	-	-	314,648	-	**314,648**
Borrowings-future interest payments	1,212	2,424	10,910	25,812	-	**40,358**
Lease liabilities (including future interest payments)	111	222	999	5,328	460	**7,120**
Non-current trade and other payables (Note 22)	-	-	-	7,010	-	**7,010**
Trade payables (Note 22)	3,032	2,067	93	-	-	**5,192**
Other accrued liabilities (Note 22)	2,125	328	26	-	-	**2,479**
Liabilities of purchase of investment in subsidiaries (Note 22)	-	-	861,047	-	-	**861,047**
Other financial liabilities (Note 22)	7	-	-	-	-	**7**
Liabilities from cash pooling (Note 23)	169,573	-	-	-	-	**169,573**
Issued guarantees (Note 42)	672,201	-	-	-	-	**672,201**
Total future payments, including future principal and interest payments	**848,261**	**10,554**	**873,075**	**689,848**	**460**	**2,422,198**

35 Financial Risk Management (continued)

The maturity analysis is as follows at 31 December 2022:

In thousands of EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Issued bonds – principal due	-	-	315,000	-	315,000	**630,000**
Issued bonds – future interest payments	-	5,513	12,600	22,050	5,512	**45,675**
Borrowings (Note 24)	119,465	-	-	-	-	**119,465**
Lease liabilities (including future interest payments)	104	208	936	4,976	1,161	**7,385**
Trade payables (Note 22)	1,838	1,597	29	-	-	**3,464**
Other accrued liabilities (Note 22)	1,198	79	286	-	-	**1,563**
Other financial liabilities (Note 22)	-	-	-	-	-	-
Liabilities from cash pooling (Note 23)	234	-	-	-	-	**234**
Issued guarantees (Note 42)	280,704	-	-	-	-	**280,704**
Total future payments, including future principal and interest payments	**403,543**	**7,397**	**328,851**	**27,026**	**321,673**	**1,088,490**

36 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company manages capital reported under IFRS as adopted by the EU as equity amounting to EUR 1,161,088 thousand at 31 December 2023 (2022: EUR 357,593 thousand). In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

In managing the capital, the Company's management focuses on maximizing return on invested capital. The Company is not subject to any externally imposed regulatory capital requirements.

37 Reconciliation of Movements in Liabilities from Financing Activities

The table below presents an analysis of debt and the movements in the debt for each of the periods presented:

In thousands of EUR	Issued bonds	Borrowings	Lease liabilities	Total
At 1 January 2023	**635 600**	**119 465**	**6 907**	**761 972**
Non-cash movements				
New leases	-	-	975	975
Interest expense	9,172	9,839	175	19,186
Amortisation of bonds and loans transaction costs	429	96	-	525
Other	-	-	(132)	(132)
Cash payments				
Interest expense paid	(11,899)	(9,839)	(175)	(21,913)
Increase in bank loans	-	315,000	-	315,000
Bank loans and bonds paid	(315,000)	(119,465)	-	(434,465)
Payment of transaction costs from loans	-	(448)	-	(448)
Lease principal repayments	-	-	(1,157)	(1,157)
At 31 December 2023	**318,302**	**314,648**	**6,593**	**639,543**

37 Reconciliation of Movements in Liabilities from Financing Activities (continued)

In thousands of EUR	Issued bonds	Borrowings	Lease liabilities	Total
At 1 January 2022	**635,148**	**21,430**	**5,036**	**661,614**
Non-cash movements				
New leases	-	-	3,046	3,046
Interest expense	18,113	88	118	18,319
Amortisation of bonds transaction costs	452	-	-	452
Other	-	-	(49)	(49)
Cash payments				
Interest expense paid	(18,113)	(88)	(118)	(18,319)
Increase in bank loans	-	119,465	-	119,465
Bank loans paid	-	(21,430)	-	(21,430)
Lease principal repayments	-	-	(1,126)	(1,126)
At 31 December 2022	**635,600**	**119,465**	**6,907**	**761,972**

38 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2023:

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
In thousands of EUR	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
ASSETS						
Loans provided to subsidiary	632,680	-	632,680	52,692	-	579,988
Receivables from cash pooling	7,334	-	7,334	7,334	-	-
TOTAL ASSETS SUBJECT TO POSSIBLE OFFSETTING AND SIMILAR ARRANGEMENT	**640,014**	**-**	**640,014**	**60,026**	**-**	**579,988**
LIABILITIES						
Liabilities from cash pooling	169,573	-	169,573	60,026	-	109,547
TOTAL LIABILITIES SUBJECT TO POSSIBLE OFFSETTING, AND SIMILAR ARRANGEMENT	**169,573**	**-**	**169,573**	**60,026**	**-**	**109,547**

38 Offsetting Financial Assets and Financial Liabilities (continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

In thousands of EUR	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts not set off in the statement of financial position: Financial instruments	Amounts not set off in the statement of financial position: Cash collateral received	Net amount of exposure
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
ASSETS						
Loans provided to subsidiary	632,360	-	632,360	-	-	632,360
Receivables from cash pooling	128,208	-	128,208	234	-	127,974
TOTAL ASSETS SUBJECT TO POSSIBLE OFFSETTING AND SIMILAR ARRANGEMENT	**760,568**	**-**	**760,568**	**234**	**-**	**760,334**
LIABILITIES						
Liabilities from cash pooling	234	-	234	234	-	-
TOTAL LIABILITIES SUBJECT TO POSSIBLE OFFSETTING, AND SIMILAR ARRANGEMENT	**234**	**-**	**234**	**234**	**-**	**-**

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Company has master netting arrangements; applicable legislation allows an entity to unilaterally set off receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty.

39 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

39 Fair Value Disclosures (continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2023			31 December 2022		
In thousands of EUR	Level 1 fair value	Level 2 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Carrying value
ASSETS						
Loans provided to subsidiary including accrued interest (Note 12)	-	616,296	632,680	-	568,178	632,360
Trade receivables, net (Note 14)	-	8,065	8,065	-	3,870	3,870
Finance lease receivable (Note 11)	-	3,621	3,621	-	3,642	3,642
Receivables from cash pooling (Note 23)	-	7,334	7,334	-	128,208	128,208
Cash and cash equivalents (Note 15)	-	247,612	247,612	-	21,225	21,225
TOTAL ASSETS	**-**	**882,928**	**899,312**		**725,123**	**789,305**
LIABILITIES						
Issued bonds (Note 18)	296,363	-	318,302	563,076	-	635,600
Borrowings (Note 24)	-	316,159	314,648	-	119,465	119,465
Trade payables (Note 22)	-	5,192	5,192	-	3,464	3,464
Other accrued liabilities (Note 22)	-	2,479	2,479	-	1,563	1,563
Other financial liabilities (Note 22)	-	861,054	861,054	-	-	-
Issued financial guarantees (Note 42)	-	1,731	2,465	-	1,100	1,526
Liabilities from cash pooling (Note 23)	-	169,573	169,573	-	234	234
TOTAL LIABILITIES	**296,363**	**1,356,188**	**1,673,713**	**563,076**	**125,826**	**761,852**

The fair value of lease liabilities is not disclosed in accordance with paragraph 29 of IFRS 7.

The fair value of loans provided to subsidiary (Note 12) was estimated based on the price of the related issued bonds traded on the financial markets.

The fair value of issued bonds was determined at the quoted market price of the bonds (Note 18).

The fair values of other financial assets and liabilities approximate their carrying amounts.

40 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category. All financial assets and liabilities of the Company are measured at amortized cost ("AC"). Lease liabilities were measured and disclosed according to IFRS 16, *Leases*.

41 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management's interpretation of the Company's business activities may not coincide with the interpretation of these activities by the tax authorities, but the extent of this risk cannot be reasonably quantified. The fiscal years from 2019 to 2023 remain open to tax inspection, however, for transfer pricing issues of cross-border transactions, earlier periods are also subject to tax inspection.

Capital expenditure commitments. At 31 December 2023, the Company had outstanding contractual commitments for purchases of property, plant and equipment of EUR 50,508 thousand (2022: EUR 10,525 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 250 thousand (2022: EUR 800 thousand).

42 Balances and Transactions with Related Parties

The primary related parties of the Company are (a) its shareholders which have joint control over the Company as explained in Notes 0 and 16: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel and (c) its subsidiaries and joint venture. The Company applies the exemption from disclosing transactions with the Slovak government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, other purchases from an entity in which the Slovak government has a significant shareholding and other transactions presented below.

The related party transactions and outstanding balances were as follows for 2023:

In thousands of EUR	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak govern-ment*	Subsi-diaries (Note 10)	Joint venture (Note 10)
Revenue, compensation, finance and other operating income	432	160	76	37	43,880	815
Dividend income	-	-	-	-	103,709	69
Purchases and expenses	-	-	642	252	7,382	24
Receivables other than taxes	257	3	-	38	651,411	78
Liabilities other than taxes	-	-	361	52	196,173	14
Dividends declared and paid	37,091	28,363	7,273	-	-	-

* The Slovak government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak government.

** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

42 Balances and Transactions with Related Parties (continued)

Income taxes are disclosed in the statement of financial position, statement of profit or loss and other comprehensive income, in the statement of cash flows and are also analysed in Note 19. Outstanding value added tax payable is presented in Note 22. Property and motor vehicle taxes are disclosed in Note 28.

Information on loans provided to the subsidiary is presented in Note 10. Information on receivables and liabilities from cash pooling is presented in Note 23.

The Company´s revenues related mainly to supporting services provided to subsidiaries. The services sold to the subsidiaries and to the shareholder are provided based on service level agreements concluded for indefinite time period with a termination notice of 3 months.

Rental income and future rent payments receivable presented in Note 8 are due from subsidiaries.

The income tax paid was as follows:

In thousands of EUR	**2023**	**2022**
Current income tax expense at standard rate of 21% (2022: 21%) – refer to Note 19	(3,189)	(596)
Unpaid withholding tax on interest income	587	-
Current income tax refund (liability) / receivable at the beginning of the period	359	(1,271)
Curent income tax refund (receivable) / liability at the end of the reporting period	1,344	(359)
Income tax refund / (paid)	**(899)**	**(2,226)**

The related party transactions and outstanding balances were as follows for 2022:

In thousands of EUR	**Ministry of Economy of the Slovak Republic**	**E.ON Slovensko, a.s.**	**E.ON Group****	**Slovak govern-ment***	**Subsi-diaries (Note 10)**	**Joint venture (Note 10)**
Revenue, finance and other operating income	12	160	57	18	43,545	824
Dividend income	-	-	-	-	71,420	323
Purchases and expenses	-	-	387	125	5,050	20
Receivables other than taxes	-	-	60	21	773,406	77
Liabilities other than taxes	-	-	282	16	4,837	11
Dividends declared and paid	44,839	34,288	8,792	-	-	-

* The Slovak government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak government.

** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

42 Balances and Transactions with Related Parties (continued)

The Company issued financial guarantees of liabilities of subsidiaries arising from their purchases and their credit transactions as follows:

	31 December 2023			31 December 2022		
In thousands of EUR	**Maximum guaranteed amount**	**Guaranteed liabilities at period end**	**Carrying value / provision***	**Maximum guaranteed amount**	**Guaranteed liabilities at period end**	**Carrying value / provision***
ZSE Energia, a.s.	109,101	31,246	670	140,704	72,870	1,107
ZSE Elektrárne, s.r.o.	110,000	14,779	77	140,000	2,035	419
EKOTERM, a.s.	14,600	9,786	402	-	-	-
Východoslovenská energetika a.s.	76,500	17,517	605	-	-	-
Východoslovenská distribučná, a.s	110,000	110,000	563	-	-	-
Východoslovenská energetika Holding a.s.	252,000	78,871	148	-	-	-
TOTAL	**672,201**	**262,199**	**2,465**	**280,704**	**74,905**	**1,526**

* Included within 'Liabilities other than taxes' in the above tables presenting related party transactions and outstanding balances.

The tables with related party transactions above and on the previous page exclude individually immaterial government related transactions such as with the government ministries and many other government controlled or otherwise government related enterprises on normal commercial terms and conditions. Management did not identify other government related transactions that are collectively, but not individually, significant.

Key management personnel comprises (a) members of the board of directors, (b) members of the supervisory board and (c) divisional directors. Key management personnel remuneration comprised:

In thousands of EUR	**2023**	**2022**
Board of directors and other key management personnel		
Salaries and other short-term employee benefits	643	462
Defined contribution pension costs	96	68
Total remuneration of board of directors and other key management personnel	**739**	**530**
Supervisory board		
Salaries and other short-term employee benefits	153	153
Defined contribution pension costs	25	25
Total remuneration of supervisory board	**178**	**178**

43 Events after the End of the Reporting Period

After 31 December 2023, no other significant events have occurred that would require recognition or disclosure in these separate financial statements.

Západoslovenská energetika, a.s.

Consolidated Financial Statements and Independent Auditors' Report

31 December 2023

Západoslovenská energetika, a.s.

Consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and approved for issue by the Board of Directors on 23 April 2024.

....	....
Markus Kaune	Mgr. Juraj Krajcár
Chairman of the Board of Directors and CEO	Member of the Board of Directors

CONTENTS

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Translation of the Independent Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of Západoslovenská energetika, a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Západoslovenská energetika, a.s. (the "Company") and its subsidiaries (together, the "Group"), which comprise:

- the consolidated statement of financial position as at 31 December 2023;

and, for the year then ended:

- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Obchodný register Mestského súdu Bratislava III, oddiel Sro, vložka č. 4864/B
Commercial register of the Municipal Court Bratislava III, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the following key audit matters:

Estimated revenue from sales of electricity and distribution services

The amount of the *estimated* revenue from sale of electricity and distribution services for the year ended on 31 December 2023: EUR 194,652 thousand (31 December 2022: EUR 176,883 thousand).

Refer to the consolidated financial statements: Note 2 and Note 5.

Key audit matter	**Our response**
Estimated revenue from the sale of electricity and distribution services represents a material portion of the Group's annual revenue. The vast majority of the Group's electricity is purchased in the market and immediately distributed to its end customers. As described in Notes 2 and 5 to the consolidated financial statements, for small business customers and households, consumption meters are read at various dates throughout the year. Therefore, in conjunction with its annual financial reporting, management is required to estimate revenue from sales of electricity and distribution services to those customers for the periods not covered by the respective meter readings. The revenues are estimated at individual contract level based on, primarily, each such customer's past actual consumption, electricity losses in the distribution network and unit price per contract as capped by respective government regulation. Considering the large number of customers and multitude of their categories as well as the fact that meter readings occur at various dates, the revenue estimation process is complex and	Our audit procedures in the area, performed assisted by our own information technology (IT) audit specialists, included, among others: • Updating our understanding of the Group's electricity supply and related revenue recognition processes; • Testing design, implementation and operating effectiveness of selected IT-based controls within the revenue recognition process, such as those over the prices applied, consumption measurement and data transfers between the Group's systems, among other things. • Tracing the key data used in making the revenue estimate to the Group's internal systems and external sources. Among other things, we traced the unit prices applied to publicly available market regulator's resolutions. • Evaluating the Group's ability to develop reliable estimates of the customers' electricity consumption by comparing its prior year's estimate of total consumption to actual subsequent consumption.

requires the Group to establish reliable controls over the estimation process, including those over the integrity and accuracy of data used therein. In the wake of the above complexities, we determined the above matter to be associated with a significant risk of a material misstatement that required our increased attention and time effort in the audit and therefore was considered to be our key audit matter.	• Based on the inputs such as electricity volumes purchased and sold, expected losses in the distribution network, and contractual prices, developing our own independent expectation of total revenue from the sale of electricity and distribution services for the year to small businesses and households, including the estimated portion, and comparing it to the amount recognized by the Group. • Evaluating the appropriateness and completeness of the disclosures in the Group's consolidated financial statements in respect of the estimated revenue from the sale of electricity against the relevant financial reporting requirements.

Acquisition of the VSE Group

The total acquisition-date fair value of identifiable net assets of the VSE Group, comprised of Východoslovenská energetika Holding a.s. ("VSEH"), its subsidiaries Východoslovenská distribučná, a.s. ("VSD"), Východoslovenská energetika a.s. ("VSE") and its subsidiaries, VSE Call Centrum, s.r.o., VSE Ekoenergia, s.r.o. and Nadácia VSE, and its associates and joint ventures: EUR 476,161 thousand. Related goodwill as at 31 December 2023: EUR 289,769 thousand

Refer to the consolidated financial statements: Note 34.

Key audit matter	Our response
As described in Note 34, during the year ended 31 December 2023, the Group acquired 100% share ownership in VSEH together with its subsidiaries and joint ventures ("VSE Group"). The relevant provisions of IFRS EU impose a number of requirements on companies acquiring controlling interests in other businesses. The requirements include those to determine whether and when control over the acquiree is obtained by the acquiring entity, the purchase consideration/cost of the investment and the identifiable net assets acquired, and also to measure those net assets' acquisition-date fair values. Goodwill of EUR 289,769 thousand recognized at the date of the acquisition was measured as a residual of the consideration transferred of EUR 765,178 thousand and the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed of EUR 476,161 thousand, measured in accordance with IFRS 3.	Our audit procedures in the area, performed assisted by our own valuation specialists, included, among others: • Evaluating the design and implementation of selected internal controls, including those over the determination of the acquisition date, the acquisition consideration, identification of the acquired assets and assumed liabilities, and estimating fair values of the net assets acquired; • Challenging the Group's determination of the acquisition dates and its determination as to whether the Group was the acquirer in the transaction, whether or not control was obtained over the acquirees, by reference to the underlying share purchase contracts and other acquisition documentation and relevant evidence; • Assessing the completeness of the acquired identifiable assets and assumed liabilities, based on our understanding of acquirees'

In respect of the above acquisition, particular complexity was associated with the Group's measurement of the acquisition-date fair values (FVs) of certain of the assets acquired, as follows:
 	
• Property, plant and equipment (PPE), with FVs measured under:
  o cost approach using the depreciated replacement cost new ("DRCN"); or
  o market or income approach for vehicles, office building and related land; and
 	
• Customer relationship intangibles, with FV measured under the multiple excess earnings method (MEEM).
 	
Making the estimates required significant judgment from the Group management, due, among other things to an increased estimation uncertainty in respect of the future development of the current economic environment and the conflict in Ukraine.
 	
As such, we considered the area to be associated with a significant risk of material misstatement, requiring our increased attention during the audit. Accordingly, we determined the area to be our key audit matter.
	operations and the analysis of their financial information and accounting records;
	
	• Challenging the appropriateness of the valuation methods applied to determine acquisition-date fair value of identifiable assets and liabilities, by reference to commonly used valuation methods and the relevant requirements of financial reporting standards;
	
	• In respect of the FV estimates, considering the effects of the current economic environment, challenging the key underlying assumptions, by reference to, as relevant for a given valuation method, publicly available market information, macroeconomic data of the National Bank of Slovakia and European Central Bank, and independent market price research. The key assumptions challenged included, among others:
	  o DRCN approach: assets class categorization, total and remaining useful life, and price inflation;
	  o Market or income approach for PPE: third-party transactional prices in respect of similar assets, price inflation, exit yield and discount rate;
	  o MEEM approach: projected EBITDA (including underlying revenue and expenses), churn rates, cash flow composition and asset charges.
	
	• Challenging management of the Group's consideration, in its fair value estimates, of the impact of the volatile economic environment, ongoing war in Ukraine and increased energy prices and its results in the current year and going forward.
	
	• Assessing the completeness and quality of acquisition-related disclosures in the consolidated financial statements against the relevant requirements of the financial reporting standards.

Responsibilities of the Statutory Body and Those Charged with Governance for the Consolidated Financial Statements

The statutory body is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body;

- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information in the Annual Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the consolidated financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the consolidated financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the consolidated financial statements, in our opinion, in all material respects:

- the other information given in the Annual Report for the year ended 31 December 2023 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the consolidated financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of Západoslovenská energetika, a.s. on 31 May 2023 on the basis of approval by the General Meeting of Západoslovenská energetika, a.s. held on 31 May 2023. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 3 years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the audit committee of the Company, which was issued on 16 April 2024.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Group in conducting the audit.

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Slovenská komora audítorov
SKAU
Č. licencie 96
KPMG
Slovensko spol. s r.o.

Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Bratislava, 29 April 2024

Západoslovenská energetika, a.s.
Consolidated Statement of Financial Position

In thousands of EUR	Note	31 December 2023	31 December 2022 (restated)*	1 January 2022 (restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	6	1,901,877	1,084,899	1,037,593
Intangible assets	7	476,304	47,502	79,896
Investment properties	8	1,149	1,189	1,409
Right-of-use assets	9	28,397	24,007	23,911
Equity method investments	10	3,485	558	558
Deferred income tax assets	18	8,164	23,594	23,594
Trade and other receivables	12	6,837	2,399	2,693
Other non-current assets		132	132	133
Total non-current assets		**2,426,345**	**1,184,280**	**1,169,787**
Current assets				
Inventories	11	51,593	26,142	7,251
Trade and other receivables	12	355,658	416,399	236,770
Cash and cash equivalents	13	284,024	48,176	10,787
Other current assets		-	-	564
Assets held for sale and discontinued operations	33	83,805	-	-
Total current assets		**775,080**	**490,717**	**255,372**
TOTAL ASSETS		**3,201,425**	**1,674,997**	**1,425,159**
EQUITY				
Share capital	14	282,467	196,969	196,969
Legal reserve fund	15	56,520	39,421	39,421
Share premium	14	662,581	-	-
Retained earnings		282,555	100,169	57,439
Total equity attributable to owners of the parent company		1,284,123	336,559	293,829
Non-controlling interests	35	1,496	1,978	2,112
TOTAL EQUITY		**1,285,619**	**338,537**	**295,941**
LIABILITIES				
Non-current liabilities				
Issued bonds	16	314,008	313,696	628,267
Borrowings	17	427,061	5,722	-
Lease liabilities	9	23,881	20,490	21,116
Deferred income tax liabilities	18	177,837	61,574	55,847
Trade and other payables	23	25,153	20,049	8,861
Post-employment defined benefit obligations	19	13,952	7,714	9,018
Other long-term employee benefits	20	2,277	1,954	2,249
Contract liabilities from connection fees	22	121,676	85,215	80,208
Total non-current liabilities		**1,105,845**	**516,414**	**805,566**
Current liabilities				
Issued bonds and accrued interest on issued bonds	16	4,294	321,904	6,881
Borrowings	0	84,622	123,717	22,566
Lease liabilities	9	4,609	3,952	3,236
Trade and other payables	23	597,041	300,870	210,533
Current income tax liabilities		47,928	8,559	3,262
Provisions for liabilities and charges	21	17,113	54,676	71,202
Contract liabilities from connection fees	22	9,850	6,368	5,972
Liabilities directly associated with assets held for sale and discontinued operations	33	44,504	-	-
Total current liabilities		**809,961**	**820,046**	**323,652**
TOTAL LIABILITIES		**1,915,806**	**1,336,460**	**1,129,218**
TOTAL LIABILITIES AND EQUITY		**3,201,425**	**1,674,997**	**1,425,159**

In thousands of EUR	Note	2023	2022 (re-presented)**
Continuing operations			
Revenue from electricity and other related revenue	**24**	**1,598,480**	**1,340,328**
Revenue from natural gas	**24**	**259,216**	**277,980**
Compensation	**25**	**464,237**	**63,226**
Purchases of electricity, natural gas for electricity production and related fees	26	(1,404,688)	(1,023,226)
Natural gas purchased for sale		(371,152)	(291,062)
Employee benefits	27	(114,777)	(92,771)
Depreciation of property, plant and equipment and investment properties	6, 8	(65,307)	(55,227)
Amortization of intangible assets	7	(9,415)	(7,028)
Depreciation of right-of-use assets	9	(3,642)	(3,261)
Other operating expenses	28	(51,645)	(54,422)
Share of profit of equity method investments	10	68	323
Other operating income	29	18,044	8,413
Own work capitalised		25,881	21,473
Profit from operations		**345,300**	**184,746**
Finance income / (costs)			
Interest and similar income	30	7,038	94
Interest and similar expense	31	(21,681)	(17,637)
Finance costs, net		**(14,643)**	**(17,543)**
Profit before tax		**330,657**	**167,203**
Income tax expense	18	(82,188)	(41,094)
Profit for the year from continuing operations		**248,469**	**126,109**
Profit for the year from discontinued operations	33	4,629	5,119
Profit for the year		**253,098**	**131,228**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Actuarial remeasurements of post-employment defined benefit obligations	19	2,234	1,350
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	18	(470)	(284)
Total other comprehensive income for the year		**1,764**	**1,066**
Total comprehensive income for the year		**254,862**	**132,294**
Profit / (loss) for the year is attributable to:			
- owners of the parent company		253,349	131,127
- non-controlling interest	35	(251)	101
Total comprehensive income / (loss) for the year is attributable to:			
- owners of the parent company		255,113	132,193
- non-controlling interest	35	(251)	101
Total comprehensive income for the year:			
- from continuing operations		250,233	127,175
- from discontinued operations	33	4,629	5,119

** In 2023, the comparative financial information for the prior reporting period was re-presented in the consolidated statement of profit or loss and other comprehensive income – Note 5 on page 23 and Note 33.

	Attributable to owners of the parent company						
In thousands of EUR	Share capital	Legal reserve fund	Share premium	Retained earnings	Total	Non-controlling interests (Note 35)	Total equity
Balance at 1 January 2022	**196,969**	**39,421**	-	**30,938**	**267,328**	**2,112**	**269,440**
Correction of prior period errors (Note 2)*	-	-	-	26,501	**26,501**	-	**26,501**
Balance at 1 January 2022 (restated)*	**196,969**	**39,421**	-	**57,439**	**293,829**	**2,112**	**295,941**
Profit for the year	-	-	-	131,127	**131,127**	101	**131,228**
Other comprehensive income for the year	-	-	-	1,066	**1,066**	-	**1,066**
Total comprehensive income for 2022	-	-	-	**132,193**	**132,193**	**101**	**132,294**
Dividends declared and paid (Note 14)	-	-	-	(87,919)	**(87,919)**	(60)	**(87,979)**
Correction of prior period errors (Note 2)*	-	-	-	(1,189)	**(1,189)**	-	**(1,189)**
Other	-	-	-	(355)	**(355)**	(175)	**(530)**
Balance at 31 December 2022 (restated)*	**196,969**	**39,421**	-	**100,169**	**336,559**	**1,978**	**338,537**
Profit / (loss) for the year	-	-	-	253,349	**253,349**	(251)	**253,098**
Other comprehensive income for the year	-	-	-	1,764	**1,764**	-	**1,764**
Total comprehensive income / (loss) for 2023	-	-	-	**255,113**	**255,113**	**(251)**	**254,862**
Dividends declared and paid (Note 14)	-	-	-	(72,727)	**(72,727)**	(231)	**(72,958)**
New shares issued by the Company (Note 14)	85,497	17,100	662,581	-	**765,178**	-	**765,178**
Other	1	(1)	-	-	-	-	-
Balance at 31 December 2023	**282,467**	**56,520**	**662,581**	**282,555**	**1,284,123**	**1,496**	**1,285,619**

* In 2023, the comparative financial information for prior reporting periods was restated – see Note 2 on page 18.

In thousands of EUR	Note	2023	2022 (restated)*
Cash flows from operating activities			
Profit before tax from continuing operations		330,657	167,203
Profit before tax from discontinued operations	33	8,093	7,232
Profit before tax		**338,750**	**174,435**
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment and investment properties	6, 8	69,619	57,264
- Depreciation of right-of-use assets	9	3,656	3,275
- (Gain) / loss on disposal of property, plant and equipment and intangible assets	6, 29	(7,088)	(22,673)
- Charge for carbon dioxide emissions to be settled by quotas	21	25,579	5,864
- Amortisation of government grants deferred income	29	(2,781)	(742)
- Amortisation of intangible assets	7	9,594	7,063
- Interest and similar income		(7,038)	(94)
- Interest and similar expense		21,678	17,335
- Contract assets – deferred sales commissions		558	539
- Share of profit of equity method investees		(68)	(323)
- Income from non-current assets acquired free of charge		(1,710)	(2,328)
- Other non-cash items		253	(34)
Cash generated from operations before changes in working capital		451,002	239,581
Changes in working capital:			
- Inventories		(7,467)	(18,891)
- Trade and other receivables		240,437	(180,158)
- Trade and other payables		77,121	83,786
- Provisions and contract liabilities		(31,652)	4,809
Cash generated from operations before interest and taxes		**729,441**	**129,127**
Interest income received		3,814	94
Interest expense paid		(23,601)	(16,801)
Income tax paid	42	(43,602)	(33,104)
Net cash from operating activities		**666,052**	**79,316**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(154,427)	(104,658)
Purchase of emission quotas	7	(20,283)	(4,399)
Dividend income received from equity method investees		68	323
Proceeds from sale of property, plant and equipment and intangible assets	6	13,908	40,009
Grants received		5,343	13,154
Acquisition of a subsidiary, net of cash acquired		-	-
Amount of cash and cash equivalents in the subsidiaries over which control is obtained		5,316	-
Income from the liquidation of a financial investment		-	515
Net cash used in investing activities		**(150,075)**	**(55,056)**
Cash flows from financing activities			
Dividends paid	14	(72,958)	(87,979)
Repayment of received borrowings	17, 38	(207,758)	(22,115)
Received borrowings	17, 38	321,573	128,988
Transaction costs related to received borrowings	17, 38	(448)	-
Repayment of issued bonds	16, 38	(315,000)	-
Repayment of principal of lease liabilities	9	(5,456)	(5,847)
Net cash used in financing activities		**(280,047)**	**13,047**
Net change in cash and cash equivalents		**235,930**	**37,307**
Cash and cash equivalents at the beginning of the year		48,094	10,787
Cash and cash equivalents at the end of the year	13	**284,024**	**48,094**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2023 for Západoslovenská energetika, a.s. (hereinafter "The Company" or "ZSE") and its subsidiaries (the "Group").

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 15 October 2001. The Company was incorporated in the Commercial Register of the City Court Bratislava III on 1 November 2001.

Principal activity. The Group provides electricity distribution and supply services primarily in the western and eastern Slovakia region. In addition, the Group provides natural gas supply services as a supplement to the supply of electricity. The Group also operates two small hydroelectric power plants and the combined cycle gas turbine ("CCGT") power plant and is engaged in some ancillary activities such as electricity network construction, operation and maintenance related projects and heat management, air conditioning, photovoltaics, electrical installations, facility management and other customer solutions services for third parties.

The Regulatory Office for Network Industries ("RONI") regulates certain aspects of the Group's relationships with its customers, including the pricing of electricity and gas and services provided to certain classes of the Group's customers.

The Group's principal subsidiaries are as follows:

Business name	Ownership interest	Description of the main scope of business
Západoslovenská distribučná, a.s.	100.00%	Operation of electricity distribution network in western Slovakia
Východoslovenská distribučná, a.s.	100.00%	Operation of electricity distribution network in eastern Slovakia
ZSE Energia, a.s.	100.00%	Supply of electricity and natural gas to retail and wholesale customers
Východoslovenská energetika a.s.	100.00%	Supply of electricity and natural gas to retail and wholesale customers
Východoslovenská energetika Holding a.s. (VSEH, a.s.)	100.00%	Services
ZSE Energy Solutions, s.r.o.	100.00%	Engineering business
ZSE MVE, s. r. o.	100.00%	Operation of small hydroelectric power plants
ZSE Business Services, s. r. o.	100.00%	Trading company
ZSE Elektrárne, s.r.o. (Note 5)	100.00%	CCGT power plant operation
ZSE Energetické služby, s. r. o.	100.00%	Holding company for energy services companies
EKOTERM, s.r.o.	58.01%	Services
BK, a.s.	66.95%	Services
VSE Solutions s.r.o.	100.00%	Services
VSE Call centrum, s.r.o.	100.00%	Services
VSE Ekoenergia, s.r.o.	100.00%	Electricity networks operation and maintenance

All the Group's subsidiaries are incorporated in the Slovak Republic.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 35 823 551 and its tax identification number (IČ DPH) is: SK2020285256.

Presentation currency. These consolidated financial statements are presented in Euro ("EUR"), rounded to thousands, unless otherwise stated. Negative amounts are presented in brackets.

Ownership structure. At 31 December 2023, Ministry of Economy of the Slovak Republic owns 51% of the Company's shares (31 December 2022: 51%), E.ON Slovensko, a.s. owns 24.17% (31 December 2022: 39%), E.ON International Participations N.V. owns 14.83% (31 December 2022: 0%) and E.ON Beteiligungen GmbH owns 10% of the Company's shares (31 December 2022: 10%). The Company is jointly controlled by E.ON SE and the Slovak Government as a result of a shareholders agreement, which requires the parties to act jointly together to direct the activities that significantly affect the returns of the reporting entity. Refer to Note 14. These consolidated financial statements are available directly at the seat of the Company.

1 Introduction (continued)

List of members of the Company's board of directors and of the supervisory board is publicly available from the Commercial Register operated by the Ministry of Justice of the Slovak Republic at www.orsr.sk.

Number of employees. The Group employed 2,316 staff on average during 2023 (2022: 2,151 employees on average). Number of employees of the Group at 31 December 2023 was 3,835, of which 133 were management (31 December 2022: 2,182 employees, of which 49 were management).

2 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under the historical cost convention.

The consolidated financial statements have been prepared on accrual basis and under the going concern assumption. The transactions are recognized in the consolidated financial statements in the period to which they relate.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3).

The Board of Directors may propose to the Company's shareholders to amend the consolidated financial statements until their approval by the general shareholders meeting. However, § 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity's accounting records after the financial statements are approved by the general shareholders' meeting. If, after the financial statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entities to restate comparative information in the reporting period in which the relevant facts are identified.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

2 Significant Accounting Policies (continued)

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated upon consolidation; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Joint ventures are those entities, in which the Group shares control of the operations with its joint venture partners and where it has rights to a share of their net assets.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or expenses.

The Group recognises the non-current assets acquired free of charge initially measured at fair value using qualified estimate or expert valuation. This primarily includes customer contributions, which are paid mainly for capital expenditures made on behalf of customers and include access network assets transferred to the Group by its customers free of charge. The contributions are non-refundable and are recognised as other operating income on a one-off basis.

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

2 Significant Accounting Policies (continued)

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Revenues, expenses and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Depreciation. Land and construction in progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Electricity distribution network buildings	30 – 60 years
Office buildings	30 – 50 years
Power lines	15 – 60 years
Switching stations	4 – 20 years
Other network equipment	4 – 25 years
Vehicles	4 – 15 years

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest rate is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units ("CGU"), or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

2 Significant Accounting Policies (continued)

Goodwill was recognised in the consolidated financial statements of the Group as a result of the business combinations – acquisitions of the subsidiaries (Note 34 and 7). The amount of goodwill represents the difference between fair value of the subsidiary's business and fair value of identifiable assets and liabilities that belong to the subsidiary.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets other than goodwill. Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met: (a) it is technically feasible to complete the software product so that it will be available for use; (b) management intends to complete the software product and use or sell it; (c) there is an ability to use or sell the software product; (d) it can be demonstrated how the software product will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (f) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

Customer base was acquired as part of several business combinations upon acquisitions of subsidiaries. Customer base is recognised at fair value at the date of business combination in line with IFRS 3 standard and is subsequently amortised on a straight-line basis over the entire useful life, which was determined by the estimated duration of contracts with customers based on assumed churn rates. The useful life of individual customer bases is in range from 3 to 33.3 years.

The Group releases carbon dioxide emissions into the air when it generates electricity. The related emission quotas are not obtained free of charge by the Group, but the Group purchases them from third parties at market prices. The Group initially recognizes the purchased emission quotas as intangible assets. Purchased emission quotas are measured upon their acquisition and also subsequently at cost. Emission quotas are not amortised. The disposal of emission quotas represents the transfer of the emission quotas to the National registry of emission quotas in an amount equal to the product of the verified volume of released emissions for the previous reporting period and the purchase price of the respective emission quotas, that Group designated to be transferred.

At the end of each reporting period, the Group recognises a provision for the released emissions equal to a product of known volume of the emissions released in the current reporting period and the cost of the respective emission quotas. If the Group does not have sufficient emission quotas as of the end of the reporting period that it will have to transfer, the Group uses an estimated amount required to purchase the absent emission quotas to measure the provision for the shortfall in emission quotas and measures it at the market price of emission quotas at the end of the reporting period.

At the end of each reporting period management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, management reduces the carrying value to the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

2 Significant Accounting Policies (continued)

Right-of-use assets. The Group leases land, office buildings, energy buildings and equipment and vehicles. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate where the Group is a lessee, Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Assets that represent right-of-use of the underlying leased assets are initially measured at the present value of the future lease payments.

Right-of-use assets are measured at cost at the commencement date of a lease, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct (transaction) costs, and
- costs to restore the asset to the conditions required by lease agreements upon handover to the lessor at the end of the lease.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	9 – 87 years
Office buildings	2 – 20 years
Energy buildings and equipment	5 – 20 years
Vehicles	2 – 6 years

Loans provided. Loans provided are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, net of allowance for ECL.

Inventories. Inventories are stated at the lower of acquisition cost and net realizable value. Weighted average method is used for determination of cost of inventories. The cost of material includes purchase price and directly attributable acquisition costs, such as customs duties or transportation costs. Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

Trade receivables. Trade receivables are recognised initially at nominal value and subsequently measured at amortised cost using the effective interest method, net of allowance for ECL.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against impairment losses within "other operating expenses".

Operating lease income. Where the Group is a lessor in a lease which does not transfer substantially all the risks and rewards incidental to ownership to the lessee (operating lease), the operating lease payments are recognised on a straight line basis as other operating income.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT, if this previously paid output VAT is not expected to be refunded by the authorities.

2 Significant Accounting Policies (continued)

Commodity contracts at fair value through profit or loss ("FVTPL"). Commodity contracts at fair value through profit or loss represent commodity contracts concluded on foreign markets without intention to transport the commodity to Slovakia or in other way not being concluded for the entity's own use, sale or purchase requirements as well as those commodity contracts that the entity so designates in order to avoid significant accounting mismatch. These contracts have all three of the following characteristics: (a) the contract's value changes in response to the change in market price of commodity, which is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. These are EFET contracts that require physical delivery of the commodity. Revenue or expense related to the sale or purchase of the commodity, respectively, is recognised at the market price of the commodity at the time of delivery of the commodity to or from the counterparty.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition. All the Group other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at amortised costs ("AC") and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

2 Significant Accounting Policies (continued)

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model disclosed in statement of profit or loss and other comprehensive income and measured at fair value through profit or loss ("FVTPL").

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected. Business model used by the Group is intended to hold financial assets until maturity and to collect contractual cash flows.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. The Group performs the SPPI test for its financial assets.

The Group's financial assets represent only trade and other receivables and cash and cash equivalents. The nature of financial assets is short-term, and the contractual cash flows represent principal and interest payments that take into account the time value of money and therefore the Group recognizes these in amortized cost. In addition, the Group applies expected loss model to credit risk from contract assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for expected credit losses ("ECL"). The Group assesses, on a forward-looking basis, the ECL for receivables measured at AC and for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Receivables measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

The Group applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss for trade receivables a provision matrix that takes into account the ageing of the receivables, loss rate for each ageing category of the receivables and the amount of receivables written off.

The amount of the loss allowance was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset was reduced using an allowance account, and the amount of the loss was expensed within "other operating expenses".

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

2 Significant Accounting Policies (continued)

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred to another party the rights to the cash flows from the financial assets as well as substantially all the related risks and rewards.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any transaction costs incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any transaction costs incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities designated at FVTPL. The Group may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in other comprehensive income. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest ("SPPI").

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the share issue. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. The separate financial statements of the Company are the basis for profit distribution and other appropriations.

Legal reserve fund. The legal reserve fund is set up in accordance with the Commercial Code. Contributions to the legal reserve fund were made at 10% of the Company's profit for the year, up to 20% of the share capital. Such funds are not distributable and may only be used to increase share capital or to cover losses.

2 Significant Accounting Policies (continued)

Issued bonds, loans and other borrowings. Issued bonds, loans and other borrowings are recognised initially at fair value, net of transaction costs incurred. Issued bonds, loans and other borrowings are carried at amortized cost using the effective interest method. The liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Lease liabilities. Liabilities arising from a lease are initially measured on a basis of present value of future payments. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determinable, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of a value similar to the right-of-use asset in a similar economic environment with similar contract terms and conditions and collateral.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received,
- uses a method adjusting risk-free interest rate by a credit risk margin, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement date is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed, and adjusted if appropriate, to reflect actual residual values achieved on comparable assets and expectations about future prices.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

2 Significant Accounting Policies (continued)

Current income tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within other operating expenses.

Current income tax also includes a special levy on profits in regulated industries. The basis for the special levy is calculated as profit before tax * (revenues from regulated activities/total revenues). The special levy rate of 4.356% p.a. applies from 2021. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the respective reporting period and apply to the period when the related deferred income tax asset will be realised, or the deferred income tax liability will be settled.

The special levy on profits is chargeable on profits determined in accordance with Slovak GAAP and hence, a deferred tax in relation to special levy arises only where there is a temporary difference between Slovak GAAP and IFRS carrying values of assets and liabilities. Such deferred taxes arose for the first time in 2016 when the Slovak parliament enacted a law making the levy applicable indefinitely as explained above.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group offsets deferred tax assets and deferred tax liabilities where the Group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority.

Post-employment and other long term employee benefits. The Group contributes to state and private defined contribution pension and social benefit plans under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are expensed when incurred.

As agreed with the trade unions, the Group also has (a) a post-employment defined benefit obligation to pay one to eight monthly salaries to each employee upon retirement, depending on the number of years worked for the Group, (b) an obligation to pay work and life anniversary long service bonuses and (c) an obligation to pay one-off compensation in case of the death of an employee during the performance of the employment, as a result of an occupational disease or outside the performance of the employment. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

Actuarial remeasurements on post-employment benefits arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise and are immediately reclassified to retained earnings in the statement of changes in equity. Actuarial remeasurements of the obligation to pay work and life anniversary long service bonuses are recognised in profit or loss for the year as employee benefits expense when incurred. Past service costs, if any, are expensed when incurred.

2 Significant Accounting Policies (continued)

As explained in IAS 19, *Employee Benefits*, paragraph 133, the Group does not distinguish current and non-current portions of defined benefit obligations and presents the estimate as a whole within non-current liabilities.

Contract liabilities from connection fees. Over time, the Group received fees or contributions from customers for the construction of the electricity distribution network, in particular for the new municipal connections and networks. The Group's customers thus contribute towards the cost of their connection in the form of connection fees. Connection fees are recognised at their fair value where there is a reasonable assurance that the fees will be received. Connection fees relating to the acquisition of property, plant and equipment are deferred and subsequently recognised as revenue over the life of acquired depreciable asset.

Grants, compensation and contributions. Grants, compensation and other similar contributions are recognised at their fair value where there is reasonable assurance that the grant, compensation or contribution will be received, and the Group will comply with all attached conditions. Grants and similar contributions relating to the purchase of property, plant and equipment are accounted as deferred income and subsequently recognised in other operating income on a straight line basis over the expected lives of the related assets. Grants and compensation relating to costs are deferred and recognised in revenue or other operating income over the period necessary to match them with the costs that they are intended to compensate. Grants relating to past costs are recognised in profit or loss when it is reasonably certain that the grant will be received.

Trade payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within less than one year, or within the entity's operating cycle. All other accounts payable are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions / contingent liabilities. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax-rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognised as interest expense.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Contingent liabilities are not recognised as liabilities in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying the economic benefits is remote.

Provisions for onerous contracts. The Group recognizes provisions for onerous contracts based on the assumption that the future costs of purchasing commodities intended for delivery resulting from contractual obligations to deliver the commodity to customers, will exceed the economic benefits arising from these contracts.

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

2 Significant Accounting Policies (continued)

Revenue recognition. Standard IFRS 15, Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers:

- identify the contract(s) with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to each performance obligation,
- recognise revenue when a performance obligation is satisfied.

Revenue is recognised, net of value-added tax, estimated returns, rebates and discounts. The Group recognises revenue when it is probable that future economic benefits will flow to the Group, and in the case of variable consideration when it is highly probable that the recognized revenue will not have to be reversed and when specific criteria will be met for each of the Group's activities as described below.

Revenue from sale and distribution of electricity. Revenue from the sale and distribution of electricity is recognised when the electricity is delivered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. The consumption of retail customers in the segment of small businesses was metered during December 2022. The consumption of retail customers in the households' segment is metered and billed on an annual basis and the Group split its household customer base to twelve billing cycles. The billing of electricity supplied in 2022 for all twelve billing cycles will be completed in December 2023. The Group uses the Enersim demand profile data for estimating the delivered but unbilled accrued revenue. Network losses are included in the cost of purchased electricity.

Revenue from the sale of electricity on the spot market and the settlement of variations in consumption and cross - border profile recharges represent sales of electricity purchased on the short-term market for regular customers due to short-term deviations in their consumption diagrams and fees paid by the regular customers for deviating from the planned consumption curve. All these revenues realised on the spot market are recognised when the electricity is delivered, or the contract is fulfilled.

Revenue from sale of gas. Revenue from the sale of gas is recognised when the gas is delivered to the customer. Consumption to wholesale customers is metered and billed on a monthly basis. The consumption of retail customers in the households' segment is based on a twelve billing cycles using third party data.

Connection fees. The Group receives a contribution from their customers to connect them to the electricity network – connection fees. Revenue from such contributions is recognised as contract liability and is released to profit or loss over the useful life of the related assets (approximately over 20 years).

Sales of services. In the case of services where customer benefits from the service as it is being performed, revenue from the service is recognised in the reporting period in which the services are rendered, by reference to completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided.

Dividend income. Dividend income is recognised when the right to receive the payment is established and inflow of economic benefits is probable.

Interest income. Interest income is recognised on an accrual basis using the effective interest method.

Contractual penalties. Contractual penalties are recognised when the cash payment is received, because contractual penalties relate to contracts with customers who intended to defraud the Group and as such are relatively difficult to collect.

Foreign currency translation. These financial statements are presented in thousands of EUR, which is the Group's presentation currency. The functional currency of all entities within the Group is EUR.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2 Significant Accounting Policies (continued)

Segment information. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Segment result is measured in accordance with accounting policies that are consistent with those applied by the Group in preparing its consolidated statement of profit or loss and other comprehensive income.

Correction of prior period errors. Under the applicable legislation, in certain circumstances the Group may be required to give up its items of property, plant and equipment at the request of another party. At that, the requesting party is obliged to compensate the Group for the asset given up by providing an equivalent item of property, plant and equipment free of charge. On initial recognition, the Group had been measuring the replacement item of property, plant and equipment at its fair value. However, the Group had not been recognising a corresponding gain in profit and loss, as it should have made under the guidance in paragraphs 65 and 66 of *IAS 16*. Instead, the Group erroneously had been deferring the gain in the consolidated statement of financial position (as part of Contract liabilities from connection fees and customer contributions) and releasing it evenly to profit and loss over the useful life of the replacement asset.

In addition, the Group had erroneously been deferring the gain arising from other types of the non-current assets acquired free of charge (such as property, plant and equipment stock take surpluses, gifts and other non-current assets transferred free of charge) in the consolidated statement of financial position (as part of Contract liabilities from connection fees and customer contributions) and releasing it evenly to profit and loss over the useful life of the recognized asset.

The errors have been corrected by restating each of the affected financial statement line items for prior reporting periods. The impact of the changes on consolidated financial statements of the Group for the prior reporting periods was as follows:

	31 December 2022			1 January 2022		
In thousands of EUR	**As previously reported**	**Adjustment**	**As restated**	**As previously reported**	**Adjustment**	**As restated**
Deferred income tax assets	24,006	(412)	23,594	24,006	(412)	23,594
Total assets	**1,675,409**	**(412)**	**1,674,997**	**1,425,571**	**(412)**	**1,425,159**

	31 December 2022			1 January 2022		
In thousands of EUR	**As previously reported**	**Adjustment**	**As restated**	**As previously reported**	**Adjustment**	**As restated**
Retained earnings	71,207	25,312	96,519	28,354	26,501	54,855
Total equity	**313,225**	**25,312**	**338,537**	**269,440**	**26,501**	**295,941**
Deferred income tax liabilities	53,639	7,935	61,574	48,019	7,828	55,847
Non-current Contract liabilities from connection fees (2022, 2021: from connection fees and customer contributions)	116,581	(31,366)	85,215	112,690	(32,482)	80,208
Current Contract liabilities from connection fees (2022, 2021: from connection fees and customer contributions)	8,661	(2,293)	6,368	8,231	(2,259)	5,972
Total liabilities	**1,362,184**	**(25,724)**	**1,336,460**	**1,156,131**	**(26,913)**	**1,129,218**

As the correction was related mainly to years prior 2022, the impact of the correction on profit or loss, movements in equity and statement of cash flows for year 2022 was not material.

3 Adoption of New or Amended Standards and Interpretations

The following new standards, interpretations and amendments became effective for the Group from 1 January 2023, but did not have any material impact:

IFRS 17, Insurance Contracts and Amendments to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted. Endorsed for use in the EU, albeit with an optional exemption from applying the annual cohort requirement.). IFRS 17 supersedes IFRS 4, *Insurance Contracts* as of 1 January 2023.

Amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted.).

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted.).

Amendments to IAS 12, Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted.).

4 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for annual reporting periods beginning after 1 January 2023, and which the Group has not early adopted:

a) New or amended Standards and Interpretations, as endorsed by the EU as at 9 November 2023, that are effective for annual reporting periods beginning after 1 January 2023

Amendments to IAS 12, Income taxes - International Tax Reform – Pillar Two Model Rules (The relief is effective immediately upon issuance on 23 May 2023 and applies retrospectively.). Disclosure requirements, other than those about the relief, apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

"Pillar Two taxes" are taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two model rules aim to ensure that large multinational groups pay taxes at least at the minimum rate of 15% on income arising in each jurisdiction in which they operate by applying a system of top-up taxes.

There are three active mechanisms under Pillar Two model rules that countries can adopt:

- the income inclusion rule,
- the undertaxed payment rule and
- a qualified domestic minimum top-up tax.

They are often referred to as "global minimum top-up tax" or "top-up tax". The amendments address stakeholders' concerns about deferred tax accounting in relation to the new top-up tax under IFRSs by providing entities with a temporary mandatory relief from deferred tax accounting for top-up tax; and requiring entities to provide new disclosures in relation to the top-up tax and the relief. The Group will apply the amendments once the respective tax law is enacted.

b) New or amended Standards and Interpretations that are effective for annual reporting periods beginning after 1 January 2023, not yet endorsed by the EU as at 9 November 2023

Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future.). The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is currently assessing the impact of the amendments on its consolidated financial statements.

4 New Accounting Pronouncements (continued)

Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Effective for annual reporting periods beginning on or after 1 January 2024. On 31 October 2022 the IASB has issued an amendment deferring the effective date to 1 January 2024. Early application is permitted.). The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the company's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Group plans to apply the amendments from 1 January 2024.

Amendments to IAS 1, Presentation of Financial Statements - Non-Current Liabilities with Covenants (Effective for annual reporting periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted. Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments.). The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt). The Group plans to apply the amendments from 1 January 2024.

Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures: Supplier Finance Arrangements (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.). Disclosure of comparative information for any reporting periods presented before, and information as at the beginning of, the annual reporting period in which the entity first applies those amendments is not required. The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:

- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory. The Group plans to apply the amendments from 1 January 2024.

Amendments to IFRS 16, Leases - Lease Liability in a Sale and Leaseback (Effective for annual reporting periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.). Amendments to IFRS 16, *Leases* impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

4 New Accounting Pronouncements (continued)

The Group does not expect that the amendments, when initially applied, could have a material impact on its consolidated financial statements because it neither did recognize any sale-and-leaseback transactions in a past (since 2019) nor recognizes them at present. When this kind of lease transaction will occur in a future, the Group will account for it according to these amendments of IFRS 16.

Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability (Effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.). Under IAS 21. *The Effects of Changes in Foreign Exchange Rates*, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency. IAS 21 was amended to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

The Group is currently assessing the impact of above stated and other IFRSs and IFRIC interpretations on its consolidated financial statements, however, does not expect any material impact on the Group.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Unbilled electricity. The unbilled revenue from delivery and distribution represents an accounting estimate based on estimated volume of delivered and distributed electricity expressed in MWh for low voltage network and estimated unit price that will be billed in the future.

The Group uses a software application Enersim to estimate the unbilled deliveries based on assumed customer demand profiles and which amounted to EUR 194,652 thousand at 31 December 2023 (2022: EUR 176,883 thousand). This accounting estimate is based on:

(a) the estimated volume delivered and distributed to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period;
(b) the consumption estimate utilising the time patterns of consumption of various customer profiles observed on a sample basis;
(c) the estimated losses in the distribution network; and
(d) the unit price in EUR/MWh, that will be applied to billing the electricity delivery and distribution.

The Group accrued the following balance sheet amounts of unbilled revenue from distribution and delivery of electricity:

In thousands of EUR	**31 December 2023**	**31 December 2022**
Accrued receivables from distribution and delivery of electricity as part of item "Trade and other receivables"	18,030	20,165
Accrued liabilities from distribution and delivery of electricity as part of item "Trade and other payables"	60,310	48,181

Should the estimate of total network losses be lower by 0.1%, representing approximately 22 GWh of electricity (2022: 10 GWh), with other parameters unchanged, the revenues for commodity and distribution services would increase by EUR 3,842 thousand (2022: EUR 1,306 thousand).

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Unbilled gas. The unbilled revenue from delivery and distribution represents an accounting estimate based on estimated volume of delivered and distributed gas expressed in MWh and estimated unit price that will be billed in the future. This accounting estimate is based on:

(a) the estimated volume delivered and distributed to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period;
(b) the consumption estimate utilising the time patterns of consumption of various customer profiles; and
(c) the unit price in EUR/MWh, that will be applied to billing the gas delivery and distribution.

The Group accrued the following balance sheet amounts of unbilled revenue from distribution and delivery of gas:

In thousands of EUR	31 December 2023	31 December 2022
Accrued receivables from distribution and delivery of gas as part of item "Trade and other receivables"	5,055	4,964
Accrued liabilities from distribution and delivery of gas as part of item "Trade and other payables"	20,102	15,275

Estimated useful life of electricity distribution network. The estimation of the useful lives of network assets is a matter of judgment based on past experience with similar items. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical obsolescence, if any.

If the estimated useful life of network assets had been shorter by 10% than management's estimates at 31 December 2023, the Group would have recognised an additional depreciation of network assets of EUR 6,394 thousand (2022: EUR 5,395 thousand).

ECL measurement of receivables. The Group applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss for trade receivables a provision matrix that takes into account the ageing of receivables, loss rate for each ageing category, and the amount of receivables written off. The Group has considered the expected payment discipline for the next 12 months.

Based on these indicators, it was decided that the expected loss allowance for trade receivables based on historical data is sufficient, as the development of the forward looking indicators corresponds to the development of previous periods. Possible developments of macroeconomic indicators do not have significant impact on expected credit losses from trade receivables.

Lease extension and termination options. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land, buildings, energy equipment and vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant residual value, the Group is typically reasonably certain to extend (or not terminate) the lease.

The Group also considers other factors including historical lease term and the costs and business disruption required to replace the leased asset. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

At 31 December 2023, potential future cash outflows of EUR 0 thousand (undiscounted) (2022: EUR 0 thousand) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is really exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. The estimated lease term was not revised during the current accounting period.

The Group estimated that residual value guarantees of the leased assets are not significant.

Control over ZSE Elektrárne, s.r.o. On 4 May 2023, E.ON and the Slovak Republic represented by the Ministry of Economy of the Slovak Republic, as the shareholders of the Group, signed an Addendum to the Memorandum of Understanding dated 30 July 2020 (the "Memorandum"), on the basis of which the Slovak Republic has the right, until 31 December 2024, to request the transfer of a 100% share in ZSE Elektrárne, s.r.o. from E.ON. During the year 2023, the Slovak Republic exercised the option to acquire the share, thereby expressing its interest in the transfer of the share in ZSE Elektrárne, s.r.o., which will be carried out for a fair market value determined under usual market conditions and in accordance with all applicable legal regulations.

The Group's management considered that the Group still has control over ZSE Elektrárne, s.r.o. until the day of the transfer of the share, because its view is that the Memorandum is non-binding, it was signed by E.ON and not by Západoslovenská energetika, a.s. and it is therefore not directly enforceable against the Group and its governing bodies. Considering of the expressed interest of the Slovak Republic and exercising its option to acquire a share in ZSE Elektrárne, s.r.o. the Group's management considers that the sale of ZSE Elektrárne, s.r.o. is highly probable within one year and thus the related assets and liabilities were reclassified to current items as assets and liabilities held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (Note 33)

Management also did not recognise deferred tax on investments in ZSE Elektrárne, s.r.o. since in case of a sale the carrying amount of the investment would also be a tax expense deductible against sales proceeds and thus there is no temporary difference, on which deferred tax would be necessary to recognise. The difference between the carrying amount of ZSE Elektrárne, s.r.o.'s net assets and tax expense deductible against sales proceeds at 31 December 2023 is EUR 65,447 thousand (2022: EUR 63,047 thousand).

Deferred income tax asset recognition. Management applied judgement and recognised deferred tax asset of EUR 13,732 thousand (2022: EUR 13,732 thousand) in respect of deductible temporary differences between carrying value and tax base of CCGT power plant in Malženice, based on projections of future taxable profits over periods covered by forward market commodity prices. Commodity pricing forecasts and forecasting uncertainties related to later subsequent periods do not provide sufficient convincing evidence to support recognition of further potential deferred tax asset of up to EUR 49,444 thousand (2022: EUR 49,955 thousand) in respect of the remainder of the deductible temporary differences related to this power plant.

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows during 2023:

In thousands of EUR	Land	Network buildings	Power lines	Switching stations and network equip-ment	CCGT power plant	Other assets - for own use*	Other assets - leased to other parties	Capital work in progress	Total
Cost at 1 January 2023	27,690	160,284	874,555	504,119	32,446	127,888	24,413	107,499	**1,858,894**
Accumulated depreciation and impairment losses	-	(64,233)	(325,783)	(277,401)	(8,243)	(79,143)	(19,192)	-	**(773,995)**
Carrying amount at 1 January 2023	27,690	96,051	548,772	226,718	24,203	48,745	5,221	107,499	**1,084,899**
Additions	-	-	-	-	-	-	-	161,199	**161,199**
Capitalised borrowing costs**	-	-	-	-	-	-	-	2,012	**2,012**
Transfers	1,671	14,957	75,992	31,697	11,059	8,984	92	(144,452)	-
Depreciation charge	-	(4,729)	(26,366)	(26,453)	(4,129)	(7,425)	(477)	-	**(69,579)**
Disposals	(108)	-	(77)	(30)	-	(303)	-	(81)	**(599)**
Termination of the lease by the purchase of an asset	-	133	1,462	215	-	-	-	-	**1,810**
Transfer from investment properties to property, plant and equipment (Note 8)	-	-	-	-	-	-	-	-	-
First time consolidation of VSEH, a.s. (Note 34)	16,877	18,882	464,707	179,678	-	25,057	-	51,753	**756,954**
Transfer to assets held for sale and discontinued operations (Note 33)	(531)	(1,010)	-	(209)	(31,133)	(438)	-	(1,498)	**(34,819)**
Cost at 31 December 2023	**45,599**	**177,884**	**1,412,768**	**707,385**	-	**174,969**	**24,503**	**176,432**	**2,719,540**
Accumulated depreciation and impairment losses	-	**(53,600)**	**(348,278)**	**(295,769)**	-	**(100,349)**	**(19,667)**	-	**(817,663)**
Carrying amount at 31 December 2023	**45,599**	**124,284**	**1,064,490**	**411,616**	-	**74,620**	**4,836**	**176,432**	**1,901,877**

* Other assets for own use comprise machinery, non-network and administrative buildings, vehicles and other assets.

** Capitalisation rate of borrowing costs was approximately 3.07% p.a. for the period from 1 January 2023 to 31 October 2023 and for the period from 1 November 2023 to 31 December 2023 approximately 3.24% p.a. (2022: 3.07% p.a.).

In relation with the received bank loans (2022: received bank guarantees), the Group pledged as collateral an administrative building with a carrying amount of EUR 2,400 thousand (EUR 3,807 thousand) and a related land with a carrying amount of EUR 537 thousand (2022: EUR 486 thousand) in favour of the bank.

6 Property, Plant and Equipment (continued)

Movements in the carrying amount of property, plant and equipment were as follows during 2022:

In thousands of EUR	Land	Network buil-dings	Power lines	Switching stations and network equip-ment	CCGT power plant	Other assets - for own use*	Other assets - leased to other parties	Capital work in progress	Total
Cost at 1 January 2022	24,734	144,051	820,249	478,561	32,446	121,945	24,349	117,982	**1,764,317**
Accumulated depreciation and impairment losses	-	(60,527)	(307,778)	(259,977)	(6,373)	(73,492)	(18,577)	-	**(726,724)**
Carrying amount at 1 January 2022	24,734	83,524	512,471	218,584	26,073	48,453	5,772	117,982	**1,037,593**
Additions	-	-	-	-	-	-	-	100,565	**100,565**
Capitalised borrowing costs**	-	-	-	-	-	-	-	1,769	**1,769**
Transfers	2,954	16,438	54,816	31,667	-	6,320	75	(112,270)	**-**
Depreciation charge	-	(3,953)	(20,983)	(23,619)	(1,870)	(6,173)	(626)	-	**(57,224)**
Disposals	(12)	(60)	-	(17)	-	(21)	-	(547)	**(657)**
Termination of the lease by the purchase of an asset	-	102	2,468	103	-	-	-	-	**2,673**
Transfer from investment properties to property, plant and equipment (Note 8)	14	-	-	-	-	166	-	-	**180**
Cost at 31 December 2022	**27,690**	**160,284**	**874,555**	**504,119**	**32,446**	**127,888**	**24,413**	**107,499**	**1,858,894**
Accumulated depreciation and impairment losses	**-**	**(64,233)**	**(325,783)**	**(277,401)**	**(8,243)**	**(79,143)**	**(19,192)**	**-**	**(773,995)**
Carrying amount at 31 December 2022	**27,690**	**96,051**	**548,772**	**226,718**	**24,203**	**48,745**	**5,221**	**107,499**	**1,084,899**

* Other assets for own use comprise machinery, non-network and administrative buildings, vehicles and other assets.

** Capitalisation rate of borrowing costs was approximately 3.07% p.a. for 2022.

In management's judgement the electricity distribution network does not fall in the scope of IFRIC 12, *Service Concession Arrangements*, and it is thus not presented as an intangible asset because (a) the Group is able to sell or pledge the infrastructure assets and (b) the arrangement with the regulator and the Slovak Government is not the typical 'build-operate-transfer' concession, but rather a privatisation, which the Information Note 2 to IFRIC 12 indicates falls in the scope of IAS 16, *Property, plant and equipment*. The Group did not pledge any property, plant or equipment as collateral for its borrowings or other financial liabilities at the end of the current and comparative reporting period.

The proceeds from disposal of property, plant and equipment and intangible assets were as follows:

In thousands of EUR	2023	2022
Net book value of disposals	599	657
Net book value of emission quotas sold	1,245	17,227
Transfer of emission quotas to National registry of emission quotas	5,897	19,792
Usage of provision for CO_2 emissions	(5,897)	(19,792)
Gain/(Loss) on sale of property, plant and equipment and intangible assets (Note 29)	7,088	22,673
Income from the sale of property, plant and equipment intended for future repurchase	5,075	-
Other	(99)	(548)
Proceeds from disposals	**13,908**	**40,009**

The Group holds insurance against damages caused by natural disasters up to EUR 1,623,370 thousand for buildings and up to amount of EUR 1,623,359 thousand for machinery, equipment, fixtures, fittings and other assets (2022: EUR 728,536 thousand and 1,027,222 thousand, respectively).

6 Property, Plant and Equipment (continued)

Rental income from the property, plant and equipment leased to other parties, mainly represented by optical lines and related technology, is presented in Note 29. Future rental income from non-cancellable leases is due as follows:

In thousands of EUR	2023	2022
Due:		
- within 1 year	194	191
Total future rental payments to be received	**194**	**191**

7 Intangible Assets

Movements in the carrying amount of intangible assets were as follows:

In thousands of EUR	Carbon dioxide emission quotas	Goodwill	Valuable rights	Customer base	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2022	51,450	1,139	10,366	4,259	69,724	7,805	**144,743**
Accumulated amortisation and impairment losses	-	-	(6,604)	(248)	(57,995)	-	**(64,847)**
Carrying amount at 1 January 2022	**51,450**	**1,139**	**3,762**	**4,011**	**11,729**	**7,805**	**79,896**
Additions	4,399	-	-	-	-	7,289	**11,688**
Transfers	-	-	187	-	7,080	(7,267)	**-**
Amortisation charge	-	-	(756)	(426)	(5,881)	-	**(7,063)**
Disposals	(37,019)	-	-	-	-	-	**(37,019)**
Cost at 31 December 2022	18,830	1,139	10,643	4,259	76,786	7,827	**119,484**
Accumulated amortisation and impairment losses	-	-	(7,450)	(674)	(63,858)	-	**(71,982)**
Carrying amount at 31 December 2022	**18,830**	**1,139**	**3,193**	**3,585**	**12,928**	**7,827**	**47,502**
Additions	20,283	-	-	-	-	8,195	**28,478**
Capitalised borrowing costs	-	-	-	-	-	6	**6**
Transfers	-	-	1,551	-	10,036	(11,587)	**-**
Amortisation charge	-	(1,139)	(971)	(952)	(6,532)	-	**(9,594)**
Disposals	(7,142)	-	-	-	-	-	**(7,142)**
First time consolidation of VSEH, a.s. (Note 34)	-	289,769	12,472	132,364	8,409	7,354	**450,368**
Transfer to assets held for sale and discontinued operations (Note 33)	(31,971)	-	(67)	-	(970)	(306)	**(33,314)**
Cost at 31 December 2023	-	290,908	24,572	136,623	93,905	11,489	**557,497**
Accumulated amortisation and impairment losses	-	(1,139)	(8,394)	(1,626)	(70,034)	-	**(81,193)**
Carrying amount at 31 December 2023	**-**	**289,769**	**16,178**	**134,997**	**23,871**	**11,489**	**476,304**

Assets not yet available for use primarily include software upgrades and improvements to the functionality of customer, financial, security and other in-house information systems.

8 Investment Properties

The Group leases out part of its land and administrative and operational premises under operating leases to third parties.

Movements in the carrying amount of the investment properties were as follows:

	2023			2022		
In thousands of EUR	Land	Buildings	Total	Land	Buildings	Total
Cost at 1 January	129	1,124	**1,253**	143	1,293	**1,436**
Accumulated depreciation and impairment losses	-	(64)	**(64)**	-	(27)	**(27)**
Carrying amount at 1 January	**129**	**1,060**	**1,189**	**143**	**1,266**	**1,409**
Transfer from investment properties to property, plant and equipment	-	-	-	(14)	(166)	**(180)**
Additions	-	-	-	-	-	-
Depreciation charge	-	(40)	**(40)**	-	(40)	**(40)**
Disposals	-	-	-	-	-	-
Cost at 31 December	129	1,124	**1,253**	129	1,124	**1,253**
Accumulated depreciation and impairment losses	-	(104)	**(104)**	-	(64)	**(64)**
Carrying amount at 31 December	**129**	**1,020**	**1,149**	**129**	**1,060**	**1,189**

The Group's management estimates that fair value of the investment properties at the balance sheet date is not materially different from their carrying amount.

Rental income from investment properties leased to third parties is presented in Note 29. The future minimum lease payments receivable under operating leases of investment properties are as follows:

In thousands of EUR	2023	2022
Due during:		
- year 1	96	85
- year 2	31	81
- year 3	-	27
- year 4	-	-
Total undiscounted operating lease payments receivable at 31 December	**127**	**193**

9 Right-of-use Assets and Lease Liabilities

The Group leases various land, office buildings, energy buildings and equipment and vehicles. Rental contracts are usually made for fixed periods of 2 to 20 years (rental periods are presented in Note 2) but may have extension options. For assets, where the contract is concluded for indefinite period, the useful life was determined based on estimated lease term.

Leases are recognised as a right-of-use assets and a corresponding lease liability from the date when the leased asset becomes available for use by the Group. Movements of right-of-use assets are as follows:

In thousands of EUR	Land	Office buildings	Energy buildings and equipment	Vehicles	Total
Carrying value at 1 January 2022	**359**	**6,493**	**12,250**	**4,809**	**23,911**
Additions	-	2,270	2,420	1,853	**6,543**
Disposals	-	-	-	(26)	**(26)**
Depreciation charge	(16)	(902)	(655)	(1,702)	**(3,275)**
Reduction in value	-	(235)	(162)	(76)	**(473)**
Termination of the lease by the purchase of an asset (Note 6)	-	-	(2,673)	-	**(2,673)**
Carrying value at 31 December 2022	**343**	**7,626**	**11,180**	**4,858**	**24,007**
Additions	-	3,061	2,003	1,063	**6,127**
Disposals	-	(164)	-	(124)	**(288)**
Depreciation charge	(17)	(1,208)	(692)	(1,739)	**(3,656)**
Reduction in value	-	(666)	-	(7)	**(673)**
Termination of the lease by the purchase of an asset (Note 6)	-	-	(1,810)	-	**(1,810)**
First time consolidation of VSEH, a.s. (Note 34)	41	1,250	2,946	732	**4,969**
Transfer to assets held for sale and discontinued operations (Note 33)	(279)	-	-	-	**(279)**
Carrying value at 31 December 2023	**88**	**9,899**	**13,627**	**4,783**	**28,397**

The Group recognised lease liabilities as follows:

In thousands of EUR	31 December 2023	31 December 2022
Short-term lease liabilities	4,609	3,952
Long-term lease liabilities	23,881	20,490
Total lease liabilities	**28,490**	**24,442**

Interest expense on lease liabilities included in interest and similar expense for 2023 was EUR 574 thousand (2022: EUR 297 thousand).

Expenses relating to short-term leases and to leases of low-value assets (from continuing operations) that are not short-term leases (included in other operating expenses – Note 28):

In thousands of EUR	2023	2022
Expense relating to short-term leases	283	184
Expense relating to leases of low-value assets that are not shown above as short-term leases	1,123	800

9 Right-of-use Assets and Lease Liabilities (continued)

Total cash outflows for leases were as follows:

In thousands of EUR	2023	2022
Short-term lease payments	358	235
Payments for leases of low-value assets other than short-term leases	1,124	805
Repayment of principal of lease liabilities	5,456	5,847
Interest expense on lease liabilities paid	574	297
Total cash outflows for leases	**7,512**	**7,184**

The lease agreements do not impose any covenants. Ownership title to the leased assets is held by the lessors. Leased assets may not be used as collateral for the Group's other borrowings.

10 Equity Method Investments

In thousands of EUR	2023	2022
Energotel, a.s. - 40% investment in joint venture	2,297	525
SPX, s.r.o.	135	33
Bioplyn Rozhanovce, s.r.o. - 34% investment in joint venture	876	-
TRANSELEKTRO spoločnosť s ručením obmedzeným Košice – associate	13	-
Other	164	-
Total equity method investments	**3,485**	**558**

11 Inventories

In thousands of EUR	2023	2022
Natural gas	24,123	14,677
Materials and spare parts	19,847	6,990
Work-in-progress	2,478	42
Merchandise	4,123	3,074
Land held for sale	1,022	1,359
Total inventories	**51,593**	**26,142**

The inventory items are shown net of provision for slow-moving materials and spare parts of EUR 633 thousand (2022: EUR 89 thousand) and merchandise of EUR 65 thousand (2022: EUR 30 thousand). Natural gas is held in an underground gas storage facility controlled by a related party under significant influence of the Slovak Government. No inventories have been pledged as collateral.

12 Trade and Other Receivables

In thousands of EUR	2023	2022
Trade receivables	5,665	742
Less impairment provision for trade receivables	(121)	(55)
Non-current trade receivables, net	**5,544**	**687**
Contract assets - dealers commission costs	1,293	1,712
Total non-current trade and other receivables	**6,837**	**2,399**

12 Trade and Other Receivables (continued)

In thousands of EUR	2023	2022
Trade receivables	352,969	427,662
Less impairment provision for trade receivables	(20,167)	(20,127)
Current trade receivables, net	**332,802**	**407,535**
Commodity contracts at FVTPL	-	-
Contract assets - dealers commission costs	1,296	1,435
Receivables from derivative financial instruments	1,040	-
Prepayments	14,183	7,052
Other	6,337	377
Total current trade and other receivables	**355,658**	**416,399**

Movements in the impairment provision for trade receivables are as follows:

	2023			2022		
In thousands of EUR	For non-current receivables	For current receivables	Total	For non-current receivables	For current receivables	Total
Provision for impairment at 1 January	55	20,127	**20,182**	38	19,507	**19,545**
Impairment loss expense (Note 28)	66	964	**1,030**	17	1,702	**1,719**
Amounts written off during the year as uncollectible	-	(911)	**(911)**	-	(1,082)	**(1,082)**
Transfer to assets held for sale and discontinued operations (Note 33)	-	(13)	**(13)**	-	-	-
Provision for impairment at 31 December	121	20,167	**20,288**	55	20,127	**20,182**

The Group has a concentration of credit risk towards related parties of the Slovak Government. Refer to Note 42.

12 Trade and Other Receivables (continued)

More details of ECL in relation to trade receivables at the balance sheet date:

	31 December 2023				31 December 2022			
In thousands of EUR	**Loss rate**	**Gross carrying amount**	**ECL**	**Net carrying amount**	**Loss rate**	**Gross carrying amount**	**ECL**	**Net carrying amount**
Non-current trade receivables:								
Not past due	2.14%	5,665	121	5,544	7.41%	742	55	687
Total non-current trade receivables		**5,665**	**121**	**5,544**		**742**	**55**	**687**
Current trade receivables:								
Not past due	0.85%	323,898	2,739	321,159	0.94%	396,230	3,710	392,520
Past due:								
- 1 to 30 days	2.22%	8,368	186	8,182	3.27%	12,922	422	12,500
- 31 to 60 days	5.07%	1,598	81	1,517	16.27%	1,567	255	1,312
- 61 to 90 days	8.65%	763	66	697	15.83%	259	41	218
- 91 to 120 days	37.12%	326	121	205	42.54%	181	77	104
- 121 to 180 days	49.73%	374	186	188	28.38%	222	63	159
- 181 to 360 days	77.16%	1,112	858	254	71.29%	1,240	884	356
- over 360 days	96.37%	16,530	15,930	600	97.57%	15,041	14,675	366
Total current trade receivables		**352,969**	**20,167**	**332,802**		**427,662**	**20,127**	**407,535**
Total trade receivables		**358,634**	**20,288**	**338,346**		**428,404**	**20,182**	**408,222**

Movements in contract assets, which represents the deferred sales commissions, are as follows:

In thousands of EUR	**2023**	**2022**
At 1 January	**3,147**	**3,686**
Additions	1,240	1,394
Amortization	(1,798)	(1,933)
Total contract assets at 31 December	**2,589**	**3,147**

Out of the carrying value of contract assets, EUR 1,296 thousand (2022: EUR 1,435 thousand) will be amortized over the next year and the rest has a remaining amortization period of up to 5 years. The impairment allowance calculated based on the expected loss rate for the above asset was immaterial.

At 31 December 2023, in relation with the received borrowings (Note 17), the Group pledged as collateral the receivables in amount of EUR 2,367 thousand in favour of its creditors.

12 Trade and Other Receivables (continued)

Financial effect of collateral and other credit enhancements on current trade receivables is presented as follows:

In thousands of EUR	31 December 2023 Carrying value	31 December 2023 Insured value	31 December 2022 Carrying value	31 December 2022 Insured value
Trade receivables under credit insurance	98,423	98,423	126,188	126,188
Trade receivables not secured	234,379	-	281,347	-
Current trade receivables, net	**332,802**	**98,423**	**407,535**	**126,188**

Non-current trade receivables are not under credit insurance.

13 Cash and Cash Equivalents

In thousands of EUR	2023	2022
Cash on hand	8	10
Current accounts with banks	134,016	48,166
Short-term bank deposits	150,000	-
Total cash and cash equivalents in the statement of financial position	**284,024**	**48,176**
Less restricted cash balances	-	(82)
Total cash and cash equivalents in the statement of cash flows	**284,024**	**48,094**

The Group has a concentration of cash and cash equivalents balances towards eight banks (2022: five banks).

The credit quality of cash and cash equivalents is as follows:

In thousands of EUR	2023	2022
Neither past due nor impaired		
Credit rating Aa3 by Moody's	7,890	17
Credit rating A1 by Moody's	7	-
Credit rating A2 by Moody's	238,506	28,682
Credit rating Baa1 by Moody's	37,613	19,467
Unrated	8	10
Total cash and cash equivalents	**284,024**	**48,176**

The Group did not account for the expected losses on cash and cash equivalents because, considering the probability of bankruptcy of bank institutions, the impact of such expected losses on the Group's financial statements would be insignificant.

14 Share Capital

The Company issued and has outstanding 5,934,594 ordinary shares with a nominal value of EUR 33.19 and 85,497,359 ordinary shares with a nominal value of EUR 1 per share (2022: 5,934,594 ordinary shares with a nominal value of EUR 33.19). All issued shares are fully paid in.

Based on the decision of the general meeting dated on 28 August 2023, the Company increased its share capital by issuing 85,497,359 new ordinary shares with a nominal value of EUR 1 per share and an issue rate of EUR 8.949726623 per share, while the total issue rate of new shares amounts to EUR 765,178 thousand. From the total issue rate of the new shares, the amount of EUR 17,099 thousand was added to the legal reserve fund, and the amount of EUR 662,581 thousand is reported as the share premium of new shares. The issue of Company's new shares was fully paid in by an in-kind contribution of Východoslovenská energetika Holding a.s. shares in the amount of EUR 765,178 thousand to the Company's equity, while the previous shareholders of Východoslovenská energetika Holding a.s., they acquired shares in the Company in exchange. The result of the transaction is a change in the Company's ownership structure (Note 1).

The change in the Company's share capital was registered in the Commercial Register of the City Court Bratislava III on 23 November 2023.

Based on the valid shareholders agreement, the Company is jointly controlled by the shareholders, E.ON and the Slovak republic. The Company's strategic plan is approved by all shareholders of the Company. At the same time, all decisions of the general meeting must be made jointly by the existing shareholders, because a qualified two thirds majority of votes is required to pass any decision, while contractual restrictions exist for transfer of shares to parties not under control of existing shareholders.

The general meeting of the Company's shareholders approved the Company's prior year separate financial statements and declared dividends of EUR 72,727 thousand or EUR 12.25 per share (2022: dividends of EUR 87,919 thousand or EUR 14.81 per share). The declaration of dividends by the general meeting and their payout to the Company's shareholders took place before the Company increased its share capital by issuing 85,497,359 new ordinary shares with a nominal value of EUR 1 per share. Slovak legislation identifies distributable reserves as retained earnings reported in the separate financial statements of the Company which amount to EUR 159,520 thousand (2022: EUR 121,203 thousand).

15 Legal Reserve Fund

The legal reserve fund represents appropriations of profits of the Company required by Slovak legislation. The Company is obliged to appropriate at least 10% of its profit until the legal reserve fund achieves at least 20% of the Company's share capital. This fund is not distributable and exists to cover future losses. The legal reserve fund of the Company was supplemented by EUR 17,099 thousand in 2023 (Note 14).

16 Issued Bonds

The issued bonds (ISIN: XS1782806357) of EUR 315,000 thousand are due on 2 March 2028 and carry a coupon of 1.75% p.a. The bonds are traded on the Irish Stock Exchange, Dublin.

Amortized cost carrying value of the bonds is as follows:

In thousands of EUR	**2023**	**2022**
Issued bonds – non-current principal and deferred transaction costs	314,008	313,696
Issued bonds – current principal, accrued interest payable within one year and deferred transaction costs	4,294	321,904
Total carrying value of the bonds	**318,302**	**635,600**

Considering the situation on the capital markets, on 18 April 2023, the Group prematurely repaid the bonds (ISIN: XS0979598462) of EUR 315,000 thousand, including the corresponding coupon, which were originally due in October 2023, and refinanced them through non-current bank loans (Note 17).

17 Borrowings

In thousands of EUR	2023	2022
Bank loans	419,368	222
Other borrowings	7,693	5,500
Total non-current borrowings	**427,061**	**5,722**
Bank loans	84,315	123,717
Other borrowings	307	-
Total current borrowings	**84,622**	**123,717**
Total borrowings	**511,683**	**129,439**

The Group's borrowings and their structure are as follows:

In thousands of EUR	2023	2022
Tatra banka	-	-
Slovenská sporiteľňa	-	19,981
Total revolving loans	**-**	**19,981**
Citibank	7	-
Tatra banka	517	3,685
Slovenská sporiteľňa	1,820	567
UniCredit Bank	-	49,975
ČSOB	45,351	49,509
VÚB banka	35,938	-
ING Bank	682	-
Total bank overdrafts	**84,315**	**103,736**
Slovenská sporiteľňa	48,318	222
Tatra banka	78,657	-
ČSOB	78,738	-
UniCredit Bank	213,655	-
Total standard bank loans	**419,368**	**222**
National Development Fund II., a.s. *	8,000	5,500
Total other borrowings	**8,000**	**5,500**
Total borrowings	**511,683**	**129,439**

* National Development Fund II., a.s. is a subsidiary of Slovak Investment Holding, a. s., which as a subsidiary belongs to Slovak Guarantee and Development Bank, a. s. The Group uses these borrowings to refinance of energy solutions projects, where the maturity of the receivables of the Group's customers within these projects is continuous and over a longer period of time.

17 Borrowings (continued)

Further information on the Group's borrowings at 31 December 2023 is presented in the following table:

In thousands of EUR

Creditor	Borrowing drawn	Credit line	Interest rate in % p.a.	Maturity date of credit line	Guarantee
Tatra banka – revolving loan	-	50,000	1M Euribor+0.85%	31.3.2026	-
Slovenská sporiteľňa – revolving loan	-	50,000	€STR+0.65%	15.12.2026	-
Tatra banka – bank overdraft	517	4,000	1M Euribor+0.75% up to EUR 3 mil. resp. +0.95% over EUR 3 mil.	notice period 3 months	Pledge on receivables, pledge on property, plant and equipment
VÚB banka – bank overdraft	3,076	6,000	1M Euribor+0.65%	notice period 60 days	-
Slovenská sporiteľňa – bank overdraft	1,152	3,100	1M Euribor+1.25%	31.12.2024	Pledge on receivables, promissory note
VÚB banka – bank overdraft	32,862	80,000	1M Euribor+0.15%	indefinite period	-
Slovenská sporiteľňa – bank overdraft	668	50,000	1M Euribor+0.45%	indefinite period	-
ČSOB – bank overdraft	39,999	40,000	0.00%	15.2.2024	-
ČSOB – bank overdraft	5,352	40,000	1M Euribor+0.50%	indefinite period	-
Citibank – bank overdraft	-	72,000	1M Euribor+0.55%	30.9.2024	-
ING Bank – bank overdraft	657	20,000	1M Euribor+0.45%	indefinite period	-
Slovenská sporiteľňa – bank loan	634	3,500	3M Euribor+1.25%	31.12.2029	Pledge on receivables
Tatra banka – long-term loan	78,750	78,750	1M Euribor+0.90%	15.10.2026	-
ČSOB – long-term loan	78,750	78,750	3.84%	15.10.2026	-
UniCredit Bank – long-term loan	157,500	157,500	1M Euribor+0.89%	15.10.2026	-
UniCredit Bank – long-term loan	60,000	60,000	1.163%	26.6.2026	-
Slovenská sporiteľňa – long-term loan	50,000	50,000	0.701%	9.7.2025	-
National Development Fund II., a.s. – borrowing	5,000	5,000	EUR 20Y IRS+1.1%	30.9.2042	Pledge on receivables
National Development Fund II., a.s. – borrowing	3,000	3,000	EUR 10Y IRS +1.25%	30.9.2032	Pledge on receivables
Revaluation of long-term borrowings to fair value ("unwinding")	(5,914)	-	-	-	-
Deferred transaction costs related to long-term loans	(352)	-	-	-	-
Accrued interest payable within one year	32	-	-	-	-
Total	**511,683**	**851,600**			

The Group plans to extend the maturity of the credit line for some current borrowings, where the maturity date of their credit line expires in 2024 only in case, if the Group will continue to need these credit sources or will not replace them with other credit sources.

17 Borrowings (continued)

Further information on the Group's borrowings at 31 December 2022 is presented in the following table:

In thousands of EUR

Creditor	Borrowing drawn	Credit line	Interest rate in % p.a.	Maturity date of credit line	Guarantee
Tatra banka – revolving loan	-	55,000	1M Euribor+0.50%	31.10.2023	-
Slovenská sporiteľňa – revolving loan	19,981	50,000	€STR+0.65%	15.12.2025	-
Tatra banka – bank overdraft	3,685	4,000	1M Euribor+0.75% up to EUR 3 mil. resp. +0.95% over EUR 3 mil.	notice period 3 months	Pledge on receivables
Slovenská sporiteľňa – bank overdraft	567	3,100	1M Euribor+1.25%	31.12.2024	Pledge on receivables, promissory note
UniCredit Bank – bank overdraft	49,975	50,000	1M Euribor+0.00%	30.4.2023	-
ČSOB – bank overdraft	49,509	50,000	0.00%	31.5.2023	-
Slovenská sporiteľňa – bank loan	222	3,500	3M Euribor+1.25%	31.12.2029	Pledge on receivables
National Development Fund II., a.s. – borrowing	3,500	5,000	EUR 20Y IRS+1.10%	30.9.2042	Pledge on receivables
National Development Fund II., a.s. – borrowing	2,000	3,000	EUR 10Y IRS +1.25%	30.9.2032	Pledge on receivables
Total	**129,439**	**223,600**			

All the Group's borrowings are denominated in EUR. The fair value of non-current borrowings is not materially different from their carrying amounts, as the interest rates on those borrowings are close to current market interest rates. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

At 31 December 2023 and at 31 December 2022, the Group has complied with all the covenants that it is obliged to fulfil according to the provisions of the borrowing agreements. For an analysis of movements of the Group's borrowings for each of the accounting periods presented, refer to Note 38. In relation with the borrowings, the Group has pledged as collateral part of its property, plant and equipment (Note 6) and certain groups of receivables (Note 12) in favour of its creditors.

18 Income Taxes

Income tax expense comprises the following:

In thousands of EUR	2023	2022
Current tax at standard rate of 21% (2022: 21%)	60,963	32,622
Special levy on profits from regulated activities	15,213	5,779
Deferred tax	9,476	4,806
Income tax expense for the year	**85,652**	**43,207**
Income tax expense from continuing operations	82,188	41,094
Income tax expense from discontinued operations	3,464	2,113

18 Income Taxes (continued)

In 2023, the applicable standard income tax rate was 21% (2022: 21%). From 2017 new methodology for calculating of the special levy applies, where the basis for the special levy is calculated as profit before tax per Slovak GAAP x (revenues from regulated activities/total revenues). The special levy rate of 4.356% p.a. applies from 2021. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

As a result, the income tax rate applicable to regulated activities is as follows:

	2023	2022
Standard income tax rate for the year	21.000%	21.000%
Special levy rate	4.356%	4.356%
Effect of deductibility of special levy from standard rate*	(1.058%)	(1.058%)
Tax rate applicable on profits generated by regulated industry operations	**24.298%**	**24.298%**

* the effect is calculated as special levy rate in % x ((1- income tax rate in %)/(1+ special levy rate in%)-1)

The Group includes activities or subsidiaries taxed at the standard tax rate of 21% or at the 24.298% rate (2022: 24.298%) applicable to regulated industry operations. The applicable tax rate of 22.708% (2022: 22.664%) is used in the below effective tax reconciliation and represents a weighted average of the tax rates for regulated and unregulated industries. The applicable tax rate changed compared to prior year due to changes in the mix of profits from regulated and unregulated industry operations (2022: due to changes in the mix of profits from regulated and unregulated industry operations). A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates is as follows:

In thousands of EUR	2023	2022
Profit before tax from continuing operations	330,657	167,203
Profit before tax from discontinued operations	8,093	7,232
Profit before tax	**338,750**	**174,435**
Theoretical tax charge at applicable tax rate of 22.708% (2022: 22.664%)	76,923	39,534
Non-deductible expenses /(non-taxable income) for which deferred tax was not recognised		
- income from equity method investees not subject to standard tax	(14)	(68)
- expenses not deductible for standard tax but deductible for special levy purposes	3,686	1,078
Recognition of a previously unrecognised deferred tax asset	1,306	-
Impact of change in unrecognised deferred tax asset from deductible temporary differences (Note 5)	-	1,578
Other	3,751	1,085
Income tax expense for the reporting period	**85,652**	**43,207**

18 Income Taxes (continued)

The deferred taxes are expected to be recovered or settled after more than twelve months after the end of the reporting period because income tax returns are due annually, that is, the deferred tax outstanding at 31 December 2023, that will become current tax in 2024, will be settled in 2025 upon filing the 2024 tax return. The corporate tax advance payments are calculated based on prior year taxes and are thus unrelated to deferred tax balances or the current tax expense expected for subsequent years.

Deferred income tax assets and liabilities are not offset among different entities of the Group because the Group is not considered a single taxable entity for tax purposes.

Deferred taxes are attributable to the following temporary differences:

In thousands of EUR	2023	2022 (restated)
Differences between tax base and carrying value of property, plant and equipment, including deferred tax arising from special levy	184,188	65,696
Post-employment defined benefit obligation and other long-term and short-term employee benefits	(2,722)	(2,855)
Other liabilities	(5,719)	(2,051)
Allowance for credit losses on trade receivables	3,181	1,229
Other	(1,091)	(445)
Total net deferred tax liability	**177,837**	**61,574**

In thousands of EUR	2023	2022 (restated)
Differences between tax base and carrying value of property, plant and equipment, including deferred tax arising from special levy	2,340	15,306
Post-employment defined benefit obligation and other long-term and short-term employee benefits	940	924
Other liabilities	2,851	3,020
Allowance for credit losses on trade receivables	2,126	4,673
Other	(93)	(329)
Total net deferred tax asset	**8,164**	**23,594**

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (470) thousand (2022: EUR (284) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

The Group has not recorded a deferred tax liability in respect of investments in subsidiaries because (a) the tax is applicable to future profits and thus temporary differences, if any, may only arise in the future, and (b) the tax is not applicable to dividends from Slovak subsidiaries, associates and joint ventures of the Group.

In addition, the Group is able to control the timing of the reversal of such temporary differences in respect of subsidiaries and does not intend to reverse them in the foreseeable future, e.g. through sale or taxable dividend income from subsidiaries.

19 Post-Employment Defined Benefit Obligations

As agreed with the trade unions, the Group has a post-employment defined benefit obligation to pay one to eight monthly salaries to each employee upon retirement depending on the number of years worked for the Group. The movements in the present value of defined benefit obligation are:

	2023	2022
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	**7,714**	**9,018**
Current service cost	764	630
Interest cost	230	82
Past service costs due to changes in the defined benefit plan rules	-	-
Total expense (Note 27)	994	712
Actuarial remeasurements:		
- attributable to changes in financial assumptions	(76)	(1,298)
- attributable to changes in demographic assumptions	(927)	(100)
- attributable to experience adjustments	(1,231)	48
Total actuarial remeasurements recognised in other comprehensive income	(2,234)	(1,350)
Benefits paid during the year	(1,096)	(666)
First time consolidation of VSEH, a.s. (Note 34)	8,574	-
Present value of unfunded post-employment defined benefit obligations at the end of the year	**13,952**	**7,714**

The principal actuarial assumptions were as follows:

	2023	2022
Number of employees at 31 December	3,835	2,182
Staff turnover	4.29% p.a.	4.57% p.a.
Expected salary increases short-term	7.55% p.a.	5.14% p.a.
Expected salary increases long-term	2.50% p.a.	4.00% p.a.
Discount rate	3.30% p.a.	3.40% p.a.

If the actual discount rate differed by 0.5% from the estimated discount rate, the value of the liability due to pension benefits would be by EUR 737 thousand lower or by EUR 691 thousand higher (2022: EUR 398 thousand lower or EUR 412 thousand higher).

20 Other Long Term Employee Benefits

The Group pays an amount from EUR 623 to EUR 1,400 (2022: EUR 1,400) to each employee at the age of 50, depending on the number of years worked for the Group, subject to 5-year service vesting condition (2022: 5-year). In addition, the Group pays regular long term work anniversary bonuses in general every 10 years in amounts between EUR 400 to EUR 1,250 (2022: between EUR 400 to EUR 1,250) and from 2023 one-off compensation in case of the death of an employee during the performance of the employment or as a result of an occupational disease in amount of EUR 20,000 and compensation in case of the death of an employee outside the performance of the employment in amount of EUR 13,300. The liability for other long-term employee benefits was estimated using the Projected Unit Credit Method.

21 Provisions for Liabilities and Charges

In thousands of EUR	2023	2022
Provisions for legal proceedings	17,113	44,496
Provisions for onerous contracts	-	4,321
Provisions for released CO_2 emissions	-	5,859
Total current provisions for liabilities and charges	**17,113**	**54,676**

At 31 December 2023 and 2022, the Group has recognized a current provision for known and quantifiable risks relating to disputes against the Group, that represent the best possible estimate of amounts that are more likely than not to be paid. Actual amounts to settle the provision, if any settlement will be required, depend on a number of different conditions and circumstances that may occur in the future and the outcome of which is uncertain and therefore the amount of the provision may change in the future. Refer also to Note 41.

Movements in provisions for liabilities and charges are as follows:

	2023				2022			
In thousands of EUR	Provisions for legal proceedings	Provisions for onerous contracts	Provisions for CO2 emissions	**Total provisions**	Provisions for legal proceedings	Provisions for onerous contracts	Provisions for CO2 emissions	**Total provisions**
At 1 January	44,496	4,321	5,859	**54,676**	43,050	8,365	19,787	**71,202**
Additions recognized in profit or loss	-	-	25,179	**25,179**	6,771	4,321	5,864	**16,956**
Usage of provision	(2,658)	(4,321)	(5,897)	**(12,876)**	-	(8,365)	(19,792)	**(28,157)**
Reversal of provision	(28,546)	-	-	**(28,546)**	(5,326)	-	-	**(5,326)**
First time consolidation of VSEH, a.s. (Note 34)	3,821	-	-	**3,821**	-	-	-	-
Transfer to liabilities directly associated with assets held for sale and discontinued operations (Note 33)	-	-	(25,140)	**(25,140)**	-	-	-	-
Other	-	-	(1)	**(1)**	1	-	-	1
At 31 December	**17,113**	**-**	**-**	**17,113**	**44,496**	**4,321**	**5,859**	**54,676**

As a matter of prudence and based on assessment of the internal risk arising from disputes over tariff for electricity producers' access to the distribution system, the Group regularly reassess the amount of the provision created for potential legal proceedings. In 2023, the Group reversed the provision for legal proceedings in amount of EUR 20,496 thousand (2022: EUR 5,326 thousand) due to sentences in favour of the Group becoming valid, certain actions being withdrawn by the claimants or the expiration of legal claims against the Group. Refer also to Note 41.

Of the above-mentioned total reversal of provisions for legal proceedings, in 2023 the amount of EUR 20,496 thousand was recognised as an increase of revenue and the amount of EUR 8,050 thousand as a decrease of expenses (2022: EUR 5,326 thousand as an increase of revenue).

As at 31 December 2022, the Group created a provision for onerous contracts for the supply of electricity for 2023 in the amount of EUR 2,501 thousand. The loss from these customer contracts was related to the low liquidity and at the same time high price volatility of the commodity market when it was not possible to procure electricity for said contracts at the agreed price at the time of concluding contracts with customers. This provision for onerous contracts was used in 2023 against the losses incurred by the Group from the supply of electricity to these customers during 2023.

21 Provisions for Liabilities and Charges (continued)

As at 31 December 2022, the Group sold less than 10% of the 2023 generation capacity of its CCGT power plant Malženice on the forward market. At the same time, as at 31 December 2022, the operation of the power plant was still interrupted due to technical complications until the first half of February 2023, when the power plant was recommissioned into commercial operation. For the Group to fulfil its obligations from concluded contracts for the supply of electricity generated at the power plant, it had to source electricity for the period of 2023 that it cannot generate at the power plant. For said period, the Group had already sourced natural gas and emission quotas in advance, which, however, were not used in the generation of electricity and could be sold. Considering the price outlook for 2023 at the balance sheet date and due to the implementation of the aforementioned transactions, the Group incurred a theoretical loss of EUR 1,821 thousand, which the Group management decided to recognise in 2022 as a provision for onerous contracts. This provision for onerous contracts was used in 2023 against the losses incurred by the Group for the above stated reasons during 2023.

22 Contract Liabilities from Connection Fees

The Group has the following liabilities arising from contract with customers:

In thousands of EUR	**2023**	**2022 (restated)**
Non-current		
Contract liabilities - connection fees	121,676	85,215
Total non-current contract liabilities	**121,676**	**85,215**
Current		
Contract liabilities - connection fees	9,850	6,368
Total current contract liabilities	**9,850**	**6,368**
Total contract liabilities	**131,526**	**91,583**

Connection fees are paid by customers to connect them to the electricity network. The fees are recognised as contract liabilities and are released to revenue over the useful lives of related assets of approximately 20 years.

22 Contract Liabilities from Connection Fees (continued)

Movements in contract liabilities to customers from connection fees are as follows:

In thousands of EUR	**Non-current**	**Current**
At 1 January 2022 (restated)	**80,208**	**5,972**
Additions	11,375	-
Transfers	(6,368)	6,368
Recognized in revenue	-	(5,972)
At 31 December 2022 (restated)	**85,215**	**6,368**
Additions	12,702	-
Transfers	(6,969)	6,969
Recognized in revenue	-	(6,417)
First time consolidation of VSEH, a.s. (Note 34)	30,728	2,930
At 31 December 2023	**121,676**	**9,850**

The maturity analysis of contract liabilities to customers is as follows:

In thousands of EUR	**2023**	**2022 (restated)**
At 31 December due		
Current:		
Less than 12 months	9,850	6,368
Non-current:		
From 12 months to 5 years	43,541	27,929
Over 5 years	78,135	57,286
Total non-current	**121,676**	**85,215**
Total at 31 December	**131,526**	**91,583**

23 Trade and Other Payables

In thousands of EUR	2023	2022
Trade payables	41	266
Other financial liabilities	5,417	-
Total financial instruments within non-current trade and other payables	**5,458**	**266**
Grants	19,695	19,783
Total non-current trade and other payables	**25,153**	**20,049**

In thousands of EUR	2023	2022
Trade payables	219,747	150,504
Other accrued liabilities	129,383	11,765
Commodity contracts at FVTPL	-	-
Payables from derivative financial instruments	808	-
Other financial liabilities	5,007	4,461
Total financial instruments within current trade and other payables	**354,945**	**166,730**
Contract liabilities – electricity and natural gas and related distribution fees	81,081	67,611
Employee benefits payable	7,422	3,870
Social security on employee benefits	6,243	4,254
Accrued staff costs	15,456	9,868
Advance payments	70,004	21,106
Value added tax payable	49,113	18,456
Other payables	8,668	7,710
Grants	3,909	1,101
Excise duty payable	200	164
Total current trade and other payables	**597,041**	**300,870**

The Group had overdue current trade payables of EUR 1,012 thousand (2022: EUR 499 thousand) and overdue non-current trade payables of EUR 0 thousand (2022: EUR 0 thousand). None of the payables are overdue more than 30 days at 31 December 2023 and at 31 December 2022.

Movements in contract liabilities to customers for unbilled electricity, natural gas and related distribution fees are as follows:

In thousands of EUR	2023	2022
At 1 January	67,611	35,331
Additions	81,081	67,611
Recognized in revenues	(67,611)	(35,331)
At 31 December	**81,081**	**67,611**

The above presented contract liabilities to customers are due within one year.

24 Revenue from Electricity and Other Related Revenue and Revenue from Natural Gas

Timing of recognition for revenue from electricity and other related revenue and revenue from natural gas of the Group is as follows:

In thousands of EUR	2023	2022
Revenue recognised at a point in time	47,001	33,913
Revenue recognised over time	1,810,695	1,584,395
Total revenue from electricity and other related revenue and revenue from natural gas	**1,857,696**	**1,618,308**

The Group provides access to its electricity distribution network and distribution of electricity at regulated prices. Slovakia has implemented the European Union electricity market directive, which resulted in a complete liberalisation of the market to all customers, including households, from 1 July 2007, i.e. all customers have the option to change electricity supplier after 1 July 2007. However, price regulation for electricity supplies applies to certain protected groups of customers, whereby price regulation of infrastructure, including access to the distribution network and distribution of electricity as a natural monopoly, is applied regardless of the liberalization of the electricity supply market.

Revenue comprises the following:

In thousands of EUR	2023	2022
Sales of electricity to industrial and other commercial customers	752,745	574,265
Sales of electricity to residential customers	217,864	189,285
Total sales of electricity	**970,609**	**763,550**
Distribution fees for electricity distribution to industrial and other commercial customers	350,571	339,583
Distribution fees for electricity distribution to residential customers	187,227	179,300
Revenue for reserved capacity from electricity producers	4,886	4,440
Accrued increase / (decrease) in revenue from customer returns	20,554	5,326
Total distribution fees	**563,238**	**528,649**
Revenue from natural gas	259,216	277,980
Revenues for connection work and testing fees	6,906	6,805
Other revenue	57,727	41,324
Total revenue from electricity and other related revenue and revenue from natural gas	**1,857,696**	**1,618,308**

25 Compensation

At the end of the year 2022, the Government of Slovak Republic approved the new legislation in energy sector that established the "price cap" of energies provided to corporate and public sector. The Government reacted to the high prices of energies on the market. From the beginning of year 2023, the energy sector companies are compensated the difference between the sales price and "price cap" price of energies by the Ministry of Economy of Slovak Republic.

Additionally, the Group received some compensation to cover the higher expenses for purchase of electricity consumed in its own buildings.

On 29 December 2022, RONI issued a decision regarding the tariff for operating the system for the year 2022 regarding the correction of electricity purchase costs for losses for the year 2021 and part of the year 2022. With this decision, in accordance with the Act on Regulation and the valid RONI Price Decree, the correction of electricity purchase costs for losses for the year 2021 in the full amount and part of the correction of electricity purchase costs for losses for the year 2022 was settled in total amount of EUR 63,226 thousand.

The Group recognized this income separately in the consolidated statement of profit or loss and other comprehensive income as compensation.

In thousands of EUR	**2023**	**2022**
Compensation to electricity distributors in connection with the introduction of maximum electricity prices	251,808	-
Compensation of network losses deficit in electricity distribution	-	63,226
Compensation to electricity suppliers in connection with the introduction of maximum electricity prices for businesses	68,063	-
Compensation to gas suppliers in connection with the introduction of maximum gas prices for businesses	4,047	-
Compensation to gas suppliers in connection with the introduction of maximum gas prices for households	138,301	-
Compensation to cover the higher expenses of businesses as a result of the increase in electricity prices based on the state aid scheme to support businesses	2,018	-
Total compensation	**464,237**	**63,226**

26 Purchases of Electricity, Natural Gas for Electricity Production and Related Fees

The following amounts have been charged to purchases of electricity, natural gas for electricity production and related fees:

In thousands of EUR	**2023**	**2022**
Purchase of electricity from: Slovenské elektrárne ("SE")	78,059	173,329
Purchase of electricity from other domestic producers and traders	765,887	264,330
Purchase of electricity on the spot market	302,167	353,635
Commodity contracts at FVTPL	-	842
Purchase of natural gas for electricity production	-	-
Settlement of contracted but unconsumed natural gas for electricity production	-	-
Emission quotas consumption	-	-
Total purchases of electricity and natural gas for electricity production	**1,146,113**	**792,136**
Electricity transmission fees, system access and ancillary service charges, tariff for system operation and system services and related fees	258,575	231,090
Total purchases of electricity, natural gas for electricity production and related fees	**1,404,688**	**1,023,226**

27 Employee Benefits

In thousands of EUR	2023	2022
Wages and salaries	78,311	62,519
Defined contribution pension costs	13,670	11,388
Post-employment defined benefit plan expense (Note 19)	994	712
Other long-term employee benefit plans – current service and interest cost (Note 20)	526	231
Actuarial remeasurements of other long-term employee benefit plans (Note 20)	(301)	(417)
Other social costs	21,577	18,338
Total employee benefits expense	**114,777**	**92,771**

28 Other Operating Expenses

In thousands of EUR	2023	2022
Information technology and software maintenance costs	8,489	7,766
Repairs and maintenance costs	10,048	8,189
Expenses relating leases of low-value assets and short-term leases	1,406	984
Postal and telecommunication services	3,490	2,929
Call centre services	2,637	2,708
Security services	2,195	1,932
Advertising services	2,713	1,340
Travel expenses	1,578	1,101
Statutory audit	552	280
Other services	9,098	5,691
External dealers commission	1,719	1,696
Project management	106	89
Advisory services	3,555	1,476
Marketing	808	650
Operation and maintenance of telecommunication network	496	656
Provisions for legal proceedings (Note 21)	(10,650)	6,771
Facility management expenses	1,108	915
Impairment loss on trade and other receivables (Note 12)	1,030	1,706
Bad debt write-offs	196	(70)
Property and motor vehicle tax	909	844
Gifts	528	461
Insurance	958	840
Other operating expenses	8,676	5,468
Total other operating expenses	**51,645**	**54,422**

28 Other Operating Expenses (continued)

The KPMG network (KPMG Slovensko spol. s r.o. is auditor of the Group) provided the following services to the Group:

In thousands of EUR	2023	2022
Statutory audit of individual and consolidated financial statements of the Company	356	118
Statutory audit of individual financial statements of the subsidiaries	196	162
Total statutory audit	**552**	**280**
Other assurance services	22	-
Tax advisory services	-	-
Other non-audit services	1	7
Total auditor services	**575**	**287**

In 2023, the KPMG network provided non-audit services to the Group amounted to EUR 23 thousand (2022: EUR 7 thousand). In 2023, these services included training services in the amount of EUR 1 thousand and agreed upon procedures for energy price compensation in the amount of EUR 22 thousand (2022: training services in the amount of EUR 7 thousand). The services were approved by the Audit Committee of the Company.

29 Other Operating Income

In thousands of EUR	2023	2022
Customer contributions to their connection costs	1,710	2,328
Operating lease income (Note 6)	1,363	1,149
Gain/(Loss) on disposal of fixed tangible assets and intangible assets (Note 6)	6,626	584
Grants	2,781	742
Income from contractual penalties	1,132	784
Income from unauthorized consumption of electricity	997	710
Fees for payment reminders	1,380	995
Income from insurance claims	639	363
Other	1,416	758
Total other operating income	**18,044**	**8,413**

30 Interest and Similar Income

In thousands of EUR	2023	2022
Interest income from bank deposits and borrowings	6,912	94
Other interest and similar income	126	-
Total interest and similar income	**7,038**	**94**

Interest income was calculated using the effective interest method.

31 Interest and Similar Expense

In thousands of EUR	2023	2022
Interest expense on bonds	9,172	18,113
Amortisation of deferred transaction costs related to bonds	429	598
Interest expense on borrowings	10,654	130
Amortisation of deferred transaction costs related to non-current borrowings	96	-
Interest expense on lease liability	574	297
Other interest and similar expense	2,774	268
Less capitalised borrowing costs (Note 6)	(2,018)	(1,769)
Total interest and similar expense	**21,681**	**17,637**

32 Segment Reporting

The Group's operating segments are those used by the Board of Directors to manage the Group's business, allocate resources and make strategic decisions. The Group identifies its segments according to the nature of products and services provided by each segment. The Group's operating segments are (i) electricity distribution, (ii) electricity and gas supply, (iii) electricity production and (iv) other activities as described below. The Group's activities are concentrated in Slovakia.

The main indicators used by the Board of Directors in their decision making are earnings before interest, taxes, depreciation and amortization (EBITDA), earnings before interest and taxes (EBIT) and capital expenditures. The Board of Directors separately monitor the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance. Segment income and costs are measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The types of products and services from which each reportable operating segment derives its operating results are:

Electricity distribution. Distribution of electricity using the distribution networks in Western and Eastern Slovakia. The distribution business is regulated and the Group is required to provide access to its network to third parties on terms approved by RONI.

Electricity and gas supply. Supply of electricity and gas to wholesale and retail customers in Slovakia and supply of electricity to wholesale customers in abroad. This business is open to competition by other suppliers. Pricing for certain classes of customers of the segment is regulated by RONI.

As a result of regulation of the distribution business and partial regulation of the supply business approximately 84% (2022: 87%) of the Group's EBITDA and 83% (2022: 84%) of the Group's EBIT were generated from sales to customers who are subject to the price regulation. At the same time, approximately 86% of the Group's EBITDA and 85% of the Group's EBIT from continuing operations for year 2023 (without discontinued operations) were generated from sales to customers who are subject to the price regulation.

Electricity production. Electricity production in CCGT power plant.

Other. Segment Other includes activities provided by the Company together with its subsidiaries Východoslovenská energetika Holding a.s., ZSE Energy Solutions, s.r.o., ZSE MVE, s. r. o., ZSE Business Services, s. r. o., ZSE Energetické služby, s. r. o., EKOTERM, s.r.o., BK, a.s., VSE Solutions s.r.o., VSE Call centrum, s.r.o. and VSE Ekoenergia, s.r.o.. Board of Directors does not assess activities and results of the Company separately but within segment Other. Segment Other provides mainly headquarter type functions, as central services, accounting, controlling, HR and other services, to both supply and distribution businesses. The segment also realizes electricity production in two small hydroelectric power plants, trading activities and also generates some external revenues from projecting and engineering activities in investment construction and in heat management, small-scale electricity network operation and maintenance, ventilation and air-conditioning, photovoltaics, electrical installations, facility management and other customer solutions for third parties.

32 Segment Reporting (continued)

Reportable segments information for 2023 is as follows:

In thousands of EUR	Distribution	Supply	Production	Other	Eliminations and consolidation adjustments	Total
Revenue from external customers	195,033	1,765,208	9,055	32,743	-	**2,002,039**
Inter-segment revenues	233,482	242,634	135,288	25,859	(637,263)	**-**
Total segment revenues	428,515	2,007,842	144,343	58,602	(637,263)	**2,002,039**
Compensation	253,394	210,411	-	432	-	**464,237**
Purchases of electricity, natural gas for electricity production and related fees	(291,130)	(1,694,209)	(126,630)	(32,233)	613,323	**(1,530,879)**
Purchases of natural gas for sale	-	(372,236)	-	(119)	1,203	**(371,152)**
Employee benefits expense	(78,471)	(17,857)	(1,727)	(18,450)	1	**(116,504)**
Other operating expenses	(38,396)	(22,426)	(6,455)	(13,418)	24,757	**(55,938)**
Dividend income	-	-	-	104,097	(104,029)	**68**
Other operating income	8,124	3,420	466	246,473	(239,973)	**18,510**
Income from subleases	-	-	-	108	(108)	**-**
Own work capitalized	24,915	-	-	388	578	**25,881**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**306,951**	**114,945**	**9,997**	**345,880**	**(341,511)**	**436,262**
Depreciation of property, plant and equipment and investment properties	(76,356)	(70)	76,095	(2,719)	(66,569)	**(69,619)**
Amortization of intangible assets	(5,399)	(1,927)	(178)	(413)	(1,677)	**(9,594)**
Depreciation of right-of-use assets	(7,492)	(1,085)	-	(732)	5,653	**(3,656)**
Earnings before interest and taxes (EBIT)	**217,704**	**111,863**	**85,914**	**342,016**	**(404,104)**	**353,393**
Capital expenditures	**158,344**	**2,273**	**1,989**	**8,374**	**(286)**	**170,694**

Reconciliation of EBIT for all segments to profit before tax is as follows:

In thousands of EUR	2023	2022
Total EBIT for all operating segments	**353,393**	**191,978**
Interest and similar income	7,038	94
Interest and similar expense	(21,681)	(17,637)
Profit before tax	**338,750**	**174,435**

32 Segment Reporting (continued)

Reportable segments information for 2022 is as follows:

In thousands of EUR	Distribution	Supply	Production	Other	Eliminations and consolidation adjustments	Total
Revenue from external customers	178,192	1,726,068	660	22,644	-	**1,927,564**
Inter-segment revenues	224,241	604,310	308,596	24,968	(1,162,115)	**-**
Total segment revenues	402,433	2,330,378	309,256	47,612	(1,162,115)	**1,927,564**
Compensation	63,226	-	-	-	-	**63,226**
Purchases of electricity, natural gas for electricity production and related fees	(195,423)	(1,943,943)	(324,060)	(27,119)	1,143,259	**(1,347,286)**
Purchases of natural gas for sale	-	(291,067)	-	(99)	104	**(291,062)**
Employee benefits expense	(64,372)	(14,245)	(1,686)	(14,154)	-	**(94,457)**
Other operating expenses	(47,432)	(17,471)	(7,751)	(9,527)	21,281	**(60,900)**
Dividend income	-	-	-	71,825	(71,502)	**323**
Other operating income	5,859	2,207	32,725	8,369	(8,461)	**40,699**
Income from subleases	-	-	-	184	(184)	**-**
Own work capitalized	20,392	-	-	155	926	**21,473**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**184,683**	**65,859**	**8,484**	**77,246**	**(76,692)**	**259,580**
Depreciation of property, plant and equipment and investment properties	(69,141)	(18)	(3,817)	(2,444)	18,156	**(57,264)**
Amortization of intangible assets	(4,495)	(1,905)	(34)	(283)	(346)	**(7,063)**
Depreciation of right-of-use assets	(7,023)	(849)	-	(649)	5,246	**(3,275)**
Earnings before interest and taxes (EBIT)	**104,024**	**63,087**	**4,633**	**73,870**	**(53,636)**	**191,978**
Capital expenditures	**104,600**	**7,591**	**2,073**	**3,850**	**(7,695)**	**110,419**

Reconciliation of capital expenditures to payments for purchases of property, plant and equipment and intangible assets is as follows:

In thousands of EUR	2023	2022
Total capital expenditures for all operating segments	**170,694**	**110,419**
Payments for emission quotas acquired	20,283	4,399
Assets acquired but not paid for	(38,911)	(33,257)
Payments for assets acquired in prior periods	22,644	27,496
Payments for purchases of property, plant and equipment and intangible assets	**174,710**	**109,057**

At 31 December 2023, the property, plant and equipment ("PP&E") of the electricity distribution segment represents 96% of the total Group´s PP&E (2022: 92%).

32 Segment Reporting (continued)

Entity wide information. Revenue is analysed by type of product or service in Note 24. Substantially all the Group's revenues are from customers in the Slovak Republic and all of the Group's property, plant and equipment and intangible assets are located in the Slovak Republic.

33 Assets Held for Sale and Discontinued Operations

Considering the facts mentioned in Note 5, as at 31 December 2023, the Group disclosed the assets and liabilities related to ZSE Elektrárne, s.r.o. as assets and liabilities held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Discontinued operations, which represent electricity production in CCGT power plant Malženice within ZSE Elektrárne, s.r.o., are disclosed as the Production segment in the Segment reporting of the Group (Note 32).

Assets classified as held for sale and discontinued operations are as follows:

In thousands of EUR	**2023**	**2022**
Property, plant and equipment	34,819	-
Intangible assets	33,314	-
Right-of-use assets	279	-
Deferred income tax assets	13,732	-
Inventories	586	-
Trade and other receivables	1,075	-
Total assets held for sale and discontinued operations	**83,805**	-

Liabilities directly associated with assets classified as held for sale and discontinued operations are as follows:

In thousands of EUR	**2023**	**2022**
Lease liabilities	267	-
Trade and other payables	16,148	-
Current income tax liabilities	2,949	-
Provisions for liabilities and charges	25,140	-
Total liabilities directly associated with assets held for sale and discontinued operations	**44,504**	-

An analysis of the cash flows of discontinued operations is as follows:

In thousands of EUR	**2023**	**2022**
Cash flows from operating activities	50,234	(9,520)
Cash flows from investing activities	(20,266)	32,844
Cash flows from financing activities	358	(259)
Total cash flows of discontinued operations	**30,326**	**23,065**

33 Assets Held for Sale and Discontinued Operations (continued)

An analysis of the result of discontinued operations is as follows:

In thousands of EUR	2023	2022
Discontinued operations		
Revenue from electricity and other related revenue	**144,343**	**309,256**
Purchases of electricity, natural gas for electricity production and related fees	(126,191)	(324,060)
Employee benefits	(1,727)	(1,686)
Depreciation of property, plant and equipment and investment properties	(4,312)	(2,037)
Amortization of intangible assets	(179)	(35)
Depreciation of right-of-use assets	(14)	(14)
Other operating expenses	(4,293)	(6,478)
Other operating income	466	32,286
Profit from operations	**8,093**	**7,232**
Finance income / (costs)		
Interest and similar income	-	-
Interest and similar expense	-	-
Finance costs, net	**-**	**-**
Profit before tax	**8,093**	**7,232**
Income tax expense	(3,464)	(2,113)
Profit for the year from discontinued operations	**4,629**	**5,119**
Other comprehensive income / (loss)		
Items that will not be subsequently reclassified to profit or loss:		
Actuarial remeasurements of post-employment defined benefit obligations	-	-
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	-	-
Total other comprehensive income / (loss) for the year from discontinued operations	**-**	**-**
Total comprehensive income for the year from discontinued operations	**4,629**	**5,119**

34 Business Combinations

On 23 November 2023 the Group acquired 100% of share capital of Východoslovenská energetika Holding a.s. and its subsidiaries of: Východoslovenská distribučná, a.s., Východoslovenská energetika a.s., VSE Solutions s.r.o., VSE Call centrum, s.r.o. and VSE Ekoenergia, s.r.o., thus obtained control through its ability to cast a majority of votes in the general meeting of shareholders. The transaction was carried out through the in-kind contribution of Východoslovenská energetika Holding a.s. shares to the Company's equity, whereas the previous shareholders of Východoslovenská energetika Holding a.s., i.e. Ministry of Economy of the Slovak Republic and E.ON First Future Energy Holding B.V., they acquired shares in the Company in exchange. The acquired subsidiaries will help the Group penetrate selected trade and distribution markets and profitability of the entire Group is expected to improve thanks to the economies of scale and joint management of resources.

34 Business Combinations (continued)

The fair value of the total purchase consideration and its components at the date of acquisition is as follows:

In thousands of EUR	At 23 November 2023
Fair value of new issued shares of the acquirer	765,178
Total purchase consideration	**765,178**

The fair value of the new issued equity instruments of the acquirer was determined mainly by applying the income approach, specifically the method of discounted cash flows for each subsidiary separately, so the fair value of new issued equity instruments is a sum of individual fair values of all subsidiaries.

The transaction costs relating to the acquisition of subsidiaries amounting to EUR 117 thousand were recognised as other operating expenses.

The consideration paid by the Group was based on results of external appraisal of subsidiaries taken a whole, prepared by an external expert. However, in accordance with IFRS 3, *Business Combinations*, the Group must account for acquisitions based on the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed. These two different approaches can lead to differences, and as set out in the table below, recognition of goodwill.

Details of the assets and liabilities acquired and goodwill arising are as follows:

In thousands of EUR	Note	Attributed fair value
Property, plant and equipment	6	756,954
Intangible assets	7	160,599
Right-of-use assets	9	4,969
Equity method investments		2,927
Deferred income tax assets		53
Other non-current assets		184
Inventories		18,570
Trade and other receivables		202,090
Cash and cash equivalents		5,316
Borrowings	38	(268,507)
Lease liabilities	38	(4,396)
Deferred income tax liabilities		(107,844)
Post-employment defined benefit obligations	19	(8,574)
Other long-term employee benefits		(290)
Contract liabilities from connection fees	22	(33,658)
Trade and other payables		(238,080)
Current income tax liabilities	42	(10,331)
Provisions for liabilities and charges	21	(3,821)
Fair value of identifiable net assets of subsidiaries		**476,161**
Post-transaction adjustments		(752)
Goodwill arising from the acquisition	7	289,769
Total value of acquisition		**765,178**

34 Business Combinations (continued)

Fair values of assets and liabilities acquired are based on the discounted cash flow model. The valuation of identifiable intangible assets was performed by an independent professional appraiser. Based on the external appraisal, the following items of intangible assets were included in the purchase price allocation:

- operating licences and other valuable rights in amount of EUR 6,663 thousand;
- brand in amount of EUR 5,809 thousand;
- software and similar assets in amount of EUR 8,409 thousand;
- customer base in amount of EUR 132,364 thousand; and
- intangible assets not yet available for use in amount of EUR 7,354 thousand.

Fair value of the acquired identifiable intangible assets of EUR 160,599 thousand is provisional pending receipt of the final valuations for those assets.

The goodwill is primarily attributable to the profitability of the acquired companies, the significant synergies and combined cost savings expected to arise. Goodwill arising from the transaction was allocated to individual segments of the Group depending on the "enterprise value" indicator following the acquisition as follows:

In thousands of EUR	**At 23 November 2023**
Goodwill allocated to the Distribution segment	211,109
Goodwill allocated to the Supply segment	78,660
Total goodwill arising from the acquisition	**289,769**

The Group tests goodwill for impairment on an annual basis or earlier, when impairment indicators arise. Management of the Group has not identified any impairment of goodwill.

The acquired subsidiaries contributed revenue of EUR 112,492 thousand and profit of EUR 5,327 thousand to the Group for the period from the date of acquisition to 31 December 2023.

35 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of EUR	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2023						
BK, a.s.	Slovakia	33.05%	33.05%	(512)	1,080	-
EKOTERM, s.r.o.	Slovakia	41.99%	41.99%	261	416	(231)
Year ended 31 December 2022						
BK, a.s.	Slovakia	33.05%	33.05%	(116)	1,592	-
EKOTERM, s.r.o.	Slovakia	41.99%	41.99%	217	386	(60)

The summarised financial information of these subsidiaries was as follows:

	At 31 December				Year ended 31 December			
In thousands of EUR	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	Total comprehensive income	Cash flows
2023								
BK, a.s.	9,934	4,963	9,702	762	24,049	45	45	(209)
EKOTERM, s.r.o.	14,012	52	5,092	8,333	5,666	529	529	3,911
2022								
BK, a.s.	8,433	4,876	8,072	849	20,316	388	388	(172)
EKOTERM, s.r.o.	7,255	69	936	5,727	2,241	551	551	5,834

Financial information for the current accounting period is only preliminary.

36 Financial Risk Management

The Group's activities are exposing it to certain financial risks: market risks (including foreign exchange risk, equity price risk, interest rate risk, commodity price risk), credit risk and liquidity risk. The Group's principal financial instruments comprise trade receivables and payables, cash and cash equivalents, issued bonds, borrowings, financial derivatives, and short-term bank deposits.

Foreign exchange risk. The Group operates in the domestic market, and its sales, purchases and short-term deposits are denominated in EUR. Management does not consider foreign exchange risk as a significant exposure for the Group's operations as it has only an immaterial volume of transactions in currency other than EUR. A reasonably possible change in spot exchange rate of EUR against foreign currencies as of the end of the reporting period, would not have any impact on the Group's profit or loss for the year.

Equity price risk. The Group is not exposed to significant equity price risk because it does not have material financial investments in equities.

Interest rate risk. The Group is exposed to a certain risk from changes in market interest rates. In 2023, the Group's management concluded several new agreements for long-term loans with a floating interest rate, which changes depending on market interest rates, such as euribor (In 2022 the Group did not have significant long-term loans with a floating interest rate, but was financed mainly through bonds with a fixed interest rate), but the impact resulting from a reasonably possible change in the interest rate is insignificant for the Group (see table below). The analysis of borrowings including maturities is presented in Note 17. Borrowings are carried at amortized cost using the effective interest method.

Sensitivity analysis to the risk of interest rate changes:

	31 December 2023		**31 December 2022**	
In thousands of EUR	**Interest rate increase/ (decrease) (%)**	**Impact on profit before tax**	**Interest rate increase/ (decrease) (%)**	**Impact on profit before tax**
1M Euribor (EUR)	0.25	(425)	0.25	-
1M Euribor (EUR)	(0.25)	425	(0.25)	-

Commodity price risk. In 2023 and 2022, the Group did not identify and recognise any commodity contracts at FVTPL. In general, management aims to match electricity and gas demand with corresponding purchase contracts. In order to manage market risk, the Group has implemented a system of conservative volume and financial limits for open positions in commodities which protect the Group from unexpected changes in market commodity prices on wholesale markets.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of energy and services on credit terms and other transactions with counterparties giving rise to financial assets. The exposure includes cash and cash equivalents, deposits with banks and financial institutions, as well as exposures to wholesale and retail customers, including outstanding receivables.

To determine the level of credit risk, the Group uses Expected credit loss ("ECL") measurement, which reflects the probability-weighted estimate of the present value of future expected credit losses. The Group applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss for trade receivables a provision matrix that takes into account the ageing of receivables, loss rates for each ageing group and the amount of receivables written off. Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

As for the banks and financial institutions, the Group has relationships only with those that have a high independent rating assessment. Except as disclosed in Note 13, the Group does not have a significant concentration of credit risk mainly due to a large number of diverse customers.

36 Financial Risk Management (continued)

The Group uses a system of reminders, which may culminate in a service disconnection, as the prevailing contract enforcement. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Group beyond the provisions already recorded. To reduce the risk of selected wholesalers, the Group uses insurance products. The credit quality of outstanding balances with banks is presented in Note 13 and credit quality information about trade receivables is included in Note 12.

To manage the credit risk of wholesale activities, the Group has implemented a system of conservative volume and financial credit limits that ensure diversification of credit risk across multiple wholesale partners.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the activities, the Group aims to maintain flexibility in funding by keeping committed credit lines available. In addition, the Group relies on liquidity of financial markets and its ability to refinance its issued bonds and non-current borrowings. The Group's strategy is to secure the financing at least 6 months before the existing bonds and non-current borrowings become due.

The Group regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Group also uses the advantages of commercial terms between the Group and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 20 days, on average. Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Group and (b) expected future cash outflows securing operation of the Group and leading to settlement of all liabilities of the Group, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Group to make short-term bank deposits.

The tables below analyse the Group's undiscounted amount of financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The maturity analysis is as follows at 31 December 2023:

In thousands of EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Issued bonds – principal due	-	-	-	315,000	-	**315,000**
Issued bonds – future interest payments	-	5,513	-	22,050	-	**27,563**
Borrowings - current (Note 17)	84,315	-	470	-	-	**84,785**
Borrowings including future interest payments – non-current (Note 17)	1,212	2,424	11,958	455,046	6,496	**477,136**
Trade payables – non-current (Note 23)	-	-	-	41	-	**41**
Trade payables - current (Note 23)	188,758	28,861	2,128	-	-	**219,747**
Other accrued liabilities (Note 23)	122,713	2,520	4,150	-	-	**129,383**
Lease liabilities (including future interest payments)	420	955	3,785	22,020	4,975	**32,155**
Other financial liabilities – non-current (Note 23)	-	-	-	5,417	-	**5,417**
Other financial liabilities – current (Note 23)	5,007	-	-	-	-	**5,007**
Total future payments, including future principal and interest payments	**402,425**	**40,273**	**22,491**	**819,574**	**11,471**	**1,296,234**

36 Financial Risk Management (continued)

The maturity analysis is as follows at 31 December 2022:

In thousands of EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Issued bonds – principal due	-	-	315,000	-	315,000	**630,000**
Issued bonds – future interest payments	-	5,513	12,600	22,050	5,512	**45,675**
Borrowings - current (Note 17)	123,717	-	-	-	-	**123,717**
Borrowings – non-current (Note 17)	-	-	-	-	5,722	**5,722**
Trade payables – non-current (Note 23)	-	-	-	266	-	**266**
Trade payables - current (Note 23)	136,472	13,319	713	-	-	**150,504**
Other accrued liabilities (Note 23)	5,984	326	5,455	-	-	**11,765**
Lease liabilities (including future interest payments)	298	595	3,362	17,379	5,408	**27,042**
Other financial liabilities – current (Note 23)	4,461	-	-	-	-	**4,461**
Total future payments, including future principal and interest payments	**270,932**	**19,753**	**337,130**	**39,695**	**331,642**	**999,152**

37 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group manages capital reported under IFRS as equity amounting to EUR 1,285,619 thousand at 31 December 2023 (2022: EUR 338,537 thousand). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or return capital to shareholders.

The Group's management considers the most relevant indicator of capital management to be the return on average capital employed (ROACE). Management expects return on average capital employed to be higher than cost of capital. Indicator ROACE is calculated as follows: earnings before interest and taxes EBIT (in the consolidated statement of profit or loss and other comprehensive income of the Group presented as profit from operations) / average capital.

The Group is not subject to any externally imposed regulatory capital requirements.

38 Movements in Liabilities from Financial Activities

The table below sets out an analysis of movements of financial liabilities for each of the periods presented:

In thousands of EUR	Issued bonds (Note 16)	Borrowings (Note 17)	Lease liabilities (Note 9)	Total
At 1 January 2022	**635,148**	**22,566**	**24,352**	**682,066**
Non-cash movements				
Additions to leases (Note 9)	-	-	6,543	**6,543**
Interest expense (Note 31)	16,344	130	297	**16,771**
Capitalised interest costs (Note 6 and 31)	1,769	-	-	**1,769**
Amortisation of deferred transaction costs related to bonds and borrowings (Note 31)	452	-	-	**452**
Termination and modifications of leases	-	-	(499)	**(499)**
Other	-	-	(107)	**(107)**
Payments				
Interest expense paid	(18,113)	(130)	(297)	**(18,540)**
Bonds and borrowings received	-	128,988	-	**128,988**
Bonds and borrowings principal repayments	-	(22,115)	-	**(22,115)**
Lease liability principal repayments	-	-	(5,847)	**(5,847)**
At 31 December 2022	**635,600**	**129,439**	**24,442**	**789,481**
Non-cash movements				
Additions to leases (Note 9)	-	-	6,127	**6,127**
Interest expense (Note 31)	8,207	9,601	574	**18,382**
Capitalised interest costs (Note 6 and 31)	965	1,053	-	**2,018**
Amortisation of deferred transaction costs related to bonds and borrowings (Note 31)	429	96	-	**525**
Termination and modifications of leases	-	-	(740)	**(740)**
First time consolidation of VSEH, a.s. (Note 34)	-	268,507	4,396	**272,903**
Transfer to liabilities directly associated with assets held for sale and discontinued operations (Note 33)	-	-	(279)	**(279)**
Revaluation adjustment of borrowings to fair value	-	242	-	**242**
Other	-	-	-	**-**
Payments				
Payment of transaction costs related to bonds and borrowings	-	(448)	-	**(448)**
Interest expense paid	(11,899)	(10,622)	(574)	**(23,095)**
Bonds and borrowings received	-	321,573	-	**321,573**
Bonds and borrowings principal repayments	(315,000)	(207,758)	-	**(522,758)**
Lease liability principal repayments	-	-	(5,456)	**(5,456)**
At 31 December 2023	**318,302**	**511,683**	**28,490**	**858,475**

39 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period:

Commodity contracts carried at fair value. Certain commodity contracts are carried in the statement of financial position at fair value. The fair value measurement belongs to level 2 in the fair value hierarchy and the key input is the spot and forward electricity or natural gas price per MWh.

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2023			31 December 2022		
In thousands of EUR	Level 1 fair value	Level 2 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Carrying value
ASSETS						
Trade receivables – non-current, net (Note 12)	-	5,544	5,544	-	687	687
Trade receivables – current, net (Note 12)	-	332,802	332,802	-	407,535	407,535
Cash and cash equivalents (Note 13)	-	284,024	284,024	-	48,176	48,176
TOTAL ASSETS	**-**	**622,370**	**622,370**	**-**	**456,398**	**456,398**
LIABILITIES						
Issued bonds (Note 16)	296,363	-	318,302	563,076	-	635,600
Borrowings - current (Note 17)	-	84,622	84,622	-	123,717	123,717
Borrowings – non-current (Note 17)	-	428,572	427,061	-	5,722	5,722
Trade payables – non-current (Note 23)	-	41	41	-	266	266
Trade payables - current (Note 23)	-	219,747	219,747	-	150,504	150,504
Other accrued liabilities (Note 23)	-	129,383	129,383	-	11,765	11,765
Other financial liabilities – non-current (Note 23)	-	5,417	5,417	-	-	-
Other financial liabilities - current (Note 23)	-	5,007	5,007	-	4,461	4,461
TOTAL LIABILITIES	**296,363**	**872,789**	**1,189,580**	**563,076**	**296,435**	**932,035**

The fair value of lease liabilities is not disclosed in accordance with paragraph 29 of IFRS 7. The fair value of issued bonds was determined at the quoted market price of the bonds (Note 16). The fair values of other financial assets and liabilities approximate their carrying values.

40 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category. All financial assets and liabilities of the Group, except for commodity contracts at FVTPL, are measured at amortized cost ("AC"). Lease liabilities were measured and disclosed according to IFRS 16, *Leases*.

41 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management's interpretation of the Group's business activities may not coincide with the interpretation of these activities by the tax authorities, but the extent of this risk cannot be reasonably quantified. The fiscal years from 2019 to 2023 remain open to tax inspection, however, for transfer pricing issues of cross-border transactions, earlier periods are also subject to tax inspection.

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator. These circumstances led the Group to create a provision for the potential impact of legal proceedings (Note 21). At 31 December 2023, the maximum additional exposure of the Group to the risk of these legal proceedings is EUR 0 thousand (2022: EUR 0 thousand) in excess of the provision already created.

Contractual obligations. At 31 December 2023, the Group had outstanding contractual commitments for purchases of property, plant and equipment of EUR 144,142 thousand (2022: EUR 102,636 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 5,316 thousand (2022: EUR 6,075 thousand). Financial contractual obligations of the Group under the electricity purchase contracts at 31 December 2023 amount to approximately EUR 977,662 thousand (2022: EUR 761,191 thousand), of which EUR 746,519 thousand (2022: EUR 705,905 thousand) is due within one year. Financial contractual obligations of the Group under the natural gas purchase contracts at 31 December 2023 amount to approximately EUR 411,618 thousand (2022: EUR 231,313 thousand), of which approximately EUR 364,164 thousand (2022: EUR 196,552 thousand) is due within one year.

Bank guarantees. Bank guarantees for purchase liabilities were issued in favour of the Group with the maximum amount of EUR 125,733 thousand (2022: EUR 52,191 thousand), where the actual amount of guaranteed liabilities at the balance sheet date is EUR 81,512 thousand (2022: EUR 7,250 thousand).

42 Balances and Transactions with Related Parties

The primary related parties of the Group are (a) its shareholders which have joint control over the Group as explained in Notes 1 and 14: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel. The Group applies the exemption from disclosing transactions with the Slovak Government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, purchases of electricity from an entity in which the Slovak Government has a significant shareholding and other transactions presented below.

The related party transactions and outstanding balances were as follows for 2023:

In thousands of EUR	**Ministry of Economy of the Slovak Republic**	**E.ON Slovensko, a.s.**	**E.ON Group****	**Slovak Government***	**Joint venture (Note 10)**
Revenue, compensation, other operating and interest income	464,273	161	21,494	239,111	900
Dividend income	-	-	-	-	69
Purchases and expenses	2	-	13,291	759,325	1,574
Receivables other than taxes	30,323	3	49	28,807	80
Liabilities other than taxes	-	-	2,416	130,760	866
Dividends declared and paid	37,091	28,364	7,272	-	-

* The Slovak Government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak Government.
** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

Income taxes are disclosed in the statement of financial position, statement of profit or loss and other comprehensive income, in the statement of cash flows and are also analysed in Note 18. Outstanding value added tax payable is presented in Note 23. Property and motor vehicle taxes are disclosed in Note 28.

The income tax paid was as follows:

In thousands of EUR	**2023**	**2022**
Current income tax expense at standard rate of 21% (2022: 21%) – refer to Note 18	(60,963)	(32,622)
Special levy on profits from regulated activities (Note 18)	(15,213)	(5,779)
Estimate of unpaid withholding tax	587	-
Current income tax liabilities at the beginning of the reporting period	(8,559)	(3,262)
Current income tax liabilities at the end of the reporting period	47,928	8,559
Transfer to liabilities directly associated with assets held for sale and discontinued operations (Note 33)	2,949	-
First time consolidation of VSEH, a.s. (Note 34)	(10,331)	-
Income tax paid	**(43,602)**	**(33,104)**

42 Balances and Transactions with Related Parties (continued)

The related party transactions and outstanding balances were as follows for 2022:

In thousands of EUR	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak Government*	Joint venture (Note 10)
Revenue, compensation, other operating and interest income	58	161	18,400	284,894	869
Dividend income	-	-	-	-	323
Purchases and expenses	11	-	11,664	964,158	1,501
Receivables other than taxes	4	-	1,306	146,787	78
Liabilities other than taxes	-	-	1,565	54,869	75
Dividends declared and paid	44,839	34,288	8,792	-	-

* The Slovak Government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak Government.

** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

The tables with related party transactions above and on the previous page exclude individually immaterial transactions such as supplies of electricity to hospitals, schools, to the government ministries and many other government controlled or otherwise government related enterprises on normal commercial terms and conditions. Management did not identify other government related transactions that are collectively, but not individually, significant.

Key management personnel comprise (a) members of the board of directors, (b) members of the supervisory board and (c) divisional directors. Key management personnel remuneration comprised:

In thousands of EUR	2023	2022
Board of directors and other key management personnel		
Salaries and other short-term employee benefits	2,530	2,032
Defined contribution pension costs	381	318
Total remuneration of board of directors and other key management personnel	**2,911**	**2,350**
Supervisory board		
Salaries and other short-term employee benefits	471	443
Defined contribution pension costs	78	71
Total remuneration of supervisory board	**549**	**514**

43 Events after the End of the Reporting Period

After 31 December 2023, no significant events have occurred that would require recognition or disclosure in these consolidated financial statements.