Východoslovenská energetika Holding a.s.

Independent Auditor's report
on the Financial Statements and Annual report
and
Annual report
2023

Translation note:

This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.

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KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

Tel +421 (0)2 59 98 41 11
Web www.kpmg.sk

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

Independent Auditors' Report

To the Shareholder, Supervisory Board and Board of Directors of Východoslovenská energetika Holding a.s.

Report on the Audit of the Financial Statements

Opinion

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

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

and, for the period then ended:

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

and

- notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 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.

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

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

In preparing the financial statements, the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

KPMG

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 financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

In connection with our audit of the 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 financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the 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 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 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 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 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.

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. Peter Žoldák
Licencia UDVA č. 1061

Bratislava, 25 March 2024

Východoslovenská energetika Holding a.s.

Financial Statements
for the year ended 31 December 2023

prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union

Východoslovenská energetika Holding a.s.

Financial statements for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union were approved and authorized for issue on 25 March 2024 by the Board of Directors.

Tomáš Turek

Ing. Tomáš Turek, Ph.D.
Chairman of the Board of Directors

Ing. Jana Palková, FCCA
Member of the Board of Directors

Index to the financial statements

Independent auditors' report to the Shareholders, Supervisory Board and Board of Directors of Východoslovenská energetika Holding a.s.

in EUR thousand	Note	As at 31 December 2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	5,094	5,136
Investment property	2.5	2,981	3,096
Right-of-use assets	6	1,318	723
Intangible assets	7	2,344	2,427
Investments in subsidiaries, associates and joint ventures	8	1,533	632,624
Deferred income tax asset	16	584	544
		13,854	**644,550**
Current assets			
Trade and other receivables	9	864,045	3,146
Receivables from cash-pooling	2.11	62,416	33,752
Cash and cash equivalents	9, 11	1,045	1,153
Income tax receivable		101	-
Other non-financial assets	10	291	312
		927,898	**38,363**
Total assets		**941,752**	**682,913**
EQUITY			
Share capital	12	111,618	111,618
Legal reserve fund	12	22,339	22,339
Other reserves	12	12,946	12,946
Retained earnings	12	633,211	395,877
Total equity		**780,114**	**542,780**
LIABILITIES			
Non-current liabilities			
Lease liabilities	6	986	553
Employee benefit obligations	18	1,425	1,240
		2,411	**1,793**
Current liabilities			
Trade and other payables	9, 13	3,283	3,196
Liabilities from cash pooling	9	74,954	5,633
Lease liabilities	6	338	172
Borrowings	9, 14	79,563	127,895
Employee benefit obligations	18	84	65
Provisions	17	20	20
Corporate income tax payable		-	531
Other non-financial liabilities	15	985	828
		159,227	**138,340**
Total liabilities		**161,638**	**140,133**
Total equity and liabilities		**941,752**	**682,913**

in EUR thousand	Note	Year ended 31 December 2023	2022
Revenue from contracts with customers	19, 20	19,892	20,239
Own work capitalized	20	294	218
Raw materials and other consumed materials	20	(644)	(739)
Employee benefit expense	20	(12,645)	(11,003)
Services	20	(4,769)	(4,508)
Depreciation, amortization expense and impairment losses	2.5, 5, 6, 7, 20	(1,755)	(1,674)
Net gain / loss on sale of property, plant and equipment	5, 20	384	269
Net impairment losses on financial and contract assets	20	(7)	1
Dividend income	20	28,905	38,948
Gain on sale of subsidiaries	8	229,963	-
Other operating income	20	124	181
Other operating expenses	20	(254)	(237)
Profit from operations		**259,488**	**41,695**
Financial income / (costs)			
Interest income	21	2,574	328
Interest costs	21	(3,560)	(317)
Net finance income / (costs)		**(986)**	**11**
Profit before income tax		**258,502**	**41,706**
Income tax expense	22	48	165
Profit for the year		**258,550**	**41,871**
Other comprehensive income not subsequently reclassified through profit or loss			
Re-measurements of post-employment benefit obligation	18	(216)	65
Total comprehensive income for the year		**258,334**	**41,936**

in EUR thousand	Share capital	Legal reserve fund	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022	**111,618**	**22,339**	**12,946**	**410,941**	**557,844**
Dividends paid (Note 12, 26)	-	-	-	(57,000)	(57,000)
Total transactions with owners, recognized directly in equity	**-**	**-**	**-**	**(57,000)**	**(57,000)**
Profit for the year	-	-	-	41,871	41,871
Other comprehensive income for the year	-	-	-	65	65
Total comprehensive income for the year	**-**	**-**	**-**	**41,936**	**41,936**
Balance at 31 December 2022	**111,618**	**22,339**	**12,946**	**395,877**	**542,780**
Balance at 1 January 2023	**111,618**	**22,339**	**12,946**	**395,877**	**542,780**
Dividends paid (Note 12, 26)	-	-	-	(21,000)	(21,000)
Total transactions with owners, recognized directly in equity	**-**	**-**	**-**	**(21,000)**	**(21,000)**
Profit for the year	-	-	-	258,550	258,550
Other comprehensive income for the year	-	-	-	(216)	(216)
Total comprehensive income for the year	**-**	**-**	**-**	**258,334**	**258,334**
Balance at 31 December 2023	**111,618**	**22,339**	**12,946**	**633,211**	**780,114**

in EUR thousand	Note	Year ended 31 December 2023	2022
Cash flows from operating activities			
Cash generated from operations	23	2,504	1,787
Interest paid w/o interest from lease liability	21	(3,529)	(307)
Interest paid from lease liability	6, 21	(12)	(4)
Interest received	21	2,574	328
Income tax paid		(624)	(116)
Payments for short-term and low-value leases		(94)	-
Net cash from operating activities		**819**	**1,688**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE) and intangible assets	5, 7	(1,239)	(931)
Net transfer to receivables from cash-pooling	2.11, 9	(28,664)	(31,965)
Proceeds from sale of PPE		384	328
Dividends received	26	28,905	38,948
Net cash used in investing activities		**(614)**	**6,380**
Cash flows from financing activities			
Received / (paid) bank overdraft	9, 14	(48,351)	73,137
Net transfer to payable from cash-pooling	2.11, 9	69,321	-
Principal elements of lease payments	6	(283)	(213)
Other borrowings	9	-	(22,839)
Dividends paid to shareholders	12, 26	(21,000)	(57,000)
Net cash used in financing activities		**(313)**	**(6,915)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**(108)**	**1,153**
Cash, cash equivalents at the beginning of the year	9, 11	**1,153**	**-**
Cash, cash equivalents at the end of the year	9, 11	**1,045**	**1,153**

1. General information

These 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 Východoslovenská energetika Holding a.s. (hereinafter "The Company" or "VSE H").

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 17 December 2001. The Company was incorporated in the Commercial Register of the Municipal Court Košice on 21 December 2001.

Principal activity

The Company provides supporting services for its subsidiaries and other related parties as follows:

- Finance and taxes, accounting, controlling and risk controlling
- Purchase, logistics, fleet and facility management
- Human resources, business advisory, internal audit, security management and translations
- Communication,
- IT management and telecommunication management
- Billing
- Receivables management
- Rental of non-residential premises
- Implementation of software solutions.

Principal subsidiaries and ownership structure

The Company's principal subsidiaries are as follows: Východoslovenská distribučná, a.s. – till 23 November 2023 (hereinafter "VSD"), which operates electricity distribution network in Eastern Slovakia, Východoslovenská energetika a.s. - till 23 November 2023 (hereinafter "VSE") which supplies electricity and gas to its retail and wholesale customers, VSE call centrum, s. r. o. (hereinafter "VSE CC") which provides computer data processing services, VSE Ekoenergia, s.r.o. (hereinafter "VSE EE") which outsources electricity network operations and maintenance, Nadácia VSE, established for public interest purposed. All of the subsidiaries are incorporated in the Slovak Republic and are wholly owned by the Company.
Furthermore, VSE has subsidiaries as follows: VSE Solutions s.r.o. (hereinafter "VSE SOL") which performs heating, ventilation and air-conditioning projects, iWATT, s.r.o. till 31 October 2023, which provides IT and marketing services.

On April 8, 2022, the shareholders of Západoslovenská energetika a.s. (hereinafter„ZSE"), the company E.ON SE (hereinafter „E.ON") and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic (hereinafter „State"), signed the Agreement on the Future consolidation, on the basis of which the contracting parties intend to consolidate the companies ZSE and VSE H, in which they are direct or indirect sole shareholders (hereinafter referred to as the „Agreement", as amended by Addendum No. 1 dated May 4, 2023).

As of 1 July 2022, the subsidiaries of the Company, Innogy Slovensko a.s. and VSE a.s. merged into one company VSE a.s.

General Assembly of the Company dated August 28, 2023 approved the transfer and deposit of VSE H shares into the share capital of ZSE and on November 23, 2023 it became effective, and thus ZSE became the sole shareholder of VSE H.

General Assembly of VSD and VSE dated September 19, 2023 approved the transfer and deposit of shares of VSD and VSE to ZSE. This transfer and deposit of shares took effect on November 24, 2023, and from that date the sole shareholder of VSD and VSE is ZSE.

The Company is included as a subsidiary in the consolidated financial statements of Západoslovenská energetika, a.s., Čulenova 6, 816 47 Bratislava. The consolidated financial statements are available directly at the seat of the Company.

By 22 November 2023 The Company was included in the consolidated financial statements of E.ON SE, Brüsseler Platz 1, 45131 Essen, Germany, which was the ultimate controlling party. The consolidated financial statements are available directly at the seat of the Company.

The Company's shareholders as at 31 December 2023 were as follows:

	Interest in share capital	
	in EUR thousand	**%**
Západoslovenská energetika, a.s.	111,618	100
Total	**111,618**	**100**

The Company's shareholders as at 31 December 2022 were as follows:

	Interest in share capital	
	in EUR thousand	**%**
Ministry of Economy of the Slovak Republic	56,925	51
E.ON First Future Energy Holding B.V.	54,693	49
Total	**111,618**	**100**

The Company employed 297 staff on average during 2023 (2022: 297).

As at 31 December 2023, the company employed 293 employees (as at 31 December 2022: 298 employees)

Members of the statutory bodies of the Company

The members of the Company's statutory bodies were as follows:

Board of Directors:	**Changes in 2023 and status as at 31 December 2023**	**Changes in 2022 and status as at 31 December 2022**
Chairman	Ing. Tomáš Turek, PhD. (from 23 Nov 2023) Markus Kaune (till 22 Nov 2023)	Markus Kaune
Vice Chairman	JUDr. Rastislav Hanulák	JUDr. Rastislav Hanulák
Members	Mgr. Ing. Juraj Bayer, PhD. Marian Rusko (till 14 Mar 2023) JUDr. Ján Luterán (till 22 Nov 2023)	Marian Rusko Mgr. Ing. Juraj Bayer, PhD. JUDr. Ján Luterán

Supervisory Board:	**Changes in 2023 and status as at 31 December 2023**	**Changes in 2022 and status as at 31 December 2022**
Chairman	Ing. Jozef Klink, EMBA	Ing. Jozef Klink, EMBA
Vice Chairman	Markus Kaune (from 23 Nov 2023) Johan Mörnstam (till 22 Nov 2023)	Johan Mörnstam
Members	Ing. Štefan Lasky Ing. Peter Kolár Mgr. Katarína Varhoľáková Ing. Michal Gallik Ing. Peter Sýkora Magdaléna Gogoláková Ing. Drahomír Štefko	Ing. Štefan Lasky Ing. Peter Kolár Mgr. Katarína Varhoľáková Ing. Michal Gallik Ing. Peter Sýkora Magdaléna Gogoláková Ing. Drahomír Štefko

The General Meeting of the Company decide within the competencies provided by the shareholders' agreement and articles of association of the respective company. The General Meeting of the Company decides by unanimous consent of all shareholders. The General Meeting of the Company elects the members of the Board of Directors of the Company.

The Board of Directors of the company manage the operations of the respective company and decide on all matters unless these are assigned to competencies of the General Meeting or the Supervisory Board by the shareholders' agreement and articles of association. The Board of Directors of the Company consist of three members. The chairman and one member of the Board of Directors are nominated by E.ON and the Ministry of Economy of SR nominates a vice-chairman.

The Supervisory Board is the supreme controlling body of the Company. The Supervisory Board supervise the activities of the Board of Directors of the respective company and its business activities. The Supervisory Board of the Company consist of nine members. The vice-chairman of the Supervisory Board is nominated by E.ON. Ministry of Economy of SR is represented by the chairman and four members. The employees are represented by three members.

On 23 November 2023, the new Shareholder's Agreement of the new ZSE Group and the related Articles of Association entered into force.

Registered address

The registered address of the Company is:

Mlynská 31
042 91 Košice
Slovak Republic
Company number: 36 211 222
VAT number: SK2020062319

The Company is not an unlimited liability partner in other accounting entities.

The General Meeting held on 23 May 2023 approved the financial statements for 2022.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis for preparation

The Act on Accounting of the Slovak Republic no. 431/2002 as amended requires certain companies to prepare financial statements for the year ended 31 December 2023 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements for the year ended 31 December 2023 have been prepared as ordinary financial statements under § 17 Sec. 6 Act of NR SR No. 431/2002 Coll. As amended ("Accounting Act") for the accounting period from 1 January 2023 to 31 December 2023.

These financial statements have been prepared in accordance with IFRS. The Company applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), as adopted by the European Union, which were in force as of 31 December 2023. Consolidated financial statements of the group Západoslovenská energetika, a.s. are available at seat of the Company, stated in Note 1.

For purposes of preparation of these financial statements according to IFRS, the management of the Company defines critical assumptions and estimates, which have an influence on recognized amounts of assets and liabilities in the balance sheet and on expenses and revenues recognized in the profit or loss. At the application of accounting policies of the Company, the management makes certain critical judgments. The areas, which require a more complex decision-making process and areas, where the critical assumptions and estimates are material to these financial statements, are presented in Note 4.

The financial statements have been prepared under the historical cost convention, except for issued financial guarantees (Note 25).

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 financial statements after their approval by the General Shareholders Meeting. However, § 16, points 9 to 11 of the Accounting Act prohibit reopening an entity's accounting records after the financial statements were prepared and approved. If, after the financial statements were 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 accounting period, in which the relevant facts are identified.

a) ***New or amended Standards and Interpretations, as endorsed by the EU, that are effective for annual 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 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 is currently assessing the impact of the amendments on its financial statements however does not expect any material impact on the financial statements.

IFRS 17 Insurance Contracts (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 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2023.

Amendments to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted). Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 *Insurance Contracts* was published in 2017. The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

The Company has not identified contracts within the scope of IFRS 17, except for Fixed-fee service contracts where the company recognizes revenues in accordance with the requirements of IFRS 15. The Company is performing further assessment of the impact of IFRS 17 and its amendments on its financial statements however does not expect to be material.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments: Disclosure of Accounting Policies (Effective for annual periods beginning on or after 1 January 2023. Endorsed for use in the EU, however, as practice statements are not endorsed for application in the European Union, the amendments to IFRS Practice Statement 2 have not been endorsed.) The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The Company assessed the impact of the amendments on its financial statements as not material.

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). The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs. The Company applied the amendments from 1 January 2023.

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). The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company assessed the impact of the amendments on its financial statements as not material.

b) ***New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 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 assessed the impact of the amendments on its financial statements as not relevant.

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). Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).

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.

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 occur in a future, the Company will account for it according to these amendments of IFRS 16.

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. 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. Also, an entity is not required to disclose the information otherwise required by the amendments for any interim period presented within the annual reporting period in which the entity first applies those amendments. Early application is permitted.) 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 is currently assessing the impact of the amendments on its financial statements. The company does not expect material impact on its financial statements.

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 Company is currently assessing the impact of the amendments on its financial statements however does not expect any material impact on the financial statements.

2.2. Subsidiaries, associates and joint arrangements

The company applies the original price method in case of companies combinations with joint control, which has no economic substance and is only a reorganization of the internal structure of the group

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when (i) has the power to govern those of their relevant activities that significantly affect their revenues, (ii) has the right, or rights, to participate in the variable returns from its involvement in those entities, and (iii) has the ability to exercise its power above those entities in order to affect the amount of the investor's income. In assessing whether the Company controls another entity, the existence and effect of substantive voting rights, including substantive potential voting rights, are considered. 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 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 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. Protection rights of other investors, e.g. those that relate to significant changes in the entity's operations or that apply only in exceptional circumstances do not prevent the Company from exercising a controlling influence in that entity.

Investments in subsidiaries are carried at cost in these financial statements according to IAS 27. Impairment losses are recognized using respective allowance accounts. The cost is expressed in terms of the value of cash or cash equivalents paid or the fair value of the assets and liabilities invested in acquiring subsidiaries at the time of their acquisition. Any decrease in their value is expressed through a provision. Provisions are made using the present value method of estimated future cash flows.

Associates and joint ventures

Associates are all entities over which the Company has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Jointly controlled entities ("joint ventures") are those in which the Company shares control of the operations with its joint venture partners.

Investments in associates and joint ventures are carried at acquisition cost in these financial statements according to IAS 27. The acquisition cost is expressed in terms of the value of cash or cash equivalents paid or the fair value of the assets and liabilities invested in acquiring associates and joint ventures at the time of their acquisition. Any decrease in their value is expressed through an allowance. Allowances are made using the present value method of estimated future cash flows.

Disposals of subsidiaries, associates or joint ventures

Gains and losses on disposals of subsidiary are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within gain on sale of subsidiaries.

2.3. Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Company's functional and presentation currency is Euro ("EUR") and these financial statements are presented in thousands of 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 recognized in the profit or loss.

2.4. Property, plant and equipment

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

Historical cost includes expenditure that is directly attributable to the acquisition. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for the intended use or sale (qualifying assets) are capitalised as part of the costs of those assets if this capitalisation commenced on 1 January 2009 or later. The commencement date for capitalisation is when (a) the Company 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.

Subsequent costs are included in the asset's carrying amount or recognized 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 reliably measured. Repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

The depreciation of property, plant and equipment begins in the month when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Property, plant and equipment is depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is stated as the difference between acquisition costs and residual value, divided by estimated useful life. The residual value of an asset is estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value is equal to zero or to value at the disposal if the Company expect a particular tangible asset to be used throughout its entire useful life. The residual values in the moment of disposal and estimated useful life of non-current asset are subject to reassessment at each end of the reporting period and adjusted, if necessary.

The estimated useful lives of individual groups of assets are as follows:

Buildings and infrastructure	
Other residential buildings (small building units)	50 years
Administrative buildings	25 - 40 years
Garage buildings	30 years
Infrastructure	25 - 50 years

Machinery and equipment	
Containers	8 years
Air conditioning units	8 years
Vehicles	5 - 10 years
Office equipment	3 - 12 years
Safe deposits	25 years

Each component 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. The Company proportionally allocates the amount initially recognized in respect of an item of property, plant and equipment and investment property to its significant components and depreciates separately each such component.

Land and assets under construction are not depreciated.

The most significant items of property, plant and equipment are buildings and infrastructure.

Gains and losses from disposal are determined as the difference between proceeds from disposal and the asset's carrying amount and are recognized in profit or loss of sold property, plant and equipment. In case of disposals of assets without their sale, net book value of disposed items is recognised in profit or loss within Depreciation, amortization expense and impairment losses.

2.5. Investment property

Investment property is property held by the Company to earn rental income or for capital appreciation, or both and which is not occupied by the Company. Investment property includes assets under construction for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Company estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment.

Earned rental income is recorded in profit or loss for the year. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount.

Investment property as of 31 December 2023 and 31 December 2022 represent an administrative building that was completed and put into use in 2020. In 2019, the investment property amounted to EUR 6,924 thousand, which represented approximately 75% of the net book value of the building to be used by the subsidiaries VSD and VSE. The company planned to use the rest of the building for its own purposes and therefore it was presented in fixed tangible assets. In 2020, the Company sold 40% of the value of the building to the subsidiary VSD, which represents the value of EUR 3,626 thousand. The net book value of the rest of the building owned by VSEH as of 31 December 2020 has a net book value of EUR 5,544 thousand. Investment property is considered 60% of the value of the building, which is used by the VSE, which corresponds to a net book value of EUR 2,981 thousand in 2023. The Company may decide to change the use of the building in its ownership and its individual parts at its own discretion.

in EUR thousand	**2023**	**2022**
At 1 January		
Cost	3,326	3,326
Accumulated depreciation	(230)	(115)
Net book value	**3,096**	**3,211**
Additions	-	-
Disposals	-	-
Depreciation	(115)	(115)
Closing net book value	**2,981**	**3,096**
At 31 December		
Cost	3,326	3,326
Accumulated depreciation	(345)	(230)
Net book value	**2,981**	**3,096**

2.6. Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items including costs needed to bring the intangible assets to a condition so that the intangible assets can be used as intended by management.

The amortization of an intangible asset begins in the month when the intangible asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Intangible assets are amortized in line with the approved amortization plan. Intangible assets are amortized using the straight-line method. Monthly amortization charge is stated as the difference between acquisition costs and residual value, divided by the estimated useful life of the intangible assets. The residual value of intangible assets is assumed to be zero, unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market, and it is probable that such a market will exist at the end of the asset's useful life.

The Company does not have intangible assets with indefinite useful lives. The Company does not have any internally generated intangible assets.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Subsequent expenditures, which enhance or extend the performance of computer software programs beyond their original specifications and meets criteria for recognizing it as an intangible asset according to IAS 38, is recognized as a capital improvement and added to the original cost of the software.

The estimated useful lives of individual groups of intangible assets are as follows:

Licences	6 years
Other intangible assets	3 years

2.7. Impairment of non-financial assets

At each reporting date the Company reviews the carrying amounts of its non-financial assets (other than inventory and deferred tax assets) to determine whether there are any events or changes in circumstances that may indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets that were impaired are reviewed for possible reversal of the impairment at each end of the reporting period.

2.8. Financial assets

Classification

The Company classifies its financial assets except for investments in subsidiaries, associates and joint ventures (see Note 2.2) in only one measurement category - those to be measured at amortised cost. The Company has no financial assets to be measured subsequently at fair value either through other comprehensive income or through profit or loss as defined in IFRS 9.

The classification depends on the purpose for which these financial assets were acquired and on the intention of management of the Company on further use. Management determines the classification of its financial assets at initial recognition.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. A financial asset is derecognised if the contractual rights to cash inflows from the asset expire or if the financial asset is transferred. The latter is the case if all substantial risks and rewards of ownership of the asset are transferred or if control over the asset is lost.

Measurement

At initial recognition, the Company measures a financial asset (other than trade receivables without a significant financing component) at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognised initially at their transaction price, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. They are generally due for settlement within 30 days and therefore are all classified as current.

Contract asset represent the Company's claims relating to when the Company has provided performance to a customer and when that claim is dependent on something other than the expiration of time (for example, further performance by the Company).

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Further details on impairment considerations are in the Note 3.1.

The Company implemented a new model for estimation of expected credit loss for trade receivables. To satisfy requirements of the new standard, a history of unpaid receivables was gathered, and a provision matrix was created based on customer segment and expected credit loss based on history of defaulting receivables over a period of 24 months. IFRS 9 also requires applying forward looking information to estimate expected credit loss reliably. The provision matrix adjustment mechanism was implemented to satisfy this requirement.

Impairment of trade receivables is recognized on the account of allowance for receivables. Set-up and release of the allowance is recognized in the profit or loss within “Net impairment losses from financial assets”. Trade receivables that cannot be collected are written off against the allowance account for trade receivables or they are recognized in the profit or loss also within “Net impairment losses from financial assets”.

Trade receivables that were written off and subsequently paid by the debtors are recognized in the profit or loss within “Net impairment losses from financial assets”.

2.9. Leases

Leases are presented as right-of-use assets and corresponding lease liabilities initially at the commencement date of the lease, which is the date when leased assets are available for use by the Company. Right-of-use assets are presented on a separate line in the SOFP.

The Company leases mainly various offices and technological buildings and devices. Rental contracts are typically made for indefinite period. 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. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

- fixed payments (including in-substance fixed payments) fur non-cancellable period of leases;
- lease payments to be made based on determined lease term (the Company has lease arrangements where more than insignificant economic penalty is present).

There are no significant lease incentives provided by lessors, variable lease payments, residual value guarantees provided by the Company, purchase options, or contractual penalties for terminating leases.

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

To determine the incremental borrowing rate, the Company used recent received third-party financing provided to other company within former VSEH group by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. The weighted average incremental borrowing rate in the VSEH group applied to the lease liabilities on 31 December 2023 was 3.39% (on 31 December 2022: 0.65%).

Lease payments are allocated between principal and finance cost. The finance cost is 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. Lease liabilities are subsequently measured at amortized cost using effective interest rate. Carrying amount of lease liability is subsequently remeasured in order to reflect any reassessment or modification of the lease or changes in in-substance fixed payments.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. There are no significant lease payments made at or before the commencement date, received lease incentives, initial direct costs or restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Carrying amount of right-of-use assets is also adjusted by accumulated impairment allowance and by any revaluation of lease liability resulting from modification of lease contracts.

Depreciation of right-of-use-assets

In case of fixed-term leases with the possibility of exercising the option to extend / terminate the lease, the Company assesses the probability of exercising these options. The assessment shall consider all relevant facts, such as:
- the duration of the contractual relationship with the customer concerning the lease of the right-of-use assets,
- whether the lease is at or below market prices.

In case of leases for an indefinite period, the lease term is derived from the expected useful life of the leased asset, and the Company has considered all relevant facts when estimating the expected useful life of the leased asset. In leases for an indefinite period, the Group applies the following estimates of the expected useful life of advertising equipment:

ROU Asset	**Lease term (in years)**
Administrative premises	5
Cars	5

Payments associated with short-term leases of equipment and all leases of low-value assets (which are assets with individual value of EUR 5,000 or less when new). 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. Low-value assets comprise equipment and small items of office furniture.

The Company does not have any non-cancellable lease arrangements, which would not be effective yet as of the balance sheet date.

Lease arrangements where the Company is lessor

The company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Income from operating leases is recognised on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

2.10. Financial liabilities

When a financial liability is recognized initially, the Company measures it at its fair value adjusted for transaction costs that are directly attributable to the acquisition of the financial liability.

The Company classifies its financial liabilities according to IFRS 9 as other financial liabilities held at amortized cost (trade and other payables, borrowings, liability from cash pooling), or as financial guarantee contracts.

Issued financial guarantee contracts are recognised as financial liabilities at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of (i) the amount determined in accordance with the expected interest loss model under IFRS 9, or (ii) the initial measurement less the accumulated amount of revenue recognised in accordance with IFRS 15. The fair value is based on the present value of the difference in cash flows between the contractual interest payments required to satisfy the guarantee and the payments that would be required without the guarantee. The Company estimated the book value of the issued financial guarantees as insignificant (Note 25).

All other financial liabilities of the Company are subsequently measured at amortized cost using effective interest rate method.

The classification of financial liabilities depends on the contractual obligations associated with the financial instrument and on the intentions with which management has entered into the contract. Management determines the classification of its financial liabilities at initial recognition.

A financial liability (or a part of financial liability) is removed from the Company's SOFP when, and only when it is extinguished – i.e. when the obligation specified in the contracts is discharged or cancelled or expires, resulting in gain or loss to be recognized in the profit or loss at derecognition.

2.11. 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 pooling financing was implemented within the former VSEH group. The Company has recognized liability from cash pooling to VSE and VSE CC as at 31 December 2023 in the amount of EUR 74,954 thousand (31 December 2022 VSE and VSE CC: EUR 5,633 thousand). The Company has recognized a receivable from cash pooling from VSD, VSE SOL and VSE EE in the amount of EUR 62,416 thousand (31 December 2023 VSD, VSE SOL and VSE EE: EUR 33,752 thousand).

2.12. Share capital

Ordinary shares are considered as share capital. Additional costs attributable to issuing of new ordinary shares are presented in equity as decrease in equity, net of income tax.

2.13. Dividends

Dividend pay-out is recognized as liability and decreases equity as of the end of the reporting period only if it has been declared by the end of the reporting period. The decision on profit distribution for accounting period and the declaration of dividends to Company's shareholders is made by the General Meeting of the Company.

2.14. Legal reserve fund

Legal reserve fund is created in accordance with Commercial Code, based on financial statements, in the amount of 10% of profit after tax, up to 20% of share capital. Legal reserve fund can be used only for increase of share capital or cover the losses.

2.15. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period does not exceed the amount of borrowing costs incurred during that period.

2.16. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the 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 that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates and respective legislation that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company shall offset deferred tax assets and deferred tax liabilities, if the Company has a legally enforceable right to set them off and when the deferred tax balances relate to the same taxation authority.

2.17. 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 impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.18. Employee benefits

Pension plans and jubilee awards

The Company has defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions in case the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Unfunded defined benefit pension plan

According to the contract with the Trade Unions effective to 31 December 2023 the Company is obliged, based on the number of years in service, to pay its employees on early retirement, regular retirement or disability the following multiples of their average monthly salary (condition that an employee is not entitled to termination benefits must be met):

	Multiple of the average monthly salary	
Years of service	**2023**	**2022**
Up to 10 years	2x	2x
10-15	3x	3x
15-20	4x	4x
20-25	5x	5x
25-30	6x	6x
30-35	7x	7x
Over 35	8x	8x

The minimum requirement of the Labour Code of one-month average salary payment on retirement and disability is included in the above multiples.

One average monthly salary will be added to the retirement benefits when more than 35 years worked and when the Company was the only one employer of employee.

The Company also pays life jubilees benefits. Jubilee benefits when the employee reaches age of 50 years depend on the length of the service within the Company and are as follows:

	Benefit	
Years of service	**2023**	**2022**
5 – 20 years	623 EUR	623 EUR
Over 20	670 EUR	670 EUR

The same or similar obligation had been included in the contracts with the Trade Unions since 1994. The Group has created expectations on the side of its employees that it will continue to provide the benefits, and it is the management's judgment that it is not realistic for the Group to cease providing them.

The conditions of an unfunded defined benefit pension plan resulting from the currently valid collective agreement do not differ significantly from the previous one, valid from 1 January 2020 to 31 December 2022.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period.

The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The amount of the retirement benefit to which an employee is entitled depends on the length of service before the retirement and equals one month of final salary for each year of service.

For determining the present value, the discount rate derived from the yield curve WTW Global RATE:Link for high quality Europe corporate bonds (AA) quoted as at 30 November 2023 (2022: 31 December 2022) was used (source: Bloomberg).

Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Defined contribution pension plans

The Company contributes to government and to private defined contribution pension plans.

The Company makes contributions to retirement benefit at the statutory rates being in force during the year, based on the gross salary payments.

Throughout the year, the Company contributed to such schemes in the amount of up to 12.5% (2022: 12.5%) of gross salaries up to a monthly salary, which is defined by the relevant law together with the contributions of the employees of a further up to 5.5% (2022: 5.5%) of gross salaries. The costs contributed by the Company are charged to the profit or loss in the same period as the related salary costs.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company contributed to the supplementary scheme based on tariff wages and years of service provided in the Company in the following way:

	Benefit	
Years of service	**From 1 January 2023**	**From 1 January 2022**
up to 5 years	1.50 % of gross salary	1.50 % of gross salary
from 5 till 10 years	1.75 % of gross salary	1.75 % of gross salary
from 10 till 15 years	2.00 % of gross salary	2.00 % of gross salary
from 15 till 20 years	2.50 % of gross salary	2.50 % of gross salary
from 20 till 25 years	3.00 % of gross salary	3.00 % of gross salary
from 25 till 30 years	3.50 % of gross salary	3.50 % of gross salary
from 30 till 35 years	4.00 % of gross salary	4.00 % of gross salary
from 35 till 40 years	5.00 % of gross salary	5.00 % of gross salary
Over 40 years	6.00 % of gross salary	6.00 % of gross salary

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefit. In the case of an offer made to encouraged voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.19. Provisions and contingent liabilities

A provision is recognized by the Company when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses. An entity may expect reimbursement of some or all expenditure required to settle a provision (e.g. through insurance contracts). It recognizes a reimbursement when, and only when, it is virtually certain that reimbursement will be received.

When 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 recognized 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 in the provision due to passage of time is recognized as interest expense.

Contingent liability is defined as (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or (b) a present obligation that arises from past events, but is not recognized, because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

2.20. Revenues from contracts with customers

Sales of services to related parties

The Company derives revenue from the transfer of services over time. The Company is providing services to companies within the former VSEH group, as well as to other related party innogy South East Europe s.r.o. Nature of these services is as follows:

- Finance and taxes, accounting, controlling and risk controlling
- Purchase, logistics, fleet and facility management
- Human resources, business advisory, internal audit, security management and translations
- Communication,
- IT management and telecommunication management
- Billing
- Receivables management
- Rental of non-residential premises
- Implementation of software solutions.

The rendering of these services is based on Service Level Agreements ('SLA'). Revenues are calculated based on the actual costs of the Company plus 5% mark-up. Respective revenues of the Company for these services amounted to EUR 19,892 thousand (2022: EUR 20,239 thousand).

2.21. Dividend income

Dividend income is recognized within profit from operations when the Company's right to receive payments is established.

2.22. Interest income

Interest income is recognized using effective interest rate method independent of the timing of settlement of interest.

2.23. Related party disclosures

The Company applies exemptions under IAS 24 and discloses only qualitative and selected quantitative disclosures with entities under control of the government.

2.24. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the SOFP when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company did not offset any financial assets and financial liabilities and has no offsetting arrangements.

2.25. Gain / (loss) on disposal of property, plant and equipment

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item. It is included in the Statement of Profit or Loss and Other Comprehensive Income when the item is derecognised and reported in other Gain / (loss) on disposal of property, plant and equipment.

3. Financial risk management

The Company's activities are exposed to a variety of financial risks: market risk (including risk of changes in foreign currency exchange rates, interest rates, and price risk), credit risk and liquidity risk. The strategy of risk management of the Company is focused on the mitigation of potential negative impacts on financial results of the Company. The Company has established risk management framework, focusing on contractual, credit and financial risk.

Risk management function is carried out by the central department Risk controlling, governed by policies approved by the Chief Executive Officer. Risk controlling identifies, evaluates and manages financial risks in close co-operation with the Company's operating units. The Risk controlling department provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative instruments. Management of liquidity and interest rate risks is carried out by department Finance.

3.1. Credit risk

The Company has the following types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables,
- Loans provided to subsidiary,
- Receivables from cash-pooling,
- Cash and cash equivalents.

The Company is exposed to credit risk due to issued financial guarantees. For information on guaranteed borrowings see Note 25.

Trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Company has considered that almost all these balances (100%) are with the companies within the former VSEH group, In prior year remaining part consisted from receivable from 3rd parties (1%) and employees (1%). Therefore, the Company identifies 2 group of customers that give rise to trade and other receivables.

For first most significant group of customers the Company has determined that there were no delays in payments for sales over a period of 24 months before 31 December 2023 and 31 December 2022 respectively and no historical credit losses experienced within this period. The zero historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Company has identified the GDP and the unemployment rate in Slovakia and European Union countries to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2023 and 31 December 2022, the Company decided to adjust the expected credit losses by a risk premium (3% in 2023 and in 2022) due to the expected economic slowdown. The Company expects a reduced ability to settle its receivables due to the coronavirus pandemic.

The Company has concluded that there is immaterial impact on allowance for trade and other receivables and did not record any adjustment to the allowance for trade and other receivables as of 31 December 2023 and 31 December 2022.

The following is a matrix based on due dates of trade and other receivables and percentage of expected credit losses.

		overdue				
Companies within ZSE group As at 31 December 2023	**Not yet due**	**0 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**	**Total**
Expected credit loss percentage	0.0%	0.0%	1.4%	1.8%	2.2%	
Trade and other receivables before allowance	863,809	236	-	-	-	864,045
Expected credit loss	-	-	-	-	-	-
Recognized bad debt allowance	-	-	-	-	-	-

		overdue				
Companies within VSEH group As at 31 December 2022	**Not yet due**	**0 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**	**Total**
Expected credit loss percentage	0.0%	0.0%	1.4%	1.8%	2.2%	
Trade and other receivables before allowance	3,137	-	-	-	-	3,137
Expected credit loss	-	-	-	-	-	-
Recognized bad debt allowance	-	-	-	-	-	-

overdue

3rd party companies and employees As at 31 December 2023	Not yet due	0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
Expected credit loss percentage	3.00%	13.00%	28.00%	53.00%	100%	
Trade and other receivables before allowance	-	-	-	-	3	3
Expected credit loss	-	-	-	-	3	3
Recognized bad debt allowance	-	-	-	-	3	3

		overdue				
3rd party companies and employees As at 31 December 2022	**Not yet due**	**0 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**	**Total**
Expected credit loss percentage	3.74%	25.07%	62.25%	93.96%	100%	
Trade and other receivables before allowance	9	-	-	-	3	12
Expected credit loss	-	-	-	-	3	3
Recognized bad debt allowance	-	-	-	-	3	3

An overview of the overdue receivables is shown in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
up to 90 days including	236	9
from 91 to 120 days including	-	-
from 121 to 150 days including	-	-
from 151 to 180 days including	-	-
from 181 to 360 days including	-	-
from 361 days and more	3	3
Total	**239**	**12**

The movements of bad debt provisions are presented in the profit of loss as "Net impairment losses from financial assets". Movements are presented below:

	As at December	
in EUR thousand	**2023**	**2022**
Balance at 1 January	**3**	**4**
Movement of bad debt provision	-	(1)
Balance at 31 December	**3**	**3**

Information on the net impairment losses on financial assets that have been recognized in the income statement and other comprehensive income for the current period is set out in the following table:

	As at December	
in EUR thousand	**2023**	**2022**
Creation of bad debt provision	-	(1)
Write-off of receivables	-	-
Impairment of a financial investment (Note 8)	-	-
Total	**-**	**(1)**

There are no individually significant impaired receivables. The Company does not hold any collateral as security. There are no restrictions of ownership relating to receivables.

Cash and cash equivalents

Credit risk also originates from cash and bank accounts. Risk resulting from bank accounts is reduced through diversification of deposits in several banks. A long-term global rating of bank accounts in the local currency is stable for all banks. As a result, the Company evaluates the risk of bank accounts as standard.

The table below shows the amounts of cash and bank accounts and overdraft facilities:

in EUR thousand	**Rating**		**31 December 2023**		**31 December 2022**	
Bank	**2023**	**2022**	**Bank balance**	**Overdraft facility**	**Bank balance**	**Overdraft facility**
VÚB	A2/P-1	A2/P-1	-	80,000	-	60,000
Citibank	Aa3/P-1	Aa3/P-1	1,045	72,000	1,153	72,000
Slovenská sporiteľňa	A2/P-1	A2/P-1	-	40,000	-	50,000
ČSOB	Aa3/P-1	A2/P-1	-	80,000		80,000
ING Bank	Aa3/P-1	Aa3/P-1	-	20,000	-	20,000
Total			**1,045**	**292,000**	**1,153**	**282,000**

Overdraft facility of VÚB, Citibank, SLSP and ING bank are uncommitted.

The Company has also receivables from cash pooling within the former VSEH group. Receivables from cash-pooling are presented separately in the SOFP (see Note 2.11).

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3.2. Liquidity risk

For the Company, prudent liquidity risk management means maintaining sufficient cash and marketable securities and availability of credit facilities. The Company's financing position management is focused on maintaining flexibility of financing by ensuring availability of credit lines.

Management monitors interim liquidity forecasts based on expected cash flows that are presented in cash and cash equivalents.

Beside the cash in banks, the Company has uncommitted overdraft facilities available in total amount of EUR 212,000 thousand (2022: EUR 202,000 thousand). The Company has drawn the overdraft as at 31 December 2023 of EUR 79,563 thousand (2022: EUR 127,895 thousand).

The table below shows the analysis of financial liabilities of the Company according to remaining contractual maturities. The amounts in the table present the undiscounted cash flows. The amounts due up to 1 year are equal to their carrying amount, as the impact of discounting is not significant.

in EUR thousand	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2023						
Borrowings (Note 9, 14)	79,563	-	-	-	-	79,563
Lease liabilities (Note 6)	88	264	353	1,009	-	1,714
Trade and other payables (net of liabilities within the VSEH group presented below) (Note 9, 13)	3,192	-	-	-	-	3,192
Liabilities within ZSE group (Note 9, 13)	91	-	-	-	-	91
Liabilities from cash pooling (Note 9)	74,954	-	-	-	-	74,954
Total	**157,888**	**264**	**353**	**1,009**	**-**	**159,514**

in EUR thousand	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2022						
Borrowings (Note 9, 14)	127,895	-	-	-	-	127,895
Lease liabilities (Note 6)	47	125	168	385	-	725
Trade and other payables (net of liabilities within the VSEH group presented below) (Note 9, 13)	3,106	-	-	-	-	3,106
Liabilities to subsidiaries (Note 9, 13)	90	-	-	-	-	90
Liabilities from cash pooling (Note 9)	5,633	-	-	-	-	5,633
Total	**136,771**	**125**	**168**	**385**	**-**	**137,449**

In addition, the Company issued financial guarantees as per Note 25 that can be called immediately in case the primary obligors do not meet their obligations.

3.3. Cash flow interest rate risk

The Company's overdrafts bear interest at a variable interest rate. Interest expenses on loans are not significant in terms of financial statements and interest rate risk has been determined as insignificant. Sensitivity analysis is not disclosed.

3.4. Foreign exchange risk

The Company is not exposed to significant foreign exchange risk as foreign currency expenditures and revenues are not significant to the Company.

3.5. Capital management

The Company’s capital management objective is focused on maintaining optimal structure of debt and own capital (debt/equity ratio). The Company defines capital as equity. Management monitors and manages these ratios. Equity represents the capital that is managed by the Company. The value of ratio as at 31 December 2023 is 19.8% (24.5% as at 31 December 2022).

3.6. Fair value estimation of financial instruments

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements and fair value disclosures related to financial instruments measured at amortized cost. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The Company has no financial instruments classified within Level 1 of fair value hierarchy.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
The Company has financial instruments that are measured at fair value at their initial recognition and that are subsequently measured at amortized cost using effective interest rates.

Fair values analysed by level in fair value hierarchy for financial assets and liabilities is as follows:

Level 1 – Cash in hand (Note 11),

Level 2 – Cash and cash equivalents except for cash in hand (Note 11), Trade and other receivables (Note 3.1), Receivables from cash-pooling (Note 2.11), Trade and other payables (Note 13),

Level 3 – Financial guarantee contracts (Note 25), Borrowings at floating rate (Note 9 and 14),

Carrying amounts of financial instruments is not materially different to their fair values.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

4.1. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. 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 outlined below.

In 2022, there was following estimate.

Impairment test of investments in subsidiaries (VSD and VSE)

At 31 December 2022, the Company has identified impairment indicators caused by significant increase in commodity prices for electricity and gas on the market which has direct impact on the investments in most significant subsidiaries VSD and VSE that are measured at cost in these financial statements. Management has considered that there is significant estimate related to assessment of impairment of these investments. Management has assessed fair values of investments using EBITDA multiples of subsidiaries for the purposes of impairment assessment.

The EBITDA multiples considered by management was based on the available market reports and benchmarking to other similar companies in the industry and recent transactions.

In respect of investment in VSE, management has assessed fair value of the investment using EBITDA multiple of 13.6 and considering normalized annual EBITDA in the future without any substantial acquisitions or other investments. Normalized annual EBITDA is at the level of EUR 23.6 million The Company has assessed that such annual EBITDA level is sustainable in foreseeable future. The Company would have to account for impairment in case the EBITDA multiple or expected annual EBITDA decreases by 61%.

In respect of investment in VSD, management has assessed fair value of the investment using EBITDA multiple of 6 and considering normalized annual EBITDA in the future without any substantial acquisitions or other investments except for maintenance investments to the grid. Management has estimated future normalized annual EBITDA at the level of EUR 84.1 million based on previous years actuals, current regulatory environment and future expectations. The Company has assessed that such EBITDA level is sustainable in foreseeable future. The Company would have to account for impairment in case the EBITDA multiple or expected annual EBITDA decreases by 2%. Should the EBITDA multiple or expected EBITDA be lower by 10%, the Company would have to account for impairment of approximately EUR 157 million.

In 2023 no such critical estimates were made due to disposal of subsidiaries VSD and VSE as noted in Note 1 and 8.

5. Property, plant and equipment

in EUR thousand	Land	Buildings and infrastructure	Machinery, equipment, vehicles and office equipment	Construction in progress	Total
At 1 January 2022					
Cost	132	5,847	6,597	201	12,777
Accumulated depreciation	-	(1,926)	(5,513)	-	(7,439)
Impairment	-	-	-	-	-
Net book value	**132**	**3,921**	**1,084**	**201**	**5,338**
Additions	-	-	-	271	271
Transfer from CIP	-	23	238	(261)	-
Net book value of disposals	-	-	-	-	-
Damaged asset	-	-			-
Depreciation charge		(134)	(337)	-	(471)
Net book value of asset sold	-	-	(2)	-	(2)
Closing net book value	**132**	**3,810**	**983**	**211**	**5,136**
At 31 December 2022					
Cost	132	5,870	6,320	211	12,553
Accumulated depreciation	-	(2,060)	(5,337)	-	(7,397)
Impairment	-	-	-	-	-
Net book value	**132**	**3,810**	**983**	**211**	**5,136**
At 1 January 2023					
Cost	132	5,870	6,320	211	12,553
Accumulated depreciation	-	(2,060)	(5,337)	-	(7,397)
Impairment	-	-	-	-	-
Net book value	**132**	**3,810**	**983**	**211**	**5,136**
Additions	-	-	-	411	411
Transfer from CIP	-	54	401	(455)	-
Net book value of disposals	-	(2)	-	-	(2)
Damaged asset	-	-	-	-	-
Depreciation charge	-	(134)	(317)	-	(451)
Net book value of asset sold	-	-	-	-	-
Closing net book value	**132**	**3,728**	**1,067**	**167**	**5,094**
At 31 December 2023					
Cost	132	5,789	6,145	167	12,233
Accumulated depreciation	-	(2,061)	(5,078)	-	(7,139)
Impairment	-	-	-	-	-
Net book value	**132**	**3,728**	**1,067**	**167**	**5,094**

There are no restrictions of ownership relating to property, plant and equipment or investment property. No property, plant and equipment or investment property are pledged.

The Company recognizes and uses no significant real estate subscribed in Cadastral Register, which are not legally permitted for the usage of the Company as at the end of the reporting period.

Property, plant and equipment is insured up to the amount of EUR 47,345 thousand (2022: EUR 48,666 thousand).

6. Right of use assets and lease liabilities

This note provides information for leases where the Company is a lessee.

Amounts recognised in the SOFP

The SOFP shows the following amounts relating to leases:

	31 December 2023	31 December 2022
Right-of-use assets		
Buildings	796	723
Vehicles	522	-
	1,318	**723**
Lease liabilities		
Current	338	172
Non-current	986	553
	1,324	**725**

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2023	2022
Depreciation charge of right-of-use assets		
Buildings	(228)	(210)
Vehicles	(48)	-
	(276)	**(210)**
Interest expense (included in finance cost)	(12)	(4)
Expense relating to short-term leases (included in service expenses) Note 20	-	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in service expenses) Note 20	(94)	(105)

The total cash outflow for leases in 2023 was EUR 377 thousand. (2022: EUR 328 thousand).

7. Intangible assets

in EUR thousand	Computer software and other	Intangible assets not yet ready for use	Total
At 1 January 2022			
Cost	21,817	326	22,143
Accumulated amortization	(19,441)	-	(19,441)
Net book value	**2,376**	**326**	**2,702**
Additions	-	660	660
Transfer from CIP	442	(442)	-
Damaged asset		-	-
Disposal	-		-
Net book value of asset sold	(57)	-	(57)
Amortization charge	(878)	-	(878)
Closing net book value	**1,883**	**544**	**2,427**
At 31 December 2022			
Cost	20,641	544	21,185
Accumulated amortization	(18,758)	-	(18,758)
Net book value	**1,883**	**544**	**2,427**
At 1 January 2023			
Cost	20,641	544	21,185
Accumulated amortization	(18,758)	-	(18,758)
Net book value	**1,883**	**544**	**2,427**
Additions	-	828	828
Transfer from CIP	412	(412)	-
Damaged asset	-	-	-
Disposal	-	-	-
Net book value of asset sold	-	-	-
Amortization charge	(911)	-	(911)
Closing net book value	**1,384**	**960**	**2,344**
At 31 December 2023			
Cost	21,028	960	21,988
Accumulated amortization	(19,644)	-	(19,644)
Net book value	**1,384**	**960**	**2,344**

There are no restrictions of ownership relating to intangible assets. No intangible assets are pledged.

8. Subsidiaries, associates and joint ventures

Subsidiaries

Subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business. As mentioned in Note 1 the structural changes resulted in decrease in number of Company's subsidiaries.

The Company's subsidiaries at 31 December 2023:

Name	Country of incorporation	Date of incorporation	Date of commencement of operation	% interest held	Purpose
VSE Ekoenergia, s.r.o.	Slovak Republic	November 2003	November 2003	100%	Outsourcing of electricity network operations and maintenance
VSE Call centrum, s.r.o.	Slovak Republic	July 2009	January 2010	100%	Computer data processing services
Nadácia VSE	Slovak Republic	December 2018	2021	100%	Public interest purposes

The Company's subsidiaries at 31 December 2022:

Name	Country of incorporation	Date of incorporation	Date of commencement of operation	% interest held	Purpose
Východoslovenská distribučná, a. s.	Slovak Republic	February 2007	July 2007	100%	Electricity distribution
Východoslovenská energetika, a.s.	Slovak Republic	November 2008	July 2014	100%	Electricity supply
VSE Ekoenergia, s.r.o.	Slovak Republic	November 2003	November 2003	100%	Outsourcing of electricity network operations and maintenance
VSE Call centrum, s.r.o.	Slovak Republic	July 2009	January 2010	100%	Computer data processing services
Nadácia VSE	Slovak Republic	December 2018	2021	100%	Public interest purposes
VSE Solutions s.r.o.	Slovak Republic	October 2003	October 2003	100% subsidiary of VSE	Heating, ventilation and air-conditioning projects
iWATT s.r.o.	Slovak Republic	June 2019	June 2019	80% subsidiary of VSE	IT and Marketing Services

On 24 November 2023 the Company sold its interests in share capital of subsidiaries VSD and VSE to ZSE. Fair value of consideration received was EUR 861,046 thousand. The difference between consideration and carrying value of subsidiaries sold was recognised in income statement as “gain on sale of subsidiaries” of EUR 229,963 thousand.

Cost of subsidiaries is as follows:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Východoslovenská distribučná, a. s.	-	462,119
Východoslovenská energetika a.s.	-	168,964
VSE Ekoenergia, s.r.o.	925	925
VSE Call centrum, s.r.o.	50	50
Nadácia VSE	7	7
Total	**982**	**632,065**

In 2022 the Company’s subsidiary VSE had the following interest in share capital of subsidiaries measured at cost less impairment allowance:

in EUR thousand	As at 31 December 2022
VSE Solutions s.r.o.	1,900
iWATT s.r.o.	-
Total	**1,900**

Financial results of subsidiaries are as follows:

2023 in EUR thousand	Assets	Liabilities	Equity	Profit/loss
VSE Ekoenergia, s.r.o.	746	752	(6)	(158)
VSE Call centrum, s.r.o.	455	283	172	117
Nadácia VSE	189	183	6	-
	1,390	**1,218**	**172**	**(41)**

2022 in EUR thousand	Assets	Liabilities	Equity	Profit/loss
Východoslovenská distribučná, a.s.	733,672	433,455	300,217	28,655
Východoslovenská energetika a.s.	315,118	224,130	91,094	1,955
innogy Slovensko s. r. o. (merged with Východoslovenská energetika, a.s. as of 1 July 2022)	-	-	-	(2,683)
VSE Ekoenergia, s.r.o.	636	484	152	(69)
VSE Call centrum, s.r.o.	807	513	294	239
VSE Solutions s.r.o.	5,125	4,547	578	336
iWATT	219	601	(381)	(256)
Total	**1,055,577**	**663,730**	**391,954**	**28,177**

Investments in associates and joint ventures

Name of entity	Country of incorporation	Date of incorporation	% Interest held	Activities
SPX, s.r.o., Žilina	Slovak Republic	January 2005	33.33% Joint venture	Consulting services provider in the area of energy industry
TRANSELEKTRO spoločnosť s ručením obmedzeným Košice	Slovak Republic	November 1993	25.50% Associate	Electricity importer
Energotel, a.s. Bratislava	Slovak Republic	March 2000	20,00% Joint venture	Fixed line telecom and data services provider
Bioplyn Rozhanovce, s.r.o.	Slovak Republic	July 2010	34,00% Joint venture of VSE Ekoenergia, s.r.o.	Production of electricity from biomass

The Company, together with other shareholders, has joint control of the financial and operational policies of Energotel, SPX and Bioplyn Rozhanovce through the shareholder agreement together with its other venturers.

The cost of shares in associates and joint ventures is as follows:

in EUR thousand	As at 31 December 2023	2022
SPX, s.r.o.	33	33
TRANSELEKTRO spoločnosť s ručením obmedzeným Košice	9	9
Energotel,a.s.	525	525
Total	**567**	**567**

In addition, Company's subsidiary VSE Ekoenergia has 34% share on share capital of its joint venture Bioplyn Rozhanovce s.r.o. measured at cost in the statutory financial statements of VSE Ekoenergia in the amount of EUR 387 thousand.

The financial results of the Company's associates and joint ventures are as follows (in EUR thousand):

2023	Assets	Liabilities	Equity	Profit/(loss)
SPX, s.r.o.	180	7	173	15
TRANSELEKTRO spoločnosť s ručením obmedzeným Košice	187	137	50	(48)
Energotel,a.s	9,638	5,602	4,036	407
Bioplyn Rozhanovce, s.r.o.	2,295	183	2,112	176
Total	**12,300**	**5,929**	**6,371**	**550**

2022	Assets	Liabilities	Equity	Profit/(loss)
SPX, s.r.o.	180	22	158	15
TRANSELEKTRO spoločnosť s ručením obmedzeným Košice	226	122	104	(50)
Energotel,a.s	9,087	5,114	3,973	343
Bioplyn Rozhanovce, s.r.o.	2,270	334	1,942	4
Total	**11,763**	**5,592**	**6,177**	**312**

The financial figures for year 2023 are based on interim not audited and not approved financial statements as at 31 December 2023. They are not expected to differ significantly from the final amounts.

9. Financial instruments by category

The Company holds the following financial instruments:

Financial assets

in EUR thousand	As at 31 December 2023	As at 31 December 2022
Financial assets – investments in subsidiaries, associates and joint ventures at cost		
Investments in subsidiaries	976	632,066
Investment in associates and joint ventures	558	558
Financial assets at amortized cost		
Loan provided to subsidiary (Note 3.1)	-	-
Trade and other receivables	864,045	3,146
Receivable from cash-pooling (Note 2.11)	62,416	33,752
Cash and cash equivalents (Note 11)	1,045	1,153
Total financial assets	**929,040**	**670,675**

Financial liabilities

in EUR thousand	As at 31 December 2023	As at 31 December 2022
Financial liabilities at amortised cost		
Trade and other payables net of liabilities to subsidiaries (Note 13)	3,192	3,106
Liabilities to subsidiaries included in trade and other payables (Note 13)	91	90
Current financial liabilities from cash pooling (Note 2.11)	74,954	5,633
Lease liability (Note 6)	1,324	725
Borrowings (Note 14)	79,563	127,895
Total financial liabilities	**159,124**	**137,449**

The financial risk management and the Company's impairment policies are described in Note 3 Financial risk management.

10. Other non-financial assets

in EUR thousand	As at 31 December 2023	2022
Prepaid expenses	254	277
Paid advances	36	34
Other taxes	1	1
Total	**291**	**312**

11. Cash and cash equivalents

in **EUR thousand**	As at December 2023	2022
Cash at bank and in hand	1,045	1,153
Total	**1,045**	**1,153**

The effective interest on a weighted average basis on interest bearing deposits was 0% (2022: 0%) and these deposits had an average maturity of 1 day (2022: 1 day). For the purposes of the Statement of Cash Flow, the cash and cash equivalents comprise of the above-mentioned items.

The Company has no bank guarantees as at 31 December 2023 (31 December 2022: 0).

The Company had no cash related restrictions in 2023 and 2022.

12. Equity

Ordinary shares	**Number of shares**	**Ordinary shares (EUR thousand)**
At 31 December 2023	3,363	111,618
At 31 December 2022	3,363	111,618

The total authorized number of ordinary shares is 3,363 thousand shares (31 December 2022: 3,363 thousand) with a nominal value of EUR 33.19 per share. All issued shares are fully paid.

The Company does not have any equity subscribed but not listed in the Commercial Register.

The Company is obliged to create a reserve fund at its establishment in amount and in the way described in Articles of the Company. The minimum amount of reserve fund is 10% of registered capital. This fund is to be replenished annually by a sum defined in the Articles, minimum 5% of net profit up to the amount stated in the Articles, minimum up to 20% of registered capital.

Portion of the reserve fund required by the Commercial Code can be used only to cover losses of the Company or for actions, which should be set to overcome an unfavourable development of results of the Company. The Board of Directors decides on the use of reserve fund, if not stated in Articles otherwise.

The Company created the legal reserve fund in amount of 20% of share capital established at the incorporation (EUR 16,480 thousand) and by the contribution from retained earnings in the amount of EUR 5,846 thousand and by the difference from translation of share capital by the conversion exchange rate at 1 January 2009 in the amount of EUR 13 thousand. The Company had created as at 31 December 2023 the required amount of legal reserve fund in accordance with Commercial Code.

In 2005, the Company allocated EUR 12,946 thousand from profit for the year 2004 to the fund for the investment support in the region. This fund can be used for the purposes of development in the Eastern Slovak region. It is presented within Other funds.

On 23 May 2023, the General Meeting approved the separate financial statements for 2022 and on 29 June 2023 decided to pay out dividends to the shareholders for 2022 of EUR 21,000 thousand (Note 26).

The profit for the period ended 31 December 2023 of EUR 258,550 thousand (2022: EUR 41,871 thousand) is available for distribution. The General Meeting will decide about the profit distribution. In 2022 the total consolidated profit for the year 2022 of EUR 37,809 thousand was used as a base for profit distribution to shareholders of the VSE H. The Board of Directors shall submit to the General Meeting a proposal for a dividend payment in accordance with the rules agreed in the Shareholder Agreement.

There is no income tax consequence related to this dividend.

Retained earnings amount is available for distribution to shareholders.

Dividends per share are calculated as follows:

	2023	**2022**
Dividends approved and paid out (EUR thousand)	21,000	57,000
Weighted average number of ordinary shares (thousand)	3,363	3,363
Dividends per share (EUR/share)	**6.24**	**16.95**

13. Trade and other payables

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade and other payables (net of liabilities to subsidiaries)	1,689	1,964
Liabilities to subsidiaries included in trade and other payables	91	90
Accrual for bonuses and untaken holiday	994	705
Payables to employees	509	437
Total	**3,283**	**3,196**

There are no liabilities pledged or secured in another way. The Company recognizes no payables overdue as at 31 December 2023 and as at 31 December 2022.

14. Borrowings

	As at 31 December	
in EUR thousand	**2023**	**2022**
Non-current borrowings		
Bank loans	-	-
		-
Current borrowings		
Bank loans	79,563	127,895
	79,563	**127,895**
Total borrowings	**79,563**	**127,895**

The carrying amounts of bank borrowings are as follows:

	As at 31 December	
in EUR thousand	**2023**	**2022**
VÚB	32,863	42,992
SLSP	667	7,856
ING	682	2,020
ČSOB	45,351	75,027
Citibank	-	-
Total	**79,563**	**127,895**

Further details on loans outstanding as of 31 December 2023 are provided below (in EUR thousand):

Bank / creditor	Currency	Amount in EUR thousand	Interest rate in %	Maturity date	Collateral	Proportion due in the next 12 months in EUR
VÚB	EUR	32,863	1M EURIBOR + 0.4297%	90-day notice	-	32,863
SLSP	EUR	667	1M EURIBOR + 0.55%	90-day notice	-	667
ING	EUR	682	1M EURIBOR + 0.45%	60-day notice	-	682
ČSOB	EUR	5,352	1M EURIBOR + 0.50%	90-day notice	-	5,352
ČSOB	EUR	39,999	Fix 0.00%	15 Feb 2024	-	39,999
Citibank	EUR	-	1M EURIBOR + 0.55%	30 Sep 2024	-	-
Total		**79,563**				**79,563**

Further details on loans outstanding as of 31 December 2022 are provided below (in EUR thousand):

Bank / creditor	Currency	Amount in EUR thousand	Interest rate in %	Maturity date	Collateral	Proportion due in the next 12 months in EUR
VÚB	EUR	42,992	1M EURIBOR + 0.15%	90-day notice	-	42,992
SLSP	EUR	7,856	1M EURIBOR + 0.45%	90-day notice	-	7,856
ING	EUR	2,020	1M EURIBOR + 0.45%	60-day notice	-	2,020
ČSOB	EUR	35,029	1M EURIBOR + 0.50%	90-day notice	-	35,029
ČSOB	EUR	39,999	Fix 0.00%	15 Feb 2024	-	39,999
Citibank	EUR	-	1M EURIBOR + 0.55%	29 Sep 2023	-	-
Total		**127,895**				**127,896**

The effective average interest rates at the end of the reporting period were as follows:

in EUR thousand	**2023**	**2022**
Bank borrowings	2,62%	0.29%

Borrowing facilities

The Company has the following borrowing facilities:

Bank / creditor	Type	Currency	Funds availability up to the amount 2023	2022
Citibank	Overdraft	EUR	72,000	72,000
VÚB	Overdraft	EUR	80,000	60,000
SLSP	Overdraft	EUR	40,000	50,000
ČSOB	Overdraft	EUR	80,000	80,000
ING Bank	Overdraft	EUR	20,000	20,000
Total			**292,000**	**282,000**

The borrowing facilities are available to be used by the Company for covering temporary discrepancies between the requirements on cash and funds available. All borrowing facilities, except ČSOB, are uncommitted. ZSE issued parent company guarantees to cover liabilities of VSEH resulting from the credit agreements.

The reconciliation of loan balances is set out in table below:

In EUR thousand	**2023**	**2022**
1 January	**127,889**	**54,758**
Increase / (decrease) of bank overdraft	(48,351)	73,131
Received / (paid) bank loan	-	-
31 December	**79,538**	**127,889**

15. Other non-financial liabilities

	As at 31 December	
in EUR thousand	**2023**	**2022**
Social security and other liabilities	562	527
Current income tax liability (employees)	120	119
VAT	303	176
Other taxes	-	6
Total	**985**	**828**

16. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 21% (2022: 21%).

	As at 31 December	
in EUR thousand	**2023**	**2022**
Deferred tax asset	584	544
Deferred tax liability	-	-
Total	**584**	**544**

The movement in deferred tax assets and liabilities during the year is as follows:

in EUR thousand	At 1 January 2023	(Charged) / credited to the profit or loss	At 31 December 2023
Difference between tax base and carrying amount of non-current assets	(57)	1	(56)
Bad debt provisions	-	-	-
Provision for other liabilities and charges	601	38	639
Right-of-use assets	(152)	(125)	(277)
Lease liability	152	126	278
Other	-	-	-
Total	**544**	**40**	**584**

in EUR thousand	At 1 January 2022	(Charged) / credited to the profit or loss	At 31 December 2022
Difference between tax base and carrying amount of non-current assets	(70)	13	(57)
Bad debt provisions	-	-	-
Provision for other liabilities and charges	-	601	601
Right-of-use assets	(36)	(116)	(152)
Lease liability	37	115	152
Other	-	-	-
Total	**(69)**	**613**	**544**

17. Provisions

Movements during the year related to provision for other liabilities and charges are as follows:

in EUR thousand	Restructuring	Total
At 1 January 2023	**20**	**20**
Provisions creation	20	20
Unused amount released	(20)	(20)
Used/paid during year	-	-
At 31 December 2023	**20**	**20**

in EUR thousand	Restructuring	Total
At 1 January 2022	**20**	**20**
Provisions creation	20	20
Unused amount released	-	-
Used/paid during year	(20)	(20)
At 31 December 2022	**20**	**20**

Restructuring provision

In accordance with long-term plans in 2024, the Company creates a provision for restructuring costs in the amount of EUR 20 thousand.

18. Employee benefit obligations

The following amounts have been recognized with respect of the defined benefit pension plan in the financial statements:

in EUR thousand	As at 31 December 2023	2022
Balance sheet obligation for:		
Present value of recognized unfunded retirement obligations	1,441	1,233
Jubilee awards	68	72
Liability in the SOFP	**1,509**	**1,305**

Use of the provision for retirement depends on the termination of employment by employees at the normal retirement date, which is expected in accordance with actual legislation. Provision for jubilee awards is expected to be used at life or work milestones, when such an event occurs.

in EUR thousand	2023	2022
Income statement charge included in operating profit		
Current service cost	95	117
Interest cost	37	16
Past service cost, other	-	15
Total charge / (credit) included in employee benefit expense and interest expenses	**132**	**148**

in EUR thousand	2023	2022
Re-measurements for:		
Defined pension benefits	216	(65)
Total re-measurements	**216**	**(65)**

The movement in defined benefit pension over the year is as follows:

in EUR thousand	Present value of obligation
As at 1 January 2023	**1,305**
Current service cost	95
Past service cost	-
Interest cost	37
	1,437
Re-measurements:	
- Loss from change in financial assumptions	103
- Gain / loss from change in fluctuation	(63)
- Loss from adjustments to actual	176
	216
Payments from plan	(144)
As at 31 December 2023	**1,509**

in EUR thousand	Present value of obligation
As at 1 January 2022	**1,256**
Current service cost	117
Past service cost	16
Interest cost	15
	1,404
Re-measurements:	
- Loss from change in financial assumptions	(110)
- Gain / loss from change in fluctuation	-
- Loss from adjustments to actual	45
	(65)
Payments from plan	(34)
As at 31 December 2022	**1,305**

The principal actuarial assumptions to determine the pension liability were as follows:

	Year 2023	Year 2022
Number of employees with entitlement to the benefit	317	320
Expected salary increases	5.0%	4.0%
Discount rate	3.70%	3.25%

Amounts paid for defined contribution pension plans:

in EUR thousand	2023	2022
Defined contribution pension plan	1,303	1,106
Total	**1,303**	**1,106**

Sensitivity analysis of liability for employee benefits is stated in following table. The Company does not expect a significantly different change in the liability for employee benefits due to a change in fluctuations, or other parameters, compared to the previous year.

Description of change of parameter	Liability as at 31 December 2023 (EUR thousand)	Change in comparison with basic scenario	Change in comparison with basic scenario in %
Basic scenario	1,509		
Increase in salaries +0,25% compared to principal assumptions	1,548	39	3
Decrease in salaries -0,25% compared to principal assumptions	1,471	(38)	(3)
Discount rate +0,5% compared to principal assumptions	1,433	(76)	(5)
Discount rate -0,5% compared to principal assumptions	1,591	82	5

Description of change of parameter	**Liability as at 31 December 2022 (EUR thousand)**	**Change in comparison with basic scenario**	**Change in comparison with basic scenario in %**
Basic scenario	1,305		
Increase in salaries +0,25% compared to principal assumptions	1,339	34	3
Decrease in salaries -0,25% compared to principal assumptions	1,273	(32)	(3)
Discount rate +0,5% compared to principal assumptions	1,240	(65)	(5)
Discount rate -0,5% compared to principal assumptions	1,376	70	5

Sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practise, this is unlikely to occur, and changes in some of the assumptions may be correlated.

19. Revenues from contracts with customers

The Company derives revenue from the transfer of services over time. Further details are as follows:

in EUR thousand	**2023**	**2022**
Services provided within the former ZSE group	19,529	20,217
Other revenues	363	22
Total revenues from contracts with customers	**19,892**	**20,239**

20. Profit from operations

The following amounts have been charged or credited in arriving at profit from operations:

in EUR thousand	2023	2022
Revenues from contracts with customers (Note 19)	**19,892**	**20,239**
Own work capitalized	**294**	**218**
Raw materials and other consumed materials	**(644)**	**(739)**
Wages and salaries	(8,748)	(7,940)
Defined contribution pension plan (Note 18)	(1,303)	(1,106)
Social security costs excluding retirement fund	(1,784)	(1,509)
Restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring (Note 17)	-	(20)
Other staff costs	(810)	(428)
Employee benefit expense total	**(12,645)**	**(11,003)**
Repairs and maintenance	(186)	(190)
IT maintenance fees	(2,479)	(2,481)
Training and consulting	(115)	(89)
Post and telecommunication costs	(104)	(123)
Short-term and low-value leases (Note 6)	(94)	(105)
Protection of property	(57)	(59)
Assurance services provided by auditor	(48)	(54)
Travel expenses	(118)	(21)
Consultancy services	(587)	(403)
Representation costs	(76)	(47)
SLA services	(109)	(48)
Other services	(796)	(888)
Services total	**(4,769)**	**(4,508)**
Depreciation (Note 5)	(568)	(586)
Impairment provision (Note 5)	-	-
Amortization (Note 7)	(911)	(878)
Amortisation of right-of-use assets (Note 6)	(276)	(210)
Depreciation and amortization total	**(1,755)**	**(1,674)**
Dividends income (Note 26)	**28,905**	**38,948**
Gain/(loss) on sale of property and equipment	**384**	**269**
Gain on sale of subsidiaries	**229,963**	**-**
Net impairment losses on financial and contract assets	**(7)**	**1**
Other operating income	124	181
Other operating expenses	(254)	(237)
Other operating income / (expenses) total	**(130)**	**(56)**
Profit from operations	**259,488**	**41,695**

21. Finance income and costs

The following amounts have been charged or credited in arriving at profit from finance.

In EUR thousand	**2023**	**2022**
Finance income		
Interest income from financial assets	2,574	328
Finance income	**2,574**	**328**
Finance costs		
Interests and finance charges paid / payable for financial liabilities not at fair value through profit or loss	(3,563)	(317)
	(3,563)	**(317)**
Amount capitalised in accordance with IAS 23	3	-
Finance costs	**(3,560)**	**(317)**
Other finance gains / (losses) net		
Other	-	-
Other finance gains / (losses) net	**-**	**-**

Capitalized borrowing costs

The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's general borrowings during the year, in this case 2.98% (2022: 0.51%).

22. Income tax expense

in EUR thousand	**2023**	**2022**
Current tax expense charge / (credit) in profit or loss	(8)	449
Deferred tax expense charge / (credit) in profit or loss	(40)	(614)
Income tax expense	**(48)**	**(165)**

The reconciliation between the reported income tax cost and the theoretical amount that would arise using the standard tax rates is as follows:

in EUR thousand	**2023**	**2022**
Profit before tax	258,502	41,706
Income tax calculated at a tax rate of 21%	54,285	8,758
Tax effects of:		
Expenses not deductible for tax purposes	87,560	80
Income not subject to tax	(186,890)	(8,179)
Recognition of previously unrecognized deferred tax assets	44,996	(584)
Other	-	(240)
Tax charge	**(48)**	**(165)**
Effective tax rate	**0.07%**	**(0,4%)**

The corporate income tax rate applicable for the year 2023 is 21% and there has been no change after the balance sheet date (2022: 21%).

23. Cash generated from operations

The Company prepared cash flow statement using indirect method. The amounts for comparative period include both continuing and discontinued operations.

in EUR thousand	2023	2022
Profit before tax	**258,502**	**41,706**
Adjustments for:		
Depreciation (Note 5, 20)	568	586
Amortization (Note 7, 20)	911	878
Amortisation of right-of-use assets (Note 6, 20)	276	210
Impairment of non-current assets (Note 5)	7	-
(Profit)/loss on sale of property and equipment (Note 20)	(384)	(269)
Gain on sale of subsidiaries	(229,962)	-
Dividend income (Note 20,26)	(28,905)	(38,948)
Interest income (Note 21)	(2,574)	(328)
Interest expense (Note 21)	3,560	317
Payments for short-term and low-value leases	94	116
Addition of Right of use and lease liabilities	11	4
Other non-cash transactions	-	1
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Trade and other receivables (Note 3.1, 9)	147	(2,220)
Other non-financial assets (Note 10)	21	(89)
Trade and other payables (Note 13)	87	(457)
Deferred income from non-current assets for no consideration	-	(24)
Other non-financial liabilities (Note 15)	157	191
Provisions	(12)	113
Cash generated from operations	**2,504**	**1,787**

24. Contingencies

Taxation

Tax legislation in Slovakia which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Slovak tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax challengeable counterparties. Management is not aware of any circumstances that may give rise to future material expenses in this respect.

25. Commitments and issued financial guarantees

Capital commitments

As at 31 December 2023, the Company has contracted the capital commitments in amount EUR 500 thousand (31 December 2022: EUR 306 thousand).

Financial guarantee contracts

The Company provided financial guarantees to suppliers and potential suppliers of VSE. In case that VSE fail to fulfil its payment obligations against suppliers of natural gas and electricity, the Company is obliged to perform the obligations of VSE to the suppliers as if the Company is the supplier's primary obligor. The maximum amount of guarantees to individual suppliers of VSE guaranteed by the Company are as follows:

	As at 31 December	
in EUR thousand	**2023**	**2022**
RWE Supply & Trading CZ, a.s.	-	133,000
RWE Supply & Trading GmbH	168,000	35,000
EDF Trading Limited	21,000	8,000
MET Slovakia, a. s.	-	5,000
CEZ, a.s.	-	36,000
Shell Energy Europe Limited	-	5,000
Východoslovenská distribučná, a.s.	-	25,000
Total	**189,000**	**247,000**

As a result of financial situation of VSE and based on very limited cooperation with these suppliers, fair value of financial guarantees is considered as not material and was not recognized. The value of the commitments secured by these guarantees is set out in the table below:

	As at 31 December	
in EUR thousand	**2023**	**2022**
RWE Supply & Trading CZ, a.s.	-	26,848
RWE Supply & Trading GmbH	-	1,438
EDF Trading Limited	-	2,720
MET Slovakia, a. s.	-	-
CEZ, a.s.	-	22,371
Shell Energy Europe Limited	-	-
Východoslovenská distribučná, a.s.	-	13,931
Total	**-**	**67,308**

The Company was a guarantor for long term borrowings of Bioplyn Rozhanovce, s.r.o. (hereinafter "BPR"). In case that BPR fails to fulfil its payment obligations against bank, the Company is obliged to perform the obligations of BPR to the banks as if the Company is the bank's primary obligor. The borrowings of BPR guaranteed by the Company are as follows:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Komerční banka Bratislava, a.s.	-	194
Total	**-**	**194**

The borrowings of VSD guaranteed by the Company are as follows:

	As at 31 December	
in EUR thousand	**2023**	**2022**
ING Bank, a Branch of ING-DiBa AG	-	60,000
ING Bank, a Branch of ING-DiBa AG	-	50,000
UniCredit Bank Czech Republic and Slovakia, a.s.	60,000	60,000
Slovenská sporiteľňa, a.s.	50,000	50,000
Total	**110,000**	**220,000**

Based on valuation of prepared by PWC the Company assessed that fair value of these financial guarantees of EUR 104,086 thousand.

26. Related party transactions and balances

Related parties are divided into following categories:

a) Parent company
- Západoslovenská energetika, a.s.(ZSE) – parent company (from 23 November 2023)

b) Subsidiaries
- Východoslovenská distribučná, a.s. (until 23 November 2023)
- Východoslovenská energetika, a.s. (until 23 November 2023)
- VSE Ekoenergia, s.r.o.
- VSE Call centrum, s.r.o.
- VSE Solutions s.r.o. (till 23 November 2023)
- iWATT s.r.o. (till 30 October 2023)
- Nadácia VSE

c) Entities under control of ZSE Group
- Východoslovenská distribučná, a.s. (from 24 November 2023)
- Východoslovenská energetika, a.s. (from 24 November 2023)
- Západoslovenská distribučná, a.s. (from 23 November 2023)
- ZSE Energia, a.s. (from 23 November 2023)

d) Entities under control of E.ON Group, that were not part of VSEH group
- E.ON SE
- E.ON Energija d.o.o.
- E.ON Digital Technology GmbH
- Westenergie AG (innogy Westenergie GmbH)
- E.ON First Future Energy Holding B.V.
- Innogy South East Europe s.r.o.

e) Associates and joint ventures in which the entity is a venturer
- TRANSELEKTRO spoločnosť s ručením obmedzeným Košice
- Energotel, a.s.
- SPX, s.r.o.
- Bioplyn Rozhanovce, s.r.o.

f) Key management personnel of the entity
- members of Board of Directors
- members of Supervisory Board

g) State controlled entities

Significant transactions or balances with state-controlled entities are related to dividend payments.

The nature of relationship with related parties with which the Company carried out significant transactions or had significant balances with are described below. The related party transactions were made on an arm's length basis.

a) Parent company

Transactions with parent company ZSE are stated in the following table:

in EUR thousand	**2023**	**2022**
Sale of subsidiaries VSD and VSE	861,046	-
Purchase of services	(3)	-

Balances with parent company are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross) (Note 3.1)	861,046	-
Trade and other payables (Note 9, 13)	-	-

b) Subsidiaries

Transactions with subsidiaries are stated in the following table:

in EUR thousand	**2023**	**2022**
Sale of services (Note 19)	18,624	20,217
Other income	46	-
Purchase of electricity	(89)	(235)
Other	(2)	-
Purchase of services	(117)	(106)
Personnel costs	(1)	(37)
Interest income (Note 21)	2,236	327
Dividend income (Note 8, Note 20)	28,836	38,625

Balances with subsidiaries are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross) (Note 3.1)	-	3,109
Receivable from cash-pooling (Note 2.11, 9,)	4,411	33,758
Financial liabilities from cash pooling (Note 9)	87	5,633

	As at 31 December	
Trade and other payables (Note 9, 13)	-	90

c) Entities under control of ZSE Group except for subsidiaries of the Company

Transactions with entities under control of ZSE Group except for subsidiaries of the Company are stated in the following table:

in EUR thousand	**2023**	**2022**
Sale of services	1,631	-
Purchase of services	(20)	-
Purchase of energy	(11)	-

Balances with entities under control of ZSE except for subsidiaries of the Company are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross) (Note 3.1)	2,980	-
Receivable from cash-pooling (Note 2.11, 9,)	74,867	-
Financial liabilities from cash pooling (Note 9)	61,856	-
Trade and other payables (Note 9, 13)	91	-

d) Entities under control of E.ON Group except for subsidiaries of the Company

Transactions with entities under control of E.ON Group except for subsidiaries of the Company are stated in the following table:

in EUR thousand	**2023**	**2022**
Purchase of services	(853)	(856)
Personnel costs	(291)	(333)
Dividends paid (Note 12)	(10,290)	(27,930)

Balances with entities under control of E.ON Group except for subsidiaries of the Company are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross)	-	-
Trade and other payables	647	141

e) Associates and joint ventures in which the entity is a venturer

Transactions with associates and joint ventures in which the entity is a venturer are stated in the following table:

in EUR thousand	**2023**	**2022**
Rental revenues	8	-
Purchase of services	(14)	(12)
Dividend income (Note 8, Note 20)	69	323

Balances with associates and joint ventures in which the entity is a venturer are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross)	-	-
Trade and other payables	8	8

f) Key management personnel of the entity

Transactions with key management personnel of the entity are stated in the following table:

	2023		**2022**	
in EUR thousand	**Board of Directors**	**Supervisory board**	**Board of Directors**	**Supervisory board**
Short-term employee benefits	202	114	480	143
Total	**202**	**114**	**480**	**143**

g) Entities controlled by government or where government has significant influence

The Company performs collectively significant transactions with entities controlled by government or where government has significant influence. These transactions are represented by:

in EUR thousand	**2023**	**2022**
Revenues	15	-
Purchases	(116)	(61)
Dividends paid (Note 12)	(10,710)	(29,070)

Balances are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade and other payables	-	12

27. Events after the reporting period

With effect from January 1, 2024, Ms. Jana Palková was appointed as a member of the board of directors, replacing Mr. Juraj Bayer, who retired as a member of the board of directors on December 31, 2023.

There has been no other material event after the reporting period that should be disclosed in these financial statements prepared in accordance with IFRS valid in the EU.

ANNUAL REPORT OF

VÝCHODOSLOVENSKÁ ENERGETIKA HOLDING A.S.

FOR 2023

Basic company indicators

Východoslovenská energetika Holding a.s.

prepared in accordance with IFRS as adopted by the EU

Basic economic data (in EUR millions)	2023	2022
Revenues	19.9	20.2
Profit after tax	258.6*	41.9
Balance amount	941.8	682.9
Registered capital	111.6	111.6
Investments	1.2	0.9

*incl. Profit from the sale of subsidiaries in the amount of 230.0 mil. EUR

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1 FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF VÝCHODOSLOVENSKÁ ENERGETIKA HOLDING A.S.

Ladies and Gentlemen,

year 2023 was very important for VSE Holding in many views. Since the beginning of the year, the company managed its subsidiaries - leaders in the electricity distribution (VSD, a.s.) and the energy supply and energy services (VSE a.s.) and provided them with the shared services in human resources, business advisory, financial and accounting services, IT services. It also represented its subsidiaries in social responsibility and supported them to approach their own ambitious goals. However, the most important step was, that it accompanied its subsidiaries in the integration project of the VSE Holding Group into the ZSE Group.

The market was again affected by the energy crisis in 2023. The values of inflation remained on a very high levels, URSO, as well as the new Government of the SR had its own priorities. It was very important to help our customers in all the segments, and to focus on the improvement of the internal processes and the increase of investments to the building and modernizing of the distribution system. I am convinced that we reacted fast and successfully.

During 2023, VSE Holding achieved first place several times. First of all, I would like to emphasize that the company issued the first Sustainability Report, confirming its direction and the active attitude towards the sustainable development and the transformation of energetics.

The company also focused on its own activities. It took measures to save the energy and lower the consumption of its own buildings during winter, as well as summer 2023. It resulted not only in the significant savings, but also the team of ambassadors coming from the employees was created. They were responsible for the implementation of changes in the relevant buildings and objects, and they brought their own ideas to reach the common goal. The Company also decided to move towards the electrification of the company vehicles and added new electric cars to its car fleet in 2023. It also extended the cooperation with the network of charging stations - ZSE Drive.

During 2023, we strove for diversity and inclusion. VSE Holding opened the cooperation with the Association for Culture, Education and Communication (ACEC), and it joined Roma Spirit project for the first time. The support for the LGBTI+ community was expressed by the symbolic display of the flag during the PRIDE Košice in August 2023, as well as by the company appeal to improve the legal status of the LGBTI+ people on Slovakia. I would like to remind that this initiative, signed by 64 companies, won the Inakosť prize in the category Leadership in Business. The Company organized traditional Diversity Days for its employees. It was also active during the International Day of Women and Girls in IT, participating at the Girl´s day event.

The Company kept its focus on the care of the employees of the VSE Holding Group. In 2023, the employees enjoyed the advantages of the new Company Collective Labor Agreement valid from 2023 to 2025. They also could use the wide range of benefits, educational programs, or the work-life balance support. The Company extended the work from home by the option to work from the EU countries, following the specific conditions, and increased the maximum share of the work from home to 80% of working time for employee monthly. The topics of the safety, health, including the mental health, were our priority.

The Integration project started in April 2023 by the meeting of the representatives of the VSE Holding Group and the ZSE Group, under the authority of the experienced consulting company. During the year, the Company worked on many activities, including the creating of the legal frame of the integration. The first important milestone happened on 12 June 2023, when the Government of the Slovak Republic approved the proposal of the decision on the transfer of the state equity participation of VSE Holding, and the draft of the manipulation process for the equity participation of this company. The second milestone was the signature of the transaction documents, what happened on 16 November 2023. Subsequently, after other administration actions, the share of VSE Holding was included into the capital of Západoslovenská energetika a.s. (ZSE), dated 23 November 2023. Therefore, ZSE became the only shareholder of VSE Holding. On 24 November 2023, the shares of Východoslovenská energetika a.s. and Východoslovenská distribučná, a.s. were transferred and ZSE became the only shareholder of these companies.

VSE Holding entered new year 2024 with new members of the Board of Directors, new organization structure and ready to continue in the integration process.

VSE Holding Group ceased to exist in the way, we used to know it. However, the new ZSE Group was created, and its ambition is to become even stronger at the Slovak energy market for its customers, as well as its employees. I am convinced, that VSE Holding will be the important and useful part of the new group.

Ing. Tomáš Turek, PhD.
Chairman of the Board of Directors of VSE Holding a.s.

Košice, March 25, 2024

2 REPORT OF THE SUPERVISORY BOARD OF VÝCHODOSLOVENSKÁ ENERGETIKA HOLDING A.S.

In 2023, the Supervisory Board supervised performance of the Board of Directors, execution of business activities of the company, monitored the company management as well as adherence to the Articles of Association, all in line with the legislation valid in the Slovak Republic as well as in line with the Articles of Association of VSE Holding a.s. The Supervisory Board held three regular meetings and two written voting rounds (per rollam) in business year 2023.

The regular agenda of the Supervisory Board meetings included information on financial results of the company, resolutions made during the Board of Directors meetings and information on agreements concluded between related parties.

The Supervisory Board mostly:

- debated the individual and consolidated financial statements for 2022 and recommended to the General Meeting to approve these documents;
- studied the Board of Directors proposal for the profit distribution for 2022 and recommended to the General Meeting to accept the resolution according to the BoD proposal;
- approved the Board of Directors proposal on the transfer of shares of Východoslovenská energetika, a.s. and Východoslovenská distribučná, a.s. to Západoslovenská energetika, a.s.;
- approved the Board of Directors proposal on the transfer of 100% of the business shareholding of VSE Solutions s.r.o. to Západoslovenská energetika, a.s.;
- approved the Board of Directors proposal on the transfer of 80% of the business shareholding of Východoslovenská energetika a.s. in iWATT s.r.o.;
- approved Strategic and Business Plan of VSE Holding a.s. for the years 2024-2026

Throughout the year, the Board of Directors informed the Supervisory Board, both orally and in writing, about the situation in the electricity and gas markets, trading, financial development of the company, investment plans, human resources, trends in costs and revenues and financial planning. In addition to that, the Chairman of the Supervisory Board consulted and discussed individual issues of the company corporate and business strategy outside the Supervisory Board meetings.

The Auditor’s report as well as the Financial Statement for 2023 consisting of the statement of financial position, income and loss statement and other overall profits, statement of changes in equity, statement of cash-flows and notes to the financial statements will be discussed by the Supervisory Board members during their meeting in April 2024.

Košice, March 25, 2024

Ing. Jozef Klink, EMBA
Chairman of the Supervisory Board

3 BASIC COMPANY DATA

The joint-stock company Východoslovenská energetika Holding a.s. (since 30 June 2014 Východoslovenská energetika a.s.: hereinafter referred to as “VSE Holding”, “VSE Holding a.s.” or “VSEH”) was formed on the basis of decision of the founder (National Property Fund of the Slovak Republic) by the Deed of Foundation dated 17 December 2001 in accordance with decision of the Government of SR No. 645 dated 11 July 2001 on the privatization of Východoslovenské energetické závody, š.p. Košice. Východoslovenská energetika a.s. took over all the assets, titles, obligations, and liabilities of the state enterprise Východoslovenské energetické závody Košice, dissolved without going into liquidation, on the basis of the decision of Ministry of Economy of SR No. 288/2001 dated December 14, 2001.

The company was renamed to Východoslovenská energetika Holding a.s. as of 1 July 2014.

Up to date data:

Company name: Východoslovenská energetika Holding a.s.

Registered office: Mlynská 31, 042 91 Košice

Company No.: 36 211 222

Registered with the Commercial Register maintained by Municipal Court Košice, Section: Sa, insert No. 1203/V

Lines of business of VSE Holding a.s. include the following:

- activities of economic, organizational, and accounting advisors,
- performances of computing and reprographic technology,
- software provision,
- organization of trainings, exams, and seminars,
- accounting,
- data processing,
- letting of immovable property related to the provision of other than basic letting services,
- comprehensive solutions for information and computer systems,
- automated data processing,

As of 31 December 2023, the registered capital of the company in the amount of EUR 111,618,000 consisted of 3,363,000 registered shares (inscribed) with their nominal value of EUR 33.19 per share.

As of 31 December 2023, the only shareholder of VSE Holding a.s. is

Západoslovenská energetika, a.s., with its registered office at Čulenova 6, 816 47 Bratislava - Staré Mesto, registered with the Commercial Register maintained by Municipal Court Bratislava III, Section: Sa, Insert No. 2852/B, Company No.: 35 823 551

Composition of statutory bodies and Supervisory Board as of 31 December 2023:

Statutory body:

Board of Directors	
As of 31 December 2023	
Chairman:	Ing. Tomáš Turek, PhD. (since 23 November 2023; since 15 March 2023 to 22 November 2023 Member of the Board of Directors) Markus Kaune (until 22 November 2023)
Vice-Chairman:	JUDr. Rastislav Hanulák
Members	JUDr. Ján Luterán (until 22 November 2023)
	Marian Rusko (until 14 March 2023)
	Mgr. Ing. Juraj Bayer, PhD. (until 31 December 2023)

Supervisory Body

Supervisory Board	
As of 31 December 2023	
Chairman:	Ing. Jozef Klink, EMBA
Vice-Chairman:	Markus Kaune (since 23 November 2023) Johan Mörnstam (until 22 November 2023)
Members	Ing. Štefan Lasky
	Ing. Peter Kolár
	Mgr. Katarína Varhoľáková
	Ing. Michal Gallik
	Ing. Peter Sýkora*
	Magdaléna Gogoláková*
	Ing. Drahomír Štefko*

**employee representative in the Supervisory Board*

4 CAPITAL PARTICIPATION

Subsidiaries

As of 31 December 2022, or as of 31 December 2023, the Company owned the below mentioned subsidiary companies. The Registered capital of companies consisted of the shares directly owned by the Company.

Name	Activities	Shareholding in % As of 31 December 2022	Shareholding in % As of 31 December 2023
Východoslovenská distribučná, a.s.	Electricity distribution	100	x
Východoslovenská energetika a.s.	Electricity and Gas Supply	100	x
VSE Ekoenergia, s.r.o.	Outsourcing of the operation and maintenance of the electricity grids	100	100
VSE Call centrum, s.r.o.	Services related to computer data processing	100	100
VSE Foundation	Support of the activities related to the public interest	100	100

The General Meeting of Východoslovenská distribučná, a.s. approved the transfer and investment of shares of Východoslovenská distribučná, a.s. to Západoslovenská energetika, a.s., dated on 19 September 2023. (ZSE). This transfer and investment of shares became effective on 24 November 2023, and since then, ZSE is the only shareholder of the Company.

The General Meeting of Východoslovenská energetika, a.s. approved the transfer and investment of shares of Východoslovenská energetika, a.s. to Západoslovenská energetika, a.s., dated on 19 September 2023. (ZSE). This transfer and investment of shares became effective on 24 November 2023, and since then, ZSE is the only shareholder of the Company.

The Supervisory Board approved the Board of Directors proposal on the transfer of 80% of the business shareholding of Východoslovenská energetika a.s. in iWATT s.r.o. on 14 September 2023.

Associates and joint ventures

Name and registered office	Activities	Shareholding in %
SPX, s.r.o., Žilina	Provision of the advisory in the energy industry,	33.33 Joint ventures
TRANSELEKTRO, limited liability company Košice	Lessor of the island network	25.50 associated company
Energotel, a. s. Bratislava	Operation of public landline telecommunication network and provision of data services	20.00 Joint ventures
Bioplyn Rozhanovce, s.r.o.	Electricity production from biomass	34.00 Joint ventures VSE Ekoenergia

5 MILESTONES OF 2023

Year 2023 represented the turning point for Východoslovenská energetika Holding a.s. (VSE Holding), and for the whole VSE Holding Group. In April the integration project of VSE Holding Group and ZSE Group began. On 23 November 2023, the transfer and investment of shares of VSE Holding to the equity of Západoslovenská energetika, a.s. entered into force and ZSE became the only shareholder of VSE Holding. Subsequently, on 24 November 2023, the transfer and investment of shares of Východoslovenská energetika a.s. (VSE) and Východoslovenská distribučná, a.s. entered into force and ZSE became the only shareholder of these companies. VSE Holding Group ceased to exist in the way, we used to know it. The new ZSE Group was created, and its ambition is to become even stronger company at the Slovak energy market for its customers, as well as its employees.

At the beginning of 2023, Profesia portal announced the results of The Most Attractive Employer 2022 survey. VSE Holding took the 5th place in the category Production and Industry. The voters appreciated mostly the working teams, good reputation of the company, certainty, and tradition of the company, as well as good salary and benefits.

Whole 2023 was in the sign of diversity and inclusion. Our company was actively included in 15th year of Roma Spirit award and opened the cooperation with the Association for Culture, Education and Communication (ACEC).

In 2023, we published the first Sustainability report of VSE Holding for 2022. The report published the non-financial information related to the environmental, social and governance issues (ESG). Its aim was to transparently inform the interested parties on the influence of our business to the climate, environment, employees, community, suppliers, and society. I also confirmed our approach to the sustainability and its importance for the activities of VSE Holding. Other information was published also at www.vseholding.sk, in the Sustainability segment.

6 EMPLOYEES

In 2023, we performed the detailed research within the Human Resources management and analyzed the wide range of different topics.

We supported the diversity during the Diversity days, using the virtual reality, where our employees could see the world from the perspective of the disabled people. This experience helps us to actively build safe and respecting workplace, and focus on the accepting of people, without regard to their individual differences.

VSE Holding actively participated on important Job Fairs Profesia Days 2023 and Kariéra, where we introduced ourselves as a modern company interested not only in its current or future employees, but also in the business sustainability. We also attended the traditional Job Fair at the Technical University in Košice, which is organized by the student organization IAESTE. There, we presented mostly our development programs Trainee and Practice, which help us to build the succession in the pillar professions within the field of the electrical engineering for many years.

This year we also opened the cooperation with the Central Office of Labor, Social Affairs and Family (ÚPSVaR). We attended several interviews for different work positions, we could not miss the Job Fair organized by ÚPSVaR. After the evaluation of the pilot year of work from home, also known as New normal, we decided to continue until the end of 2025, based on the positive feedback of employees. We also extended the work from home by the option to work from the EU countries, following the specific conditions, and increased the maximum share of the work from home to 80% of the monthly working time of employee. It is up to each manager to take into consideration the requirements of employees to the use of the regular work from home benefit, so it motivates employees and does not affect the performance of the team negatively.

At the end of the year, we started the campaign named "Recommend a good colleague - Colleague harvest". The aim of the campaign is to inform employees on new, or easier options on how to recommend candidates, future colleagues. By the new options, we try to motivate our employees to share the advertisements and find contacts for the people interested in the free working positions.

In 2023, we continued to strive for the provision of the quality workforce for the next period and support young students via dual education, which prepares students for the work according to the specific needs and requirements directly at the workplace. Students recognize our work environment and develop working habits necessary for the successful start after school, without the need of the further training. The aim is to educate young talents for the positions of system administrator and other.

In 2023, we started to cooperate with Nexteria, non-profit organization focused on the formation of the new generation of leaders on Slovakia via education. Within this partnership, university students will cooperate with our current participants of the seventh launch of the Talent program. They will work together under our supervision and leadership on the internal project focused on the improvement of the webpages. This step supports our social responsibility towards future generations and supports the education of the young people in the region.

In 2023, we recorded many legislation changes, mostly in meals and taxation of the benefits. We informed our employees transparently on these changes and we implemented them operatively to all the internal processes and systems, so it was done easily and within the defined dates.

As of 31 December 2023, VSE Holding employed 293 employees, which represented the continuous decrease of employees in comparison to 2022. The withdrawal rate during 2023 reached 11,1%. The voluntary fluctuation during 2023 reached approx. 3,7%.

Overview of basic data:

Headcount structure	UoM	**2023**	**2022**
Number of men as of 31 Dec.	*number*	*108*	*109*
Number of women as of 31 Dec.	*number*	*185*	*189*
Total as of 31 Dec. (without the personal union)	number	293	298
Total as of 31 Dec. (incl. Personal union)	number	301	307
Average headcount	number	297	297
Voluntary staff turnover	%	3.7	4.0
Total staff turnover	%	11.1	12.1
Average employee age	year	45.8	45.3
Average years worked within the company	year	13.8	13.9

7 SOCIAL RESPONSIBILITY

The value of the modern company is not evaluated only according to the volume of profit, but also according to the number of positive and useful things it can do for its community. As one of the biggest companies on the Eastern Slovakia, we see our place and the task to be an example. The thing is, that VSE Holding represents all the companies that belong to the VSE Holding Group (as we knew it until 23 November 2023) in the social responsibility.

We monitor impact of our activities on the society, and we encourage our employees and communities to take part on these topics. We do activities aiming to the better social, economic, and environmental level. In 2022 already, we started to implement the ESG criteria (Environmental, Social and Governance), which evaluate the business sustainability in this area. This year we published our progress and performance in the first individual Sustainability Report of the VSE Holding Group for 2022. Different local and international associations help us with these efforts. Since 2004, we are part of the informal association of companies named Business Leaders Forum, and since 2007 we are also the signatory to the Diversity Charter Slovakia.

Economic level of corporate social responsibility

We recognize our task in the society and responsibilities arising from this aim, thus we undertook to certain principles. These are defined in the Code of Conduct and form the frame for our entrepreneur, as well as social performance. Since 2014 we are part of the Slovak Compliance Circle and since 2009 there is Ombudsman system for the provision of the fraud prevention.

Code of Conduct defines principles for our everyday performance and helps to understand the company culture and the way of our work. It was prepared in compliance with the strategic global initiative for the companies UN Global Jobs Pact and its ten generally respected principles in the area of the human rights, work, environment and the fight against corruption.

<u>Transparent supplier - customer relationships</u>

We emphasize quality and transparency not only when we choose our suppliers, but we also require our suppliers to provide high quality products, works and services, reliability of their supply, compliance with the Code of Conduct, as well as receivables against its subcontractors, insurance, or tax authorities, to be paid on time.

<u>Open and regular communication</u>

In the Group, we pay attention to safety, health, energy efficiency and sustainability of products. We communicate these topics with our customers on a regular basis and bring them solutions that are beyond their current needs and expectations. The level of satisfaction with products and services is determined via surveys and during regular operation. The Group will continue in collecting and analyzing customer opinions so that the customers themselves become part of the dynamic introduction of improvement measures.

New technologies also require some new habits in communication. We continue to use the electronic communication, online customer zone or artificial intelligence in the form of chatbot and voice bot for the effective communication with customers.

Social level of social responsibility

We apply principles of social responsibility towards our employees too. This concerns not only education, career advancement and remuneration, but also such topics as balancing one´s personal and professional life, human rights, equal opportunities, health, and safety. One of the activities developing the soft skills is Talent Management Program, which helps our employees with their progress. The important part is also ESG workshop, so the participants also consider the context of the sustainability. The question of diversity and inclusion was taken into consideration in 2023 for the 11th time. Thanks to the idea, that we can create respecting and safe space for all, regardless of the sex, age, work position, ethnicity, and other differences, we can be the diverse but compact company. We are part of the Companies Coalition for the mental health. We want to do everything we can for our employees to have the access to the necessary information and tools for the care of their mental health. We want to improve the workplace and do meaningful activities that will cancel the taboo of these topics. We do not forget our employees celebrating important anniversaries. At the ceremonial evening we thanked them for their loyalty and energy, they put into the company during impressive 20, 30, 40 and more years.

Community and Social programs

Philanthropy and voluntary work are our most important activities supporting the community development. Since 2021, VSE Foundation represents us actively in this area. Besides the transparent division of financial support via grant programs, we directly supported projects with long-term partner organizations. We also supported sport or cultural events and different subjects focused on education, health, or environment. At the same time, we supported charity events, volunteering, and engagement of our employees.

VSE Foundation

In 2023, VSE Foundation supported projects in the education, sport, culture and environment, or social area within the grant calls with almost EUR 310,000. At the same time, it supported long-term partnership with Society of Friends of children from children´s homes Smile as a Gift - Úsmev ako dar organization and reacted to the needs of different communities. In 2023 it also supported 9 technical high schools with the aim to implement innovations for students with almost EUR 25,000. Civic associations and non-profit organizations applied for the financial support during the whole year. The Association for Youth, Science and Technology attracted our attention. The Association co-organized the Science and Technology Festival AMAVET 2023 for the support of young talented scientists for the 6th time. The best ones advance to the world scientific competitions. Two students achieved 3rd place for their project in Brussels. We also supported this project in the Foundation within the grant program For healthy and clean region. Traditionally, we contributed to the raking of fields Kopanecké lúky financially, as well as with the voluntary work. These fields are the unique for its flora rich for different species. We supported daily children dance camps for the health movement of children during vacation. Besides of individual requirements, we also announced 3 grant programs in 2023: Companius - Helping together, Support of young innovations: digitization, For healthy and clean region in amount of more than EUR 190,000.

Help to the people affected by the earthquake.

In 2023, the small village Ďapalovce, with 148 houses, was hit by an earthquake. We helped to the people, whose houses were damaged the most, to deal with the impacts of the earthquake. We also contributed for the help with the impacts of the destroying earthquakes in Turkey and Syria.

Unique combination of charity, sport, and social events

Besides the sport, entertainment, or cultural level, we also supported and actively participated several charity or voluntary events. It was traditional and long-term events as VSE City Run, run for children with the oncology disease. We contributed with EUR 35,000 for the organization of this charity event, and together with the participants, we collected EUR 9,797 for the Society of Children Oncology in Košice. There was also new sport event Charity Volleys Cup. The starting fee in amount of EUR 2,000 was donated for the creation of the Food Bank in Košice. For more than 15 years, we record children audio books in the Matej Hrebenda Slovak Library for the Blind in Levoča. Another initiative is the donation of the most valuable fluid - human blood, or Christmas angel cabbage soup. The natural thing is the participation in the activities of the Volunteering week and the worldwide event Let´s clean Slovakia. At the end of 2023, within the Christmas volunteering activities, we were able to collect almost EUR 3,500 for the helping civic associations and non-profit organizations.

Environmental level of social responsibility

We consider activities focused on the permanently sustainable development to be the natural part of our business. We think that it is the obligation of each one of us to keep the country and the environment, where we work, in a good state for the future generations. Therefore: we decrease the negative impact of our activities to the environment; we engage our employees and positively affect the community; we know that the permanently sustainable activities are also required from our customers, thus we offer energy efficient and sustainable smart solutions.

Within the internal Green initiative project running from 2020, we organized so-called Green April for our employees (i.e. month full of green calls continuously followed by the employees, what supports to the decrease of the carbon footprint). Another campaign supporting the decrease of the carbon footprint is called Bike to work. We decided to contribute to the decrease the air pollution at least partially by project called: “Decarbonization of the Slovak Economy 2023” Conference. In connection to the “Green energy” service by VSE, we supported planting projects within the partnership with Ekopolis Foundation and Sosna and Príbeh včely (Story of the bee) associations.

8 ECONOMY

The selected key indicators are based on separate financial statements of VSE Holding a.s. elaborated according to International Financial Reporting Standards (IFRS) valid in the European Union.

The main line of business of the company is the provision of services (mostly based on so-called SLAs) to its subsidiaries and third parties.

Profit for the year 2023 compared to 2022 increased by EUR 216.7 mil to EUR 258.6 mil.; Year-on-year increase reflects mostly the profit from the sale of subsidiaries:

mil. EUR	2023	2022
Revenues from the contracts with customers and other operating revenues	20.7	20.9
Dividend income	28.9	38.9
Gain on sale of subsidiaries	230.0	-
Financial revenues	2.6	0.3
Total revenues	**282.2**	**60.1**
Material	-0.6	-0.7
Services	-4.8	-4.5
Wage costs	-12.6	-11.0
Depreciation	-1.8	-1.7
Other costs	-0.2	-0.2
Financial costs	-3.6	-0.3
Total costs (without income tax)	**-23.6**	**-18.4**
Income tax	0.0	0.2
Profit for the year	**258.6**	**41.9**

As of 31 December 2023, balance of financial means and financial equivalents reached EUR 1.0 million.

Equity of the company increased year-on-year by EUR 237.3 mil. (43.7%) because of the increase of profit from the regular period. As of 31 December 2023, the share of equity in total liabilities was in the amount of 82.8%.

As of 31 December 2023, the Company does not have any long-term loans. The short-term loans are in amount of EUR 79.6 million.

The company used cash pooling in order to manage cash flow and liquidity more efficiently within the VSE Holding Group (mother company VSE Holding and its subsidiaries).

The lower investments in the subsidiary companies, affiliated companies and joint ventures, or the increase in receivables and equity related to the transaction of the subsidiary companies Východoslovenská energetika and Východoslovenská distribučná to ZSE.

mil. EUR	**2023**	**2022**
Tangible fixed assets	5.1	5.1
Facility investments	3.0	3.1
Intangible fixed assets	2.3	2.4
Receivables	927.2	37.4
Right-of-use assets	1.3	0.7
Investments in the subsidiaries, associates and joint ventures	1.5	632.6
Cash and cash equivalents	1.0	1.2
Other	0.4	0.4
Total assets	**941.8**	**682.9**
Equity	780.1	542.8
Trade and other liabilities	3.3	3.2
Borrowings and lease liabilities	80.9	128.6
Reserves	1.5	1.3
Cash pooling liabilities	75.0	5.6
Other liabilities	1.0	1.4
Equity and liabilities total	**941.8**	**682.9**

9 COSTS FOR ACTIVITIES IN THE AREA OF RESEARCH AND DEVELOPMENT

In 2023, VSE Holding did not have any costs for activities in research and development.

10 ACQUIRING OWN SHARES, TEMPORARY STOCK CERTIFICATES, SHAREHOLDING AND SHARES

In 2023, VSE Holding did not acquire any of its own shares or temporary stock certificates.

11 FOREIGN ORGANIZATIONAL UNITS OF THE ACCOUNTING ENTITY

VSE Holding does not have any organizational units abroad.

12 INFORMATION OF SPECIAL IMPORTANCE EVENTS WHICH OCCURRED AFTER THE TERMINATION OF THE ACCOUNTING PERIOD FOR WHICH THE ANNUAL REPORT IS ELABORATED

After 31 December 2023 until the day of the issuing of the financial statements of VSE Holding, there were personal changes within the statutory body of the company: Mgr. Ing. Juraj Bayer, PhD. terminated his work on the position of the member of the Board of Directors, as of 31 December 2023. With effect from 1 January 2024, Ing. Jana Palková was elected for the new member of the Board of Directors.

13 INFORMATION ON SIGNIFICANT RISKS AND INSECURITIES THE ACCOUNTING ENTITY IS FACING

The company management is currently not aware of any risks that would significantly influence the company economic result in the future.

14 SPECIAL REGULATIONS

The proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities and related information in accordance with the EP and Council Regulation (EU) 2020/852 of 18 June 2020 establishing a framework for the facilitation of sustainable investments and related delegated acts ("EU Taxonomy") as well as non-financial information on the development, actions, position and impact of the activity of the accounting unit on the environmental, social and employment areas, information on the observance of human rights and information on the fight against corruption and bribery was published by the company Západoslovenská energetika, a.s. (the highest parent company from November 23, 2023) or the company E.ON SE (the ultimate parent company until November 22, 2023) for the entire group "ZSE" or the "E.ON" group in its Sustainability report for the year 2023. These data also include information regarding Východoslovenská energetika Holding a.s. The 2023 Sustainability Report is available on the following websites:

https://www.eon.com/en/investor-relations/financial-publications/annual-report.html
https://www.skupinazse.sk/Uvod/Spolocnost/Vyrocne-spravy

15 INFORMATION ON THE 2023 PROFIT DISTRIBUTION

The Board of Directors submits the proposal for the payment of dividends in terms of the rules agreed in the Shareholders Agreement to the General Meeting.

16 BUSINESS OUTLOOK 2024

Year 2023 brought change of the shareholders and the transformation of the VSE Holding Group. Despite to this fact, the aim of the Company for 2024 remains unchanged. It is the provision of quality and reliable services mostly in finances, human resources, technical and administrative support and information technologies for companies of the new ZSE Group, mostly for those operating, or having the registered office on the Eastern Slovakia, but subsequently also for the rest of the ZSE Group. While providing such services, the Company will consider the changing market and regulation environment, where different companies of the new ZSE Group operate.

The way, scope, and key parameters of the provision of relevant services are defined in the contracts for provision of services towards the companies within the ZSE Group, as well as towards third parties.