Východoslovenská energetika 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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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 a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Východoslovenská energetika 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 to the financial statements, 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.

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
License UDVA No. 1061

Bratislava, 28 March 2024

Východoslovenská energetika 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 a.s.

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

Mgr. Ing. Juraj Bayer, PhD.
Chairman of the Board of Directors

Ing. Ľudovít Šipoš
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 a.s.

in EUR thousand	Note	As at 31 December 2023	Restated 2022*
ASSETS			
Non-current assets			
Intangible assets	7	94,043	97,581
Property, plant and equipment	5	1,900	1,937
Right-of-use assets	6	1,169	1,376
Investments in subsidiaries	8	1,900	1,900
Financial investments at fair value through other comprehensive income	9	177	177
Loans to subsidiaries	3.1	-	1
Trade and other receivables	3.1	3,548	3,801
		102,737	**106,773**
Current assets			
Inventories	11	12,014	1,181
Derivative financial instruments	3.5, 3.7, 9	928	-
Financial assets at fair value through profit or loss	3.5, 3.7, 9	112	66,315
Trade and other receivables	3.1	94,585	125,391
Receivable from cash-pooling	2.12	74,867	5,236
Income tax receivable		-	1,221
Cash and cash equivalents	12	5,927	6,192
Other non-financial assets	10	3,924	2,916
		192,357	**208,452**
Total assets		**295,094**	**315,225**
EQUITY			
Share capital	13	58,751	58,751
Legal reserve fund	13	11,808	11,808
Fair value reserve	13	(145)	(145)
Retained earnings	13	31,176	27,259
Total equity		**101,590**	**97,673**
LIABILITIES			
Non-current liabilities			
Lease liabilities	6	860	1,075
Deferred income tax liabilities	17	5,668	6,438
Employee benefit obligations	19	693	556
		7,221	**8,069**
Current liabilities			
Trade and other payables	14	121,279	132,396
Contract liabilities	15	48,092	35,122
Lease liabilities	6	313	301
Derivative financial instruments	3.5, 3.7, 9	-	15,867
Financial liabilities at fair value through profit or loss	3.5, 3.7, 9	808	22,104
Employee benefit obligations	19	25	46
Bank overdraft		6	7
Income tax payable		2,351	-
Provisions	18	436	382
Other non-financial liabilities	16	12,973	3,258
		186,283	**209,483**
Total liabilities		**193,504**	**217,552**
Total equity and liabilities		**295,094**	**315,225**

*Comparative balances are re-stated to disclose the correction of error (Note 2.1 and 17).

in EUR thousand	Note	2023	Restated 2022*
Revenue from contracts with customers	20	891,202	910,598
Purchases of electricity, gas and distribution costs	21	(1,048,775)	(874,070)
Material consumption	21	(2,366)	(1,750)
Employee benefit expense	21	(10,688)	(9,560)
Services	21	(20,246)	(13,767)
Depreciation and amortization expense	5, 6, 7, 21	(6,315)	(5,430)
Net impairment losses on financial assets	3.1	(12,696)	(6,806)
Net gain (loss) on sale of property, plant and equipment		(11)	(11)
Government compensation	21	213,854	-
Other operating expenses	21	(1,155)	8,258
Other operating income	21	2,293	2,094
Profit (loss) from operations		**5,097**	**9,556**
Finance income (expense)			
Gains less losses from derivative transactions & from commodity contracts designated FVTPL	22	116	(4,813)
Interest income	22	303	302
Interest expense	22	(233)	(79)
Finance income - net		**186**	**(4,590)**
Profit (loss) before income tax		**5,283**	**4,966**
Income tax expense	23	(1,254)	(342)
Profit (loss) for the year		**4,029**	**4,624**
Other comprehensive income – items that will not be to profit or loss	19	(112)	92
Other comprehensive income for the period, net of tax		**(112)**	**92**
Total comprehensive income (expense) for the year		**3,917**	**4,716**

*Comparative balances are re-stated to disclose the correction of error (Note 2.1 and 17).

in EUR thousand	Share capital	Legal reserve fund	Retained earnings	Fair value reserve	Total equity
Balance as at 1 January 2022	**58,751**	**11,808**	**(12,482)**	**(145)**	**57,932**
Dividends paid	-	-	-	-	-
Total transactions with owners, recognized directly in equity	**-**	**-**	**-**	**-**	**-**
Profit for the year - restated	-	-	4,624	-	4,624
Other comprehensive income for the year	-	-	92	-	92
Total comprehensive income for the year - restated	**-**	**-**	**4,716**	**-**	**4,716**
Other (merger of iSK into VSE)	-	-	35,025	-	35,025
Balance at 31 December 2022	**58,751**	**11,808**	**27,259**	**(145)**	**97,673**
Balance as at 1 January 2023	**58,751**	**11,808**	**27,259**	**(145)**	**97,673**
Dividends paid	-	-	-	-	-
Total transactions with owners, recognized directly in equity	**-**	**-**	**-**	**-**	**-**
Profit for the year	-	-	4,029	-	4,029
Other comprehensive income for the year	-	-	(112)	-	(112)
Total comprehensive income for the year	**-**	**-**	**3,917**	**-**	**3,917**
Other	-	-	-	-	-
Balance at 31 December 2023	**58,751**	**11,808**	**31,176**	**(145)**	**101,590**

		Year ended 31 December	
in EUR thousand	**Note**	**2023**	**2022**
Cash flows from operating activities			
Cash generated from operations	24	71,155	21,008
Interest received	22	304	301
Interest paid from lease liability	6	(5)	(5)
Interest paid except for interest paid from lease liability	22	(228)	(74)
Cash received from merger		-	833
Payments for short-term and low-value leases		(806)	(808)
Income tax (-) paid / (+) received		1,549	(1,063)
Net cash from operating activities		**71,969**	**20,192**
Cash flows from investing activities			
Cash from cash pooling	2.12	(69,631)	(13,815)
Acquisition of subsidiary and other investments	1	-	(372)
Sale of subsidiary		150	-
Purchase of property plant and equipment (“PPE”) and intangible assets	5, 7	(2,429)	(2,451)
Net cash used in investing activities		**(71,910)**	**(16,638)**
Cash flows from financing activities			
Drawings of borrowings		(1)	3
Principal elements of lease payments	6	(323)	(303)
Dividends paid		-	-
Net cash used in financing activities		**(324)**	**(300)**
Net increase/ (decrease) in cash, cash equivalents and bank overdrafts		**(265)**	**3,254**
Cash, cash equivalents at beginning of year	12	**6,192**	**2,938**
Cash, cash equivalents at end of year	12	**5,927**	**6,192**

1. General information

Východoslovenská energetika a.s. (hereinafter 'the Company') is 100 % subsidiary of Západoslovenská energetika, a.s. (hereinafter „ZSE").

The Company was established on 24 September 2008 and incorporated in the Commercial Register on 28 November 2008 (Commercial Register of the City Court Košice, Section Sa, file No. 1628/V).

Principal activity

The main business activity of the Company is supply of electricity and gas to business and household customers.

The Company also provides non-commodity products and services offerings to its customers as follows:

- services related to energy management and health and safety,
- solutions to business customers cover tailored solutions and solutions for plants heating, cooling, lighting, thermal insulation of buildings and an e-mobility package.
- rental of cost and energy saving LED bulbs, shower heads
- rental of smart electric water heaters,
- customer loyalty programs with year-round discounts in shops and additional services related to home care.

Besides that, the Company also has revenues within the group ZSE as follows:

- Sales, marketing and sales support services for innogy Slovensko s. r. o. (merged with the Company as of 1 July 2022)
- Electricity procurement and sales to Východoslovenská distribučná, a.s.

Ownership structure

By the decision of the General Assembly of the Company from 1 April 2014, the legal form of the Company was changed from private limited liability to joint stock company. The registration of the company Východoslovenská energetika a.s. into the commercial register of the District Court Košice I, was performed on 1 July 2014 in the section Sa, file No. 1628/V.

On April 8, 2022, the shareholders of 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"), the Agreement on the Future consolidation, on the basis of which the contracting parties intend to consolidate the companies ZSE and Východoslovenská energetika Holding a.s. (hereinafter „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).

On November 23, 2023 the transfer and deposit of VSE H shares into the share capital of ZSE became effective, and thus ZSE became the sole shareholder of VSE H.

General Assembly of the Company dated September 19, 2023 approved the transfer and deposit of shares of the company Východoslovenská energetika a.s. to the company Západoslovenská energetika, a.s. (ZSE). This transfer and deposit of shares took effect on November 24, 2023, and from that date the sole shareholder of the Company is ZSE.

The Company's shareholder structure as at 31 December 2023 was as follows:

	Interest in share capital in EUR thousand	%
Západoslovenská energetika, a.s.	58,751	100
Total	**58,751**	**100**

The Company's shareholder structure as at 31 December 2022 was as follows:

	Interest in share capital in EUR thousand	%
Východoslovenská energetika Holding a.s.	58,751	100
Total	**58,751**	**100**

Number of employees

The Company employed 256 staff on average during 2023 (2022: 258).

As at 31 December 2023, the company employed 252 employees (as at 31 December 2022: 261 employees)

Members of the statutory bodies of the Company

Board of Directors:	Changes in 2023 and status as at 31 December 2023	Changes in 2022 and status as at 31 December 2022
Chairman	Mgr. Ing. Juraj Bayer, PhD.	Mgr. Ing. Juraj Bayer, PhD. (from 1.2.2022) Mgr. Miroslav Kulla (until 31.1.2022)
Vice Chairman	Ing. Lukáš Štefanik, FCCA	Ing. Lukáš Štefanik, FCCA
Members	Ing. Juraj Schmiedl, PhD. JUDr. Radoslava Šotterová (until 31.12.2023) Ing. Ján Kudlovský (until 31.12.2023)	Ing. Juraj Schmiedl, PhD. JUDr. Radoslava Šotterová Mgr. Ing. Juraj Bayer, PhD. (until 31.1.2022) Ing. Ján Kudlovský (from 1.2.2022)

Supervisory Board:	Changes in 2023 and status as at 31 December 2023	Changes in 2022 and status as at 31 December 2022
Chairman	Ing., Bc. Juraj Lenhardt, MBA, M.A.	Ing., Bc. Juraj Lenhardt, MBA, M.A.
Vice Chairman	Ing. Alena Rozsypalová (until 31.12.2023)	Ing. Alena Rozsypalová
Members	Ing. Peter Revický Ing. Daniel Bito Jozef Kanuščák Mgr. Ľudmila Smreková Ján Vengrín, MBA Ing. Konštantín Hudák Ing. Jakub Bujňák	Ing. Peter Revický Ing. Ivan Petrík (until 15.9.2022) Ing. Daniel Bito Jozef Kanuščák Mgr. Ľudmila Smreková JUDr. Marek Šedovič (until 15.6.2022) Ján Vengrín, MBA Ing. Konštantín Hudák (from 16.6.2022) Ing. Jakub Bujňák (from 16.9.2022)

Registered address of the Company

Mlynská 31
042 91 Košice
Slovak Republic

Company number: 44 483 767
VAT number: SK2022730457

The Company does not have any unlimited liability in other accounting entities.

The financial statements for the period ended 31 December 2022 have been approved by the General Meeting held on 23 May 2023.

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.

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 stated otherwise.

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 as adopted by the European Union (hereinafter "IFRS").

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 ZSE 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 the critical assumptions and estimates which have an influence on recognized amounts of assets and liabilities in the SOFP and on expenses and income 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:

- financial assets at fair value through profit or loss designated as such upon initial recognition,
- financial assets at fair value through other comprehensive income,
- derivative financial instruments, and
- financial liabilities at fair value through profit or loss designated as such upon initial recognition.

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 shareholder to amend the financial statements after their approval by the General Shareholder 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.

Correction of error

In the reporting period ended 31 December 2022, the Company entered into a transaction where a portion of commodity swaps (originally to be realized in 2023) was terminated. Termination amount was calculated as of date of termination and booked as cost under IFRS.

From the tax perspective, the cost was recognized in the period ended 31 December 2023. A deferred tax asset should have been therefore recognized in the period ended 31 December 2022.

The result of the error was overstated balance of deferred tax liability and tax expense in the period ended 31 December 2022. The Company corrected the error in current reporting period performing the restatement of prior year balances in the Statement of Financial Position and in the Statement of Profit or Loss and Other Comprehensive Income.

The following tables illustrate the effect of the correction of error on the financial statements of the Company:

Statement of Financial Position as at 31 December 2022

	Effect of Correction of Error		
in EUR thousand	**Originally presented**	**Restatement**	**Restated**
ASSETS			
Non-current assets	**106,773**	**-**	**106,773**
Current assets	**208,452**	**-**	**208,452**
Total assets	**315,225**	**-**	**315,225**
EQUITY			
Share capital	58,751	-	58,751
Legal reserve fund	11,808	-	11,808
Fair value reserve	(145)	-	(145)
Retained earnings	20,680	6,579	27,259
Total equity	**91,094**	**6,579**	**97,673**
LIABILITIES			
Lease liabilities	1,075	-	1,075
Deferred income tax liabilities	13,017	(6,579)	6,438
Employee benefit obligations	556	-	556
Non-current liabilities	**14,648**	**(6,579)**	**8,069**
Current liabilities	**209,483**	**-**	**209,483**
Total liabilities	**224,131**	**(6,579)**	**217,552**
Total equity and liabilities	**315,225**	**-**	**315,225**

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022

		Effect of Correction of Error	
in EUR thousand	**Originally presented**	**Restatement**	**Restated**
Profit before income tax	**4,966**	**-**	**4,966**
Income tax expense	(6,921)	6,579	(342)
Profit for the year	**(1,955)**	**6,579**	**4,624**
Other comprehensive income not subsequently reclassified through profit or loss			
Re-measurements of post-employment benefit obligation	92	-	92
Total comprehensive income for the year	**(1,863)**	**-**	**4,716**

a) ***New or amended Standards and Interpretations, 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. 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 Insurance Contracts (Effective for annual reporting periods beginning on or after 1 January 2023). 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: Definition of Accounting Estimates (Effective for annual periods beginning on or after 1 January 2023.) 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.) 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 occure 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 on its financial statements, however, does not expect any material impact on the Company.

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

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

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

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

2.2. Subsidiaries

The Company applies acquisition method of accounting as set out in IFRS 3 as accounting policy for business combinations under common control (relevant for contribution in kind described in Note 1).

The Company applies the method of predecessor values in case of business combinations of companies under common control, with no economic essence, purpose of which is an internal reorganization of the Group.

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 separate financial statements according to IAS 27. Impairment losses are recognized using respective allowance accounts.

2.3. Financial investments with changes in fair value recognized through other comprehensive income (FVOCI)

Investment in shares and interests are classified as financial assets at fair value through other comprehensive income and comprise of equity securities that are not held for trading, and the Group has decided to irrevocably classify them in this category.

Investments in shares and interests are recognized at fair value. Dividends from the investments in shares and interests are recognized in profit or loss for the year as other financial income, when the Company has the right to receive payment, and it is likely that dividends will be received.

2.4. 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.

2.5. Property, plant and equipment

Property, plant and equipment is 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 capitalization commenced on 1 January 2009 or after. The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying assets, (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 the property, plant and equipment 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. It is depreciated using the straight-line method. Monthly depreciation charge is stated as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment. The residual value of an asset is the 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 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:

Machinery and equipment	
Devices leased to households	2-10 years
Other non-current tangible assets at cost not exceeding EUR 1,700	1 year

Most significant items of property, plant and equipment are household devices that are rented to household customers. See Note 2.21 for accounting policies related to revenue derived from such customer arrangements.

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 to its significant components and depreciates separately each such component.

Land and assets under construction are not depreciated.

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

2.6. Intangible assets

Goodwill

Goodwill was recognised in the financial statements of the Company as a result of merger of sister company iSK on 1 July 2022.

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

Customer portfolio

Intangible assets are valued at cost less accumulated amortization and accumulated impairment losses.

The Company has recognized intangible assets related to three customer portfolios:

1. Customer portfolio recognized at fair value at the date of contribution-in-kind of the sales division of VSE H to the Company on 1 July 2014. It is amortised on a straight-line basis based on the timing of projected cash flows of the transferred contracts considering expected churn rates. Initially recognized fair value of the customer portfolio was EUR 67,050 thousand. Subsequently it is amortized on a straight-line basis over the estimated expected average customer contract duration period. The carrying amount of the portfolio as of 31 December 2023 is EUR 41,527 thousand (31 December 2022: EUR 44,254 thousand). The portfolio consists of electricity customers.
2. The ČEZ households' acquisition customer portfolio was recognized at cost at the date of acquisition of ČEZ customer portfolio which is 1 December 2017. It is subsequently amortised over the estimated expected average customer contract duration period. The carrying amount of the portfolio as of 31 December 2023 is EUR 6,049 thousand (31 December 2022: EUR 6,370 thousand). The portfolio consists of household electricity and gas customers.

3. Customer portfolio recognized at predecessor value at the date of merger of iSK to the Company on 1 July 2022. The portfolio was previously recognized in consolidated financial statements of VSE H, measured at acquisition-date fair value and amortised using straight line method over estimated useful file. Initially recognized fair value as of 1 September 2015 was EUR 40,731 thousand. The company recognized the portfolio at EUR 29,598 thousand on 1 July 2022 and continues to amortize it using straight line method over estimated useful file. The carrying amount of the portfolio as of 31 December 2023 was EUR 27,156 thousand (31 December 2022: EUR 28,784 thousand).. The portfolio consists of gas customers.

Computer software and other intangible assets

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

Computer software and other intangible assets are stated at historical cost less accumulated amortization and less 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.
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:

Software and other intangible assets	2-9 years
Customers portfolio acquired	25 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 or CGUs). The Company concluded that it is one cash-generating unit. 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 in two measurement categories - i) financial assets subsequently measured at amortised cost and ii) financial assets measured at fair value through other comprehensive income.

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.

For accounting policies on derivative financial instruments and commodity contracts at fair value through profit or loss see Note 2.10.

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.

Financial assets are included in current assets, except for maturities greater than 12 months after the end of the reporting period that are classified as non-current assets.

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 or commodities delivered 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.

The Company recognizes current receivables that are generally due for settlement within 30 days and non-current receivables arising from the retail instalment sale and finance lease activities.

Solutions to business cover tailored solutions and solutions for plants lighting, thermal insulation of buildings and an e-mobility package. These solutions may be offered with special payment terms over 36 months hence includes financing component and its long-term part is classified as non-current. Nominal value of receivable is discounted to present value and difference is recognised as interest income. The impact of discounting is immaterial.

Impairment

The Company applies for trade receivables the simplified approach defined by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

The Company implemented a model for estimation of expected credit loss for trade receivables. A history of unpaid receivables was gathered, and a provision matrix was created based on customer segmentation and expected credit loss by segments according to history of defaulting receivables over a period of 24 months. IFRS 9 also requires applying forward looking information to estimate expected credit losses. 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 on financial assets”. Trade receivables that cannot be collected are written off against the allowance accounts for trade receivables and are recognized in the profit or loss also within “Net impairment losses on 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 on financial assets”.

2.9. Leases

Lease arrangements where the Company is a lessee

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 various administrative offices. Rental contracts are typically made for definite period of time. 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), less any lease incentives receivable
- 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 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.

In 2023 the Company used recent third-party financing received by the VSE H (former mother company) as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, to determine the incremental borrowing rate. The Company's incremental borrowing rate applied to the lease liabilities on 31 December 2023 was 3.39%.

In 2022 the Company used recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, to determine the incremental borrowing rate. The weighted average Company's incremental borrowing rate applied to the lease liabilities 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, 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.

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.

The Company assessed the following lease terms for contracts with indefinite rental periods:

ROU Asset	Lease term (in years)
Administrative premises	5-10
Boiler room	30-40

Payments associated with short-term leases of buildings 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's activities as a lessor mainly include the rental of non-commodity products to households. The accounting for these leases is described in detail in Note 2.21.

2.10. Financial liabilities

The Company classifies its financial liabilities according to IFRS 9 as other financial liabilities held at amortized cost (trade and other payables, borrowings), financial liability at fair value through profit or loss (commodity contracts designated at fair value through profit or loss upon initial recognition, derivative financial instruments) or 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 classification depends on the contractual provisions of the instrument and the intentions with which management entered into the contract. Management determines the classification of its financial liabilities at initial recognition.

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. For financial liabilities classified in ‘amortized cost’ category, The Company measures them at amortised cost, using the effective interest rate method.

A financial liability (or a part of a 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.

The Company uses derivative financial instruments. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value through profit or loss at the end of each reporting period. The derivatives used by the Company are not designated as a hedging instrument.

The Company uses gas commodity swaps as derivative financial instruments to manage the commodity price risk arising on certain commodity sale and purchase contracts, mainly to ensure that price structure of commodity purchases reflects the price structure of customer commodity contracts.

For commodity swap contracts which are not expired before the end of the reporting period, changes in the fair value are recognized in profit or loss at the end of the reporting period. Changes in fair value of unexpired underlying commodity contracts are also recognized in profit or loss at the end of each reporting period.

For partially or completely delivered commodity swap contracts and underlying commodity contracts, revenues and cost of sales are recognized based on market price of delivered or nominated commodity as of the date of delivery, with the difference between settlement amounts and market price as of the date of delivery or nomination being recognized within Net fair value gains / (losses) in profit or loss. The category within profit or loss depends on whether the fair value changes relate to commodity swap contracts (which is a derivative financial instrument by nature as is presented within Net fair value gains / (losses) from derivative financial instruments) or underlying commodity contracts (which are designated at fair value through profit or loss upon initial recognition and is presented within profit or loss accordingly).

2.11. Inventories

Inventories are stated at the lower of cost and net realizable value. Weighted average method is used for the measurement at the disposal of inventories. The cost of material includes purchase price and directly attributable acquisition costs. The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

2.12. Cash and cash equivalents, receivables from cash-pooling

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

As at 31 December 2023 the Company has recognised receivable from cash-pooling in the amount of EUR 74,867 thousand (31 December 2022: EUR 5,236 thousand). Receivables from cash-pooling are repayable on demand.

2.13. 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.

2.14. 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 latest 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.

2.15. 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 of the Company. Legal reserve fund can be used only for increase of share capital or cover the losses.

2.16. Current and deferred income tax

The current income tax charge is calculated based on 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 based on amounts expected to be paid to the tax authorities.

Current income tax also includes a special levy on profit from regulated activities at a rate of 4.356% p.a. for 2023 (2022: 4.356% p.a.). The basis for the special levy is calculated as follows: profit before tax * (income from regulated activities / total income). The special levy is a deductible expense for the purposes of applying the income tax payable.

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 income tax rates legislation related to special levy charges that have been enacted or substantially enacted by the end of the reporting period, and that are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.
A special levy on profit is applied to profit determined in accordance with Slovak accounting regulations, and therefore deferred tax in connection with a special levy arises only if there is a temporary difference between the values of assets and liabilities determined according to Slovak Accounting Standards and according to IFRS.

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 utilised.

The Company shall offset deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set them off and if they relate to income taxes to be paid to the same tax 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 SOFP 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 as at 31 December 2023 the Company is obliged, based on the number of years in service, to pay its employees on 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
more than 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**
from 5 to 20 years	623 EUR	623 EUR
over 20 years	670 EUR	670 EUR

The same or similar obligation had been included in the contracts with the Trade Unions since 1994. The Company has created expectations on the side of its employees that it will continue to provide the benefits, and according to the management's judgment that it is not realistic for the Company 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 SOFP 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 (formerly Actuarial gains and losses) arising from experience adjustments and changes in actuarial assumptions are recognized immediately in Other comprehensive income (OCI).

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.

A provision for onerous contract is recognized by the Company when the Company identifies a contract, in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. A contract can be onerous from its outset, or it can become onerous when circumstances change and expected costs increase or expected economic benefits decrease. The Company considers all costs that relate directly to the contract, when assessing if it is onerous - both the incremental costs and an allocation of other costs that relate directly to contract activities.

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 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. Government compensation

Grants and other similar contributions are recognised at their fair value where there is reasonable assurance that the grant or contribution will be received, and the Company will comply with all attached conditions. Grants and similar contributions relating to the purchase of property, plant and equipment are accounted as deferred income and subsequently recognised in other operating income on a straight line basis over the expected lives of the related assets. Grants relating to costs are deferred and recognised in other operating income over the period necessary to match them with the costs that they are intended to compensate. Grants relating to past costs are recognised in profit or loss when it is reasonably certain that the grant will be received.
At the end of the year 2022 the Government of Slovak Republic approved the new legislation in energy sector that established the “price cap” of energies provided to corporate and public sector. The Government reacted to the extremely high prices of energies on the market. From the beginning of year 2023, the energy sector companies are compensated the difference between the market price and “price cap” price of energies by the Ministry of Economy of Slovak Republic.

The amount of compensations earned by the Company was EUR 213,854 thousand in 2023.

2.21. Revenue from contracts with customers

The Company accounts for revenue from contracts with customers in accordance with IFRS 15 Revenue from Contracts with Customers. The standard provides a single, principles based five-step model to be applied to all contracts with customers:

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

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria are met for each of the Company’s activities as described below. Revenue comprises the fair value of the consideration received or receivable.

Revenues from supply and distribution of electricity and gas

General revenue recognition policies

The Company sells electricity and gas primarily to final users of commodities and recognizes revenues from such sales for both supply and distribution. Customer contracts combining supply and distribution of commodity are called integrated contracts.

The Company subcontracts electricity distribution companies (incl. sister companies VSD and ZSD) in Slovakia for delivering the distribution services.
The Company subcontracts one gas distribution company for delivering the distribution services in all regions of Slovakia.

Integrated customer contracts contain in general three promises – supply of commodity, distribution of commodity via the distribution system of the distribution company, and balancing services for the clients’ deviations from nominated amounts of the commodity. The Company has made judgment that distribution of commodity is not a separate performance obligation as the Company has contractual obligation to deliver commodity..

The supply and distribution of wholesale customers is measured and billed on monthly basis for both commodities.

The supply and distribution of electricity retail customers in households segment is measured and billed on annual basis for each of eleven billing cycles. Each customer is allocated to one of these eleven billing cycles. Annual metering of billing cycles is phased during the year, each month until January to November approximately one eleventh of the customers is measured. The Company uses type diagrams of delivery (TDD) for estimation of the monthly supply to the household segment between the date of last measurement and the end of the reporting period. Retail customers in household segment are billed on a monthly basis in the form of advance payments. The final bill is issued after measurement once a year.

The supply and distribution of gas retail customers in households segment is measured and billed on annual basis for each of twelve billing cycles. Each customer is allocated to one of these twelve billing cycles. Annual metering of billing cycles is phased throughout the whole year. The Company uses type diagrams of delivery (TDD) for estimation of the monthly supply to the household segment between the date of last measurement and the end of the reporting period. Retail customers in household segment are billed on a monthly basis in the form of advance payments. The final bill is issued after measurement once a year.

Using Intelligent Metering Systems (IMS) the majority of the supply and distribution of retail customers in electricity commodity, in the segment of small entrepreneurs, is measured and billed on the monthly basis.
Remaining part of this segment is measured and billed on annual basis from 1 January till 31 December. These customers pay monthly or quarterly prepayments during the year.

The energy supply has the character of contractual performance rendered over time and the Company recognises revenue in the moment of the commodity delivery, based on the measured or estimated volume and price for the unit and after the customer discounts.

Revenue from sale of electricity on the spot market is recognized when the contract is fulfilled.

Specific revenue recognition policies for B2C customers (households and small entrepreneurs) for commodities

Commodity contracts with B2C customers are mainly based on pricelists and have no minimum contract duration. Customers can choose different tariffs driven by energy consumption, number of electricity phases, smart meters presence and other factors. There is a legal option as per Slovak energy legislation to change the energy supplier in case of price changes, therefore any discount programmes for these customers do not impact revenue recognition as there is no minimum contract duration in case of price changes. Volume of such discounts has historically been not material.

Non-commodity products and services

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

Revenues within the group

Revenues from sales and sales support services provided for innogy Slovensko s. r. o. until 30 June 2022

Revenues were based on Service Level Agreement (‘SLA’) and were recognized at point of time. The Company provided sales, marketing and sales support services to the customers on behalf of innogy Slovensko s. r. o. Revenues were recognized over time.

Effective 1 July 2022, the Company become the legal successor of innogy Slovensko s. r. o.

Revenues from electricity purchase and sales to Východoslovenská distribučná, a.s.:

The Company recognizes revenue from services related to purchase of electricity to cover losses for VSD. The revenues are recognized over time.

2.22. Contract assets and contract liabilities

Contract asset is established in accordance with IFRS 15 in case the Company provides services or goods ahead of payment schedules of customer contracts or in case the related performance obligation is either not yet completely fulfilled or if the right to payment is conditional on a future event. The Company recognizes a loss allowance for contract assets following the adoption of IFRS 9.

The Company has analysed accounting for contract assets and concluded that there are no material contract assets to be recognized.

Contract liabilities in accordance with IFRS 15 are established in case the Company received payments from customers exceeding the services provided or commodities delivered to customers.

2.23. Contract costs

Incremental costs of obtaining a customer contract that the Company would not have incurred had the contract not been obtained, are capitalized and amortized during the estimated period in which the economic benefits from the contract will flow to the Company. The capitalized costs are regularly tested for impairment according to the standard IAS 36 and adjusted for the contracts cancelled and the contracts where the customer payments are delayed.

The Company has assessed that the incremental costs of obtaining the contract as immaterial.

2.24. Interest income

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

2.25. 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.

2.26. 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 recognized 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.

2.27. 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.

2.28. Transactions under common control

The Company applies acquisition accounting as set out in IFRS 3 as accounting policy for business combinations under common control. This is relevant for historical contribution-in-kind described in Note 1 when supply part of business was contributed from VSEH to the Company.

The Company applies the method of predecessor values in case of business combinations of companies under common control, with no economic essence, purpose of which is an internal reorganization of the Group.

On 27 May 2022, Východoslovenská energetika Holding a.s., as the sole shareholder of innogy Slovensko s. r. o. with its registered office in Hvizedoslavovo námestie 13, 811 02 Bratislava, Company No: 44 291 809 (hereinafter „iSK") and the Company, approved dissolution of iSK without liquidation as of 30 June 2022 in form of a merger with the Company as the successor company. The Company became the legal successor of iSK as of 1 July 2022. All rights and obligations of iSK were transferred to the Company.

The method of predecessor values was applied for the merger with iSK. The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of transaction:

in EUR thousand	
Property, plant and equipment	44,573
Inventories	1,203
Financial assets at fair value through profit or loss	62,650
Trade and other receivables	32,789
Income tax receivable	1,675
Cash and cash equivalents	833
Other non-financial assets	246
Total assets	**143,969**
Retained earnings	35,026
Deferred income tax liabilities	5,366
Trade and other payables	27,647
Contract liabilities	147
Financial liabilities at fair value through profit or loss	62,593
Liability from cash-pooling	10,779
Provisions	18
Other non-financial liabilities	2,393
Total equity & liabilities	**143,969**

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 is exposed to credit risk because of the possibility of failure of business partner and subsequent non-payment. The assessment of credit risk associated with customers of the Company is covered by internal directive ("CBO manual") on responsibility segregation for process of elaboration of price offer, conclusion of contracts, products development, spot market trading, and reporting.

The Company is exposed to credit risk due to financial guarantees. For information on guaranteed borrowings see Note 26. The risk was estimated to be not material.

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

- Trade and other receivables
- Receivables from cash-pooling
- Cash and cash equivalents.

Credit risk related to derivative financial instruments and commodity contracts designated at fair value through profit or loss upon initial recognition is reflected in fair values of these financial instruments recognized in the statement of financial position. Maximum exposure at the end of the reporting period is the carrying amount of these financial assets.

Trade and other receivables

Majority of trade and other receivables are with external customers. Key customers of the Company are final users of commodity.

The Company is applying a system of advance payments for small price-list customers (retail), thus significantly reducing credit risk for the period for which the customers offtake of commodity is not measured. Consumption of households are measured during the year in eleven cycles for electricity delivery and in twelve cycles for gas delivery. Consumption of small entrepreneurs is measured either during period from 1 January to 31 December or on monthly basis for gas customers (see Note 2.21 for more details). At the year-end, the advance payments billed to households are recognized within unbilled electricity balance in the SOFP. Respective individual net debit balance is presented in trade receivables and individual net credit balance is presented in contract liabilities.

Credit risk of customers is considered within the process of commenting and approving standard contracts and terms and conditions for customer segments as well as individual contracts for large customers.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The Company has analysed historical credit losses experienced over a period of 24 months before 31 December 2023 and 31 December 2022 respectively. The 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.

Fully impaired types of receivables mainly include receivables for imposed sanctions and reminder fees. Based on historical experience, the Company anticipates very low recoverability of these receivables. Therefore, it creates a provision for them in full.

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

		Overdue						
As at 31 December 2023	**Not yet due**	**0 to 1 months**	**1 to 2 months**	**2 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**	**Total**
Wholesale								
Expected credit loss percentage	3.10%	3.15%	3.59%	8.22%	20.89%	59.30%	100.00%	
Trade and other receivables	32,133	1,097	184	89	47	11,563	7,597	52,710
Expected credit loss	996	35	7	7	10	6,857	7,597	15,572
Recognized bad debt allowance	996	185	7	7	10	11,554	7,597	20,356
Retail – commercial								
Expected credit loss percentage	3.40%	5.82%	14.56%	25.80%	48.69%	83.02%	100.00%	
Trade and other receivables	15,821	764	26	8	34	12	10	16,673
Expected credit loss	538	44	4	2	17	10	10	623
Recognized bad debt allowance	538	44	4	2	17	10	10	623
Retail – households								
Expected credit loss percentage	5.42%	13.05%	19.16%	30.58%	51.18%	87.17%	100.00%	
Trade and other receivables	38,489	907	701	303	74	67	10	40,552
Expected credit loss	2,086	118	134	93	38	59	10	2,538
Recognized bad debt allowance	2,086	118	134	93	38	59	10	2,538
Receivables from OKTE								
Expected credit loss percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Trade and other receivables	3,692	0	0	0	0	0	0	3,692
Expected credit loss	0	0	0	0	0	0	0	0
Recognized bad debt allowance	0	0	0	0	0	0	0	0
Receivables within ZSE group								
Expected credit loss percentage	0.00%	0.00%	1.00%	1.40%	1.80%	2.20%	2.60%	
Trade and other receivables	8,019	0	0	0	0	0	0	8,019
Expected credit loss	0	0	0	0	0	0	0	0
Recognized bad debt allowance	0	0	0	0	0	0	0	0
Customers in bankruptcy								
Expected credit loss percentage	90.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Trade and other receivables	38	118	34	44	249	823	7,063	8,369
Expected credit loss	34	118	34	44	249	823	7,063	8,365
Recognized bad debt allowance	34	118	34	44	249	823	7,063	8,365
Receivables for imposed sanctions and reminder fees								
Expected credit loss percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Trade and other receivables	40	66	38	24	38	37	860	1,103
Expected credit loss	40	66	38	24	38	37	860	1,103
Recognized bad debt allowance	40	66	38	24	38	37	860	1,103

		Overdue						
As at 31 December 2022	**Not yet due**	**0 to 1 months**	**1 to 2 months**	**2 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**	**Total**
Wholesale								
Expected credit loss percentage	3.05%	3.07%	3.41%	4.79%	11.88%	49.66%	100.00%	
Trade and other receivables	79,223	7,879	1,584	34	243	346	195	89,504
Expected credit loss	2,417	242	54	2	29	172	195	3,111
Recognized bad debt allowance	2,417	4,028	997	2	29	172	195	7,840
Retail – commercial								
Expected credit loss percentage	3.50%	6.01%	12.57%	21.76%	46.51%	76.45%	100.00%	
Trade and other receivables	9,684	1,118	115	43	35	30	114	11,139
Expected credit loss	339	67	14	9	16	23	114	582
Recognized bad debt allowance	339	67	14	9	16	23	114	582
Retail – households								
Expected credit loss percentage	8.54%	23.20%	32.01%	48.38%	70.88%	90.15%	100.00%	
Trade and other receivables	31,475	908	593	177	101	74	11	33,337
Expected credit loss	2,687	211	190	86	71	67	11	3,320
Recognized bad debt allowance	2,687	211	190	86	71	67	11	3,320
Receivables from OKTE								
Expected credit loss percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Trade and other receivables	1,695	0	0	0	0	0	0	1,695
Expected credit loss	0	0	0	0	0	0	0	0
Recognized bad debt allowance	0	0	0	0	0	0	0	0
Receivables within VSE H group								
Expected credit loss percentage	0.00%	0.00%	1.00%	1.40%	1.80%	2.20%	2.60%	
Trade and other receivables	5,851	3	0	0	0	0	0	5,854
Expected credit loss	0	0	0	0	0	0	0	0
Recognized bad debt allowance	600	0	0	0	0	0	0	600
Customers in bankruptcy								
Expected credit loss percentage	90.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Trade and other receivables	92	315	75	48	193	706	7,837	9,266
Expected credit loss	83	315	75	48	193	706	7,837	9,266
Recognized bad debt allowance	83	315	75	48	193	706	7,837	9,266
Receivables for imposed sanctions and reminder fees								
Expected credit loss percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Trade and other receivables	46	62	32	18	44	105	1,291	1,596
Expected credit loss	46	62	32	18	44	105	1,291	1,596
Recognized bad debt allowance	46	62	32	18	44	105	1,291	1,596

Almost all of the balances representing customers in bankruptcy and related bad debt provision are significantly aged balances and therefore historical analysis performed by the Company for relevant period excluded this impact except for customers entered to bankruptcy during analysed period whose impact was reflected in relevant other categories.

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

in EUR thousand	As at 31 December 2023	2022
up to 90 days including	4,403	13,002
from 91 to 120 days including	243	616
from 121 to 150 days including	100	207
from 151 to 180 days including	99	140
from 181 to 360 days including	12,502	913
from 361 days and more	15,540	9,448
Total	**32,887**	**24,326**

Until 31 January 2024 Company collected EUR 40,278 thousand of trade receivables unpaid as at 31 December 2023 (31 January 2023: EUR 44,877 thousand of trade receivables unpaid as at 31 December 2022).

The movements of bad debt provisions are presented in the profit or loss on line “Net impairment losses on financial assets”. Movements are presented below:

in EUR thousand	2023	2022
Balance at 1 January	**23,194**	**13,843**
Creation of bad debt provision (Note 21)	12,697	6,441
Receivables written off during the year as uncollectible	(2,907)	(1,717)
Merger with iSK	-	4,627
Balance at 31 December	**32,984**	**23,194**

During the year, the following gains/losses were recognised in profit or loss in relation to impaired financial assets:

in EUR thousand	2023	2022
Movement of bad debt provision	9,790	4,724
Write-off of receivables	2,907	1,717
Other	(1)	365
Total	**12,696**	**6,806**

Loan provided to subsidiary

In 2019 the Company provided a loan to its subsidiary iWATT in amount of EUR 200 thousand. The loan was provided with the interest rate of 5.00% p.a. and it is due as at 31 December 2022. In 2020, the principal of this loan was increased by EUR 400 thousand to total of EUR 600 thousand. The interest rate and the maturity remained unchanged. In 2021, the Company booked a 100% bad debt provision for the principal of this loan. In 2022, the maturity of the loan was extended to 31 March 2023. In 2023, the loan was forgiven & the share of the Company in iWATT was sold.

Receivables from cash-pooling

Identified impairment loss from receivables from cash-pooling was considered by management to be immaterial.

Cash and bank accounts

Credit risk also originates from cash and bank accounts. Risk resulting from bank accounts is reduced through diversification of deposits in several 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**		**Bank balance**	
Bank	**2023**	**2022**	**31 December 2023**	**31 December 2022**
VÚB	A2/P-1	A2/P-1	1,654	2,494
ING bank	Aa3/P-1	Aa3/P-1	1,665	470
Citibank	Aa3/P-1	Aa3/P-1	2,539	3,066
Tatrabanka	A2/P-1	A2/P-1	62	155
Česká spořitelna	A1/P-1	A1/P-1	7	7
Total			**5,927**	**6,192**

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 availability of credit facilities and the ability to close out market positions. The Company's financing position management is focused on maintaining flexibility of financing by ensuring availability of credit lines, which can be used by the Company. Management monitors interim liquidity forecasts based on expected cash flows that are presented in cash and cash equivalents.

The table below shows the analysis of financial liabilities of the Company according to residual contractual maturities. The amounts in the table present the undiscounted cash flows. The amounts due up to 12 months 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						
Issued guarantees (Note 26)	-	-	-	60,000	-	60,000
Lease liabilities (Note 6)	82	236	301	513	41	1,173
Contract liabilities with customers	48,092	-	-	-	-	48,092
Bank overdraft	6	-	-	-	-	6
Trade and other payables (net of liabilities within the Group) (Note 14)	108,034	-	-	-	-	108,034
Liabilities within the group (Note 14)	13,245	-	-	-	-	13,245
Total	**169,459**	**236**	**301**	**60,513**	**41**	**230,550**
31 December 2022						
Issued guarantees (Note 26)	-	110,000	-	110,000	-	220,000
Lease liabilities (Note 6)	76	225	298	698	79	1,376
Contract liabilities with customers	35,122	-	-	-	-	35,122
Bank overdraft	7	-	-	-	-	7
Trade and other payables (net of liabilities within the Group) (Note 14)	101,347	-	-	-	-	101,347
Liabilities within the group (Note 14)	30,670	-	-	-	-	30,670
Total	**167,222**	**110,225**	**298**	**110,698**	**80**	**388,522**

3.3 Cash flow interest rate risk

As the Company has no other significant interest earning assets besides bank accounts and finance lease receivables, the interest income and operating cash-flow are only slightly dependent on the changes of market interest rates. As the interest paid is not significant for the Company, the impact of the interest rate risk is limited.

3.4 Foreign exchange risk

Management does not consider foreign exchange risk as a significant exposure to the Company's operations as it has only immaterial volume of transactions in currency other than its functional currency.

3.5 Price risk

The Company has used derivative financial instruments as disclosed in the Note 2.8. The derivative financial instruments and underlying commodity contracts are accounted for at fair value through profit or loss. Derivatives are only used for economic hedging purposes and not as speculative investments. For details of fair value assumptions and methods see Note 3.7.

3.6 Capital management

The Company defines capital as equity. The Company's capital management objective is focused on maintaining optimal structure of debt and own capital (debt/equity ratio). Management monitors debt/equity ratios. Currently, the Company is financed wholly by internal resources. The balance of cash and cash equivalents is EUR 5,927 thousand as at 31 December 2023 (EUR 6,192 thousand as at 31 December 2022). In case of need of external resources there is available cash-pooling financing (Note 2.12) implemented within former VSE H group and additional uncommitted credit facilities available for VSE H.

3.7 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 initially at fair value and subsequently at amortised cost. To provide an indication about the reliability of the inputs used in determining fair value, the group 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 (such as publicly traded derivatives, and trading and available-for-sale securities) 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.

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Fair value of cash and cash equivalents and cash-pooling balances is not significantly different from respective carrying amounts.

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

Level 1 – Cash in hand (Note 12);

Level 2 – Cash and cash equivalents except for cash in hand (Note 12), Receivables from cash-pooling (Note 2.12), Trade and other receivables (Note 3.1), Trade and other payables (Note 14); Lease liabilities (Note 6);

Level 3 – Issued financial guarantee contracts (Note 26), Financial investments at fair value through other comprehensive income (Note 9), Derivative financial instruments (Note 3.5, 3.7 and 9), Financial assets and liabilities at fair value through profit or loss designated as such upon initial recognition (Note 3.5, 3.7 and 9)

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 to be 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.

Revenues from unmeasured electricity supply and distribution

As a result of the fact that the retail customers in the household segment and households are metered at one of the eleven cycles which are phased between January and November of a calendar year (more detailed description in Note 2.21), remaining part of electricity supply and distribution for the reporting period gives rise to revenues from unmeasured electricity supply and distribution. It is an accounting estimate which is based on the estimate of the supplied resp. distributed volume to households in technical units (MWh) between the date of last metering and the end of the reporting period.

The balance of such revenues is determined as the estimated delivery in MWh multiplied by unit price in EUR/MWh.

The Company estimates unmeasured supply based on customer expected consumption time curves. The revenues from unmeasured electricity supply and distribution amounted to EUR 109,731 thousand as at 31 December 2023 (EUR 110,224 thousand as at 31 December 2022).

Historical average differences between the estimate of unmeasured supply and the subsequent fact found are below 4% on average.

Revenues from unmeasured gas supply and distribution

As a result of the fact that the retail customers in the household segment and households are metered at one of the twelve cycles which are phased throughout whole calendar year (more detailed description in Note 2.21), remaining part of gas supply and distribution for the reporting period gives rise to revenues from unmeasured gas supply and distribution. It is an accounting estimate which is based on the estimate of the supplied resp. distributed volume to households in technical units (MWh) between the date of last metering and the end of the reporting period.

The balance of such revenues is determined as the estimated delivery in MWh multiplied by unit price in EUR/MWh.

The Company estimates unmeasured supply based on customer expected consumption time curves. The revenues from unmeasured gas supply and distribution amounted to EUR 45,168 thousand as at 31 December 2023 (EUR 41,485 thousand as at 31 December 2022).

Historical average differences between the estimate of unmeasured supply and the subsequent fact found are below 7% on average.

Economic useful life intangible fixed assets

The economic useful life of intangible fixed assets stated in Note 2.6 was based on the best estimate of the Company's management. Should the estimated useful life of intangible fixed assets be shorter by 10%, the Company would record additional annual amortization charge of intangible fixed assets of EUR 623 thousand (2022: EUR 525 thousand). Should the estimated residual useful life of intangible fixed assets be longer by 10%, the Company would record amortization charge lower by EUR 510 thousand (2022: EUR 430 thousand).

Impairment test of goodwill

At 31 December 2023, the Company has carried out an impairment test of goodwill. Management has assessed that the Company is one cash generating unit. During the impairment test, the Company has analysed fair value and value in use using discounted cash-flow method. Value in use was determined to be higher using the assumptions of pre-tax WACC of 9.41%, terminal growth approximating long-term expected inflation rate of 3.3%, long-term expected EBITDA level of approximately EUR 31 million, and long-term expected CAPEX level of approximately EUR 2.6 million. The Company would have to account for impairment of goodwill in case discounted free cash-flow would decrease by 93% due to changes in one or more of the key assumptions. The company has assessed using fair value, that as with value in use, no impairment loss is required for goodwill.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Company's history, existing market conditions as well as forward looking estimates. Details on expected loss rates are in Note 3.1.

5. Property, plant and equipment

in EUR thousand	Buildings and infrastructure	Machinery, equipment, vehicles and office equipment	Construction in progress	Total
At 1 January 2022				
Cost	65	3,110	17	3,192
Accumulated depreciation	(2)	(1,481)	-	(1,483)
Net book value	**63**	**1,629**	**17**	**1,709**
Additions	-	-	359	359
Merger	-	298	-	298
Correction of opening balance	-	623	22	645
Correction of accumulated depreciation	-	(645)	-	(645)
Transfers	56	317	(373)	-
Remaining value of sold assets	-	(11)	-	(11)
Damages	-	(15)	-	(15)
Remaining value of disposed assets	-	(5)	-	(5)
Depreciation charge	(2)	(396)	-	(398)
Closing net book value	**117**	**1,795**	**25**	**1,937**
At 31 December 2022				
Cost	121	4,348	25	4,494
Accumulated depreciation	(4)	(2,553)	-	(2,557)
Net book value	**117**	**1,795**	**25**	**1,937**
At 1 January 2023				
Cost	121	4,348	25	4,494
Accumulated depreciation	(4)	(2,553)	-	(2,557)
Net book value	**117**	**1,795**	**25**	**1,937**
Additions	-	-	372	372
Correction of opening balance	-	969	-	969
Correction of accumulated depreciation	-	(969)	-	(969)
Transfers	-	368	(368)	-
Remaining value of sold assets	-	(11)	-	(11)
Damages	-	(7)	-	(7)
Remaining value of disposed assets	-	85	-	85
Depreciation charge	(3)	(473)	-	(476)
Closing net book value	**114**	**1,757**	**29**	**1,900**
At 31 December 2023				
Cost	121	5,770	29	5,920
Accumulated depreciation	(7)	(4,013)	-	(4,020)
Net book value	**114**	**1,757**	**29**	**1,900**

Main part of property, plant and equipment is represented by products rented to customers as described in the Note 2.21 (EUR 1,619 thousand as of 31 December 2023; EUR 1,181 thousand as of 31 December 2022).

The Company does not recognise or use any significant assets subject to the right of lien and other restrictions.

As of 31 December 2023, the Company insured its property, plant and equipment in total value of EUR 5,508 thousand (2022: EUR 4,354 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	1,075	1,376
Vehicles	94	-
	1,169	**1,376**
Lease liabilities		
Current	313	301
Non-current	860	1,075
	1,173	**1,376**

Additions to the right-of-use assets during the 2023 financial year were EUR 111 thousand (2022: EUR 791 thousand).

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	301	300
Vehicles	16	-
	317	**300**
Interest expense (included in finance cost)	8	5
Expense relating to short-term leases (included in service expenses)	472	397
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in service expenses)	-	-

The total cash outflow for leases in 2023 was EUR 794 thousand (2022: EUR 697 thousand).

7. Intangible assets

in EUR thousand	Computer software	Customer portfolio	Goodwill	Intangible assets not yet ready for use	Total
At 1 January 2022					
Cost	9,603	75,048	-	503	85,154
Accumulated amortization	(7,791)	(21,421)	-	-	(29,212)
Net book value	**1,812**	**53,627**	**-**	**503**	**55,942**
Additions	-	-	-	2,091	2,091
Merger	201	29,598	14,476	-	44,275
Transfer from CIP	567	-	-	(567)	-
Damages	-	-	-	-	-
Amortization charge	(910)	(3,817)	-	-	(4,727)
Closing net book value	**1,670**	**79,408**	**14,476**	**2,027**	**97,581**
At 31 December 2022					
Cost	10,375	115,779	14,476	2,027	142,657
Accumulated amortization	(8,705)	(36,371)	-	-	(45,076)
Net book value	**1,670**	**79,408**	**14,476**	**2,027**	**97,581**
At 1 January 2023					
Cost	10,375	115,779	14,476	2,027	142,657
Accumulated amortization	(8,705)	(36,371)	-	-	(45,076)
Net book value	**1,670**	**79,408**	**14,476**	**2,027**	**97,581**
Additions	-	-	-	2,069	2,069
Transfer from CIP	3,103	-	-	(3,103)	-
Damages	-	-	-	-	-
Amortization charge	(976)	(4,631)	-	-	(5,607)
Closing net book value	**3,797**	**74,777**	**14,476**	**993**	**94,043**
At 31 December 2023					
Cost	13,478	115,779	14,476	993	144,726
Accumulated amortization	(9,681)	(41,002)	-	-	(50,683)
Net book value	**3,797**	**74,777**	**14,476**	**993**	**94,043**

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

Internally generated intangible assets are not material.

8. Subsidiaries

The Company's subsidiaries at 31 December 2023 are set out below. These 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 at 31 December 2023

Name	Country of incorporation	Date of incorporation	Date of commencement of operation	% interest held	Purpose
VSE Solutions s.r.o.	Slovak Republic	October 2003	October 2003	100%	HVAC Projects

As at 31 December 2022

Name	Country of incorporation	Date of incorporation	Date of commencement of operation	% interest held	Purpose
VSE Solutions s.r.o.	Slovak Republic	October 2003	October 2003	100%	HVAC Projects
iWATT s.r.o.	Slovak Republic	June 2019	June 2019	80%	IT and Marketing Services

Investments in subsidiaries measured at cost less impairment allowance is as follows:

in EUR thousand	As at 31 December 2023	2022
VSE Solutions s.r.o.	1,900	1,900
iWATT s.r.o.	-	-
Total	**1,900**	**1,900**

Financial results of subsidiaries are as follows:

2023 in EUR thousand	Assets	Liabilities	Equity	Profit / (loss)
VSE Solutions s.r.o.	9,247	8,542	705	129
	9,247	**8,542**	**705**	**129**

2022 in EUR thousand	Assets	Liabilities	Equity	Profit / (loss)
VSE Solutions s.r.o.	5,065	4,487	578	339
iWATT s.r.o.	219	600	(381)	(256)
	5,284	**5,087**	**197**	**83**

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.

Management of the Company has considered that there are impairment indicators related to financial results of subsidiaries. Management has analysed fair value and value in use of these subsidiaries and concluded that as of 31 December 2023, investment in VSE Solutions s.r.o. is impaired by EUR 315 thousand (as of 31 December 2022: EUR 315 thousand).

As of 31 December 2022, investment in iWATT s.r.o. is impaired by EUR 700 thousand. Impairment is already reflected in the tables above. In 2023, the 80% share in iWATT s.r.o. was sold.

9. Financial instruments by category

Financial assets

in EUR thousand	As at 31 December 2023	As at 31 December 2022
Financial assets at fair value through other comprehensive income		
Financial investments at fair value through other comprehensive income (Note 1)	177	177
Financial assets at amortised cost		
Loan provided to subsidiary (Note 3.1)	-	1
Trade and other receivables (Note 3.1)	98,133	129,192
Receivable from cash-pooling (Note 2.12)	74,867	5,236
Cash and cash equivalents (Note 12)	5,927	6,192
Financial assets at fair value through profit or loss		
Derivative financial instruments (Note 2.10)	928	-
Financial assets at fair value through profit or loss (Note 2.8)	112	66,315
Total financial assets	**179,216**	**207,113**

Financial assets at fair value through other comprehensive income (Note 1) are as follows:

	% share in paid-up share capital	
Name	As at 31 December 2023	As at 31 December 2022
People2People, s. r. o.	6.55%	6.55%

Financial liabilities

in EUR thousand	As at 31 December 2023	As at 31 December 2022
Financial liabilities at fair value through profit or loss		
Derivative financial instruments (Note 2.10)	-	15,867
Financial liabilities at fair value through profit or loss (Note 2.10)	808	22,104
Financial liabilities at amortised cost		
Lease Liabilities (Note 6)	1,173	1,376
Trade and other payables net of liabilities within Group (Note 14)	107,445	101,347
Liabilities within Group included in trade and other payables (Note 14)	13,245	30,670
Bank overdraft	6	7
Payables to employees (Note 14)	589	379
Total financial liabilities	**123,266**	**171,750**

10. Other non-financial assets

	As at 31 December	
in EUR thousand	2023	2022
Prepaid expenses	1,223	1,012
Other receivables including prepayments and other accrued income	2,701	1,904
Total	**3,924**	**2,916**

11. Inventories

in EUR thousand	As at 31 December 2023	2022
Merchandise	1,619	1,181
Gas (underground storage)	10,395	-
Total	**12,014**	**1,181**

The cost of inventory recognized as an expense and recognized as “Merchandise sold” amounted to EUR 137 thousand (2022: EUR 178 thousand).

12. Cash and cash equivalents

in EUR thousand	As at 31 December 2023	2022
Cash at bank (Note 3.1)	5,927	6,192
Total	**5,927**	**6,192**

The effective interest on a weighted average basis on cash-pooling deposits was 0.0% p.a. (2022: 0.0% p.a.) with daily settlements.

For the purposes of the Statement of Cash Flows, the cash and cash equivalents comprise of the above-mentioned items.

The bank guarantees issued for the Company are as follows:

	Currency	As at 31 December 2023	2022
Citibank	EUR thousand	25,460	27,732
Citibank ČR	CZK thousand	14,000	14,000
SLSP	EUR thousand	20,000	-

On top of the bank guarantees, the parent company ZSE (formerly VSEH) issued parent company guarantee for the Company. The parent company guarantees issued for the Company are as follows:

	Currency	As at 31 December 2023	2022
ZSE	EUR thousand	76,500	-
VSEH	EUR thousand	189,000	222,000

As at 31 December 2023, the total limit of parent company guarantees approved for the Company is EUR 600,000 thousand (as at 31 December 2022: EUR 230,000 thousand).

The guarantees issued for the Company relate mainly to procurement of electricity and gas and to Company’s access to gas distribution network.

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

13. Equity

The amount of subscribed and paid share capital of the Company as to 31 December 2023 is EUR 58,751 thousand (31 December 2022: EUR 58,751 thousand).

The total authorized number of ordinary shares is 2. One share in a nominal value of EUR 35 thousand and one share in a nominal value of EUR 58,716 thousand in relation to transition of Sales division from VSEH to VSE in 2014.

There is no share capital not listed in the Commercial Register as at 31 December 2023.

The Company created the legal reserve fund in amount of 20% of share capital established at the transformation to the joint-stock company.

Financial statements of the Company for prior accounting period have been approved by General Meeting on 23 May 2023. Original loss before restatement for the year 2022 in amount of EUR 1,955 thousand was transferred to the account Unpaid loss of previous years.

The Board of Directors had not presented a proposal for settlement of 2023 profit as of the date of these financial statements.

As at 31 December 2023, retained earnings decreased as a result of reassessment of employee benefit obligations in the amount of EUR 112 thousand.

As at 31 December 2022, retained earnings increased as a result of reassessment of employee benefit obligations in the amount of EUR 92 thousand.

14. Trade and other payables

	As at 31 December	
in EUR thousand	**2023**	**2022**
Financial liabilities at amortised cost		
Trade and other payables net of liabilities within Group (Note 9)	106,699	100,493
Liabilities within Group included in trade and other payables (Note 9)	13,245	30,670
Employee benefits – accrued bonuses and holidays	746	854
Payables to employees (Note 9)	589	379
Total financial liabilities	**121,279**	**132,396**

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.

15. Contract liabilities

	As at 31 December	
in EUR thousand	**2023**	**2022**
Contract liability from net customer prepayments for unmeasured period (See Note 2.21)	48,092	35,122
Total	**48,092**	**35,122**

16. Other non-financial liabilities

in EUR thousand	As at 31 December 2023	2022
Social securities and other taxes	567	472
VAT liability	12,071	1,979
Other	335	807
Total	**12,973**	**3,258**

17. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using an enacted tax rate of 21% with an uplift related to a special levy legislation (2021: enacted tax rate of 21% with an uplift related to a special levy legislation). The uplift is applied to that part of the temporary differences that relates to the difference between values recognized under the Slovak Accounting Standards and values recognized under IFRS. This approach was applied first in financial year 2022. The change in tax rate is described in Note 23.

in EUR thousand	As at 31 December 2023	Restated 2022
Deferred tax asset	10,286	10,687
Deferred tax liability	(15,954)	(17,125)
Total	**(5,668)**	**(6,438)**

The gross movement on the deferred income tax account is as follows:

in EUR thousand	2023	Restated 2022
At the beginning of the period	(6,438)	(1,088)
Income/(expense) in profit or loss (Note 23)	770	16
Merger with iSK	-	(5,366)
At 31 December	**(5,668)**	**(6,438)**

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

in EUR thousand	At 1 January 2023	Effect of merger	(Charged)/ credited to the profit or loss	At 31 December 2023
Difference between tax base and carrying amount of non-current assets	(16,509)	-	866	(15,643)
Finance lease receivable	(43)	-	43	-
Finance lease liability - IFRS 16	324	-	(44)	280
Receivables	8,341	-	(1,934)	6,407
Provision for other liabilities and charges	670	-	(178)	492
Tax losses	1,077	-	1,487	2,564
Impairment of investments	213	-	(147)	66
Derivatives, financial assets & liabilities through profit or loss	(511)	-	677	166
Total	**(6,438)**	**-**	**770**	**(5,668)**

in EUR thousand	At 1 January 2022	Effect of merger	(Charged)/ credited to the profit or loss (Restated)	At 31 December 2022 (Restated)
Difference between tax base and carrying amount of non-current assets	(10,758)	(6,739)	988	(16,509)
Finance lease receivable	(120)	-	77	(43)
Finance lease liability - IFRS 16	123	-	201	324
Receivables	7,207	-	1,134	8,341
Provision for other liabilities and charges	2,460	308	(2,098)	670
Tax losses	-	1,077	-	1,077
Impairment of investments	-	-	213	213
Derivatives, financial assets & liabilities through profit or loss	-	(12)	(-499)	(511)
Total	**(1,088)**	**(5,366)**	**16**	**(6,438)**

18. Provisions

in EUR thousand	Onerous contracts	Restructuring	Other	Total
At 1 January 2023	**-**	**20**	**362**	**382**
Creation of provision	-	20	54	74
Used/paid during year	-	(20)	-	(20)
At 31 December 2023	**-**	**20**	**416**	**436**

in EUR thousand	Onerous contracts	Restructuring	Other	Total
At 1 January 2022	**9,208**	**20**	**313**	**9,541**
Creation of provision	-	20	49	69
Used/paid during year	(9,208)	(20)	-	(9,228)
At 31 December 2022	**-**	**20**	**362**	**382**

Provision for onerous contracts

The unprecedented increase of electricity price in 2021 led to a default of multiple alternative suppliers. The Company, being a supplier of last resort, was obliged to continue supplying electricity to their former end customers. The commodity for these customers was however purchased at very high market price, resulting in a loss for the Company. The provision related only to this part of customers, who were projected to terminate their contract with the Company, before the contract may become profitable for the Company.

In 2021, one of Company's wholesale counterparties defaulted. The volumes originally contracted from this counterparty must have been replaced and were purchased at much higher price on the market. Again, this led to a loss for the Company. The provision related only to customers, who were projected to terminate their contract with the Company, before the contract may become profitable for the Company.

For the purpose of preparation of financial statements for the year ended 31 December 2022, the Company analyzed the contracts previously assumed to be onerous. The Company evaluated that while the contracts were in fact loss-making in 2022, all the contracts will be profitable going forward as of the date of financial statements. Therefore, the provision for onerous contracts is released entirely as of 31 December 2022.

Restructuring provision

The estimated staff restructuring costs to be incurred are EUR 20 thousand.

Other provisions

The provision includes amounts relating to customer claims arising from the contractual terms of customer programs.

19. Employee benefits

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

	As at 31 December	
in EUR thousand	**2023**	**2022**
SOFP obligation for:		
Present value of recognized unfunded retirement obligations	677	559
Jubilee awards	41	43
Liability in the SOFP	**718**	**602**

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 and financial profit		
Current service cost	65	84
Interest cost	16	8
Past service cost, other	-	14
Total charge / (credit) included in employee benefit expense	**81**	**106**

in EUR thousand	**2023**	**2022**
Re-measurements for:		
Defined pension benefits	112	(92)
Total re-measurements	**112**	**(92)**

The movements in defined benefit pension over the year are as follows:

in EUR thousand	**Present value of obligation**
As at 1 January 2023	**602**
Reclass to other group company	-
Current service cost	65
Past service cost	-
Interest cost	16
	683
Re-measurements:	
Gain (-) / loss (+) from change in financial assumptions	51
Gain (-) / loss (+) from change in demographic assumptions and in fluctuation	(33)
Gain (-) / loss (+) from actual adjustments	94
	795
Payments from plan	(77)
Change in social security contributions	-
As at 31 December 2023	**718**

in EUR thousand	Present value of obligation
As at 1 January 2022	**607**
Reclass to other group company	-
Current service cost	84
Past service cost	14
Interest cost	8
	713
Re-measurements:	
Gain (-) / loss (+) from change in financial assumptions	(56)
Gain (-) / loss (+) from change in demographic assumptions and in fluctuation	-
Gain (-) / loss (+) from actual adjustments	(36)
	621
Payments from plan	-
Change in social security contributions	(19)
As at 31 December 2022	**602**

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

31 December 2023	
Number of employees with entitlement to the benefits	269
Expected salary increases	5.00%
Discount rate	3.70%

31 December 2022	
Number of employees with entitlement to the benefits	283
Expected salary increases	4.00%
Discount rate	3.25%

Sensitivity analysis of liability for employee benefits of the Company is stated in following table (in EUR thousand). 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	Change in comparison with basic scenario	Change in comparison with basic scenario in %
Basic scenario	718		
Increase in salaries by 0,25% compared to principal assumptions	739	19	3
Decrease in salaries by 0,25% compared to principal assumptions	699	(19)	(3)
Discount rate +0,50% compared to principal assumptions	679	(39)	(5)
Discount rate -0,50% compared to principal assumptions	761	43	6

Description of change of parameter	**Liability as at 31 December 2022**	**Change in comparison with basic scenario**	**Change in comparison with basic scenario in %**
Basic scenario	602		
Increase in salaries by 0,25% compared to principal assumptions	619	16	3
Decrease in salaries by 0,25% compared to principal assumptions	587	(16)	(3)
Discount rate +0,50% compared to principal assumptions	570	(32)	(5)
Discount rate -0,50% compared to principal assumptions	637	35	6

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

Amounts paid for defined contribution pension plans:

in EUR thousand	**2023**	**2022**
Defined contribution pension plans	1,095	1,005
Total	**1,095**	**1,005**

20. Revenue from contracts with customers

The Company derives revenue from the transfer of commodities, goods, services and leases. Further details are as follows:

in EUR thousand	**2023**	**2022**
Electricity to industrial and commercial customers, of which:	494,264	520,454
- *Sales of electricity*	*396,413*	*406,216*
- *Distribution fees*	*97,581*	*114,238*
Electricity to households, of which:	201,977	200,679
- *Sales of electricity*	*108,018*	*105,846*
- *Distribution fees*	*93,959*	*94,833*
Gas, of which:	179,243	178,069
- *Sales of gas*	*125,712*	*153,728*
- *Distribution fees*	*53,531*	*24,341*
Revenues from non-commodity products and services	13,635	9,980
Revenue from services within Group	131	993
Other revenues	1,952	424
Total revenues from contracts with customers	**891,202**	**910,598**

21. Profit from operations

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

in EUR thousand	**2023**	**2022**
Revenues (Note 20)	**891,202**	**910,598**
Purchases of electricity and gas	(804,154)	(631,747)
Distribution and transmission costs	(244,621)	(242,323)
Electricity and gas costs:	**(1,048,775)**	**(874,070)**
Raw materials and other consumed materials, merchandise sold	**(2,366)**	**(1,750)**
Wages and salaries	(7,752)	(7,010)
Defined contribution pension plan (Note 19)	(1,095)	(1,005)
Social security costs	(1,489)	(1,319)
Other staff costs	(352)	(226)
Employee benefit expense	**(10,688)**	**(9,560)**
Costs from Service Level Agreements (SLA) within the VSE H group	(7,595)	(7,095)
Advertising	(779)	(592)
Sales support	(201)	(108)
Services from subcontractors related to non-commodity business	(3,530)	(1,297)
IT and telecommunication charges	(1,114)	(981)
Cash collection & post services	(2,671)	(2,242)
Personnel lease and part time services	(99)	(113)
Consultancy fees	(788)	(702)
Education and Trainings	(90)	(35)
Rent	(806)	(808)
Gas storage capacity	(1,913)	-
Deferral of acquisition costs	399	982
Other services	(973)	(702)
Assurance services provided by auditor	(86)	(74)
Services	**(20,246)**	**(13,767)**
Depreciation (Note 5)	(476)	(398)
Remaining value of disposed assets (Note 5)	85	(5)
Amortisation of right-of-use assets (Note 6)	(317)	(300)
Amortization (Note 7)	(5,607)	(4,727)
Depreciation and amortization	**(6,315)**	**(5,430)**
Net impairment losses on financial asset (Note 3.1)	(12,696)	(6,806)
Net loss from sale of assets	(11)	(11)
Government compensation (Note 2.20)	213,854	-
Other net gains/losses (Note 18)	1,138	10,352
Profit or loss from operations	**5,097**	**9,556**

22. Finance income and costs

in EUR thousand	**2023**	**2022**
Gains less losses from derivative transactions	(10,955)	(81,267)
Gains less losses from commodity contracts designated FVTPL	11,071	76,454
Interest income - finance lease	38	75
Interest income – non-commodity sale	265	227
Interest expense	(233)	(79)
Finance income - net	**186**	**(4,590)**

23. Income tax expense

in EUR thousand	**2023**	**Restated 2022**
Current tax, of which:	2,024	358
Special levy on businesses in regulated sectors	*218*	*145*
Deferred tax (Note 17)	(770)	(16)
Income tax expense	**1,254**	**342**

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**	**Restated 2022**
Profit before tax	5,283	4,966
Income tax calculated at tax rate of 21% (2022: 21%)	1,109	1,043
Tax effects of:		
Expenses not deductible for tax purposes	40	20
Effect of special levy scheme payments	172	115
Other	(67)	(836)
Current tax charge	**1,254**	**342**
Effective tax rate	**24%**	**7%**

The corporate income tax rate applicable for the year 2023 is 21% (2022: 21%).

The Company changed the calculation method of deferred tax related to special levy in 2022.

The Company pays a special levy that is relevant for regulated business. The special levy is presented under income tax expense, as special levy is profit based expense, and therefore also in scope of IAS 12. Basis for special levy payment is profit before tax.

Until 2016, the legislation on special levy was approved annually for only one year ahead with very limited impact on deferred tax. Amendment 338/2016 to this legislation effective from 31 December 2016 has changed the annual approval to indefinite period of time and temporary has increased special levy rates for next 4 years. The amount of the monthly levy is calculated as the product of the levy rate and the levy base. For 2023, the monthly levy rate was 0.00363 (2022: monthly levy rate was 0.00363). The special levy is a deductible expense for the purposes of applying the income tax payable.

Under standard conditions, 21% would be the rate applied on temporary differences to calculate deferred tax position in the SOFP. However, as special levy is de facto tax, the size of the uplift to 21% tax rate should be determined by projecting the special levy payments for future periods.

The Company performed this projection resulting into adjusted tax rate of 23.86% (2022: 23.57%) applied for deferred tax determination.

24. Cash generated from operations

The Company prepared cash flow statement using indirect method.

in EUR thousand	2023	2022
Profit before tax	**5,283**	**4,966**
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	476	398
Amortisation of intangible assets (Note 7)	5,607	4,727
Amortisation of right-of-use assets (Note 6)	317	300
Payments for short-term and low-value leases	806	808
Remaining value of disposed assets (Note 5)	(85)	5
Change in provisions (Note 18 and Note 19)	58	(9,090)
Change in bad debt provision (Note 3.1)	9,789	9,351
Interest income (Note 22)	(303)	(302)
Interest expense (Note 22)	233	79
Shortages and damages	79	87
Revaluation of derivatives and contracts designated FVTPL	28,112	(28,287)
Sale of subsidiary	(150)	-
Write-off of receivables (Note 3.1)	2,907	1,717
Other non-cash operations	(3)	4
Changes in working capital:		
Inventories (Note 11)	(10,894)	346
Trade and other receivables (Note 3.1)	18,363	(44,408)
Trade and other payables (Note 14)	(11,489)	60,024
Contract liabilities (Note 15)	12,970	22,494
Other non-financial assets (Note 10)	(1,008)	(1,693)
Other non-financial liabilities (Note 16)	9,715	(890)
Payable from acquisition of subsidiaries	372	372
Cash generated from operations	**71,155**	**21,008**

25. 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.

26. Commitments and issued financial guarantees

Capital commitments

As at 31 December 2023, the Company does not have material capital commitments (31 December 2022: none).

Commitments of Guarantor

During 2019 the Company has become a guarantor for long term bank borrowings of group company VSD. In case the debtor fails to fulfil its payment obligations against banks, the Company is obliged to perform the obligations of the debtor to the banks. In 2023, two of the loans were repaid (ING) and in case of one (SLSP), the parent company ZSE become the guarantor.

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

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., pobočka zahraničnej banky	60,000	60,000
Slovenská sporiteľňa, a.s.	-	50,000
Total	**60,000**	**220,000**

The Company has assessed that fair value of these financial guarantees is not material to the financial statements as there is a history of bank loans provided to VSEH that were not secured by financial guarantees and interest differential was insignificant between the guaranteed and unguaranteed loans.

Contracts for future procurement of electricity and gas

The Company has entered into various contracts for procurement of electricity and gas in 2024, 2025 and 2026. The Company expects to hold these contracts and to receive the commodities, therefore the Company considers the contracts as “own use”.

Following table shows these commitments as of 31 December 2023.

in EUR thousand	**Less than 1 year**	**Over than 1 year**
Electricity	209,871	49,541
Gas	208,442	24,720
	418,313	**74,261**

Following table shows these commitments as of 31 December 2022.

in EUR thousand	**Less than 1 year**	**Over than 1 year**
Electricity	404,298	35,551
Gas	334,180	82,844
	738,477	**118,395**

Contracts for future supply of electricity and gas

The following table shows the total amounts of commodity supply obligations contracted, but still outstanding:

in EUR thousand	**31 December 2023**	**31 December 2022**
Electricity	246,232	458,401
Gas	432,247	354,386
	678,479	**812,787**

27. Related party transactions and balances

Related parties are divided into following categories:

a) Parent company
- ZSE – parent company from 23 November 2023
- VSE H – parent company until 22 November 2023

b) Entities under control of E.ON that are not part of ZSE 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.

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

Routine trading transactions with the Slovak government including its departments and agencies and transactions between state-controlled entities, which are providers of public utilities, services, for which the standard terms and conditions have been applied and which do not represent a significant portion of a type of transaction, and which do not represent a significant portion of a type of transaction, are excluded from the scope of related party disclosures.

d) Entities under control of VSE H (until 22 November 2023)

- Východoslovenská energetika a.s. (the Company)
- innogy Slovensko s. r. o. (former RWE Gas Slovensko, s.r.o., merged with the Company as of 1 July 2022)
- Východoslovenská distribučná a.s. (VSD)
- VSE Call centrum, s.r.o.
- VSE Ekoenergia, s.r.o.
- VSE Solutions s.r.o.
- iWATT s.r.o. (share in iWATT s.r.o. sold in 2023)
- Nadácia VSE

e) Entities under control of ZSE (from 23 November 2023)

- Východoslovenská energetika a.s. (the Company)
- Východoslovenská distribučná a.s. (VSD)
- VSE Call centrum, s.r.o.
- VSE Ekoenergia, s.r.o.
- VSE Solutions s.r.o.

- iWATT s.r.o. (share in iWATT s.r.o. sold in 2023)
- Nadácia VSE
- Západoslovenská distribučná, a.s.
- ZSE Energia, a.s.

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

The related party transactions were made on an arm's length basis.

The nature of relationship with related parties where the Company carried out significant transactions or had significant balances as at 31 December 2023 and 31 December 2022 with, are described below.

a) Parent company

Transactions with ZSE (parent company since 23 November 2023) are stated in the following table:

in EUR thousand	2023	2022
Purchase of services	(2)	-
Dividends paid	-	-

Balances with ZSE (parent company since 23 November 2023) are stated in the following table:

	As at 31 December	
in EUR thousand	2023	2022
Trade and other payables (Note 14)	2	-

Transactions with VSE H (parent company until 22 November 2023) are stated in the following table:

in EUR thousand	2023	2022
Sale of electricity	89	229
Sale of services	-	29
Purchase of services	(5,928)	(5,714)
Purchase of intangible assets	(452)	(475)
Dividends paid	-	-

Balances with VSE H (parent company until 22 November 2023) are stated in the following table:

	As at 31 December	
in EUR thousand	2023	2022
Receivable from cash-pooling (Note 2.12 and Note 12)	-	5,236
Other receivables	-	17
Trade and other payables (Note 14)	-	1,028

b) Entities under control of E.ON that are not part of ZSE Group

Transactions with entities under control of E.ON are stated in the following table:

in EUR thousand	**2023**	**2022**
Sale of services	2	5
Purchase of services	(89)	(287)

Balances with entities under control of E.ON are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross)	-	7
Trade and other payables	-	191

c) 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 mainly by:

in EUR thousand	**2023**	**2022**
Sale of electricity, of which:	26,926	40,858
Železnice Slovenskej republiky	-	11,372
Slovenské elektrárne, a.s.	-	-
OKTE, a.s.	*26,923*	*29,409*
Západoslovenská energetika, a.s. and its subsidiaries (until 23 November 2023)	-	-
Slovenská elektrizačná prenosová sústava, a.s.	*2*	*1*
MH Teplárenský holding, a.s	*1*	*76*
Purchase of electricity including distribution services, of which:	(452,713)	(420,570)
Slovenské elektrárne, a.s.	*(42,017)*	*(113,282)*
Stredoslovenská energetika Holding, a. s. and its subsidiaries	*(8,440)*	*(9,963)*
OKTE, a.s.	*(112,576)*	*(196,469)*
Západoslovenská energetika, a.s. and its subsidiaries (until 23 November 2023)	*(19,953)*	*(11,808)*
Vodohospodárska výstavba Bratislava, š.p.	*(162,472)*	*(89,048)*
Slovenský plynárenský priemysel, a.s.	*(107,255)*	-
Purchase of gas including distribution services, of which:	(55,337)	(35,032)
SPP - distribúcia, a.s.	*(55,331)*	*(35,017)*
EUSTREAM a.s.	(6)	(15)
Purchase of services	(67)	(65)
Other costs	(30)	(4)

Balances are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross), of which:	3,692	1,702
Železnice Slovenskej republiky	*-*	*-*
OKTE, a.s.	*3,692*	*1,695*
Západoslovenská energetika, a.s. and its subsidiaries (until 23 November 2023)	*-*	*-*
MH Teplárenský holding, a.s	*-*	*7*
Trade and other payables, of which:	37,025	32,411
Slovenské elektrárne, a.s.	*1,480*	*14,274*
Stredoslovenská energetika Holding, a. s. and its subsidiaries	*554*	*529*
OKTE, a.s.	*5,804*	*2,888*
Západoslovenská energetika, a.s. and its subsidiaries (until 23 November 2023)	*-*	*590*
SPP - distribúcia, a.s.	*7,916*	*7,159*
EUSTREAM a.s.	*-*	*3*
Vodohospodárska výstavba Bratislava, š.p.	*18,466*	*6,968*
Slovenský plynárenský priemysel, a.s.	*2,805*	*-*

d) Entities under control of VSE H (until 22 November 2023)

Transactions with entities under control of VSE H (until 22 November 2023) are stated in the following table:

in EUR thousand	**2023**	**2022**
Revenues from sales of electricity	74,442	48,433
Revenues from sales of services	126	1,027
Interest income	15	-
Purchase of electricity & gas	(1,003)	(1,920)
Purchase of distribution services	(100,124)	(118,263)
Purchase of other materials	(10)	-
Purchase of other services	(2,487)	(2,716)
Purchase of intangible assets	(158)	

Balances with entities under control of VSE H (until 22 November 2023) are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross)	-	1
Loans to subsidiaries (gross)	-	600
Trade and other payables (Note 14)	-	29,642

e) Entities under control of ZSE (from 23 November 2023)

Transactions with entities under control of ZSE (from 23 November 2023) are stated in the following table:

in EUR thousand	**2023**	**2022**
Revenues from sales of electricity	6,694	-
Revenues from sales of services	10	-
Purchase of electricity & gas	(1,558)	-
Purchase of distribution services	(11,345)	-
Purchase of other materials	(10)	-
Purchase of other services	(825)	-

Balances with entities under control of ZSE (from 23 November 2023) are stated in the following table:

	As at 31 December	
in EUR thousand	**2023**	**2022**
Trade receivables (gross)	8,019	-
Trade and other payables (Note 14)	13,245	-
Receivable from cash-pooling (Note 2.12 and Note 12)	74,867	-
Other receivables	440	-

f) Key management personnel of the Group

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	149	92	86	91
Total	**149**	**92**	**86**	**91**

28. Events after the reporting period

Share in subsidiary iWATT s.r.o. was sold in 2023. After 31 December 2023, until the date of preparation of the financial statements the buyer withdrew from the contract for the purchase of this share. Cancellation of the transaction does not have significant impact on the financial statement for the year ended 31 December 2023.

After 31 December 2023, until the date of preparation of the financial statements of VSE a.s. there were personnel changes in the board of directors of the Company and the supervisory board, namely:

- JUDr. Radoslava Šotterová and Ing. Ján Kudlovský ended their tenure as members of the board of directors on 31 December 2023
- With effect from 1 January 2024, Mr. PhDr. Michal Dubeň and Ing. Ľudovít Šipoš were appointed as members of the board of directors
- Ing. Alena Rozsypalová ended her tenure as vice-president of the supervisory board on 31 December 2023
- With effect from 1 January 2024, Mgr. Lucia Macaláková was appointed as vice-president of the supervisory board

ANNUAL REPORT

of the Company Východoslovenská energetika a.s. for 2023

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FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear customers, dear partners, friends,

We are looking back at another challenging year marked by changes and events in the energy sector and in the Slovak society in general. We discussed topics such as new legislation, spot market events and price forecasts, increased demand for energy produced from renewable sources, and RONI's and the new government's priority.

I am glad that we managed all the challenges and once again provided our customers with regular and safe energy supply and energy services.

We started 2023 with signs of an energy crisis and focused on the capped prices for electricity and natural gas supply. During the year, we transparently communicated several legislative changes to our customers aimed to enhance their protection, including new PDS operating regulations, new electricity and gas market rules, and new price decrees in the energy industry.

It was important to adapt and apply these changes from the external environment so that, at the same time, we would fulfill our goals and commitments: digitalization, sustainability, and growth.

In April 2023, we presented our customers with an updated website and an improved customer zone. Moje VSE customer zone not only stood for our digitalization goals, but also was in line with our sustainable approach. The same applies to the Green Energy service, which we have been offering to our customers for more than two years, including other electronic services such as e-invoices. In addition, the last year confirmed the uniqueness of the Green Energy service in its support to regional projects, into which also customers had been involved.

In products and energy solutions, together with the subsidiary VSE Solutions s.r.o., we continued focusing on reducing our customer's energy consumption and also on HVAC solutions (heating, ventilation and air conditioning), including photovoltaic solutions for companies or households, while the virtual battery service was also being offered.

Over the year 2023, developments on the wholesale energy market were characterized by high volatility, and both electricity and natural gas prices fell. The good news was that the drop in prices positively affected our customers as early as 2023, and the effect will continue in 2024, too.

In November 2023, a long-planned transaction of incorporating the Company VSE into the ZSE Group was completed. Thus, the intention of our common shareholder E.ON was fulfilled, which also continues preserving both brands on the market – the VSE and the ZSE. At the same time, in the following period, VSE and ZSE Energia remain operating as market competitors to each other.

Dear customers, dear partners, friends, thank you for the trust and loyalty you have showed us.

We continue focusing on a stable electricity and natural gas supply, as well as developing other products and energy solutions.

Now as part of the ZSE Group, we are at start of creating a new Company on the Slovak energy and energy solutions market. I am convinced that we can respond even better to market challenges and contribute even more significantly to the entire energy industry transformation. At the same time, and most importantly, we will be even more attractive for our customers and ready to fulfill common intentions and goals.

In Košice, 25 March 2024

Mgr. Ing. Juraj Bayer, PhD.
Chairman of the Board of Directors

FOREWORD BY THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear ladies and gentlemen,

The Company VSE a.s. managed to face the yet turbulent situation on the energy market and confirmed in 2023 being a strong partner and stable energy supplier for its customers.

The Supervisory Board, as the Company's highest control body, oversaw the performance of the Board of Director's powers and the Company's business activities throughout the year 2023.

In 2023, three regular meetings of the Supervisory Board and three written per rollam votes had been held.

The meeting agenda of the Supervisory Board included basic information on the Company's business activities development, information on the Board of Directors' resolutions for the past periods, as well as an overview of contracts concluded between affiliated and related parties.

The Company's Supervisory Board also:

- reviewed the Individual Financial Statements and the Company's Annual Report for 2022,
- approved the transfer and deposit of shares of VSE a.s. to Západoslovenská energetika, a.s.,
- approved a new full wording of the Articles of Association of VSE a.s.,
- approved the transfer of the business share in company VSE Solutions s.r.o. to company Západoslovenská energetika, a.s.,
- approved the transfer of 80% business share in iWATT s.r.o.,
- approved the Company's Strategic and Business Plan for 2024-2026.

During the year, the Board of Directors informed the Supervisory Board on the situation regarding:

- financial results,
- investment and operating costs.

Based on the results of its ongoing control activity, the Supervisory Board concludes that the Company's Board of Directors did everything necessary to ensure the Company's business activity development and keeping its good name.

The Supervisory Board members at their meeting in April 2024 will discuss the auditor's report, as well as Company's financial statements - a statement of financial position, a summary balance sheet, and a statement of changes in equity, a statement of cash flows and notes to the financial statements. The Supervisory Board examines the financial statements and the proposal on profit distribution, or reimbursement of losses, and sends its statement to the General Meeting and the Company's Board of Directors.

In Košice, 25 March 2024

Ing. Bc. Juraj Lenhardt, MBA, M.A.
Chairman of the Supervisory Board

BASIC INFORMATION ABOUT THE COMPANY

Establishment of the Company

Východoslovenská energetika a.s., as currently known, was set up on 1 April 2014 by a change of its legal form from a limited liability company - VSE Development, s.r.o. to a joint-stock company - VSE Development, a.s.

In the period that followed and with the aim to gradually meet regulation requirements for the separation of distribution and sales activities, the sales activities of Východoslovenská energetika a.s. (now Východoslovenská energetika Holding a.s.) were demerged on 1 July 2014 by setting up a 100% subsidiary called VSE Development, a.s.

On the same date, the business name of Východoslovenská energetika a.s. changed to Východoslovenská energetika Holding a.s. (hereinafter the "VSE Holding a.s."), as well as the change of the business name of VSE Development a.s. to currently known Východoslovenská energetika a.s. (hereinafter the "VSE a.s.").

Currently, VSE a.s. is registered in the Business Register of the Municipal Court Košice, Section: Sa, insert No.1628/V, as follows:

Company name:
Východoslovenská energetika a.s.
Registered office: Mlynská 31, 042 91 Košice
Company No. 44 483 767

Východoslovenská energetika a.s. operates across the whole country, but mostly in the Košice and Prešov regions, and a part of Banská Bystrica region, providing electricity, gas and other services supply to around 600 thousand customers.

Východoslovenská energetika a.s. was a wholly owned subsidiary of VSE Holding a.s. until 23 November 2023. From 24 November 2023, it is a wholly owned subsidiary of Západoslovenská energetika, a.s.

History of the Company

As of 1 July 2014, the Sales Division of the parent company VSE Holding a.s. was demerged into the VSE a.s. centralizing business activities of the Group related to electricity supply.

Also on 1 July 2014, the General meeting elected the members of the statutory bodies and the members of the Supervisory Board who were joined by another three members elected as employee representatives in the election held on 16 September 2014.

The Company is building on experience and customer portfolio that moved into VSE a.s. from its mother company which currently does not perform any business activities related to electricity supply.

The Year 2023

VSE Holding a.s., as the former sole shareholder of VSE a.s., by the decision of 19 September 2023, while exercising the authority of the company's General Meeting, approved a transfer and deposit of VSE a.s. shares to Západoslovenská energetika, a.s. The transfer and deposit became effective on 24 November 2023. On this day, the company Západoslovenská energetika, a.s., became the sole shareholder of VSE a.s.

Lines of Business

The core business of VSE a.s. is electricity and natural gas supply to households and corporate customers, as well as performance of energy audits and non-commodity products sale.

Shareholder's Structure

As of 31 December 2022, the share capital of VSE a.s. of EUR 58,751,000 consisted of two ordinary registered and subscribed shares divided as follows:

- one share of the nominal value of EUR 35,000,
- one share of the nominal value of EUR 58,716,000.

As of December 31, 2023, the sole shareholder of VSE a.s. with a 100 percent share in the share capital and voting rights is:

Company name: Západoslovenská energetika, a.s.
Company No. 35 823 551
Registered office: Čulenova 6, 816 47 Bratislava - Staré Mesto
Registered: Business Register of the City Court Bratislava III, Section: Sa, insert No. 2852/B

Structure of the Company Bodies in 2023

Board of Directors

Mgr. Ing. Juraj Bayer, PhD., Chairman
Ing. Lukáš Štefanik, FCCA, Vice Chairman
JUDr. Radoslava Šotterová, Member
Ing. Juraj Schmiedl, PhD., Member
Ing. Ján Kudlovský, Member

Supervisory Board

Ing. Bc. Juraj Lenhardt, MBA, MA, Chairman
Ing. Alena Rozsypalová, Vice Chairwoman
Mgr. Ľudmila Smreková, Member
Jozef Kanuščák, Member
Ján Vengrín, MBA, Member
Ing. Konštantín Hudák, Member
Ing. Peter Revický *, Member
Ing. Daniel Bito *, Member
Ing. Jakub Bujňák *, Member

**Employee representative*

SALES

During 2023, the topic of digitalization and simplification of customer processes resonated very strongly in VSE a.s. At the same time, the Company devoted itself to the implementation of activities with a positive impact on the environment. It supported households with the expert advice in the Green Households project and completed several unique energy solutions for customers from businesses and organizations.

Customer Solutions

Digitalization

The most significant event of the year was the launch of Company's new website www.vse.sk in April 2023. It features a self-service customer zone called Moje VSE, which corresponds to current trends, is available 24/7 and allows customers to handle their requirements online easily, from the comfort of their home via cell phone, tablet, or computer. From its launch until the end of the year, i.e., in 8 months, more than 100,000 customers registered in the online self-service zone Moje VSE. The new website also provides customers with clear information on products and services, as well as simple instructions for fulfilling individual requirements. Thanks to this, we could end the use of printed leaflets in the course of 2023, without affecting customer satisfaction. In customer centers, where salespeople have used leaflets as an interactive tool to present products and services, these were replaced by an online tablet version.

Another important milestone in digitalization was a technological improvement of the electronic signing of documents, which led to the transaction's acceleration.

Customers can handle their requests in VSE without a need to anywhere, making phone calls and using paper. In this way, the Company also fulfills its goals in the field of services digitalization and sustainability. The greatest benefit, of course, is on the side of customers themselves.

Household Solutions

The Green Energy service also goes in line with VSE's sustainable approach to business activities. The Company has been offering it for more than two years. Green energy is generated from renewable sources and each customer receives a VSE certificate guaranteeing that their consumption is 100% covered by electricity from renewable sources. The service is unique in its support to green projects in the territory of the Company's operations, i.e., in the region of East Slovakia. This means the customers and the supplier, including the VSE Foundation, jointly support selected projects that contribute to greenhouse gas emissions reduction, support biodiversity, a better life for bees, lead to planting of trees, climate gardens, community gardens and the like. The total amount of joint funding so far has reached almost 125,000 euros.

In products and energy solutions, the Company focuses on energy consumption reduction, HVAC solutions (heating, ventilation, and air conditioning) and photovoltaic units, to which a virtual battery is an added service, too. VSE supplies a comprehensive service for the customer, including analysis, solution design, implementation, and service. For solutions supported by the state, the Company leads its customer through the entire process of handling the subsidy. Customers also used this choice in 2023 as part of Green Households project, managed by the Slovak Innovation and Energy Agency.

Solutions for Businesses and Organizations

The Company has implemented several inspiring projects for businesses and organizations. A notable example of a sustainable approach to production was the assignment to build customer's photovoltaic park, which VSE arranged for the customer on a turnkey basis - from the distributor's opinion, through a construction permit, installation, putting the PV plant into operation, to the approval. During 2023, VSE connected renewable sources with a total output of 17.8 kW for its customers, divided into: photovoltaics 8.15 MW; solar system 2.3 MW; installed power in heat pumps 7.34 MW.

The Company also continued its business activities in modernization of sports facilities through a lighting project. The collaboration with the Secondary Electro-technical School in Trnava was unique, the result of which is a new specialized classroom for getting skills and verifying knowledge in the renewable energy sources, thus supporting young talents, and improving vocational education in Slovakia.

We Listen to our Customers

Customer satisfaction and loyalty stays the Company's main value. We actively collected customer feedback in 2023 and analyzed their opinions, and the specialized Customer Experience and Marketing Department prepared the solutions to their motions.

Communication with Customers

During 2023, the main topic of communication with customers was digitalization of handling requests. The Company launched a new online customer zone, Moje VSE, and encouraged customers to use Moje VSE through continuous communication emphasizing how easy the online processing of requests is. At the same time, activities aimed at increasing the number of customers using electronic invoices continued. Throughout 2023, a media campaign was implemented to increase customer awareness of VSE's HVAC solutions. After the Covid pandemics break, the Company organized its 17th annual Energy Seminar aimed at sharing the latest energy trends for business customers.

In 2023, the Company became a partner of several important public events. It was present in celebrating 100th anniversary of the International Peace Marathon in Košice and helped support the Children's Oncology Society in Košice through the important sports and charity event VSE CITY RUN.

In general, the Company uses e-mail newsletters, texts, websites, and social media to communicate with customers and the public. It focuses on minimizing physical shipments, in line with the intention of reducing paper consumption. VSE actively cooperates with national and local media, helping customers to get useful information in such a way, too.

PURCHASE AND SALE OF COMMODITIES

Electricity and Natural Gas Market

The warm winter at the beginning of 2023 came in extremely handy for Europe. It not only led to lower energy consumption, but also left enough LNG on the short-term market to replace Russian gas supplies. This meant a drop in prices, now prevailing on both the spot and forward markets.

A high volume of gas in reservoirs after the winter and moderate market optimism, led to low electricity, gas, and coal prices. It looked like the end of the crisis, but many factors (weather, availability of French nuclear resources, etc.) posed risks in the spring of 2023, and high price volatility on the energy markets could therefore be expected.

In the summer period, the development of electricity and gas prices showed a kind of stabilization. Even important events, such as the actual outage of Norwegian pipeline gas supplies to Europe, or the threat of an Australian strike and a subsequent possible drop in Australian LNG supplies to Asia, were no longer able to push gas or electricity prices to more than a few-month highs, and certainly not to extremely high ones from 2022.

Both electricity and gas prices did not rise or fall significantly during the fall. Neither strong political risks, such as the conflict in the Middle East, or damage to the submarine gas pipeline between Finland and Estonia, nor fundamental factors such as colder weather, or the threat of an outage in Australian LNG supplies, forced them to grow rapidly. Both the electricity and gas markets have stabilized, and winter and even 2024 may no longer be as critical as it seemed in the spring of 2023.

Purchase of Commodities

The Company VSE a.s. bought the electricity for customers following their requirements. Most of the electricity was from the company Slovenský plynárenský priemysel a.s. (23.1%), Vodohospodárska výstavba, š.p. (26.4%), Slovenské elektrárne, a.s. (9.0%), and ČEZ, a.s. (15.4).

VSE bought the natural gas for household customers following their requirements; the commodity was purchased based on bilateral contracts (with business partners RWE Supply & Trading GmbH and ČEZ), as the result of gas supply tenders or individual requests.

Sale of Commodities

Tab.: Structure of electricity sales to VSE a.s. customers by segment in GWh:

Segment	2023	2022
Households	1,209	1,260
Corporate Customers	1,412	1,746
Total	**2,621**	**3,006**

Tab.: Structure of natural gas sales to VSE a.s. customers by segment in GWh:		
Segment	2023	2022*
Households	2,137	1,132
Corporate Customers	1,471	989
Total	**3,608**	**2,121**

**Data on gas supply through the Company innogy Slovensko, s.r.o. is not included.*

ECONOMICS

Tab.: Main financial indicators of VSE a.s. for 2023 and the earlier period according to international accounting standards (IFRS); in thousand EUR		
Economic data	2023	2022
Total revenues	1,107,768	921,252
Total costs	-1,102,485	-916,286
P**rofit before tax**	5,283	4,966
Profit / loss per year	**4,029**	**4,624**
Long-term assets	102,737	106,773
S**hort-term assets**	192,357	208,452
Total assets	**295,094**	**315,225**
T**otal e**quity	101,590	97,673
Long-term **liabilities**	7,221	8,069
Short-term liabilities	186,283	209,483
Registered capital	**295,094**	**315,225**

The year-on-year increase in total revenues from electricity, gas and non-commodity products and services sale, reflects several factors:

- developments of prices on the energy market (both electricity and natural gas),
- volume of electricity and gas sold to customers,
- inclusion of the merged company innogy Slovensko.

The above-mentioned trends also affected the year-on-year development of receivables and paya-bles.

The 2022 economic result was transferred to the Unreimbursed Previous Year Loss account.

EMPLOYEES

Throughout 2023, the Company VSE, as part of human resources management framework, in detail examined and analyzed a wide portfolio of several topics.

Participation in the 15th Roma Spirit Award was an important part of the effort to strengthen diversity and inclusion. The Company also supported this topic during Diversity Days, when through virtual reality; its employees could experience the world from the perspective of disadvantaged people, which actively helps creating a safe and respectful work environment and emphasizes accepting people regardless of their individual differences.

The Company actively took part in important job fairs – Profesia Days 2023 and the Career Fair, where it presented itself as a modern Company not only interested in its current or future employees, but also in the business sustainability.

In 2023, the Company started collaboration with the Office of Labor, Social Affairs and Family (ÚPSVaR) **in recruiting new employees**. It completed several selection procedures for various job positions and was present at the Labor Exchange, organized by ÚPSVaR.

After reviewing the pilot year of working from home, also known as the New Normal, VSE a.s., based on positive employee feedback, decided to continue it till the end of 2025. It also extended a possibility of working from home by working from EU countries as well, subject to fulfillment of specific conditions, and increased the maximum of home office hours from 60% to 80% of an employee's monthly working hours. It is at the discretion of each superior that the requests of employees to use the benefit of regular work from home are assessed in the way that is motivating for employees but does not negatively affect the team's performance.

At the end of the year, the Company launched a campaign called „Recommend a Good Colleague - COLLEAGUE PICKING". The campaign was to inform employees on new or simplified options of recommending candidates and future colleagues. Like this, the Company encourages its employees to share advertisements and get contacts of those interested in vacancies.

In 2023, the Company set up a cooperation with Nexteria, a non-profit organization focused on forming a new generation of leaders in Slovakia through education. As part of the partnership, university students will also work with current participants in the Company's seventh year of Talent Program. They will work together on an internal project focusing on improving websites. This step promotes social responsibility towards future generations and supports regional education of young people.

In 2023, the Company also saw many legislative changes, in catering and taxation of employee benefits. It transparently informed the employees on changes and promptly implemented them in all internal processes and systems, so that they went smoothly and on time.

VSE a.s. successfully completed activities within the internal excellence framework, by deploying the second "robot" in the Human Resources Department, which made it possible to streamline the payroll process.

The Company has decided to move towards Company vehicles' electrification, as part of its commitment to environmental protection and sustainable environmental development. This step is aimed at contributing to a more sustainable environment and ecological impact reduction, using electric cars. In 2023, 11 electric vehicles and 5 fossil fuel vehicles were put into operation within VSE as.

As of 31 December 2023, VSE a.s. was employing 252 employees. The leave rate in 2023 reached 15.2%, thus increased compared to 2022. Voluntary turnover was at around 3.9%.

Tab.: Overview of basic data

Headcount structure	UoM	2023	2022
As of 31 Dec. (including staff union)	count	254	263
As of 31 Dec. (excluding staff union)	count	252	261
Average headcount	count	256	258
Voluntary fluctuation	%	3.9	4.3
Total staff fluctuation	%	15.2	15.5
Average seniority	year	43.0	42.6
Average number of years of service	year	9.3	8.6

ADDITIONAL INFORMATION

Additional Information

The Company VSE a.s. did not buy any own shares, temporary certificates, shares or temporary certificates and shares of the parent entity.

In 2023, the Company did not incur any research and development costs.

In connection with secure energy supply, commodity market situation, or in connection with the war in Ukraine, the Company will continue being exposed to significant risks. It is a credit risk (on the part of customers), as well as a commodity risk (from the point of view of price and purchase/sale volumes).

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 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

The Company has no organizational unit set up abroad.

The Company applies a complex environmental protection system in all its activities.

EVENTS THAT OCCURRED AFTER THE REPORTING PERIOD

Events that Occurred After the Reporting Period

Share in subsidiary iWATT s.r.o. was sold in 2023. After 31 December 2023, until the date of preparation of the financial statements the buyer withdrew from the contract for the purchase of this share. Cancellation of the transaction does not have significant impact on the financial statement for the year ended 31 December 2023.

After 31 December 2023, until the date of preparation of the financial statements of VSE a.s. the personnel changes in the Company's Board of Directors and the Supervisory Board took place, namely:

- JUDr. Radoslava Šotterová and Ing. Ján Kudlovský ended their tenure as members of the Board of Directors on 31 December 2023.
- With effect from 1 January 2024, PhDr. Michal Dubeň and Ing. Ľudovít Šipoš were appointed as members of the Board of Directors.
- Ing. Alena Rozsypalová ended her tenure as Vice Chairwoman of the Supervisory Board on 31 December 2023.
- With effect from 1 January 2024, Mgr. Lucia Macaláková was appointed as Vice Chairwoman of the Supervisory Board.

BUSINESS OUTLOOK 2024

As a part of the ZSE Group, VSE a.s. will continue the integration process, while still acting under the VSE brand in relation to customers.

The new ZSE Group aims to create a Company that can better respond to market challenges and shall significantly contribute to the whole energy industry transformation. It will bring a new benefit to its customers, while continuing to be attractive to its employees and ready to fulfill long-term strategic goals of growth, sustainability, and digitalization.

For its customers, VSE as will continue being a strong, reliable and above all stable supplier on the energy market and in energy solutions.

VSE a.s. will follow a set trend and will continue focusing on the products' offer that help customers on their way to sustainable business and efficient energy use. The Company will once again include automation and digitalization of processes in its plans.

Also in 2024, VSE a.s. will be complying with all legislative regulations and quality standards for the supply of electricity and natural gas to end customers, so that to be among the companies conducting business transparently and responsibly.

APPENDIX: CONTACTS

Contacts

Východoslovenská energetika a.s
Mlynská 31
042 91 Košice
Slovenská republika

E: info@vse.sk
I: www.vse.sk
I: www.termoteam.sk

Households

VSE Line
T: 0850 123 333
TermoTeam Line
T: 0850 12 2407
Safe Sales Line (free of charge)
T: 0800 123 532

Corporate customers

Sellers' contacts for all regions of Slovakia can be found on www.vse.sk

Outages Line

VSD Emergency Hotline
T: 0800 123 332
ZSD Emergency Hotline
T: 0800 111 567
SSE-D Emergency Hotline
T: 0800 159 000
SPP-Distribúcia Emergency Hotline
T: 0850 111 727

Customer Centers (CC)

CC Bardejov
Radničné námestie 9

CC Humenné
Námestie slobody 61

CC Košice
Mlynská 31

CC Michalovce
Štefánikova 2

CC Poprad
Nám. Sv. Egídia 97/42

CC Prešov
Levočská 3

CC Rožňava
Šafarikova 2

CC Spišská Nová Ves
Zimná 34

CC Trebišov
M.R.Štefánika 1515

Make an appointment
in one of our offices on-line at www.vse.sk