Annual Report for 2023

Západoslovenská distribučná, a.s.

ZÁPADOSLOVENSKÁ DISTRIBUČNÁ

Content

01 | Profile of Západoslovenská distribučná, a.s.

Foreword by the Chairman of the Board of Directors

Ing. Radoslav Haluška
Chairman of the Board of Directors

Dear customers, business partners and colleagues,

The consolidation of business activities of the E.ON Group in Slovakia reached another important milestone in 2023: Východoslovenská distribučná, a.s. became a member of the ZSE Group, thus becoming a "sister" of Západoslovenská distribučná, a. s. It is a significant change that fundamentally creates both conditions and expectations, for example for the harmonisation of interfaces between distribution system operators in the West and East and other electricity market players. Our customers and business partners obviously expect simplicity, clarity and transparency in their relations with the grid infrastructure operator. This is an area we devote a great effort to. One of our major priorities in 2023 was to unify, simplify and digitise the requirements for connecting, in particular small and local resources.

The year 2023 was exceptional in terms of investments, reaching the volume of EUR 148 million. The funds were invested mainly in the development and upgrade of the distribution system, connection of new customers and modernisation of the low and middle voltage electricity network. We continued to automate and digitise the distribution system. I am pleased that we are also successful in obtaining the funding through the European Projects of Common Interest, which are aimed specifically at building a smart grid in the Central and Eastern European region.

Also, we managed to reduce the "SAIDI_N" indicator which indicates the level of reliability of electricity distribution affected by faults on the distribution system facilities. Both the trend and the resulting value achieved in 2023, excluding the impact of extraordinary events caused by extreme weather, were 52.72 minutes. This is important feedback on the structure of capital expenditure, responsible maintenance, contributing considerably to the satisfaction of our customers connected to the middle and low voltage grid in particular. On the other hand, the frequency and negative impact of weather extremes has been worsening over the last decade. Climate changes, sudden weather fluctuations are visible, causing higher operating costs and having a negative impact on the reliability of electricity distribution.

Of course, we are aware that our activities have negative impacts on the environment too. We seek to minimise them, for example, by maintaining vegetation under the lines in an environment-friendly manner, having biodiversity in mind, and by focusing on bird conservation and greening our lines. I also consider our investments in grid development to enable a greater development of photovoltaic solutions to be an equally important contribution to environmental protection.

A new 5-year regulatory period started on 1 January 2023. Despite the importance of the need for elementary predictability and transparency, secondary legislation setting out the details of price regulation was not issued by the Office for the Regulation of Network Industries until 30 June 2023. At the same time, due to the emergency situation on the energy market, crisis regulation was applied in 2023 on the basis of a decision of the Government of the Slovak Republic. The introduction of flat and ill-considered compensatory measures to maintain ‚energy prices' is neither systemic nor sustainable. Such an approach places a disproportionate burden on public finances and does not lead to the basic motivation of customers to behave responsibly, even with regard to reducing energy demand. Nevertheless, customers have been very active in building de-centralised resources. Year-on-year, the total installed capacity of small and local resources increased by more than 107 MW, representing more than 11,000 new installations.

As the interest in installing photovoltaics went up suddenly, our Company had to respond too. Last year, we managed to move the entire process of connecting these sources to the distribution system to online environment. The process was made easier, time for the entire implementation of the photovoltaic solution.

Unfortunately, as a result of this huge interest, we had to reject some applications due to insufficient capacity in that part of the system. We also try to call on our customers to size their photovoltaics solutions correctly. On one hand, unreasonably oversized power requirements reduce the desired savings effect and make the return of the source longer, on the other hand they reduce the available capacity of the grid, thus limiting the use of renewable sources or other interested parties.

The availability of photovoltaics-based technologies will make real difference in the future. They are a prerequisite for electrification, especially in the segment of customers connected to low voltage. Combined with the growth in energy efficiency, environment-friendly approach and climate protection, this is a major opportunity for sustainability in the future.

The main role of distribution companies, i.e. high reliability and availability of the distribution system, becomes an expected standard in the context of the ongoing changes. Structural changes on the electricity market, the expected high penetration of de-centralised photovoltaic-based generation, changes in the nature and profile of consumption and generation will have a major impact on the technical design of the distribution system, its operation and management. They will also bring new challenges in ensuring reliable and sustainable operation. Large-scale investments in infrastructure will be a must in this context, creating, in turn, significant pressure to cover these costs. The low-voltage network will be the "network of the near future", the supply point will become an "integrated trading platform". In any case, this is an opportunity - both in terms of society and business. Mastering it is an elementary prerequisite for society to move towards a more responsible use of sustainably generated electricity.

I sincerely thank my colleagues for a great job, and business partners and customers for correct cooperation.

Best wishes

Ing. Radoslav Haluška
Chairman of the Board of Directors

Company's Bodies

The structure of statutory and supervisory bodies of Západoslovenská distribučná, a.s. in 2023 was as follows:

Statutory Body	
As at 31 December 2023	
Chairman	Ing. Tomáš Turek, PhD. (start of office on 21 September 2019, end of office on 14 March 2023)
	Ing. Radoslav Haluška (start of office on 15 March 2023)
Vice-chairwoman	Ing. Jana Somorovská (start of office on 1 September 2020)
Members	Ing. Marian Kapec (start of office on 21 March 2020)
	Mgr. Kristián Takáč (start of office on 1 September2020)
	Ing. Miroslav Otočka (start of office on 16 May 2022)

Supervisory Body	
As at 31 December 2023	
Chairman	Ing. Bc. Robert Tánczos (start of office as a Member of the Supervisory Board on 20 November 2020, as the Chairman of the Supervisory Board on 27. September 2022)
Vice-Chairman	Marian Rusko (start of office as a Member of the Supervisory Board on 1 February 2020, elected as the Vice-Chairman on 7 April 2020, end of office on 14 March 2023)
	Ing. Tomáš Turek, PhD. (from 15 March 2023 as a Member of the Supervisory Board, from 29 March 2023 as vice-chairman of the
Members	Robert Polakovič (start of office on 5 October 2022)
	Bc. Milan Černek ((start of office on 5 October 2022)
	Ing. Juraj Nyulassy (start of office on 5 October 2022)
	Ing. Peter Ševčík (start of office on 20 November 2020)
	Ing. Dušan Rusňák (start of office on 20 November 2020)
	Ing. Michal Kubinský (start of office on 20 November 2020)
	Ing. Ivan Májsky (start of office on 25 July 2022)

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

Shareholders' structure			
As at 31 December 2023	**Absolute amount in EUR**	**Ownership interest in share capital**	**Voting rights**
Západoslovenská energetika, a. s.	33,227,119	100 %	100 %

Scope of Business

Information on the Company and Its Scope of Business

Západoslovenská distribučná, a.s. (hereinafter the "**Company**"), Company ID: 36 361 518, with its registered address at Čulenova 6, 811 09 Bratislava, was established on 20 April 2006 and incorporated in the Commercial Register on 20 May 2006. The Company is registered in the Commercial Register of the City Court Bratislava III, Section: Sa, File No.: 3879/B.

The Company was established by a Memorandum of Association on 20 April 2006, made in the form of Notary Deed N 137/2006, Nz 15077/2006 in accordance with the relevant provisions of Act No. 513/1991 Coll., Commercial Code. The Company was established with a view to complying with the legal requirements to unbundle electricity distribution from other businesses of the companies providing integrated services in the electricity sector, as stipulated by EU Directive 2003/54/EC concerning common rules for the internal market in electricity, which was transposed into Slovak legislation by means of Act No. 656/2004 Coll. on Energy and on Amendments to Some Acts. The Energy Act stipulated the date of 1 July 2007 as the latest date for unbundling the distribution system operations. Západoslovenská energetika, a.s. separated a part of the business performing the key distribution activities and contributed it into Západoslovenská distribučná, a.s. Západoslovenská distribučná, a.s., is part of ZSE Group. The ZSE Group comprises the parent Company Západoslovenská energetika, a.s. and its subsidiaries: Západoslovenská distribučná, a.s., ZSE Energia, a.s., ZSE Elektrárne, s.r.o., ZSE Energy Solutions, s.r.o., ZSE MVE, s. r. o., ZSE Business Services, s. r. o., ZSE Energetické služby, s.r.o.,, Východoslovenská energetika Holding, a.s., Východoslovenská energetika, a.s., Východoslovenská distribučná, a.s., VSE Solutions, s.r.o., VSE Call centrum s.r.o. a VSE Ekoenergia, s.r.o.

The company is the operator of the regional distribution system in western Slovakia and the core business activity of the Company is electricity distribution. The Company has no expenses on research and development.

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

The Company does not have organisational unit abroad.

Risks and Uncertainties

The Company will continue to be in charge of developing new projects and innovative solutions that will reflect the strategic direction of the ZSD facing the challenges resulting from the macroeconomic and market changes.

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

During the normal course of business, claims against the Company may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator. These circumstances were taken into account in its Financial Statements as at 31 December 2023.

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

The significant events occurred after the end of 2023 requiring disclosure in the Annual report
Company is not aware of any other significant facts occurring after 31 December 2023, which would have an impact on the financial statements.

Compliance Programme

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

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

Code of Conduct

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

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

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

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

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

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

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

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

Compliance and notifications

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

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

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

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

Number of compliance-related claims in the ZSE Group in 2023	
Claims regarding business integrity, potential illegal activity, violation of legal regulations, corruption, antitrust rules, compliance with KYC rules and integrity of business partners, insider trading	**1**
Frauds against ZSE Group companies, such as theft, embezzlement, other fraudulent behaviour	**9**
HR-related concerns claims, such conflict of interests, mobbing, bossing, sexual harassment, discrimination, etc.	**6**
Any other topics related to the Code of Conduct	**0**
TOTAL	**16***

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

Zero Tolerance for Corruption

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

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

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

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

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

Fight against money laundering and terrorist financing
In the fight on money laundering and terrorist financing, the ZSE Group proceeds in line with Slovak and European laws. The ZSE Group never excuses, facilitates or supports money laundering and terrorist financing which means that:
- respects laws concerning money laundering and terrorist financing,
- never engages in risk activities which could be focused on financing or support of criminal terrorist activities,
- adopts measures and mechanisms of assessment of potential and current business partners.

Competition and anti-competitive practices
We, in the ZSE Group, are convinced that we can win and retain customers and build stable relationships with the stakeholders only if we act responsibly and fairly.

The ZSE Group is governed by the Rules on Competition and by no means tolerates prohibited agreements restricting competition (cartel agreements) or abuse of the dominant status. All employees of the ZSE Group Companies are under an obligation to act in compliance with the Competition Protection Rules, further detailed in the Code of Conduct.

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

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

Know your counterpart control (KYC)
The ZSE Group selects its business partners on the basis of professional and economic criteria. However, the Group

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

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

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

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

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

Customer ombudsman

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

The customer ombudsman deals with complaints in cooperation with ZSE Group colleagues and seeks the best solution for both parties. The ombudsman also helps the company observe regulation and industry standards. Last year, the ZSE customer ombudsman handled 978 customer cases, which is in line with the long-term average. Only a small part of cases (123) are official claims received by email. Cases can be primarily divided into two categories. The first includes basic help for a group of customers where it can be assumed that they need assistance. These can be e.g. hearing or vision impaired, physically handicapped or seniors of advanced age. Another group are customers who are not satisfied with the handling of their claim at an existing contact centre, or their case is more complex. Approximately 1/6 of claims were classified as requests. These concern mostly help with filling out a form, submitting a request or completing documents. 1/3 of claims were classified as complaints. In such cases, the ombudsman enters the process if there was a misunderstanding and the standard process came to a halt. Most often there are complaints regarding the contract on connection or electricity meter failure. Recently, with the launch of photovoltaic panel installations and longer waiting times, the ombudsman has been receiving complaints related to this. The biggest part of the ombudsman's contacts with the customers concerns consultations and/or advisory. The main reason is that the customers naturally don't know the process.

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

Cyber-security

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

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

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

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

The comany, as a subject to the Cybersecurity Act, were required to undergo a „re-audit" by a certified public accountant after two years.

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

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

02 | Economy

Economy

In 2023, Západoslovenská distribučná, a.s., generated comprehensive income of EUR 142,298 thousand, with incomes totalling EUR 676,756 thousand and expenses totalling EUR 490,031 thousand.

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

Key figures as at 31 December		
in EUR thousand	**2023**	**2022 restated**
Non-current assets	1,312,182	1,233,600
Current assets	91,417	125,121
Total assets	**1,403,599**	**1,358,721**
Equity	321,274	235,058
Non-current liabilities	910,796	581,122
Current liabilities	171,529	542,541
Total equity and liabilities	**1,403,599**	**1,358,721**
Revenue	644,751	465,659
EBIT (profit from operating activities)	**206,656**	**104,024**
EBITDA	290,167	184,683
Incomes	676,756	491,910
Expenses	490,031	406,633
Profit before tax	186,725	85,277
Net profit	**140,844**	**63,624**
Other comprehensive income	1,454	868
Total comprehensive income	**142,298**	**64,492**
Cash outflows for investment activities	**131,536**	**85,208**
Full-time equivalent of employees (FTE)	**1,535**	**1,518**

In 2023, the data for previous years were adjusted, see in Financial Statements, note 2 „Correction of prior period errors".

Information on incomes in monetary terms from electricity distribution:

Indicators		
As at 31 December	**2023**	**2022**
Volume of electricity distributed (GWh)	9,467	9,636
Incomes from electricity distribution (EUR thousand)	611,160	448,983
Number of supply points	1,222,811	1,208,656

Loans

Západoslovenská distribučná, a.s. did not draw new bank loans in 2023

Investments

Investments in 2023	
in EUR thousand	**2023**
Connection	34,617
Development and improvement of networks HV, LV, TS, EZ	58,082
Development and improvement of networks VHV (RZ, EZ, KZL)	26,157
Special projects (automatisation, ecology)	1,448
Purchase of energy devices	2,829
Land and easements	1,905
Transformers, inductors, resistors	1,714
Electrometers	6,691
Low-value assets	584
Contracts for the purchase of leased assets	773
Interest expense capitalised	1,930
IT projects	4,107
Telco	1,637
Facility Management	2,165
Other	3,807
Total	**148,446**

Major constructions in 2023 in terms of volume:

Major Constructions of Západoslovenská distribučná, a.s. in Terms of Volume	
in EUR thousand	**2023**
VVN_ ES Mierovo - výstavba	8,055
VVN_Rekonštrukcia ES Trnava Zavar	4,007
VVN_Rekonštrukcia ES Senica	3,929
VVN_Rekonštrukcia vedenia VE Kostolná - Bošáca	3,885
VN_Šamorín_vyvedenie z ES	3,383

Planned major constructions in 2024 in terms of volume:

Major Constructions of Západoslovenská distribučná, a.s. in Terms of Volume	
in EUR thousand	**2024**
VVN_Výstavba vedenia Nitra Čermáň-Veľký Ďur	7,000
VVN_ ES Mierovo - výstavba	4,700
VN_Dunajská Streda_vyvedenie z ES	4,300
VVN_Rekonštrukcia ES Senica	4,000
VVN_Výstavba vedenia BSJ- Holíč	4,000

Distribution of Profit for 2023

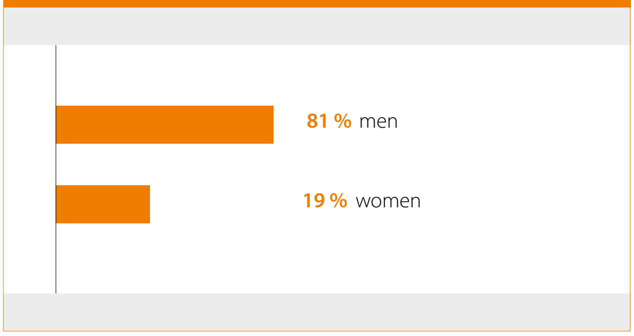
Proposal for 2023 profit distribution	
Submitted to the Board of Directors of Západoslovenská distribučná, a.s. on 23 April 2024	**in EUR thousand 2023**
Net Profit for the financial period	**140,844**
A/ contribution to reserve fund (10%)	14,084
B/ contribution to social fund	1,430
C/ dividends	125,330

03 | Human Resources

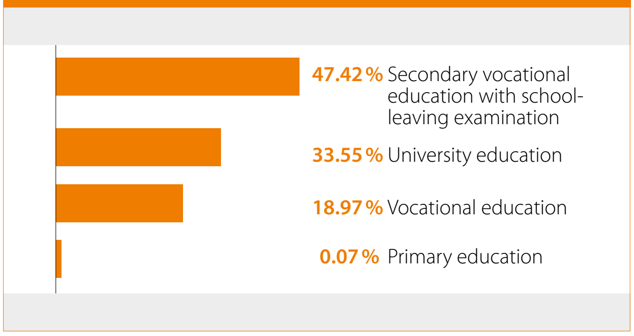
Human Resources

In 2023, ZSD had 1,534.66 employees on average (excl. members of the Board of Directors and Supervisory Board and employees who worked on the basis of the agreement on performance of work). The average age of employee was 45.75 years.

Share of women/men



Education



Remuneration and benefits

In line with the commitments resulting from the Collective Agreement, of the collective agreement, a flat-rate increase in basic wages of 4% and EUR 120 has been secured. The basic wage has been reassessed from 1.5.2023 differentiated by 1.14%. Employees were remunerated by performance too, which had a direct impact on the amount of variable pay and special bonuses. All employees of the ZSE Group received a contribution from the Social Fund for regeneration of the workforce. In 2023, the Employer continued to contribute to supplementary pension savings. Each employee was entitled to 5 days of leave beyond the Labour Code.

Training and development

In 2023, development activities focused on leadership skills development, self-branding, project management, expert potential development and language skills were implemented as part of the talent programmes. Employees have the opportunity to attend coaching sessions to develop their soft and hard skills, if they wished so. Regarding the themes such as human resources, diversity and inclusion, the Company minds the necessity of continuous lifelong learning, not only in the area of hard skills, but also with an emphasis on mindfulness, positive thinking and physical balance.

Promoting well-being

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

Cooperation with schools and students

In order to provide quality workforce, the companies of the ZSE Group have been long cooperating with schools at all levels of teaching. An important form of cooperation is dual education which prepares students for a job according to their specific needs and requirements directly at their assigned workplace.

The students get in contact with work environment and develop the work habits necessary for successful placement after graduation without the need for further training or retraining. In Western Slovakia, in 2023, dual education was provided to 38 pupils in four schools and vocational training was also provided to 11 pupils in six other schools. The students of secondary vocational school also have the opportunity to become young employees through the "Power" programme, in which professionals pass on their valuable experience and technical skills to future colleagues. In 2023, 36 graduates of electrical engineering schools were admitted to the programme.

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

Promoting diversity

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

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

04 | Occupational Health and Safety

Occupational Health and Safety

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

The Company have long been engaged in systematic training of employees in occupational health and safety. Initial training for new employees was carried out both in the form of face-to-face training and distance learning via the MS Teams application. In 2023, 114 sessions were carried out, for a total of 1,521 employees. In 2023, 2 online trainings were conducted for employees on the topic of supplier management from the perspective of HSE. HSE and HR workshops were conducted for company managers. Awareness sessions were also conducted for our contractors and employee safety representatives.To increase the employees' HSE awareness, various articles and quizzes were published on the intranet.

Various articles and competitions have been published on the intranet to promote HSE awareness among employees. Webinars on wellbeing and mental health protection, ergonomics at work in administration and a healthy gut were conducted in the area of employee health protection. In the area of prevention of civilisation diseases, a Health Week was implemented where employees could undergo non-invasive examinations aimed at screening for these diseases. The company also provides medical preventive examinations for selected employees beyond the scope of the law. For all ZSE Group companies, EUR 850,210 was spent on personal and protective work equipment and devices, legislative HSE training and preventive medical check-ups.

The ZSE Group monitors TRIF comb., LTIF comb. and NMOF indicators of employees. In 2023, the TRIF comb. reached a value of 1.5, LTIF comb. was 0.8 and NMOF was 332.85.

One registered work accident was reported in 2023. In 2023, employees of contractors worked 915,563 hours at the sites or facilities of the ZSE Group.

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

05 | Environmental Protection

Environmental Protection

Environment

In 2023, the Company continued with the long-term and sustainable care for the environment, bird protection, as well as protection of water, soil and air. At the end of October 2023, 3EC certification company carried out 1.supervisory audit of the system of integrated management (SIM). The audit found no discrepancies and retained the Environmental Management System certification (ISO 14001) and HSE Management System (ISO 45001). Many strengths and improvements were identified, as well as opportunities for improvement. The certification company came to the conclusion that SIM is efficiently processed and improved and recommends continuing with the certification.

Within the ZSE Group, external auditors highlighted for example these strengths:

- management leadership,
- preventive and proactive approach to OHS and protection of the environment,
- communication channels and employee awareness raising
- an effective supplier management process
- competence of management staff
- effective internal communication
- digitisation and application usage
- ESG strategy, mapping and reducing carbon footprint and more

Emphasis on environmental protection is part of all our work activities, including technical and project design of the construction, reconstruction and repair of power lines and substations. We prefer the concepts and design of technologies, equipment or materials that not only ensure the reliability and safety of the operation of the distribution system but respect the strict requirements for environmental protection too.

When carrying out repairs of energy facilities and constructions, the ZSE Group ensures that waste is consistently separated and subsequently disposed of and recovered to the maximum extent possible by authorised companies. Special attention is paid to the care of equipment containing SF6 gas, which is classified as a fluorinated greenhouse gas. Gas leaks are closely monitored and recorded.

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

The Company has been minimising negative impacts of electricity distribution on bird populations for over 30 years. In 2023, ZSD continued the international cooperation in the special protection area LIFE Eurokite and LIFE Danube Free Sky projects. The main goal of LIFE Eurokite in Záhorské Pomoravie is to identify spatial use of biotopes of selected species using telemetric technology and quantity the key reasons for raptor deaths in the EU. Since the beginning of the project, protective elements were installed on 1400 support poles to prevent electrocution on power line poles.
Even outside the international LIFE projects, bird protection is one of the company's main areas of environmental focus. As a company, we methodically focus particularly on special protection areas with lots of nesting biotopes, and main migration corridors. In 2023, the company continued installing nesting plates for kestrels on medium voltage power lines. Since the project launch, 120 nesting booths have been installed, with 380 fledglings successfully flying out of them. Creating nesting opportunities for raptors is one of compensation measures contributing to increasing biological diversity in the country.

Bird flight deflectors were installed in the areas where bird deaths were discovered due to collisions with power lines. Such collisions occur mostly in winter months when swans and other waterfowls stay in numerous flocks near bodies of water. In 2023, 5 km of power lines were equipped with warning elements. ZSD has focused on stork nest relocations for many years. In 2023, we found suitable locations for stork nests in 7 municipalities. As part of nest relocations, the original nesting base on the power line is secured with barriers. For the first time, in-house ringing of young storks in nests on our support points was carried out by a certified ZSD employee.

In addition to the treatment of existing overhead lines, the companies are also engaged in the relocation of overhead HV lines to the ground, which is also a positive contribution to reducing the risk of bird strikes. Within the framework of ACON, Danube InGrid projects as well as own actions, more than 166 km of overhead lines have been replaced with underground cable lines in 2023.

An environmental approach shall be applied to vegetation management in outdoor power line corridors and each corridor shall be individually assessed for the feasibility of applying such an approach. This enhances biodiversity, nesting and foraging opportunities as well as the resilience of native communities.

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/will be published by the company Západoslovenská energetika, a.s. (the highest parent company) for the entire group „ZSE" group in its Sustainability report for the year 2023. The 2023 Sustainability Report is/will be available on the following website: https://www.skupinazse.sk/Home/Sustainability/Sustainability-Reports

Sustainability

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

ZSE group has a clear a vision of what are the actual steps we need to undertake to fully embark on transition towards decarbonization as the electricity distribution system owner. We see the integration of the VSE Holding group as a huge opportunity to help navigating the energy industry in Slovakia in the sustainable direction.

Our absolute priority is to make the distribution network ready for connecting the RES into the system as well as resilient to be able to adapt to upcoming climate events. These are just some of the big challenges in the energy industry world, however, we are keen on managing the sustainable transition bearing in mind the huge investments into our grid that must be made. Our additional priority is to be fully prepared to serve our customers the best possible solutions to support their sustainable choices. This is one of the most effective ways to avoid the production of emissions in the first place with tools such as PVs, e-mobility or energy efficiency services.

After the integration of the VSE Holding into the ZSE Group in the end of 2023, we are going to have a close look at the core ESG strategy published in 2022 and also rewind the CO2e emission reduction targets, since after couple of years working with the decarbonization activities as well as rules and regulations that have been implemented, we can re-evaluate the best possible scenarios.

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

06 | Investment projects in 2023

Investment projects in 2023

Západoslovenská distribučná, a.s. invested almost EUR 148 million in 2023, mainly in the development and upgrade of the distribution system, so that we are able to ensure a high standard of electricity supply to our customers.

A significant part of the investment funds will also be allocated in 2024 to projects co-financed from EU funds. Together with our own investments for connecting new customers, for the upgrade of the low and middle voltage electricity network, or for other investment projects, we plan to invest a total of more than EUR 143 million.

In 2023, reconstructions were started at two electrical stations with a total estimated investment value of almost EUR 16 million. These include extensive modifications at the **Senica electrical station**, which are related to the 220kV operation shutdown and the shift to the 400kV voltage level at the facilities owned by the transmission company. The second case concerns the upgrade of the T**rnava - Zavar 110/22kV electrical station**. This upgrade will significantly affect the equipment of the control and information system, as well as electrical protection equipment. At the same time, all power equipment at the 22kV voltage level will be upgraded and the existing 110/22kV transformers will be replaced.

We managed to upgrade 110kV lines in the vicinity of Trenčín and Trnava in the total length of 18 kilometres. In the vicinity of Trenčín it was a 110kV line from the VE Kostolná electrical station towards the south near the village Bošáca. In the vicinity of Trnava, it is a part of the section between the electrical stations in Jaslovské Bohunice towards the Križovany electrical station.

We spent a record EUR 93 million on connecting new customers and renewing the low- and middle-voltage electricity network, including projects co-financed by EU funds (innovative European projects). In this segment, we carry out several hundred investment projects a year.

We continued to invest in smart metering systems (smart meters). At the same time, we are increasing the level of automation of system operation by expanding the number of smart grid elements, i.e. in automated distribution system elements, including remote failure location and control of distribution system elements.

In 2024, we plan to complete the upgrade of the **Trnava - Zavar** electrical station and to continue extensive modifications at the electrical station in Senica. In addition, the installation of new chokes at the Bošáca substation is planned for next year. There are also planned sets of reconstruction works on 110 kV lines, the most important of which will be the start of the upgrade of the line between Nitra Čermáň - Veľký Ďúr. It will be about 36 kilometre section of double line with total investment value of EUR 14 million. This investment is planned for the next two years. The upgrade of the double 110 kV line between Podunajské Biskupice, Karlova Ves and Lamač is also interesting in terms of scope and location.

Innovative European projects

Projects of Common Interest (PCIs) are key infrastructure projects aimed at connecting Europe's energy systems and achieving the EU's energy and climate goals. The ACON and Danube InGrid projects are also on the latest, 6th official list of PCI projects of common interest of the European Union.

We continue to implement the **ACON Smart Grids** project. This is the first project implemented exclusively by distribution companies (Slovakia: ZSD; Czech Republic: EG.D) in the CEE region that has succeeded among the EU PCI projects and has been included in the so-called PCI list in the smart grid category. By obtaining PCI status, projects can apply for co-financing from the Connecting Europe Facility of the EU. The total value of the supported ACON project amounts to EUR 82 million, with co-financing from the facility amounting to EUR 91.2 million, which is 50% of the project value. Costs for each partner of the project are approximately 50%. The ACON project is implemented during in 2018 - 2024 and is the first ever Slovak-Czech project aimed at massive deployment of state-of-the-art smart technologies, enabling the emergence of a "new energy" based on local renewable energy sources. The project will also contribute significantly to the strengthening of security and stability of electricity supply, increasing the capacity of the grid, or controlling the distribution system with fibre optic infrastructure over hundreds of kilometres.

So far, including 2023, investments totalling more than EUR 54 million have been made under the ACON project. We have successfully built almost 450 kilometres of fibre optic routes, upgraded 78 transformer stations by deploying monitoring and communication technologies, built and commissioned a new 110/22 kV electrical station near Borský Sv. Jur, which will significantly contribute to the reliability and stability of electricity distribution in the region, and last but not least, HW and SW solutions have been designed and implemented as part of the deployment of the smart grid IT platform.

The Danube InGrid project is the second PCI project in the smart grid category implemented by ZSD, having been awarded this status in 2020. the project partners include the Slovak Electricity Transmission System (SEPS) and the Hungarian distribution system operator E.ON Észak-dunántúli Áramhálózati Zrt (EED). The territory concerned is the region of western Slovakia and north-western Hungary. The uniqueness of the project is underlined by the successful and efficient cross-border cooperation between the distribution system operators and transmission system operators.

The Danube InGrid project applied for co-funding from the Connecting Europe Facility of the EU, and in October 2020 was awarded the highest ever grant funding in the smart grids category of EUR 02 million, representing 35% co-funding for a total project value of EUR 292 million.

The primary objective of the Danube InGrid project is to interconnect the energy markets between Slovakia and Hungary and the related construction of a smart grid in the Central and Eastern Europe region, which will enable a more extensive integration of renewable energy producers into the distribution system, while maintaining high quality and security of supply.

In the course of the Danube InGrid project so far, more than 58 middle and low voltage transformer stations have been equipped with smart devices enabling remote data collection, equipment control or remote fault location in the distribution system. The implementation of the new smart power station Mierovo 110/22kV was successfully launched, which will significantly strengthen the distribution system in the location between the capital city of Bratislava and Dunajská Streda. In addition to the station itself, middle voltage lines in the directions of Šamorín and Dunajská Streda are also being implemented and are scheduled for completion in 2024.

At the same time, 131.6 kilometres of fibre optic routes were built on middle and low voltage lines to ensure communication, and other smart elements were installed - remotely controlled section disconnectors for more flexible handling at the high voltage level. IT solution development activities continued in the areas of active fault and loss management in distribution, asset management, cybersecurity, and data exchange with customers.
Two new weather stations enabling weather monitoring in selected locations in the ZSD distribution territory have been in operation since 2021, with potential for future data sharing with project partners. The total amount invested for the period from the start of the project to the end of 2023 exceeds EUR 25 million.

07 | Growing interest in renewable sources

Growing interest in renewable sources

Over the last two years, we have seen a growing interest in connecting new renewable energy installations by households and businesses.

As to December 2023, more than 17,000 small sources with a total installed capacity of 105 MW was connected by ZSD to its distribution system.

2021	1,044 small sources; 4.7 MW
2022	3,656 small sources; 21.7 MW
2023	10,511 small sources; 74.5 MW

Most resources are connected in locations with individual residential construction in economically active regions. These are mainly the wider catchment area of the capital Bratislava and the catchment areas of regional and district towns in western Slovakia.

As the interest in installing photovoltaics went rapidly up, the distribution company had to respond too. Last year, the whole process of connecting these sources to the system moved to on-line environment and is carried out now through an e-application, which on the one hand makes it easier because it eliminates errors in the individual steps. At the same time, the time for the entire implementation of the photovoltaic solution has been significantly reduced.

The whole process of connecting a small source to the distribution system is done digitally in the e-application. Before the installation of the photovoltaic panels, it is necessary to apply for the connection of the source and sign a contract on the connection of the electricity generation facility to the distribution system. The contract on connection to the distribution system will be sent to the applicant within ten working days of receipt of the complete application for connection of the source. Based on the data filled in the application, the distribution company proposes the technical conditions for the connection of the source, the division point, the metering method and the permitted value of the maximum reserved capacity (MRC) of the source. Along with this contract, the customer will now also receive a contract for access to the distribution system. The applicant signs and submits both contracts via the application. The installation can then take place. This should be carried out according to the proposed conditions by an expert/contractor who has knowledge of the implementation of photovoltaic sources.

After the work is carried out, the customer confirms, by a declaration of honour, that the technical conditions have been met and that the connected source is capable of safe and reliable operation. The proof of acceptance of responsibility for the deviation with the supplier is handled afterwards by the supplier chosen by the customer. This shall be followed by the replacement of the meter, which is carried out by the distribution company within five working days of the applicant fulfilling all previous obligations. It is recommended that the source is put into operation after the meter is replaced, otherwise the electricity supplied to the distribution system is included in the electricity consumption. The last step in the process of connecting a small renewable source is the applicant´s legal obligation to notify the distribution company of its putting into operation. This obligation of the applicant is considered to be fulfilled on the date of connection of the small source to the distribution system, which is communicated to the applicant in the notification email. The entire process should take a maximum of 15 working days on the part of the distribution company, the rest of the activities are ‚in the hands' of the applicant.

When designing a specific photovoltaic solution, customers are advised of its correct dimensioning. For an average household consumption - a family house - we recommend three-phase systems (the least load on both the home wiring and the distribution system) with an output of 2.5 to 5 kW. For the user, this is an ideal economic solution both in terms of the acquisition cost of such a source, as well as in terms of the return on such an investment. Il-considered oversized power requirements therefore logically reduce the desired effect (savings) when supplementing the domestic energy mix. As far as distribution system operators are concerned, they unnecessarily drain the available capacity of the grid (which is not infinite), limiting the use of renewable sources for other interested parties. The same applies to the number of selected phases. Using 3-phase connection again increases the number of those who can be connected to the grid with photovoltaic panels.

07 | Development of Online Services

Development of Online Services

Online services development: Západoslovenská distribučná, a.s. has been intensely developing online services for its customers for several years. The aim of these projects is to make the process of handling the requests more efficient and expand the provided information service.

Online services development continued also in 2023. The relevant teams worked on the website's update, distribution portal, electronic requests and online communication with customers.

Electronic requests: Web apps are an eco-friendly and practical alternative to traditional "paper" form of submitting requests and they allow you to track the progress of your request online. They are integrated in the request's hub called e-Requests.

In 2023, we expanded the hub with other request types: Requests for connection of a local source, Requests for connection of more than one point of consumption, Requests for connection or change of technical conditions of operation of a commercial source.

ZSD mobile app: Free-of-charge application enables the customers to have their electricity distributor at hand anytime: ZSD services, consumption, meter-reading, failures and outages, contact.

The most popular functionality is Self-meter-reading, thanks to which customers can take meter reading at their supply point themselves without the need for visit by our employee. zsdis.sk website: The website of Západoslovenská distribučná, a.s. was fully re-designed in 2016 and 2017. In the following years including 2023, it was further developed, and new content and functionalities were added. In 2023, a new content section for the customer segment Designers was also deployed on the website.

Distribution portal: Communication portal for ZSD customers and business partners.

Geoportal: Geoportal of Západoslovenská distribučná, a.s. offers functionalities such as informative view of networks, request for statement on the existence of networks, provision of data in the DGN or PDF format, situation plans, map of failures and outages, request for the network manager and check of electroless status in the selected location.

Text message in case of failure: This service is available within the pilot operation on the entire territory of Západoslovenská distribučná, a.s. outside the Bratislava districts. If there is a failure lasting more than 15 minutes, a text message is automatically sent to the customer. The customer knows that we are aware of the failure and work on its removal.

Searching for planned outages and current failures: The website www.zsdis.sk also contains an app – integrated search of planned outages and reported failures.

High and low tariffs switching times (ripple control): This web application offers times of low and high tariffs for customers two-tariff electricity measurement. The relevant ripple control (HDO) code must be entered, and a clear graph is displayed.

Recommended electricians: This web application allows the customer to look for a verified electrician in the given district who will help the customer get the supply point ready for the connection to the distribution system.

08 | Corporate Social Responsibility

Corporate Social Responsibility

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

Education

We see education support as a key investment in the future of our company, energy industry and Slovakia. We have been systematically supporting education at several levels, working with schools at all levels, supporting the modernisation of teaching process.

The ZSE Foundation announced its own grant scheme **Exceptional Schools.** Supporting active teachers with innovative approach and courage to grow both in terms of profession and personality, positive communication and teacher empowerment are aims of the scheme. In 2023, the fifth edition of the scheme was announced, in which 64 projects were supported with a total amount of EUR 120,000.

An exceptional project is the **Elektrárňa Piešt'any**, a former municipal power plant and reconstructed industrial monument from the beginning of the 20th century. Since autumn 2016, this power plant building has provided its premises to the project "Elektrárňa Piešťany - Centre of Creative Energy and Art" aimed at offering services of the unique centre for experience education in the area of science, technology and art. Education for schools consists of interactive exhibitions and workshops focusing on promoting learning and acquiring new knowledge in the fields of physics, ecology, sustainable development and natural sciences. In 2023, several investment projects and repairs have been carried out at the Elektárňa Piešťany, which allow to increase the quality and comfort of the events and activities carried out.

Environmental protection

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

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

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

Community development

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

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

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

Mutual aid connects us

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

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

Západoslovenská distribučná, a.s.

Financial Statements for the year ended 31 December 2023 and Independent Auditor's' Report

March 2024

CONTENTS

INDEPENDENT AUDITOR'S' REPORT

Notes to the Financial Statements

KPMG

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

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

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

Independent Auditors' Report

To the Shareholder, Supervisory Board and Board of Directors of Západoslovenská distribučná, a.s.

Report on the Audit of the Financial Statements

Opinion

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

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

and, for the period then ended:

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

and

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

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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. Ľuboš Vančo
License SKAU No. 745

Bratislava, 23 April 2024

In thousands of EUR	Note	31 December 2023	31 December 2022 *restated	1 January 2022 *restated
ASSETS				
Non-current assets				
Property, plant and equipment	6	1,228,631	1,152,195	1,120,826
Intangible assets	7	15,563	15,600	15,596
Right-of-use assets	8	67,988	65,805	72,101
Total non-current assets		**1,312,182**	**1,233,600**	**1,208,523**
Current assets				
Inventories	10	5,175	3,717	1,172
Trade and other receivables	11	33,273	120,420	52,354
Current income tax refund receivable		-	208	1,167
Cash and cash equivalents	13	447	776	355
Receivables from cash pooling	12	52,522	-	6,476
Total current assets		**91,4178**	**125,121**	**61,527**
TOTAL ASSETS		**1,403,599**	**1,358,721**	**1,270,050**
EQUITY				
Share capital	14	33,227	33,227	33,227
Legal reserve fund	15	105,067	98,705	92,638
Retained earnings		182,980	103,126	97,469
TOTAL EQUITY		**321,274**	**235,058**	**223,334**
LIABILITIES				
Non-current liabilities				
Borrowings	9	630,000	315,000	630,000
Lease liabilities	8	62,291	59,598	66,115
Trade and other payables	21	18,102	16,570	6,617
Deferred income tax liabilities	16	98,052	90,777	89,491
Post-employment defined benefit obligations	17	4,738	6,406	7,531
Other long-term employee benefits	18	1,560	1,522	1,767
Contract liabilities from connection fees and customer contributions	20	96,053	91,249	80,208
Total non-current liabilities		**910,796**	**581,122**	**881,729**
Current liabilities				
Borrowings	9	8,773	323,534	8,534
Lease liabilities	8	7,866	7,638	7,418
Trade and other payables	21	115,923	97,809	100,013
Contract liabilities from connection fees and customer contributions	20	7,171	6,445	5,972
Provisions for liabilities and charges	19	13,350	44,496	43,050
Current income tax payable		18,446	-	-
Liabilities from cash pooling	12	-	62,619	-
Total current liabilities		**171,529**	**542,541**	**164,987**
TOTAL LIABILITIES		**1,082,325**	**1,123,663**	**1,046,716**
TOTAL LIABILITIES AND EQUITY		**1,403,599**	**1,358,721**	**1,270,050**

In 2023, the data for previous years were adjusted, see note 2 "Correction of prior period errors".

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

....
Ing. Radoslav Haluška
Chairman of the Board and Chief Executeve Officer

....
Ing. Marian Kapec
Member of the Board of Directors

In thousands of EUR	**Note**	**2023**	**2022**
Revenue from contracts with customers	22	**405,911**	**402,433**
Compensation	23	238,840	63,226
Transmission fees payable to network operator		(59,889)	(60,238)
Purchases of electricity for losses, charges for electricity produced from renewable sources and other purchases		(219,380)	(135,185)
Employee benefits	24	(72,792)	(64,372)
Depreciation of property, plant and equipment	6	(71,089)	(69,141)
Amortisation of intangible assets	7	(4,963)	(4,495)
Depreciation of right-of-use assets	8	(7,459)	(7,023)
Other operating expenses	25	(34,478)	(47,432)
Other operating income	26	7,823	5,859
Capitalized own costs		24,132	20,392
Profit from operations		**206,656**	**104,024**
Finance income / (costs)			
Interest income		50	-
Interest and similar expense	27	(19,981)	(18,747)
Finance costs, net		**(19,931)**	**(18,747)**
Profit before tax		**186,725**	**85,277**
Income tax expense	16	(45,881)	(21,653)
Profit for the year		**140,844**	**63,624**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Actuarial remeasurements of post-employment defined benefit obligations	17	1,840	1,099
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	16	(386)	(231)
Total other comprehensive loss for the year		**1,454**	**868**
Total comprehensive income for the year		**142,298**	**64,492**

In thousands of EUR	Share capital	Legal reserve fund	Retained earnings	Total equity
Balance as at 1 January 2022	**33,227**	**92,638**	**82,638**	**208,503**
Correction of prior period errors (Note 2)	-	-	14,831	14,831
Balance as at 1 January 2022 (restated)	**33,227**	**92,638**	**97,469**	**223,334**
Profit for the year	-	-	63,624	**63,624**
Other comprehensive loss for the year	-	-	868	**868**
Total comprehensive income for 2022	-	-	**64,492**	**64,492**
Dividends declared and paid (Note 14)	-	-	(53,272)	**(53,272)**
Contribution to legal reserve fund	-	6,066	(6,066)	-
Other	-	1	(1)	-
Correction of prior period errors (Note 2)	-	-	504	**504**
Balance as at 31 December 2022 (restated)	**33,227**	**98,705**	**103,126**	**235,058**
Profit for the year	-	-	140,844	**140,844**
Other comprehensive income / (loss) for the year	-	-	1,454	**1,454**
Total comprehensive income for 2023	-	-	**142,298**	**142,298**
Dividends declared and paid (Note 14)	-	-	(56,082)	**(56,082)**
Contribution to legal reserve fund	-	6,362	(6,362)	-
Balance as at 31 December 2023	**33,227**	**105,067**	**182,980**	**321,274**

In 2023, the data for previous years were adjusted, see note 2 "Correction of prior period errors".

In thousands of EUR	Note	2023	2022
Cash flows from operating activities			
Profit before tax		186,725	85,277
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment	6	72,175	69,141
- Loss on disposal of property, plant and equipment	6	(41)	(496)
- Amortisation of intangible assets	7	4,963	4,495
- Depreciation of right-of-use assets	8	7,459	7,023
- Impairment of property, plant and equipment	6	(1,086)	(43)
- Amortization of govermment grant deferred income		(1,251)	(434)
- Customer contributions income		(1,031)	(1,334)
- Interest and similar expense	27	19,981	18,747
- ECL allowance for possible impairment of receivables from cash pooling	12	170	-
- Other non-cash items		(375)	401
Cash generated from operations before changes in working capital		287,689	182,777
Changes in working capital:			
- Inventories		(1,458)	(2,545)
- Contract liabilities		(6,801)	8,466
- Trade and other receivables		87,147	(68,066)
- Trade and other payables		15,805	(3,931)
- Provisions for liabilities and charges		(31,127)	1,106
Cash generated from operations before interest and taxes		**351,255**	**117,807**
Interest costs paid, except interest capitalised to property, plant and equipment and intangible assets		(19,550)	(18,679)
Income tax paid	35	(20,339)	(19,731)
Net cash from operating activities		**311,366**	**79,397**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(133,126)	(94,707)
Interest expense paid and capitalised		(1,930)	(1,769)
Cash received as a result of government grant		3,378	10,744
Receivables from cash-pooling	12	(115,311)	-
Proceeds from sale of property, plant and equipment and intangible assets	6	142	524
Net cash used in investing activities		**(246,847)**	**(85,208)**
Cash flows from financing activities			
Dividends paid	14	(56,082)	(53,272)
Repayment of principal element of lease liabilities	31	(8,766)	(9,594)
Liabilities from cash-pooling	12	-	69,098
Net cash used in financing activities		**(64,848)**	**6,232**
Net change in cash and cash equivalents		**(329)**	**421**
Cash and cash equivalents at the beginning of the year		776	355
Cash and cash equivalents at the end of the year	**13**	**447**	**776**

1 Introduction

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

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 20 April 2006. The Company was incorporated in the Commercial Register of the City Court Bratislava III on 20 May 2006.

Principal activity. The Company provides electricity distribution and supply services primarily in the Western Slovakia region. The Company also provides information services to related parties.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 36 361 518 and its tax identification number (IČ DPH) is: SK2022189048.

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

Ownership structure. Západoslovenská energetika, a.s. owns 100% of the Company's shares. The Company is included in the consolidated financial statements of Západoslovenská energetika, a.s. ("Parent company") with its registered office at Čulenova 6, 811 09 Bratislava and should be assessed in connection with consolidated financial statements in order to obtain a comprehensive picture of the Company's results and financial position. These consolidated financial statements can be obtained from the Company at the address of its registered office.

The Parent company is jointly controlled by E.ON and the Slovak Republic as a result of a shareholders' agreement, which requires the parties to act jointly to direct the activities that significantly affect the returns of the parent company. The Parent company's governance structure dictates that the Parent company Strategic plan shall be approved by representatives of both E.ON and the Slovak Republic. Further, any decisions by general meeting of shareholders must be made jointly by the existing shareholders, because a qualified two thirds majority of votes is required to pass any decision, while restrictions exist for transfer of shares to parties not under control of existing shareholders.

The Company is not a shareholder with unlimited liability in other accounting entities.

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

Number of employees. The Company employed 1 535 staff on average during 2023, of which 25 were management (2022: 1,518 employees on average, of which 25 were management). Number of employees as at 31 December 2023 was 1 529 (31 December 2022: 1,524).

2 Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements have been prepared on accrual basis and under the going concern assumption. The transactions are recognized in the financial statements in the period to which they relate.

The Board of Directors may propose to the Company's shareholders to amend the financial statements until their approval by the general shareholders meeting. However, Article 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity's accounting records after the financial statements are approved by the general shareholders' meeting.

2 Significant Accounting Policies (continued)

If, after the financial statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entities to restate comparative information in the reporting period in which the relevant facts are identified.

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

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

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

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

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

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

	Useful lives in years
Electricity distribution network buildings	30 – 50 years
Office buildings	30 – 50 years
Power lines	15 – 40 years
Switching stations	4 – 20 years
Other network equipment	4 – 20 years
Vehicles	4 – 15 years

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

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

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

2 Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives.

2 Significant Accounting Policies (continued)

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	9 to 87 years
Office buildings and technical buildings	2 to 20 years
Power equipment	5 to 20 years
Motor vehicles	2 to 6 years

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

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

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

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

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

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

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

2 Significant Accounting Policies (continued)

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

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

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

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

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

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

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

The Company holds only trade receivables, receivables from cash pooling, and cash and cash equivalents. The nature of financial assets is short-term, and the contractual cash flows represent principal and interest payment that reflect the time value of money and therefore the Company measures them at amortized cost. In addition, the Company applies expected loss model to credit risk from contract assets.

2 Significant Accounting Policies (continued)

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

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for receivables measured at AC and for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.Receivables measured at AC are presented in the statement of financial position net of the allowance for ECL.The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the amount of receivables turnover during the current period, revenue for the current period and the amount of receivables written off.

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

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

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

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

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

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

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

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

2 Significant Accounting Policies (continued)

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

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the share issue.

Business combination under common control. Purchases of subsidiaries, businesses or parts of a business from companies under common control are accounted for using the predecessor value method. Under this method, the financial statements of the entity that is the result of a business combination are prepared as if the business combination had taken place at the beginning of the oldest reporting period or since the date on which the companies or businesses are under common control. The assets and liabilities of the subsidiary, business or part of a business acquired from an entity under common control are recognized at the predecessor entity's carrying values.

A predecessor entity is the highest reporting entity that included a subsidiary in its consolidated financial statements prepared under IFRS. The goodwill recognized by the predecessor entity is also recognized in these financial statements. Any difference between the net book value of the assets, including the goodwill recognized by the predecessor entity, and the consideration for the acquisition of the business are accounted for as an adjustment to retained earnings in equity.

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

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

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

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

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

Current income tax also includes a special levy on profits in regulated industries. The basis for the special levy is calculated as profit before tax * (revenue from regulated activities / total revenue). The special levy is 4.356%. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

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

The special levy on profits is chargeable on profits determined in accordance with Slovak GAAP and hence, a deferred tax in relation to special levy arises only where there is a temporary difference between Slovak GAAP and IFRS carrying values of assets and liabilities.

2 Significant Accounting Policies (continued)

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

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

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

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

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

As explained in IAS 19, *Employee Benefits*, paragraph 133, the Company does not distinguish current and non-current portions of defined benefit obligations and presents the estimate as a whole within non-current liabilities.

Contract liabilities from connection fees. Over time, the Company received fees or contributions from customers for the construction of the electricity distribution network, in particular for the new municipal connections and networks. The Company's customers thus contribute towards the cost of their connection in the form of connection fees. Connection fees are recognised at their fair value where there is a reasonable assurance that the fees will be received. Connection fees relating to the acquisition of property, plant and equipment are deferred and subsequently recognised as revenue over the life of acquired depreciable asset.

Grants and contributions. 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 profit or loss over the period necessary to match them with the costs that they are intended to compensate. Grants relating to past costs are recognised in profit or loss when it is reasonably certain that the grant will be received.

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

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

2 Significant Accounting Policies (continued)

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

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

Company does not expect to pay anything under the guarantees.

2 Significant Accounting Policies (continued)

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

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

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

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

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

Revenue from distribution of electricity. Revenue from distribution of electricity is recognized when the distribution service is rendered to electricity customers. Revenue from these services is recognized in the reporting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. This is because the customer benefits from the service as it is being provided.

Connection fees. ZSD receives a contribution from their customers to connect them to the electricity network – connection fees. Revenue from such contributions is recognised as contract liability and is released to profit or loss over the useful life of the related assets (approximately over 20 years).

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

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

Contractual penalties. Contractual penalties are recognised when the cash payment is received, because contractual penalties relate to contracts with customers who intended to defraud ZSD and as such are relatively difficult to collect.

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

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

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

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

2 Significant Accounting Policies (continued)

Correction of prior period errors. Under the applicable legislation, in certain circumstances the Company may be required to give up its items of property, plant and equipment at the request of another party. At that, the requesting party is obliged to compensate the Company for the asset given up by providing an equivalent item of property, plant and equipment free of charge. On initial recognition, the Company had been measuring the replacement item of property, plant and equipment at its fair value. However, the Company had not been recognising a corresponding gain in profit and loss, as it should have made under the guidance in paragraphs 65 and 66 of IAS 16. Instead, the Company erroneously had been deferring the gain in the statement of financial position (as part of Contract liabilities from connection fees and customer contributions) and releasing it evenly to profit and loss over the useful life of the replacement asset.

In addition, the Company had erroneously been deferring the gain arising from property, plant and equipment stock take surpluses in the statement of financial position (as part of Contract liabilities from connection fees and customer contributions) and releasing it evenly to profit and loss over the useful life of the recognized asset.

The errors have been corrected by restating each of the affected financial statement line items for prior reporting periods. The impact of the changes on financial statements of the Company for the prior reporting periods was as follows:

	31 December 2022			***1 January 2022***		
In thousands of EUR	**As previously reported**	**Adjustments**	**As restated**	**As previously reported**	**Adjustments**	**As restated**
Retained earnings	87 791	15 335	103 126	82 638	14 831	97 469
Total Equity	**219,723**	**15 335**	**235,058**	**208,503**	**14 831**	**223,334**
Increase in item „ Deferred income tax liabilities"	85 924	4 853	90 777	84 730	4 761	89 491
Decrease in the long-term item „ Contract liabilities from connection fees (2022, 2021: from connection fees and customer contributions)"	110 822	-19 573	91 249	99 219	-19 011	80 208
Decrease in the short-term item „ Contract liabilities from connection fees (2022, 2021: from connection fees and customer contributions)"	7 060	-615	6 445	6 553	-581	5 972
Total Liabilities	**1,138,998**	**-15 335**	**1,123,663**	**1,061,547**	**-14 831**	**1,046,716**

As the correction was related mainly to years prior 2022, the impact of the correction on profit or loss, movements in equity and statement of cash flows for year 2022 was not material.

3 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2023, but did not have any material impact:

IFRS 17 Insurance Contracts and Amendments to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted. Endorsed for use in the EU, albeit with an optional exemption from applying the annual cohort requirement.) IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted.)

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)

Amendments to IAS 12 *Income taxes*-International Tax Reform – Pillar Two Model Rules (The relief is effective immediately upon issuance of the amendments on 23 May 2023 and applies retrospectively.) Disclosure requirements, other than those about the relief, apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

4 New Accounting Pronouncements

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

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

Amendments to IAS 12 *Income taxes*-International Tax Reform – Pillar Two Model Rules
(The relief is effective immediately upon issuance of the amendments on 23 May 2023 and applies retrospectively.) Disclosure requirements, other than those about the relief, apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.
Pillar Two taxes' are taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two model rules aim to ensure that large multinational groups pay taxes at least at the minimum rate of 15 percent on income arising in each jurisdiction in which they operate by applying a system of top-up taxes. There are three active mechanisms under Pillar Two model rules that countries can adopt:

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

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

4 New Accounting Pronouncements (continued)

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

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

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

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

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

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

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

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

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

4 New Accounting Pronouncements (continued)

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

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

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

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

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

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

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

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

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

ECL measurement of receivables. The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the ageing of receivables, loss rate for each ageing category, and the amount of receivables written off. The Company has considered the expected payment discipline for the next 12 months. Based on these indicators, it was decided that the expected loss allowance for trade receivables based on historical data is sufficient, as the development of the forward looking indicators corresponds to the development of previous periods, including the period since March 2020 that was impacted by the coronavirus situation. Possible developments of macroeconomic indicators do not have significant impact on expected credit losses from trade receivables.

Unbilled electricity distribution. The unbilled revenue from distribution represents an accounting estimate based on estimated volume of delivered and distributed electricity expressed in MWh for low voltage network and estimated unit price that will be billed in the future.

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

The Company uses customer information system Enersim to estimate the unbilled deliveries based on assumed customer demand profiles, which as at 31 December 2023 amounted to EUR 46,771 thousand (as at 31 December 2022 it was EUR 45,561 thousand). This accounting estimate is based on: (a) the estimated volume distributed to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period; (b) the consumption estimate utilising the time patterns of consumption of various customer profiles observed on a sample basis; (c) the estimated losses in the distribution network; and (d) the unit price in EUR/MWh, that will be applied to billing the electricity distribution. Refer to Note 22.

The Company reported the following values of uninvoiced revenue for distribution and supply of electricity:

In thousands of EUR	31 December 2023	31 December 2022
Accrued receivables from distribution and delivery of electricity as part of item „Trade and other receivables“	4,110	4,456

The Company has an estimate of network losses according to the purchased electricity to cover losses from ZSE Energia,a.s.. Should the estimate of total network losses be lower by 0.1%, representing 10 GWh of electricity (2022: 10 GWh), with other parameters unchanged, the revenue from the distribution services would increase by EUR 4,864 thousand (2022: EUR 3,242 thousand).

Estimated useful life of electricity distribution network. The estimation of the useful lives of network assets is a matter of judgment based on past experience with similar items. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical obsolescence, if any. If the estimated useful life of network assets had been shorter by 10% than management's estimates as at 31 December 2023, the Company would have recognised an additional depreciation of network assets of EUR 7,143 thousand (2022: EUR 6,958 thousand).

Depreciation of right-of-use assets. In determining the lease terms, the Company takes into account also verbal agreements between the parties relating to the automatic annual extension of the leased buildings. The lessor verbally agreed with us that we will be able to renew leases of office premises each year for up to 15 years at market level rent at the time of each renewal. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lessee is reasonably certain that the lease will be extended (or not terminated).

For leases of offices, equipment and vehicles, the following factors are normally the most relevant: (i) if there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate) the lease and (ii) if any leasehold improvements are expected to have a significant residual value, the Company is typically reasonably certain to extend (or not terminate) the lease. Otherwise, the Company considers other factors including historical lease term and the costs and business disruption required to replace the leased asset.

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows during 2023:

In thousands of EUR	Land	Network buildings	Power lines	Optical lines and other leased to third parties	Switching stations and network equip-ment	Other assets*	Capital work in progress	Total
Cost as at 1 January 2023	31,995	170,522	1,235,371	3,087	495,246	60,712	93,821	**2,090,754**
Accumulated depreciation and impairment losses	-	(65,340)	(562,439)	(1,287)	(264,726)	(44,767)	-	**(938,559)**
Carrying amount as at 1 January 2023	**31,995**	**105,182**	**672,932**	**1,800**	**230,520**	**15,945**	**93,821**	**1,152,195**
Additions	-	-	-	-	-	-	143,945	**143,945**
Capitalised borrowing costs**	-	-	-	-	-	-	1,930	**1,930**
Transfers	1,711	8,440	66,468	113	27,668	7,192	(111,592)	**-**
Depreciation charge	-	(4,900)	(36,459)	(168)	(24,834)	(4,728)	-	**(71,089)**
Disposals	(50)	-	-	-	(29)	-	(81)	**(160)**
Termination of leases	-	133	1 462	-	215	-	-	**1,810**
Cost as at 31 December 2023	33,656	177,856	1,299,414	3,197	515,356	67,580	128,023	**2,225,082**
Accumulated depreciation and impairment losses	-	(69,001)	(595,011)	(1,452)	(281,816)	(49,171)	-	**(996,451)**
Carrying amount as at 31 December 2023	**33,656**	**108,855**	**704,403**	**1,745**	**233,540**	**18,409**	**128,023**	**1,228,631**

* Other assets comprise machinery, non-network and administrative buildings, vehicles and other assets.
** Capitalisation rate of borrowing costs was from 1 January to 31 October 2023 approximately 3,07% p.a. From 31 October 2023 to 31 December 3,24% p.a.

In management's judgement the electricity distribution network does not fall in the scope of IFRIC 12, *Service Concession Arrangements*, and it is thus not presented as an intangible asset because (a) the Company is able to sell or pledge the infrastructure assets and (b) the arrangement with the regulator and the Slovak government is not the typical 'build-operate-transfer' concession, but rather a privatisation, which the Information Note 2 to IFRIC 12 indicates falls in the scope of IAS 16, *Property, plant and equipment*. The Company did not pledge any property, plant or equipment as collateral for its borrowings or other financial liabilities at the end of the current and comparative reporting period.

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

In thousands of EUR	2023	2022
Net book value of disposals	160	57
Gain / (loss) on disposal of property, plant and equipment	41	496
Other	(59)	(29)
Proceeds from disposals	**142**	**524**

6 Property, Plant and Equipment (continued)

Movements in the carrying amount of property, plant and equipment were as follows during 2022:

In thousands of EUR	Land	Network buildings	Power lines	Optical lines and other leased to third parties	Switching stations and network equip-ment	Other assets*	Capital work in progress	Total
Cost as at 1 January 2022	29,054	158,675	1,178,584	3,043	469,589	56,455	105,843	**2,001,243**
Accumulated depreciation and impairment losses	-	(61,267)	(530,124)	(1,124)	(246,803)	(41,099)	-	**(880,417)**
Carrying amount as at 1 January 2022	**29,054**	**97,408**	**648,460**	**1,919**	**222,786**	**15,356**	**105,843**	**1,120,826**
Additions	-	-	-	-	-	-	96,125	**96,125**
Capitalised borrowing costs**	-	-	-	-	-	-	1,769	**1,769**
Transfers	2,954	12,060	58,341	114	31,736	4,683	(109,888)	**-**
Depreciation charge	-	(4,388)	(36,337)	(233)	(24,089)	(4,094)	-	**(69,141)**
Disposals	(13)	-	-	-	(16)	-	(28)	**(57)**
Termination of leases	-	102	2,468	-	103	-	-	**2,673**
Cost as at 31 December 2022	31,995	170,522	1,235,371	3,087	495,246	60,712	93,821	**2,090,754**
Accumulated depreciation and impairment losses	-	(65,340)	(562,439)	(1,287)	(264,726)	(44,767)	-	**(938,559)**
Carrying amount as at 31 December 2022	**31,995**	**105,182**	**672,932**	**1,800**	**230,520**	**15,945**	**93,821**	**1,152,195**

* Other assets comprise machinery, non-network and administrative buildings, vehicles and other assets.
** Capitalisation rate of borrowing costs was from 1 January to 31 December 2023 approximately 3,07% p.a.

The Company holds insurance against damages caused by natural disasters up to EUR 457,520 thousand for buildings and up to amount of EUR 810,025 thousand for machinery, equipment, fixtures, fittings and other assets (2022: EUR 379,174thousand and 702,784 thousand, respectively).

Optical lines and other assets leased to third parties presented in the table above represent optical cables and related technology leased out under operating leases. Rental income is presented in Note 25. Future rental income from non-cancellable leases is due as follows:

In thousands of EUR	2023	2022
Due:		
- within 1 year	500	500
- between 1 and 10 years	4,500	4,500
Total future rental payments to be received	**5,000**	**5,000**

7 Intangible Assets

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

In thousands of EUR	**Software and similar assets**	**Assets not yet available for use**	**Total**
Cost as at 1 January 2022	38,838	4,225	**43,063**
Accumulated depreciation and impairment losses	(27,467)	-	**(27,467)**
Carrying amount at 1 January 2022	**11,371**	**4,225**	**15,596**
Additions	-	4,499	**4,499**
Transfers	4,269	(4,269)	**-**
Amortisation charge	(4,495)	-	**(4,495)**
Cost as at 31 December 2022	43,086	4,455	**47,541**
Accumulated depreciation and impairment losses	(31,941)	-	**(31,941)**
Carrying amount as at 31 December 2022 and 1 January 2023	**11,145**	**4,455**	**(15,600)**
Additions	-	4,926	4,926
Transfers	4,101	(4,101)	-
Amortisation charge	(4,963)	-	(4,963)
Cost as at 31 December 2023	47,138	5,280	52,418
Accumulated depreciation and impairment losses	(36,855)	-	(36,855)
Carrying amount as at 31 December 2023	**10,283**	**5,280**	**15,563**

Assets not yet available for use primarily include software upgrades and improvement of functionality of the customer and the graphical information system.

8 Right-of-use Assets and Lease Liabilities

The Company leases land, administrative buildings, power equipment and motor vehicles. Rental contracts are typically made for fixed periods of 2 to 20 years (for more details on lease term refer to Note 2) but may have extension options as described below. For assets where the contract is concluded for indefinite period, the useful life was determined based on reasonably certain lease term.

8 Right-of-use Assets and Lease Liabilities (continued)

In thousands of EUR	Land	Office Buildings	Equipment (power)	Vehicles	Total
Carrying value as at 1 January 2022	**52**	**55,045**	**12,251**	**4,753**	**72,101**
Additions	-	676	2,420	1,652	4,748
Disposals	-	(362)	-	(26)	(388)
Depreciation charge	(2)	(4,683)	(655)	(1,683)	(7,023)
Reduction in value	-	(721)	(163)	(76)	(960)
Termination of leases (Note 6)	-	-	(2,673)	-	(2,673)
Carrying value as at 1 January 2023	**50**	**49,955**	**11,180**	**4,620**	**65,805**
Additions	-	8,609	1,995	1,045	11,649
Disposals	-	-	-	(58)	(58)
Depreciation charge	(2)	(5,155)	(662)	(1,640)	(7,459)
Reduction in value	-	(132)	-	(7)	(139)
Termination of leases (Note 6)	-	-	(1,810)	-	(1,810)
Carrying value as at 31 December 2023	**48**	**53,277**	**10,703**	**3,960**	**67,988**

The Company recognised lease liabilities as follows:

In thousands of EUR	31 December 2023	31 December 2022
Short-term lease liabilities	7,866	7,638
Long-term lease liabilities	62,291	59,598
Total lease liabilities	**70,157**	**67,236**

Interest expense on lease liabilities included in finance costs are presented in Note 27.

Expenses relating to short-term leases (included in operating expenses) and to leases of low-value assets that are not shown as short-term leases:

In thousands of EUR	2023	2022
Expense relating to short-term leases	267	235
Expense relating to leases of low-value assets that are not shown above as short-term leases	1,237	1,137

The lease agreements do not impose any covenants other than the security interests on the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Total cash outflows for leases were as follows:

In thousands of EUR	2023	2022
Short-term lease payments	267	235
Payments for leases of low-value assets other than short-term leases	1,237	1,137
Repayment of principal of lease liabilities	8,766	9,594
Interest costs on lease liabilities paid	1,801	749
Total cash outflows for leases in total	**12,071**	**11,715**

9 Borrowings

An overview of borrowings received is presented in the table below:

In thousands of EUR	2023	2022
Non-current borrowings from Západoslovenská energetika, a.s.	630,000	315,000
Accrued interest payable within one year	8,773	323,534
Total borrowings	**638,773**	**638,534**

More details about received borrowings are presented in the table below:

In thousands of EUR	Principal	Nominal interest rate	Maturity date
Borrowing 1	315,000	2.00% p.a.	2.3.2028
Borrowing 2	315,000	4.49% p.a.	15.10.2026
Total	**630,000**		

10 Inventories

In thousands of EUR	2023	2022
Raw materials and minor spare parts	4,153	2,358
Land held for sale	1,022	1,359
Total inventories	**5,175**	**3,717**

The inventory items are shown net of provision for slow-moving materials and spare parts of EUR 0 (2022: EUR 0 thousand).
No inventories have been pledged as collateral.

11 Trade and Other Receivables

In thousands of EUR	2023	2022
Trade receivables	36,051	124,052
Less impairment provision for trade receivables	(4,566)	(4,468)
Trade receivables, net	**31,485**	**119,584**
Prepayments	1,788	836
Total trade and other receivables	**33,273**	**120,420**

11 Trade and Other Receivables (continued)

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

In thousands of EUR	2023	2022
Provision for impairment as at 1 January	**4,468**	**4,149**
Impairment loss expense (Note 25)	268	1,005
Amounts written off during the year as uncollectible	(170)	(686)
Provision for impairment as at 31 December	**4,566**	**4,468**

Expected credit losses on trade receivables at the balance sheet date are analysed as follows:

	31 December 2023				31 December 2022			
In thousands of EUR	Loss rate	Gross carrying amount	ECL	Net carrying amount	Loss rate	Gross carrying amount	ECL	Net carrying amount
Due	0,00 %	31,087	-	31,087	0.00%	119,305	-	119,305
Overdue:								
- 1 to 30 days	4,80%	250	11	239	16,22%	148	24	124
- 31 to 60 days	6,67%	30	2	28	27,08%	96	26	70
- 61 to 90 days	13,04%	23	3	20	25,00%	28	7	21
- 91 to 120 days	18,18%	11	2	9	35,71%	14	5	9
- 121 to 180 days	15,38%	65	10	55	18,18%	11	2	9
- 181 to 181 days	58,41%	113	66	47	40,26%	77	31	46
- Over 360 days	100,00%	4,472	4,472	-	100.00%	4,373	4,373	0
Trade receivables		**36,051**	**4,566**	**31,485**		**124,052**	**4,468**	**119,584**

The expected credit losses on current receivables were insignificant. Trade receivables are subject to the following credit enhancements as at 31 December:

	At 31 December 2023		At 31 December 2022	
In thousands of EUR	Carrying amount	Insured amount	Carrying amount	Insured amount
Trade receivables covered by insurance	9 418	9 418	14,761	14,761
Unsecured trade receivables	22 067	-	104,823	-

12 Receivables from Cash Pooling

In thousands of EUR	2023	2022
Receivables from cash pooling (interest rate*)	52 692	-
Total receivables from cash pooling brutto	**52 692**	**-**
ECL allowance for possible impairment of receivables from cash pooling	**(170)**	**-**
Total receivables from cash pooling	**52,522**	**-**

* The interest rate on receivables from cash pooling in 2023 was (€STR+0.4% p.a.), at least 0.4% p.a. (2022: 0.4% p.a.).
In 2023 the

Company recognised ECL allowance for receivable from cash pooling due of EUR 170 thousand Cash and Cash Equivalents.

12 Receivables from Cash Pooling (continued)

In thousands of EUR	2023	2022
Commitments from cash pooling (interest rate*)	-	62,619
Total commitments from cash pooling	-	**62,619**

* The interest rate on liabilities from cash pooling in 2023 for Tatra banka was at the level of 0.00% p.a. and from 5 May 2023, the contracted rate was 90% of €STR**, which was changed at monthly intervals and ranged from 2.61% p.a. up to 3.515% p.a.. For VÚB banka, the interest rate on liabilities from cash pooling in 2023 was €STR** - 0.2% p.a. (2022: 0.00% p.a. before Tatra banka; - 0.1% p.a. and - 0.2% p.a. before VÚB banka).
***euro short-term rate*

The Company has concluded with its Parent company cash pooling agreement. Based on this agreement the available cash is managed by Parent company. If the case of additional financing needs the cash from the cash pool is made available to the Company. Receivables from cash pooling did not require any material credit loss allowance and management of the Company considers this related party as creditworthy without an increased credit risk. Credit rating of the Parent Company is A- by Standard and Poor's.

13 Cash and Cash Equivalents

In thousands of EUR	2023	2022
Current bank accounts	447	776
Total cash and cash equivalents in the statement of financial position	**447**	**776**

The Company has a concentration of credit risk in cash and cash equivalents balances towards two banks (2022: two banks).

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

In thousands of EUR	2023	2022
Neither past due nor impaired Credit rating A2 by Moody's	447	776
Total cash and cash equivalents	447	**776**

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

14 Share Capital

The Company's registered share capital consists of 10 shares with a nominal value of EUR 3,320 each and 1 share with a nominal value of EUR 33,193,919. The share capital totals of EUR 33,227 thousand. As at 31 December 2023 all the shares are owned by Západoslovenská energetika, a.s. Each share carries voting right equal to share nominal value.

The general meeting of the Company's shareholders approved the Company's prior year financial statements and declared dividends of EUR 56,082 thousand (2022: dividends of EUR 53,272 thousand). Slovak legislation identifies distributable reserves as retained earnings reported in these separate financial statements of the Company.

14 Share Capital (continued)

Dividend per share represents EUR 561 (2022: EUR 533) per share with the nominal value of EUR 3,320 and EUR 56,076 thousand (2022: EUR 53,267 thousand) per share with the nominal value of EUR 33,193,919.

15 Legal Reserve Fund

The legal reserve fund represents appropriations of profits of the Company required by Slovak legislation.

The Company is obliged to appropriate at least 10% of its profit until the legal reserve fund achieves at least 20% of the Company's share capital. This fund is not distributable and may only be used to increase share capital or to cover future losses.

16 Income Taxes

Income tax expense comprises the following:

In thousands of EUR	**2023**	**2022**
Current tax at standard rate of 21% (2022: 21%)	31,511	17,288
Special levy on profits from regulated activities	7,482	3,402
Deferred tax	6,888	963
Income tax expense/(credit) for the year	**45,881**	**21,653**

In 2022, the applicable standard income tax rate was 21% (2022: 21%). The amount of the special levy of the regulated entity was calculated and paid in accordance with the applicable law in 2023, as follows: the basis of the levy is the Company's profit reported in the Company's financial statements multiplied by a coefficient calculated as the share of the revenue from the regulated activities in the total revenue. For 2023 the Company applied a coefficient of 0.92 (2022: 0.92). The amount of the monthly levy is calculated as the sum of the levy rate and the base of the levy. For 2023, the monthly levy rate was 0.00363 (2022: 0.00363). The special levy is a deductible expense for the purpose of applying income tax due.

As a result, the income tax rate applicable to regulated activities is as follows:

	2023	**2022**
Standard income tax rate for the year	21.000%	21.000%
Special levy rate	4.356%	4.356%
Effect of deductibility of special levy from standard rate*	(1.058)%	(1.058)%
Tax rate applicable on profits generated by regulated industry operations	**24.298%**	**24.298%**

* the effect is calculated as special levy rate in %*((1- income tax rate in %)/(1+ special levy rate in %)-1)

The Company includes activities taxed at the standard tax rate of 21% (2022: 21%) or at the 24,044% (2022: 24.298%) rate applicable to regulated industry operations. The applicable tax rate of 24,034% (2022: 24,034%) is used in the below effective tax reconciliation and represents a weighted average of the tax rates for regulated and unregulated activities. The applicable tax rate changed compared to prior year due to changes in the mix of profits from regulated and unregulated industry operations.

16 Income Taxes (continued)

A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates is as follows:

In thousands of EUR	2023	2022
Profit before tax	**186,725**	**85,277**
Theoretical tax charge at applicable tax rate 24,034% (2022: 24.034 %)	44,877	20,296
Income tax for previous years	-	399
Non-deductible expenses /(non-taxable income) for which deferred tax was not recognised:		
- expenses not deductible for standard tax but deductible for special levy purposes	721	584
Other	283	374
Income tax expense for the period	**45,881**	**21,653**

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

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

Deferred taxes are attributable to the following temporary differences:

In thousands of EUR	2023	2022
Differences between tax base and carrying value of property, plant and equipment	104,418	99,580
Post-employment defined benefit obligation and other long-term employee benefits	(2,722)	(2,855)
Other liabilities	(3,303)	(9,990)
Provision for impairment of trade receivables	(249)	(249)
Other	(92)	(562)
Total net deferred tax liability, net	**98,052**	**85,924**

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (386) thousand (2022: EUR (231) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

17 Post-Employment Defined Benefit Obligations

As agreed with the trade unions, the Company has a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement depending on the number of years worked for the Company.

17 Post-Employment Defined Benefit Obligations (continued)

The movements in the present value of defined benefit obligation are:

In thousands of EUR	2023	2022
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	**6,406**	**7,531**
Current service cost	636	525
Interest cost	192	68
Total expense (Note 23)	828	593
Actuarial remeasurements:		
- attributable to changes in financial assumptions	(43)	(984)
- attributable to changes in demographic assumptions	(725)	(79)
- attributable to experience adjustments	(1,072)	(36)
Total actuarial remeasurements recognised in other comprehensive income	(1,840)	(1,099)
Benefits paid during the year	(656)	(619)
Present value of unfunded post-employment defined benefit obligations at the end of the year	**(4,738)**	**6,406**

The principal actuarial assumptions were as follows:

	2023	2022
Number of employees as at 31 December	1 529	1,524
Staff turnover	4,29% p.a.	4.57% p.a.
Expected salary increases short-term	7,55% p.a.	5.14% p.a.
Expected salary increases long-term	2,50% p.a.	4.00% p.a.
Discount rate	3,30% p.a.	3.40% p.a.

If the actual discount rate differed by 0.5% from the estimated discount rate, the value of the liability due to pension benefits would be by EUR 217 thousand lower or by EUR 211 thousend higher (2022: EUR 314 thousand lower or EUR 324 thousand higher).

18 Other Long-Term Employee Benefits

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

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

19 Provisions for Liabilities and Charges

In thousands of EUR	2023	2022
Provisions for litigation as at 1 January	44,496	43,050
Additions recognized in profit or loss	-	6,771
Usage of provision	(2,600)	-
Reversal of provision	(28,546)	(5,325)
Total litigation provisions as at 31 December	**13,350**	**44,496**

The Company recognized a provision for known and quantifiable risks relating to disputes with Company, that represent the best possible estimate of amounts that are more likely than not to be paid. Actual amounts to settle the provision, if any settlement will be required, depend on a number of different conditions and circumstances that may occur in the future and the outcome of which is uncertain and therefore the amount of the provision may change in the future. Refer to Note 34.

The Company in accordance with the precautionary principle and on the basis of an internal assessment of the risk arising from disputes over tariffs over access to the distribution system for electricity producers, it shall periodically review the amount of the reserve for possible litigation.

In the course of 2023, the Company dissolved the litigation reserve in the amount of EUR 28,546 thousand due to the finality of decisions in favor of the Company or the withdrawal of actions by plaintiffs.

Of the above-mentioned provisions for legal proceedings as at 31 December 2023, the amount of EUR 20,496 thousand (2022: EUR 5,326 thousand) was recognised as an increase (2022: increase) of revenue and the amount of EUR 8,050 thousand was recognised as an reduction of cost.

20 Contract Liabilities from Deferred Connection Fees

Connection fees are paid by customers to connect them to the electricity network. The fees are recognised as deferred income and are released to revenue over the useful lives of related assets of approximately 20 years.

Contract liabilities to customers were as follows:

In thousands of EUR	31 December 2023	31 December 2022
Non-current		
from 12 months to 5 years	30,533	29,162
After 5 years	65,520	62,087
Total non-current contract liabilities	**96,053**	**91,249**
Current		
within 12 months	7,171	6,445
Total current contract liabilities	**7,171**	**6,445**

20 Contract Liabilities from Deferred Connection Fees (continued)

Movements in the contract liabilities to customers from connection fees were as follows:

In thousands of EUR	Non-current	Current
As at 1. January 2022	**80,208**	**5,972**
Additions	17,486	-
Transfers	(6,445)	6,445
Recognised in revenue	-	(5,972)
As at 31 December 2022	**91,249**	**6,445**
Additions	11,975	-
Transfers	(7,171)	7,171
Recognised in revenue	-	(6,445)
As at 31 December 2023	**96,053**	**7,171**

21 Trade and Other Payables

In thousands of EUR	2023	2022
Grants	18,102	16,570
Total non-current trade and other payables	**18,102**	**16,570**

In thousands of EUR	2023	2022
Trade payables	46,624	40,940
Other accrued liabilities	30,552	17,467
Other financial liabilities	2,338	2,289
Total current financial trade and other paybles	**79,514**	**60,696**
Employee benefits payable	2,954	2,628
Social security on employee benefits	2,617	3,026
Accrued staff costs	7,850	6,506
Advance payments	1,320	1,586
Value added tax payable	16,878	15,720
Other payables	3,502	6,954
Grants	1,288	693
Total current trade and other payables	**115,923**	**97,809**

The maximum of a potential grant by the European Commission on the ACON and Danube InGrid project to support smart grid interconnection is approximately EUR 84 million.
For the ACON project, the total value of the project for the Company is 92 million EUR, of which the funding is 50%, the value of the expected grant will be 46 million EUR.
For the Danube InGrid project, the total value of the project for the Company is EUR 108 million, of which the financing is 35%, the value of the expected grant will be EUR 38 million.

The Company will recognise a government grant receivable against deferred income once it will have reasonable assurance that the grant will be received.

The Company had overdue trade payables of EUR 723 thousand (2022: EUR 304 thousand). None of the payables are overdue more than 30 days as at 31 December 2023 and 2022.

22 Revenue from Contracts with Customers

Revenue from contracts with customers comprises the following:

In thousands of EUR	2023	2022
Distribution fees for the distribution of electricity to industrial and other commercial customers	243,762	247,778
Distribution fees for the distribution of electricity to residential customers	126,051	126,223
Tariff for system operation and system services – OKTE, a.s. a related party controlled by Slovak government	(2,098)	7,315
Revenue for reserved capacity from electricity producers	4,605	4,441
Accrued decrease in revenue from customer returns	20,496	5,325
Total distribution fees	**392,816**	**391,082**
Revenue for connection work and testing fees	7,526	6,863
Other revenue	5,569	4,488
Total revenue from contracts with customers	**405,911**	**402,433**

The Company provides access to its electricity distribution network and distribution of electricity at regulated prices.

Slovakia has implemented the European Union electricity market directive, which resulted in a complete liberalisation of the market to all customers, including households, from 1 July 2007, i.e. all customers have the option to change electricity suplier after 1 July 2007. However, price regulation for electricity supplies applies to certain protected groups of customers,whereby price regulation of infrastructure, including access to the distribution network and distribution of electricity as a natural monopoly, is applied regardless of the liberalization of the electricity supply market.

Timing of revenue from contracts with customers recognition is as follows:

In thousands of EUR	2023	2022
At a point in time	7,526	6,863
Over time	398,385	395,570
Total revenue from contracts with customers	**405,911**	**402,433**

23 Compensation

At the end of the year 2022, the Government of Slovak Republic approved the new legislation in energy sector that established the “price cap” of energies provided to corporate and public sector. The Government reacted to the high prices of energies on the market. From the beginning of year 2023, the energy sector companies are compensated the difference between the sales price and “price cap” price of energies by the Ministry of Economy of Slovak Republic.

Addionally, the Company received compensation of EUR 869 thousand to cover the higher expenses for purchase of electricity consumed in its own buildings.

23 Compensation (continued)

On 29 December 2022, RONI issued a decision regarding the tariff for operating the system for the year 2022 regarding the correction of electricity purchase costs for losses for the year 2021 and part of the year 2022. With this decision, in accordance with the Act on Regulation and the valid RONI Price Decree, the correction of electricity purchase costs for losses for the year 2021 in the full amount and part of the correction of electricity purchase costs for losses for the year 2022 was settled in total amount of EUR 63 226 thousand.

The Company recognized this income separately in the Statement of Profit or Loss and Other Comprehensive Income as Compensation.

Incomes from revenue from compensation of network losses deficit and self-consumption of electricity comprises the following:

In thousands of EUR	**2023**	**2022**
Incomes from grants for own consumption of electricity	869	-
Incomes from compensation of network losses deficit	237,971	63,226
Total incomes from compensation and grants	**238,840**	**63,226**

24 Employee Benefits

In thousands of EUR	**2023**	**2022**
Wages and salaries	48,282	43,065
Defined contribution pension costs	9,258	8,161
Post-employment defined benefit plan expense (Note 17)	828	593
Other long-term employee benefit plans – current service and interest cost	417	181
Actuarial remeasurements of other long-term employee benefit plans	(244)	(371)
Other social levies and costs	14,251	12,743
Total employee benefits expense	**72,792**	**64,372**

25 Other Operating Expenses

In thousands of EUR	**2023**	**2022**
Repairs and maintenance of energy equipment	2,858	3,050
Other repairs and maintenance	6,228	5,184
Administration of distribution equipment	10,462	9,808
Repairs of machinery and devices	2,396	1,924
IT services	6,991	6,641
Measuring of electricity consumption	1,557	1,012
Facility management	1,180	1,141
Finance services	3,323	3,320
Advisory services	268	576
Other services	(3,506)	11,505
Call centre	838	785
Credit loss allowance for receivables (Note 11)	268	1,005
Statutory audit	111	109
Expenses relating to leases of low-value assets and for short-term leases	1,504	1,372
Total other operating expenses	**34,478**	**47,432**

26 Other Operating Income

In thousands of EUR	2023	2022
Operating lease income	558	546
Income from amortisation of contract liability from deferred customer contributions	1,710	689
Income from contractual penalties	80	110
Income from unauthorized consumption of electricity	968	710
Income from IT services	2,396	2,360
Grants	1,288	434
Other	823	1,010
Total other operating income	**7,823**	**5,859**

27 Interest and Similar Expense

In thousands of EUR	2023	2022
Interest expense on borrowings from the Parent company	19,918	19,699
Interest expense on leasing	1,801	749
Other interest expense	192	68
Less capitalised borrowings costs (Note 6)	(1,930)	(1,769)
Total interest and similar expense	**19 981**	**18,747**

28 Financial Risk Management

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

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

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

Interest rate risk. The Company does not have any significant interest rate risk exposure because all of its financial assets and liabilities, including borrowings received carry fixed interest rates. A reasonably possible change in market interest rates, such as Euribor, as at the end of the reporting period, would not have any impact on the Company's profit or loss for the year.

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

Exposure to credit risk arises as a result of the Company's sales of energy and services on credit terms and other transactions with counterparties giving rise to financial assets. The exposure includes cash and cash equivalents, financial derivatives and deposits with banks and financial institutions, as well as exposures to wholesale and retail customers, including outstanding receivables and transactions made.

To determine the level of credit risk, the Company uses Expected credit loss ("ECL") measurement, which reflects the probability-weighted estimate of the present value of future expected credit losses.

28 Financial Risk Management (continued)

The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the ageing of receivables, loss rate for each ageing group of receivables and the amount of receivables written off. Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

When assessment is performed on a portfolio basis, the Company determines the staging of the exposures and measures the loss allowance on a collective basis. The Company analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a Company have homogeneous or similar risks. The key shared credit characteristics considered are: [type of customer (such as wholesale or retail), product type. In general, ECL is the sum of the multiplications of the credit risk parameters.

As for the banks and financial institutions, the Company has relationships only with those that have a high independent rating assessment. If wholesale customers are independently rated, these ratings are used. If no independent rating is available, Company assesses the credit quality of customer, taking into account its financial position, past experience and other factors. Except as disclosed in Notes 11, 12 and 13, the Company does not have a significant concentration of credit risk due to a large number of diverse customers.

The Company uses a system of reminders, which may culminate in a service disconnection, as the prevailing contract enforcement. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Company beyond the provisions already recorded. To reduce the risk of selected wholesalers, the Company uses insurance products. The credit quality of outstanding balances with banks is presented in Note 12 and credit quality information about trade receivables is included in Note 11.

To manage the credit risk of wholesale activities, the Company has implemented a system of conservative volume and financial limits of open positions that ensure diversification of credit risk across multiple wholesale partners and use of credit insurance to secure business relations.

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

The Company regularly monitors its liquidity position and uses cash pooling with the Parent company to optimize the use of funds within the Group. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing to cover its needs. The maturity of supplier's invoices is 20 days, on average. Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Company and (b) expected future cash outflows securing operation of the Company and leading to settlement of all liabilities of the Company, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Company to make short-term bank deposits.

The table below analyses the Company's undiscounted amount of financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date.

28 Financial Risk Management (continued)

The maturity analysis is as follows as at 31 December 2023:

In thousands of EUR	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings – principal due	-	-	-	-	630,000	**630,000**
Borrowings – future interest payments	-	6,300	14,144	53,487	-	**73,931**
Trade payables (Note 21)	19,075	24,905	1,921	723	-	**46,624**
Other accrued liabilities (Note 21)	5,467	2,455	22,630	-	-	**30,552**
Other financial liabilities (Note 21)	2,338	-	-	-	-	**2,338**
Lease liabilities (including future interest payments)	705	1,410	6,820	37,386	34,415	**80,736**
Total future payments, including future principal and interest payments	**27,585**	**35,070**	**45,515**	**91,596**	**664,415**	**864,181**

The maturity analysis is as follows as at 31 December 2022:

In thousands of EUR	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings – principal due	-	-	315,000	-	315,000	**630,000**
Borrowings – future interest payments	-	6,300	13,041	25,200	6,300	**50,841**
Trade payables (Note 21)	30,028	9,898	711	303	-	**40,940**
Other accrued liabilities (Note 21)	2,234	122	15,111	-	-	**17,467**
Other financial liabilities (Note 21)	2,289	-	-	-	-	**2,289**
Lease liabilities (including future interest payments)	646	1,292	6,495	34,271	32,469	**75,200**
Total future payments, including future principal and interest payments	**35,197**	**17,612**	**350,358**	**59,774**	**353,796**	**816,737**

29 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company manages capital reported under IFRS as equity amounting to EUR 321,274 thousand as at 31 December 2023 (2022: EUR 235,058 thousand).

In managing the capital, the Company's management focuses on maximizing return on invested capital.

The Company is not subject to any externally imposed regulatory capital requirements.

30 Offsetting Financial Assets and Financial Liabilities

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

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
In thousands of EUR	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
Assets						
Cash pooling	52,522	-	52,522	52,522	-	-
Total assets subject to offsetting, master netting and similar arrangement	**52,522**	-	**52,522**	**52,522**	-	-
Liabilities						
Borrowings	638,773	-	638,773	52,522	-	586,251
Total liabilities subject to possible offsetting, master netting and similar arrangement	**638,773**	-	**638,773**	**52,522**	-	**586,251**

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

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

As at 31 December 2022, there are no financial instruments that would be subject to offsetting, enforceable master netting and similar arrangements.

31 Reconciliation of Movements in Liabilities from Financing Activities

The table below sets out the movements in our debt for each of the periods presented.

In thousands of EUR	Borrowings	Lease liabilities	Total liabilities from financing activities
As at 1 January 2022	**638,534**	**73,533**	**712,067**
Non-cash changes:			
Additions to leases (Note 8)	-	4,748	4,748
Termination of leases and other changes	-	(1,451)	(1,451)
Interest expense (Note 26)	19,699	749	20,448
Payments			
Interest paid on liabilities form financing activities	(19,699)	(749)	(20,448)
Principal repaid (Note 8)	-	(9,594)	(9,594)
As at 31 December 2022	**638,534**	**67,236**	**705,770**
Non-cash changes:			
Additions to leases (Note 8)	-	11,649	11,649
Termination of leases and other changes	-	38	38
Interest expense (Note 26)	19,918	1,801	21,719
Payments			
Interest paid on liabilities form financing activities	(19,679)	(1,801)	(21,480)
Principal repaid (Note 8)	-	(8,766)	(8,766)
At 31 December 2023	**638,773**	**70,157**	**708,930**

32 Fair Value Disclosures

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

32 Fair Value Disclosures (continued)

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

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

In thousands of EUR	31 December 2023 Level 2 fair value	31 December 2023 Carrying value	31 December 2022 Level 2 fair value	31 December 2022 Carrying value
Assets				
Trade receivables, net (Note 11)	31,485	31,485	119,584	119,584
Cash and cash equivalents (Note 13)	447	447	776	776
Receivables from cash pooling (Note 12)	52,522	52,522	-	-
Total assets	**84,454**	**84,454**	**120,360**	**120,360**
Liabilities				
Borrowings (Note 9)	616,296	638,773	568,178	638,534
Trade payables (Note 21)	46,624	46,624	40,940	40,940
Other accrued liabilities (Note 21)	30,552	30,552	17,467	17,467
Other financial liabilities (Note 21)	2,338	2,338	2,289	2,289
Cash pooling liabilities (Note 12)	-	-	62,619	62,619
Total liabilities	**695,810**	**718,287**	**691,493**	**761,849**

The fair value of lease liabilities is not disclosed in accordance with paragraph 29 of IFRS 7. The fair value of borrowings was determined according to the quoted market price of bonds issued by Západoslovenská energetika, a.s. in order to finance these loans.

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

33 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

All of the entity's financial liabilities are carried at amortised cost.

34 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management's interpretation of the Company's business activities may not coincide with the interpretation of these activities by the tax authorities, but the extent of this risk cannot be reasonably quantified. The fiscal years from 2018 to 2023 remain open to tax inspection, but in certain cases the tax authorities may also challenge tax positions taken in earlier periods.

34 Contingencies and Commitments (continued)

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator. These circumstances have led to the Company having created a provision for the impact of litigation (Note 19). At 31 December 2023, the maximum additional exposure of the Company to the risk of these legal proceedings is EUR 0 thousand (2022: EUR 0 thousand) in excess of the provision already created.

Capital expenditure commitments. As at 31 December 2023, the Company had outstanding contractual commitments for purchases of property, plant and equipment of EUR 16 327 thousand (2022: EUR 10,829 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 3 553 thousand (2022: EUR 3,934 thousand).

35 Balances and Transactions with Related Parties

The primary related parties of the Company are (a) its shareholders which have joint control over the Company as explained in Notes 1 and 14: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel. The Company applies the exemption from disclosing transactions with the Slovak government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, purchases of electricity from an entity in which the Slovak government has a significant shareholding and other transactions presented below.

The related party transactions for 2022 and outstanding balances as at 31 December 2023 were as follows:

In thousands of EUR	**Parent company**	**E.ON Group****	**Slovak government***	**Entities under common control of the Parent company**
Revenue,compensation	2,771	10,862	317,171	222,092
Purchases and expenses	39,389	2,217	61,263	210,147
Receivables other than taxes	53,695	4	11,307	18,091
Liabilities other than taxes	686,704	1,346	10,175	28,249
Dividends declared and paid	56,082	-	-	-

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

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

Income taxes are disclosed in the statement of financial position, statement of profit or loss and other comprehensive income, in the statement of cash flows and are also analysed in Note 16. Outstanding value added tax payable is presented in Note 21.

The income tax paid was as follows:

In thousands of EUR	**2023**	**2022**
Current income tax expense at standard rate of 21 % (2022: 21%) – refer to Note 16	(31,511)	(17,288)
Special levy on profits from regulated activities (Note 16)	(7,482)	(3,402)
Current income tax (liabilities) / refund receivable at the beginning of the reporting period	208	1,167
Current income tax liabilities/ refund receivable at the end of the reporting period	18,446	(208)
Income tax paid	**(20,339)**	**(19,731)**

35 Balances and Transactions with Related Parties (continued)

The related party transactions for 2022 and outstanding balances as at 31 December 2022 were as follows:

In thousands of EUR	Parent company	E.ON Group**	Slovak government*	Entities under common control of the Parent company
Revenue	2,091	12,213	147,418	231,150
Purchases and expenses	38,410	2,277	61,092	128,086
Receivables other than taxes	1,067	626	85,463	27,719
Liabilities other than taxes	749,588	789	17,773	20,205
Dividends declared and paid	53,272	-	-	-

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

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

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

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

In thousands of EUR	2023	2022
Board of Directors and other key management personnel		
Salaries and other short-term employee benefits	730	617
Defined contribution pension costs	114	95
Total remuneration of Board of Directors and other key management personnel	**844**	**712**
Supervisory board		
Salaries and other short-term employee benefits	164	155
Defined contribution pension costs	28	26
Total remuneration of supervisory board	**192**	**182**

36 Events after the End of the Reporting Period

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