INDEPENDENT AUDITOR'S REPORT

on verification of annual financial statements
prepared in accordance with International Financial Reporting Standards
as adopted by the EU

as of 31 December 2021

Slovenská elektrizačná prenosová sústava, a.s.

Company seat:

Slovenská elektrizačná prenosová sústava, a.s.
Mlynské nivy 59/A
824 84 Bratislava
IČO: 35 829 141

This is a translation of the original Slovak Auditor´s Report to the accompanying Financial Statements translated into English language.

Face to Face Business

CONTENTS

Face to Face Business

INDEPENDENT AUDITOR´S REPORT

To the owners and statutory representatives of Slovenská elektrizačná prenosová sústava, a.s :

Report from the audit of financial statements

Opinion

1. We have audited the accompanying financial statements of Slovenská elektrizačná prenosová sústava, a.s. ("the Company"), which comprise the statement of financial position as of 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

2. In our opinion, the financial statements present fairly in all material respects the financial position of the Company as of 31 December 2021 and its financial performance for the year then ended in accordance with Act 431/2012 on accounting, as amended ("the Act on Accounting") and in accordance International Financial Reporting Standards as adopted by the EU.

Basis for opinion

3. We conducted our audit in accordance with International Standards on Auditing ("ISAs")). Our responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the Financial Statements section, below. We are independent of the Company in accordance with the ethical requirements relevant for the audit of financial statements of Act 423/2015 on statutory audit and in accordance with the changes and amendment to and supplement of Act 431/2002 on accounting, as amended ("the Act on Statutory Audit"), including the Code of Ethics for Auditor, and we have fulfilled our other 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 audit opinion.

Other matter

4. The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified audit opinion on 15 February 2021.

Statutory Representative´s and those charged with Governance responsibility for the Financial Statements

5. The Statutory Representatives are responsible for the preparation and fair presentation of the financial statements in accordance with the Act on Accounting and for such internal controls as management determines 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and the use of the going concern basis of accounting: unless management intends to, either, liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

6. Our responsibility is 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 auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

   - Identify and assess the risks of material misstatement in 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 that for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, and / or the override of internal controls.

- Obtain an understanding of the internal controls 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 controls.
- Evaluate the appropriateness of accounting principles and policies used, the reasonableness of accounting estimates and the related disclosures made by management.
- Conclude on the appropriateness of management'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 audit 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 the audit 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 a fair presentation

8. 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 requirements of Slovak Acts and other legal regulations

Report on information presented in the annual report

9. The Statutory Representatives are responsible for the information presented in the Company's annual report, prepared in accordance with the Act on Accounting. Our above presented opinion on the financial statements does not relate to other information presented in the annual report.

   In connection with the audit of the financial statements it is our responsibility to gain an understanding of the information presented in the annual report and assess whether such information is materially inconsistent with the audited financial statements or the knowledge gained during the audit of the financial statements, or otherwise appears to be materially misstated.

   As of the date of this audit report to the financial statements the annual report has not been made available to us.

   When we obtain annual report, we will assess if the annual report includes information required by the Act on Accounting. Based on the work performed during the audit of the financial statements we will express an opinion, on whether

   - The information presented in the annual report for 2021 is consistent with the financial statements for that year,
   - The annual report includes information required by the Act on Accounting.

   In addition, we will state, if we have identified significant misstatements in the annual report based on our knowledge of and situation in the Company, which we obtained during the audit of the financial statements.

Bratislava, 22 March 2022

TPA

TPA AUDIT s.r.o.
Licence SKAu No. 304

Ing. Ivan Paule, CA, FCCA
Responsible auditor
Licence SKAu No. 847

This is a translation of the original Slovak Auditor´s Report to the accompanying Financial Statements translated into English language.

Slovenská elektrizačná prenosová sústava, a. s.

INDEPENDENT AUDITOR'S REPORT
(unofficial translation)
on the financial statements prepared
as of December 31, 2021

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

Individual Financial Statements as at 31 December 2021 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

	Note	As at 31 December 2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	893 885 693	872 732 051
Intangible assets	6	18 502 530	17 780 385
Assets representing right of use	8	780 515	648 530
Other investment	7	44 332 117	135 278 315
Receivables	11	40 944 128	7 653 184
		998 444 983	**1 034 092 465**
Current assets			
Inventories	10	1 634 693	1 395 926
Trade and other receivables	11	93 407 588	38 737 028
Short - term financial assets		0	50 000 000
Cash and cash equivalents	12	164 638 607	27 702 028
Current income tax receivable		0	2 290 202
		259 680 888	**120 125 184**
Total assets		**1 258 125 871**	**1 154 217 649**
EQUITY			
Share Capital and reserves			
Share Capital	13	235 000 000	105 000 000
Legal reserve fund	13	26 930 570	21 000 000
Capital fund from shareholder contributions	13	0	130 000 000
Other reserves	13	175 405 425	175 405 425
Revaluation of financial investment		109 020	109 020
Actuarial gains/loss		2 527 465	-968 892
Revaluation reserve	13	96 382 309	72 135 907
Retained earnings		334 328 205	336 228 466
Total equity		**870 682 994**	**838 909 926**
LIABILITIES			
Non-current liabilities			
Non-current bank loans	15	0	12 899 242
Non-current finance lease liabilities	16	624 842	497 637
Non-current portion of grants and other deferred revenues	17	171 889 042	121 614 135
Deferred tax liability	18	70 959 358	63 047 635
Other long - term liabilities	14	6 000	0
Non-current provisions for liabilities and charges	19	4 523 840	9 703 168
		248 003 082	**207 761 817**
Current liabilities			
Current bank loans	15	5 475 461	17 200 092
Current finance lease liabilities	16	200 134	197 753
Trade and other payables	14	80 378 439	78 611 601
Current portion of grants and other deferred revenue	17	38 312 620	11 496 295
Provisions for current liabilities and charges	19	40 165	40 165
Current income tax payable		15 032 976	0
		139 439 795	**107 545 906**
Total liabilities		**387 442 877**	**315 307 723**
Total equity and liabilities		**1 258 125 871**	**1 154 217 649**

	Note	Year ended 31 December 2021	2020
Revenues	20	441 208 416	353 632 825
Capitalized costs		944 889	984 884
Consumables and Services	21	-199 027 210	-182 753 754
Personnel costs	22	-32 309 173	-33 622 395
Depreciation and amortization	5,6	-68 907 645	-57 081 819
Negative revaluation difference	5	-5 067 808	0
Other operating income	24	7 001 420	5 972 791
Other operating expense	23	-3 188 369	-3 563 872
Operating profit		**140 654 520**	**83 568 660**
Interest income	25	32 542	176 816
Interest expense	25	-215 339	-516 275
Financial investment write-off	7	-90 946 198	0
Other finance income/(expense)	25	-109 010	-27 220
Finance cost, net		**-91 238 005**	**-366 679**
Profit before tax		**49 416 515**	**83 201 981**
Income tax expense	26	-31 077 072	-23 896 279
Profit for the year		**18 339 443**	**59 305 702**
Other comprehensive income			
Retirement benefit-actuarial gains		3 496 357	1 112 758
Revaluation of property, plant and equipment as at 1 January 2021		49 799 593	0
Deferred tax from revaluation of property, plant and equipment		-10 527 257	169 033
Total comprehensive income		**61 108 136**	**60 587 493**
Profit/ loss attributable to:		18 339 443	59 305 702
Non-controlling interest			
Profit for the year		**18 339 443**	**59 305 702**
Total comprehensive income attributable to:			
Owners of the parent		61 108 136	60 587 493
Total comprehensive income for the period		**61 108 136**	**60 587 493**

Statement of Changes in Equity as at 31 December 31 December 2021 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

(All amounts are in Euros unless stated otherwise)

	Share capital	Legal reserve fund	Capital fund from shareholder contributions	Other funds	Revaluation of financial investment	Actuarial gains/loss	Revaluation of property, plant and equipment fund	Retained earnings	Equity in total
Balance as at 1. January 2020	**105 000 000**	**21 000 000**	**0**	**175 405 425**	**109 020**	**-2 081 650**	**81 311 849**	**267 577 789**	**648 322 433**
Net profit for the year 2020	0	0	0	0	0	0	0	59 305 702	59 305 702
Other comprehensive income	0	0	0	0	0	1 112 758	-9 175 942	9 344 975	1 281 791
Total comprehensive income for the year 2020	**0**	**0**	**0**	**0**		**1 112 758**	**-9 175 942**	**68 650 677**	**60 587 493**
Dividends paid (Note 13)	0	0	0	0	0	0	0	0	0
Allocation to Capital Fund from shareholder contribution (Note 13)	0	0	130 000 000	0	0	0	0	0	130 000 000
Profit appropriation to Legal Fund (Note 13)	0	0	0	0	0	0	0	0	0
Profit appropriation to Statutory (Note 13)	0	0	0	-	0	0	0	0	0
Balance as at 31 December 2020	**105 000 000**	**21 000 000**	**130 000 000**	**175 405 425**	**109 020**	**-968 892**	**72 135 907**	**336 228 466**	**838 909 926**
Balance as at 1. January 2021	**105 000 000**	**21 000 000**	**130 000 000**	**175 405 425**	**109 020**	**-968 892**	**72 135 907**	**336 228 466**	**838 909 926**
Net profit for the year 2021	0	0	0	0	0	0	0	18 339 443	18 339 443
Other comprehensive income	0	0	0	0	0	3 496 357	24 246 402	15 025 934	42 768 693
Total comprehensive income for the year 2021	**0**	**0**	**0**	**0**	**0**	**3 496 357**	**24 246 402**	**33 365 377**	**61 108 136**
Dividends paid (Note 13)	0	0	0	0	0	0	0	-29 335 068	-29 335 068
Increase of the Share capital from the Capital fund from shareholder contribution (note 13)	130 000 000	0	-130 000 000	0	0	0	0	0	0
Allocation to Capital Fund from shareholder contribution (Note 13)	0	0	0	0	0	0	0	0	0
Profit appropriation to Legal Fund (Note 13)	0	5 930 570	0	0	0	0	0	-5 930 570	0
Profit appropriation to Statutory (Note 13)	0	0	0	0	0	0	0	0	0
Balance as at 31 December 2021	**235 000 000**	**26 930 570**	**0**	**175 405 425**	**109 020**	**2 527 465**	**96 382 309**	**334 328 205**	**870 682 994**

	Note	Year ended 31 December 2021	2020
Cash flows from operating activities			
Cash generated from operations	29	225 248 989	108 034 619
Income tax paid		-17 298 838	-27 841 766
Interest received		33 584	185 808
Net cash generated from operating activities		**207 983 735**	**80 378 661**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-67 453 248	-56 837 245
Proceeds from the sale of property, plant, equipment and intangible assets	29	459 748	188 710
Expenditures on acquisition of long - term financial assets	7	0	-130 000 000
Net cash used in investing activities		**66 993 500**	**-186 648 535**
Cash flows from financing activities			
Proceeds / (repayment) of loans		-24 494 287	-17 214 319
Interest paid		-253 551	-529 633
Other income from loans		29 250	20 861
Short - term loan granted to a subsidiary		50 000 000	-50 000 000
Increase of Capital fund / Share capital	13	0	130 000 000
Dividends paid	13	-29 335 068	0
Net cash used in financing activities		**-4 053 656**	**62 276 909**
Net increase (+) / (decrease) (-) in cash and cash equivalents		**136 936 579**	**-43 992 965**
Cash and cash equivalents at the beginning of the year	12	**27 702 028**	**71 694 993**
Cash and cash equivalents at the end of the year	12	**164 638 607**	**27 702 028**

1 General Information

Slovenská elektrizačná prenosová sústava, a.s. ("the Company", "SEPS") is one of the three joint stock companies established (pursuant to the Commercial Register) in the Slovak Republic on 21 January 2002 (date of establishment: 13 December 2001) from the process of the division of its predecessor Slovenské elektrárne, a.s.

The principal activities of the Company comprise the transmission of electricity in the country of the Slovak Republic through 220 kV, 400 kV and, in a small part, through 110 kV lines and electric stations of the transmission grid, including electricity import, export and transit. The company is also responsible for maintaining a balanced electricity grid in the Slovak Republic and balancing the production and usage of electricity during the time which is performed using the system services.

The Bohunice International Decommissioning Support Fund ("BIDSF") was established in relation to the shutdown of a power plant in Jaslovské Bohunice. The main purpose of this Fund is to finance or to co-finance the preparation and implementation of selected projects ("authorized projects") related to providing the technical assistance and/or goods, work and Services with respect to support the shut- down of the power plant in Jaslovské Bohunice as a result of a decision of the Slovak Republic to do so. The Fund supports the reconstruction, improvement and modernization of the energy production, transmission and distribution sectors and increases their efficiency.

The Company's operations are governed by the terms of its licence granted under the Energy Law ("the Energy Licence") and other relevant legislation. The Regulatory Office of Network Industries of the Slovak republic (hereinafter the "URSO") regulates certain aspects of the Company's relationships with its customers, including the pricing of electricity and Services.

By the end of 2010, the Company performed deviation settlement and organized short-term electricity market. Since 1 January 2011 these activities has been transferred to OKTE, a. s., which has been created for this purpose in accordance with law and is 100% subsidiary of SEPS.

The structure of the Company's shareholders as at 31 December 2021 was as follows:

	Absolute amount in EUR	Ownership interest and voting rights %
Slovak Republic represented by Ministry of Finance SR	235 000 000	100%
Total	235 000 000	100%

According to the Decree of Slovak government No. 481 dated 19 September 2012, The National Property Fund of the Slovak Republic, transferred the shares of the Company without compensation to the Slovak Republic, on behalf of which acts the Ministry of finance of the Slovak Republic. As a result of this, effective 2 October 2012, the Slovak Republic, on behalf of which acts the Ministry of finance of the Slovak Republic, became the sole shareholder, who owns 100% of shares of the Company as well as 100% of voting rights.

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

The members of the Company's statutory bodies during the year ended 31 December 2021 were as follows:

Body	Function	Name
	Chairman	Ing. Peter Dovhun from 13. February 2021
Board of Directors	Chairman	Ing. Jaroslav Vach, MBA from 17. April 2020 till 12. February 2021
	Vice Chairman	Širanec Marián, MBA from 13. February 2021
	Vice Chairman	Mgr. Martin Riegel from 17. April 2020 till 12. February 2021

	Member	Mgr. Martin Riegel from 13 February 2021
	Member	Ing. Jaroslav Vach, MBA from 13 February 2021
	Member	Ing. Miroslav Janega from 13 February 2021
	Member	Ing. Michal Pokorný till 12 February 2021
Supervisory Board	Chairman	Ing. Peter Habšuda from 1 April 2021
	Chairman	Ing. Ľuboš Jančík from 16 February 2021 till 31 March 2021
	Chairman	Ing. Miroslav Bartoš from 17 April 2020 till 15 February 2021
	Vice-Chairman	Ing. Marcel Klimek from 15 May 2020
	Vice-Chairman	Michal Sokoli from 27 February 2020
	Member	Mgr. Marek Kaľavský from 17 April 2020 till 7 April 2021
	Member	Ing. Róbert Király from 17 April 2020
	Member	Ing. Ľuboš Jančík, PhD. from 17 April 2020 till 15 February 2021 and from 1 April 2021 till 20 April 2021
	Member	Ing. Milan Jarás, PhD. from 27 November 2020
	Member	Ing. Marcel Klimek from 17 April 2020 till 14 May 2020
	Member	Ing. Vladimír Beňo from 1 May 2021
	Member	Ing. Dušan Chvíľa from 20 February 2020 till 31 March 2021
	Member	JUDr. Eva Murínová from 20 February 2020
	Member	Ing. Marek Šimlaštík from 20 February 2020
	Member	Juraj Mach, MSc. from 16 February 2021
	Member	Ing. Peter Habšuda from 1 February 2021 till 31 March 2021
	Member	Ing. Peter Dragúň from 1 April 2021
	Member	PhDr. Ivan Pešout, PhD. from 21 April 2021
	Member	Ing. Ivan Šramko from 8 April 2021 till 20 April 2021
	Member	Ing. Michal Janíček from 21 April 2021
Executive management	General Director	Ing. Peter Dovhun from 16. February 2021
	General Director	Ing. Jaroslav Vach, MBA from 21 April 2020 till 16 February 2021
	Managing Director of Support for Operating	Ing. Jaroslav Vach, MBA nominated with the management from 16. February 2021 till 31. March 2021
	Managing Director of Support for Operating	Mgr. Igor Gallo, MBA till 16 February 2021
	Managing Director of Operating	Ing. Miroslav Janega from 16 February 2021
	Managing Director of Operating	Mgr. Jana Ambrošová from 18 May 2020 till 16 February 2021
	Managing Director of SED and Commerce	Ing. Silvia Čuntalová from 2 March 2021
	Managing Director of SED and Commerce	Ing. Miroslav Janega nominated with the management from 16 February 2021 till 1 March 2021
	Managing Director of SED and Commerce	Ing. Michal Pokorný till 16 February 2021
	Managing Director of Economics	Ing. Jaroslav Vach, MBA from 16 February 2021
	Managing Director of Development Capital Investment and Procurement	Mgr. Martin Riegel from 21 April 2020
	Managing Director of Information and	Juraj Saktor from 10 August 2021

Communication Technologies	
Managing Director of Information and Communication Technologies	Ing. Peter Dovhun nominated with the management from 16 February 2021 till 10 August 2021
Managing Director of Information and Communication Technologies	Ing. Martin Golis till 16 February 2021
Managing Director of Strategy and International Cooperation Managing	Ing. Martin Riegel nominated with the management from 16 February 2021 till 30 June 2021
Managing Director of Strategy and International Cooperation Managing	Ing. Michal Pokorný nominated with the management from 21 April 2020 till 16 February 2021

The Company employed 546 personnel on average during 2021 (2020: 548), 6 of which were management (2020: 6).

Registered address and Identification number

Mlynské nivy 59/A
824 84 Bratislava
Slovak Republic

Identification number (IČO) of the Company is: 358 291 41
Tax Identification number (IČ DPH) of the Company is: SK 2020261342

2 Summary of significant accounting policy

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

2.1. Basis for preparation

Legal reasons for preparing the Financial Statements:
The Company's Financial Statements at 31 December 2021 have been prepared as ordinary Financial Statements under § 17 (6) of Slovak Act No 431/2002 Coll. ("Accounting Act") for the accounting period from 1 January 2021 to 31 December 2021.

The Accounting Act requires the Company to prepare Financial Statements for the year ended 31 December 2021 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

These financial statements have been prepared in accordance with IFRS as adopted by the European Union. The Company applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), as amended by the European Union, which were effective as of 31 December 2021.

These financial statements have been prepared in under the historical cost convention, except for the valuation of property, plant, equipment, and derivate financial instruments, which are valued at fair value as at the reporting date.

The financial statements were prepared on accrual basis and under the going concern principle.

In connection with the war conflict in Ukraine, the Company's management has analysed the possible effects and consequences on the Company and concluded that currently they do not have significant adverse impact on the Company (apart from rising input prices, especially fuels, energy, materials, goods and services). The Company's management does not anticipate a significant threat to the going concern assumption in the near future (during the next 12 months from the date of preparation of the financial statements).

The Board of Directors may propose to the Company's shareholders to amend the Financial Statements after their approval by the General Shareholders Meeting. According to § 16 (9 to 11) of the Accounting Act the reopening the entity's accounting records after the Financial Statements are prepared and approved is prohibited; 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 entitles to restate comparative information in the accounting period in which relevant facts are identified.

The preparation of the Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

The Financial Statements of the Company for the previous period were approved by the ordinary Annual General Meeting of the Company held on 9 June 2021.

These Financial Statements are prepared in Euros ("EUR").

The Company issues Consolidated financial statements in accordance with Article 22 of Slovak Act No. 431/2002 Coll. on Accounting, as the Company has a subsidiary OKTE, a. s. based in Mlynské nivy 48, 821 09 Bratislava.

We have assessed the impact of the COVID-19 pandemic on the financial statements for the year ended 31 December 2020. This assessment included our best estimate of the impact of the COVID-19 pandemic on our ability to collect receivables and repay liabilities, achieve future revenues, and assessing the impact of potential price declines, access to finance and its limitations, reassessing our judgments used in making estimates. We conclude that the impacts of COVID-19 do not have a material impact on the Company's ability to continue as a going concern for the next 12 months.

2.2. Changes in the accounting policies

During the year ended 31 December 2021, the Company applied the following new and revised IFRS and IFRIC interpretations:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2

The International Accounting Standards Board (IASB) issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, which are addressed to issues that arise during the reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate. Given the ubiquitous nature of IBOR based contracts, the changes could have an impact on companies in all industries.

The amendment is effective for annual accounting periods beginning on or after 1 January 2021, earlier application is permitted.

Amendment to IFRS 16 COVID 19 Leases - Extension of Amendments from 30 June 2021 to 30 June 2022

The purpose of the Amendment was to make it easier for lessees to account Covid-19-related Rent Concessions such as rent incentives and temporary rent reductions.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021 or earlier, extended until 30 June 2022.
These amendments to the standards in their first application do not have a significant impact on the Company's financial statements.

2.3. Investments

Investments are carried at historical cost in these Financial Statements. The historical cost comprise the amount of cash or cash equivalents paid or fair value of the consideration given to acquire the investment at the time of their acquisition.

2.4. Foreign currency transactions and translation

(i) Functional and presentation currency

Items included in these Financial Statements are presented in Euros, which is the currency of the primary economic environment in which the entity operates ("the financial currency"). The Financial Statements are presented in whole Euros.

(ii) Transactions and balances

Transactions in foreign currency are translated into the functional currency using the reference exchange rates determined and declared by the European Central Bank or National Bank of Slovakia as at the date preceding the date of accounting transaction or at any other day if required by special regulation. At the reporting date, the assets and liabilities are translated into the functional currency using the reference exchange rates determined and declared by the European Central Bank or National Bank of Slovakia as at the reporting date. The transaction in the foreign currency is retranslated into the functional currency using the exchange rate valid at the date of the accounting transaction. Foreign exchange gains and losses resulting from the settlement of such transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognizes in the Income Statement.

2.5. Property, plant and equipment

The property, plant and equipment is carries at cost less accumulated depreciation out accumulated impairment losses, with exception to the revaluation model adopted for certain classes of property, plant and equipment.

(i) Costs

Cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs related to the loans received, which are directly attributable to the acquisition or production of an asset, are included in the cost of the asset.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Property, plant and equipment as the date of establishment of the Company comprise assets that were acquired as a result of the separation of Slovenské elektrárne, a.s., into three legal entities. These assets were transferred at their original cost with related accumulated depreciation.

The most significant part of property, plant and equipment is represented by the network. The network mainly includes power lines, pylons and switching stations. Useful life of networks assets varies between 5 and 60 years (2020: between 5 and 60 years).

(ii) Revaluation of assets

Property, plant and equipment - initially, property, plant and equipment are evaluated at acquisition costs. Acquisition cost includes all costs directly incurred in putting the respective fixed asset to its intended use.

Subsequently, the land, buildings, halls, lines and structures, machinery and equipment and other revalued assets reported in the balance sheet at revalued amount, which represents the fair value at the date of revaluation after deducting any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other classes of property, plant and equipment are subsequently evaluated at historical acquisition costs less accumulated depreciation and accumulated impairment losses.
Revaluation is carried out by an independent expert. Revaluations are performed regularly in sufficient intervals (at least every five years), so that the carrying amount does not differ materially from the value, which would have been reported as at the balance sheet date using fair values.

Any increase in value on the revaluation of such property, plant and equipment shall be credited to other comprehensive income and shall be accumulated in assets in equity revaluation surplus, taking into account the amount that will possibly cancel the impairment of the same asset item reported previously in the income statement. In such a case, the increase in value shall be credited to the income statement in the amount of the impairment previously reported in the income statement. Any impairment on the revaluation of such property, plant and equipment shall be debited to the income statement in the amount that exceeds the balance on the account of the surplus from the revaluation of assets in relation to the previous revaluation of that asset item. Depreciation of revalued property items are reported as an expense in the income statement. The revaluation surplus shall be gradually transferred to retained earnings over the period when the asset is used. In such a case, the amount of the transferred surplus equals to the difference between the depreciation calculated from the revalued carrying amount of the asset and the depreciation calculated from the assets original acquisition cost. In the event of a sale or removal of the asset from accounting, the balance of the related revaluation surplus shall be transferred to retained earnings.

(iii) Depreciation

The depreciation of buildings, plant and equipment is depreciated using the straight-line method, starting in the month when the property, plant and equipment is available for use, during the estimated useful lives of non-current assets. The estimated useful lives of buildings, constructions, plant and equipment and Intangible assets according to individual groups are as follows:

	2021	2020
Buildings, halls, networks and constructions	10 – 60 years	10 – 60 years
Machines, equipment and vehicles	4- 50 years	4 - 50 years
Other property, plant and equipment	4 years	4 years

Buildings, halls and constructions include mainly switching stations, administrative buildings, transmission lines, halls, transformers and control rooms, pylons, towers, tanks, communications, elevated power lines.

Machines, equipment and vehicles include mainly hardware machines, tools and equipment, vehicles, radio relay point and cables.

Gains and losses on disposals land, buildings and equipment are fully recognized in the income statement.

Land and assets under construction are not depreciated.

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the conditions expected at the end of their useful life. The residual value of an asset is nil or its scrap value if the Company expects to use the assets until the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Expenditures to acquire the property, plant and equipment subsequent to initial recognition are recognized as an item of property, plant and equipment only if it is probable that they will enhance the future economic benefits beyond its original performance. All other expenses are recognized as repair and maintenance costs in the period to which it is incurred.

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. The Company allocates the amount initially recognizes in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.
An asset carrying amount is written down to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount (Note 2.7).

Items that are retired or otherwise disposed of are eliminated from the Statement of Financial Position, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in operating profit.

In accordance with IAS 36, as at the date of preparation of financial statements, an assessment of impairment indicators is made that would indicate the recoverable amount of property, plant and equipment would be less than its carrying value. In case any indicator exists at the balance sheet date, the recoverable amount of property, plant and equipment is estimated which is a higher of the fair value less cost to sell and value in use (i.e. the present value of future cash flows). Any impairment loss on property, plant and equipment is recognized in the income statements in the period in which the impairment occurs. The discount rates used in calculating the present value of future cash flows comes from the position of the Company as well as from economic environment of the Slovak Republic as at the balance sheet date. In case the Company decides to stop the investment project or significantly delay its scheduled termination, it considers any reduction of its value and, where appropriate, record the impairment loss.

2.6. Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognized 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. Borrowing costs are capitalized and included in the costs of an asset. The Company does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight-line basis over their useful lives.

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

Costs associated with maintaining Computer Software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique Software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the Software product so that it will be available for use;
- management intends to complete the Software product and use or sell it;
- there is an ability to use or sell the Software product;
- it can be demonstrated how the Software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the Software product are available; and
- the expenditure attributable to the Software product during its development can be reliably measured.

Directly attributable costs that are capitalized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer Software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed 4 years. Intangible assets are depreciated over 4 years, easement of access according to the conditions stated in the Contract on easement of access.

2.7. Impairment of non-financial assets

Assets that have an indefinite useful life and intangible assets not yet in use are not subject to amortization and are tested for impairment annually. Land, construction in progress and assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be higher as a recoverable amount. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at each reporting date.

2.8. Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale, when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and

a) represents either a separate major line of business or a geographical area of operations;
b) is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
c) is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

2.9. Financial assets

The Company classifies financial assets into three valuation categories: assets subsequently measured at amortized cost, assets subsequently measured at fair value through other comprehensive income (FVOCI) and assets subsequently measured at fair value through profit or loss (FVPL).

A financial asset is valued at amortized cost when the following two conditions are met:
a) financial asset is held in a business model where there is intention to hold the financial asset in order to collect contractual cash flows; and

b) financial assets contractual terms and conditions result, on specified dates, in cash flows that represent payments of principal and interest on the outstanding principal only

A financial asset is valued at fair value through other comprehensive income when the following two conditions are met:
a) financial asset is held in a business model, where there is intention both to collect contractual cash flows and to sell the financial asset; and
b) financial assets contractual terms and conditions result, on specified dates, in cash flows that represent payments of principal and interest on the outstanding principal only.
A financial asset is valued at fair value through profit or loss, unless it is valued at amortized cost or fair value through other comprehensive income. For certain investments in equity Instruments that would otherwise be valued at fair value through profit or loss, an entity may, however, when initially recognizing them, irrevocably decide to present any subsequent changes in fair value through other comprehensive income.

Initial valuation:
Apart from trade receivables that do not include a significant financing component, a financial asset or financial liability is initially recognized by a company at its fair value plus or minus (if the financial asset or financial liability is not valued at fair value through profit or loss) transaction costs attributable to acquisition of the financial asset or issuance of the financial liability.
If, however, the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an accounting entity applies the fair-value method and recognizes the difference between the fair value and the transaction price as a profit or loss.
If an accounting entity uses trade date accounting in relation to the asset that is subsequently valued at amortized cost, such an asset shall be initially recognized at its fair value at the date of the transaction.

Subsequent valuation:
After its initial recognition, an accounting entity recognizes a financial asset at: (a) amortized cost; (b) fair value through other comprehensive income; or (c) fair value through profit or loss.
An accounting entity applies impairment requirements to financial assets that are valued at amortized cost and to financial assets that are valued at fair value through other comprehensive income.

Regular purchases and sales of financial assets are recognized on trade-date - the date on which the Company commits to purchase or sell the asset.

The Company derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.
Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through income statement. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term or to mitigate risks. This category includes derivative financial Instruments entered into by the Company that are not designated as hedging Instruments in hedge relationships. Financial assets in this category are classified as current.

Realized and unrealized gains or losses arising from changes in the fair value of the „financial assets at fair value through profit or loss“ are recognized in income statement in which the fair value changed.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets.

Loans and receivables are disclosed as part of non-current and current financial assets, trade receivables and cash and cash equivalents on the Statement of Financial Position.

Loans and receivables represent trade receivables, cash and cash equivalents.

2.10. Leases

a) Leases – IFRS 16

When concluding a contract, the Company assesses whether or not the contract includes a lease. A contract is a lease contract or contains lease if it transfers the right to control the use of an identified asset for a certain period for consideration. A contract is considered as a lease by the Company if it meets all the following requirements:

- There is certain identified asset, either explicitly or implicitly; and
- The lessee basically gets all the economic benefits resulting from the use of the identified asset; and
- The lessee is entitled to control the use of the identified asset.

When concluding a contract, the Company assesses whether or not the contract includes a lease. A contract is a lease contract or contains lease if it transfers the right to control the use of an identified asset for a certain period for consideration. A contract is considered as a lease by the Company if it meets all the following requirements:

The Company applied the new IFRS 16 standard to all contracts concluded before 1 January 2019.

For the initial reporting and subsequent revaluation of a leasing contract containing a leasing component, the Company shall assign the agreed consideration to each leasing component proportionally on the basis of its value, if agreed separately.

i. Leased asset (Company as a lessee)

The Company shall report the right to use the asset and the liability from the lease in the beginning of the lease. The initial value of the right of use of the asset shall be set out as the sum of the initial value of the liability from the lease, lease payments carried out before or on the day of commencement of the lease, initial direct costs of the lessee minus any leasing incentives received.

When determining the period of lease, the duration of the agreed lease and the option of early termination and/or prolongation is primarily evaluated. When assessing the probability of application of the option of prolongation and/or early termination of the lease period, the Company shall consider all relevant facts and circumstances providing economic incentives for the application (non-application) of these options. The period, for which the contract can be prolonged (or the period following the option to early terminate the contract), shall be included in the lease period only if the Company is sufficiently certain that the prolongation shall be applied.

The right of use of the asset shall be amortized on a straight-line basis over the lease period, from the commencement of the lease until its termination. If the lease includes a transfer of title or purchase option, the right of use of the asset shall be amortized on a straight-line basis over the period of use of the asset amortization commences on the day of commencement of the lease. Assessment of any potential impairment of the right of use of the asset shall be carried out in a manner similar to the assessment of an impairment of a property, plant and equipment.

Liability from the lease shall be first valued on the day when the leased asset is made accessible to the lessee (day of commencement of the lease). Liabilities from the lease are initially valued in the current value of the lease payments over the lease period not paid as at the date of the initial valuation, using the discount rate, which is the incremental borrowing rate of the lessee. The incremental borrowing rate of the lessee has been determined on the basis of available financial information related to the Company. If contract conditions change (e.g. the lease period is modified on the basis of the prolongation or early termination of the contract, lease payment amount changes due to a change in index or rate used to determine the payment amount, assessment of probability of application of purchase option changes), a revaluation of the lease liability shall be subsequently carried out Any subsequent revaluation of a liability from lease shall affect, among other things, the valuation of the right of use of the asset. If it results in a negative value of the right of use of the asset, the residual impact shall be reported in relation to profit/loss (the value of the resulting right of use of the asset shall be reported as zero).

The Company has applied an optional exemption and reports neither the right of use of asset nor the liability from lease for all types of lease contracts with the lease period up to 12 months. Costs related to these leases are reported in financial accounts as operating costs evenly over lease periods.

The Company has also applied an optional exemption and reports neither the right of use of asset nor the liability from lease in relation to lease contracts where the value of the leased asset is clearly lower than EUR 5,000. When determining the estimated value of an asset, the Company assumes that it is a new asset. If the asset value cannot be determined reliably, the optional exemption shall not be applied.

In its statement of financial position, the right of use of asset is reported by the Company in relation to fixed assets and liabilities from lease are reported by the Company in relation to short-term and long-term liabilities. Furthermore, the Company has reported transactions related to lease in its cash flow statement as follows:

- Principal payments related to liability from lease are reported as part of the cash flow related to financial activities;
- Interest payments related to liability from lease are reported as part of the cash flow related to operating activities;
- Payments of short-term lease, lease of minor assets and payments of variable parts of lease not included in the valuation of liabilities from lease are reported as part of the cash flow related to operating activities.

b) Leases – IAS 17 (comparable period)

i. Leased asset (Company as a lessee)

Any lease, where the Company assumes all significant risks and benefits characteristic for the ownership of the asset in question, is classified as financial lease. For the initial recognition, leased assets are valued using the amount equal to their fair value or the current value of the minimum lease payments, whichever is the lower. After the initial recognition, assets are accounted for in accordance with accounting procedures applicable to the given asset type.

Other lease type is classified as operating lease and the leased assets are not reported by the Company in the statement of financial position.

ii. Lease payments

Payment on the basis of the operating lease are reported in the profit and loss statement on the straight-line basis over the agreed lease period. Incentives related to the lease are accounted for as a non-separable part of the total costs of the lease throughout the lease period.

For the financial lease, minimum lease payments are divided between financial costs and decrease in the outstanding liability. Financial costs are allocated to each period over the duration of the lease, so that a constant interest rate is ensured for the residual amount of the liability.

2.11. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost method. The acquisition costs include all costs associated with the acquisition of the inventories such as customs duties or transportation costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling costs.

2.12. Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of provision for impairment. Revenue recognition policy is described in the Note 2.22.

The risk of customer insolvency is managed by financial guarantees received from customers which can be used in case the customer debts are not settled when became due.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flow discounted by the original effective interest rate.

IFRS 9 sets out a three-level model of impairment of financial assets, based on credit quality changes since their initial recognition. This model requires that a financial instrument that was not initially recognized with credit-based impairment is classified at level 1 and that its credit risk is continually monitored. If any significant increase in credit risk is detected after the initial recognition, the financial instrument is moved to level 2 but no credit-based impairment is introduced yet. If a financial instrument is affected by credit-based impairment, it is moved to level 3.

In case of level 1 receivables, an allowance is created in the amount equal to the portion of expected credit losses over the lifetime of the receivable resulting from possible defaults in the following 12 months. In case of level 2 or 3 receivables, an allowance is created on the basis of expected credit losses over the lifetime of the receivable. According to IFRS 9, future-oriented Information have to be taken into account when creating an allowance. Purchased or incurred financial assets affected by a credit-based impairment are those financial assets that are impaired already at their initial recognition. In those cases, allowance is always created based on their lifetime (level 3).

Impairment of trade receivables is recognized through an allowance account. Impairment losses and their reversals, if any, are recognized in the Income Statement within Other operating expenses or income. Trade receivables that cannot be collected are written off. Trade receivables that were written off and are subsequently repaid by the debtors are recognized in the Income Statement within Other operating income.

2.13. 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 amortized cost using the effective interest method.

2.14. Share Capital

Registered shares are classified as Share Capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15. Current and deferred income tax

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

Deferred tax is provided, 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, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Dividend income is not subject to income taxes in the Slovak Republic.

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

According to act No. 235/2012 Coll. the Company is payer the special levy from business activities in regulated sectors that is calculated from the profit realized according to the Slovak Act on Accounting. Total amount of this levy is included in the item „Income tax expense".

2.16. Grants and contributions related to acquisition of property and equipment

Grants and contributions are recognized at their nominal value where there is a reasonable certainty that the grant or contribution would be received and the Company would comply with all attached conditions. Grants and contributions relating to acquisition of property, plant and equipment were accounted for by setting up the grant as deferred income, which was recognized as other income over the life of related depreciable asset in connection with the grant approved by EBOR for the Reconstruction - Structure 2, Part 2 an Structure 3 in Križovany, with the grant approved by EBOR for Lemešany - Košice - Moldava- Structure 4, with the grant for financing a reconstruction of switching station 400/110 kV in Bystričany. The Company also has a grant approved by Danube InGrid for project, which is result of cooperation between the Company, Západoslovenská distribučná, a. s. and the Hungarian distribution system operator E.ON Észak-dunántúli Áramhálózati Zrt. PCI projects are key infrastructure projects aimed at interconnecting European energy systems and achieving the EU's energy and climate goals.

2.17. Borrowings

Borrowings are recognized initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortized cost. The difference between the proceeds (net of transaction cost) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.
Borrowings 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 reporting date.

2.18. Provisions

Provisions are recognized 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 recognized for future operating losses. Where the Company expects provisions to be reimbursed, for example under an Insurance contract, the reimbursement is recognized as an asset but only when the reimbursement is virtually certain.
If there is an onerous contract presented at the Company, the present obligation according to this contract is recognized and valued as a provision.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be in a low value.

The amount recognized as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date, i.e. the amount that the Company would rationally pay to settle the obligation. The estimate is determined by the judgement of the management and the Company's lawyers. The provision represents the individual most likely outcome as the best estimate of the liability.

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 assessment of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognized as interest expense.

2.19. Contingent liabilities

Contingent liabilities are not recognized in the Financial Statements. They are disclosed in the notes, unless the possibility of an outflow of resources embodying the economic benefits is remote.

2.20. Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. Trade payables include the financial guarantees (Note 2.12).

2.21. Employee benefits

The Company has both defined benefit and defined contribution plans.

Pension plans

A defined plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of Service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity or to the Government 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.

Unfunded defined benefit pension plan

The Company also has a long-term pension plan, which includes one-off payments at retirement in accordance with legal requirements and its Collective Agreement.

According to the Collective Agreement the Company is obliged since 2018, based on the number of years in Service for the employer SEPS (including the legal predecessors of the SEPS), to pay its employees on retirement or disability the following multiples of their average monthly salary:

Number of years in Service	
0 – 5 included	7
Over 5 to 10 included	9
Over 10 to 15 included	10
Over 15 to 20 included	11
Over 20	12

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

Other benefits

The Company also pays the following life and work jubilee benefits:
- compensation of electricity costs in amount of EUR 150 (2020: EUR 150) yearly for employees on retirement working for the Company for at least three years;
- benefit is in the amount of EUR 577 when the employee reaches the age of 50 and 60 (2020: 550 EUR)

The employees of the Company expect that the Company will continue to provide such benefits and, based on opinion of management, it is not probable that the Company would cease to provide such benefits in the future.

The liability recognized in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined obligation at the reporting date.

The defined obligation is calculated 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 government bonds which have terms to maturity approximating the terms of the related pension liability and (b) the attributing the calculated present values to the periods of Service based on the plan's benefit formula.

Actuarial gains and losses are recognized in equity as incurred. Past-service costs are recognized immediately as an expense, unless the changes to the pension plan are conditional on the employees remaining in the Service for a specified period of time (the vesting period). Otherwise, the past-service costs are amortized on a straight-line basis over the vesting period.

In calculating the provision for retirement benefits as at 31 December 2020, the allocation of benefit costs to the period during which it provides the service was calculated from the date on which the employee began working for the company (prorata temporis). According to a decision published by the IFRS Committee during 2021, service costs are allocated from the date on which the employee is entitled to the benefit (criteria: length of service, condition of continuity, etc.). In calculating the provision as at 31 December 2021, this change was fully taken into account in the calculation of provisions. The change compared to 2020 also occurred in the compensation of costs for electricity consumption. It will not be paid from 1 January 2022 who have left the Company for an old age or invalidity pension.

Defined contribution pension plans

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

The Company makes contributions to the government health, retirement benefit, accidental and guarantee insurance and unemployment schemes at the statutory rates in force during the year, based on gross salary wages paid.
During the year, the Company made contributions amounting to 35.2% (2020: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law for such schemes together with contributions by employees of a further 13.4% (2020: 13.4%). The cost of these payments is charged to the Income Statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company makes contributions to the supplementary scheme of 6% of the total of monthly wages, excluding severance payment and payments at retirement.

Profit sharing and bonus plans

Liabilities for any employees benefits in the form of profit sharing and bonus plans are recognized as other payables when there is no realistic alternative but no settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determinable before the Financial Statements are authorized for issue; or
- the past practice created a valid expectation of employees that they will receive a profit sharing or other bonus; and
- bonuses or profit sharing may be determined before the financial statements are authorized for issue.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.22. Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Company and specific criteria will be met for each of the Company's activities as described below.

Revenue comprises the fair value of the consideration received or receivable for the sale of electricity transmission and transit and other Services in the ordinary course of the Company's activities. Revenues is shown, net of value-added tax, estimated returns, rebates and discounts.

Revenue are recognized at the transaction price at the time the goods or Services are transferred to the customer. Any other different followed goods or Services are accounted for separately and the discounts or refunds on the selling price are allocated to individual items. If the price is variable for any reason, the minimum value is accounted for if it is highly probable that it will not be deducted.

The revenue is recognized when the respective Service is rendered.

Sales of Services are recognized in the accounting 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.

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

Interest income is recognized in the period when it is earned on a time proportion basis using the effective interest method.

2.23. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

2.24. Hedging Accounting

The Company holds derivative financial Instruments in order to hedge commodity price risks. A hedged item is other receivable or other liability reported by the Company exposing it to a risk of change of fair value. It is formally designated as a hedged item in the respective hedging relationship. It must be possible to reliably determine the value of a hedged item. A hedging instrument is a derivative instrument, for which it can be expected that its fair value shall compensate changes in fair value of the specified hedged item. The Company has determined that the following derivative Instruments are used for hedging: short-term commodity futures. Hedging derivative instruments are initially valued at the acquisition costs and the respective transaction costs are reported in the profit and loss statement upon their origination. Subsequently, after their first accounting, hedging derivatives are valued at fair value and their changes are accounted in a manner described below.

Cash Flow Hedge

Changes in the fair value of a hedging instrument designated as a cash flow hedging instrument are reported directly in equity to the extent the hedging is effective pursuant to the conditions specified in IFRS 9 standard. The amount reported in equity represents a cumulative profit or loss from the hedging instrument since the commencement of hedge or a cumulative change in the fair value of the hedged item from the commencement of hedge, whichever is lower. Profits or loss from the hedging instrument exceeding the amount reported in equity represent ineffectiveness and are reported in the profit and loss statement. If hedging of an expected transaction subsequently results in reporting of a financial asset or liability, the related profits or losses reported directly in equity are reclassified in the profit and loss statement in the same period or in the periods during which the newly acquired asset or liability affects profit/loss. If the hedged expected transaction subsequently results in reporting non-financial asset or non-financial liability or if the hedged expected transaction with non-financial asset or non-financial liability becomes a mandatory obligation, to which a fair value hedge accounting is applicable, the Company shall remove the respective amount from the provision for cash flow hedging and include it directly in initial costs or other accounting value of the respective asset/liability.

Fair Value Hedge

Fair value hedge is a hedging of the risk of a change in fair value of the reported asset, liability or non-reported mandatory obligation, or an identified part of such an asset, liability or mandatory obligation, which can be allocated to the specific risk and can affect the Company's profit/loss. Profit or loss from the hedging instrument is reported in profit/loss. If the hedged item in fair value hedging does not report a mandatory obligation (or its component), cumulative change in the fair value of the hedged item, after being established, is reported as asset or liability, and the respective profit or loss is reported in profit or loss. If fair value hedging is connected with a mandatory obligation (or its component) to acquire asset or liability, the initial accounting value of the asset/liability resulting from the compliance with the mandatory obligation shall be modified to include the cumulative change in the hedged item fair value as reported in balance sheet previously. Profit or loss from the change in value of the hedging instrument to fair value is reported in profit/loss. Profit or loss from a hedged item that can be allocated to the risk being hedged shall be reported in the profit and loss statement and the accounting value of the hedged item shall be modified by such value as well.

As at 31 December 2021, the Company classified all existing hedging relationships as fair value hedges.

Effectiveness of hedging is the extent, to which changes in fair value or in cash flows of the hedged item that can be allocated to the hedged risk are compensated by changes in fair value or cash flows of the hedging instrument. Ineffectiveness of hedging is evaluated through qualitative or quantitative analysis, depending on the extent to which the main features of the hedged item are identical with the main features of the hedging instrument. The main causes of ineffectiveness in hedging relationships include differences in the basis (i.e. A situation when the fair value or cash flows of the hedged item depend on another variable than changes in fair value or cash flow from the hedging instrument), time difference (i.e. the hedged item and hedging instrument are created and settled in different times), difference in quantities or nominal values, credit or other risks that can affect the change in fair value of the hedged item or the hedging instrument.

Hedge Termination

A company shall prospectively terminate accounting for hedge if the hedging instrument no more fulfils criteria for hedging operations (taking into account any changes of hedging ratio, if applicable). This include cases when the hedging instrument ceases to exist or is sold, cancelled or realized. Cumulated profit or loss reported previously in equity shall be reclassified and reported in the profit and loss statement for the period in which the hedged item affects the profit and loss statement. Hedging relationship, which keeps fulfilling the risk management objectives and other criteria for hedging operations, taking into account any changes of hedging ratio, may not be terminated.

Classification of Derivative Instruments: Short-Term and Long-Term Instruments

Derivative financial instruments are classified either as short-term or long-term Instruments or divided in short-term and long-term part as follows:

- If the Company holds the derivative instrument as economic hedging for more than 12 months after the balance sheet date, the derivatives are classified as long-term ones (or divided in a long-term and short-term part) in compliance with the classification of the hedged item.
- Derivative financial Instruments designated as effective hedging financial instruments are classified in accordance with the classification of the hedged item subject to it. A derivative instrument is divided into a short-term and long-term part only if it is reliably divisible.
- Derivative financial instruments held primarily for trading purposes are classified as short-term instruments.

2.25. Standards issued but not yet effective

The following new standards and interpretations have not yet become applicable as of 31 December 2021 and have not been used when preparing these financial statements. The Company does not expect these standards to have a material impact on its financial statements.

Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors – Definition of Accounting Estimates

The Amendments to IAS 1 and IAS 8 are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments modify the original terms and explain the new terms significant accounting policy and accounting estimate.

IAS 12 Income taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Effective for accounting periods beginning on or after 1 January 2023. It should be applied prospectively. Earlier application is allowed.

The Company does not apply exemption from initial recognition for transactions that simultaneously cause the same taxable and deductible temporary differences.

IFRS 17 Insurance Contracts

Effective for accounting periods beginning on or after 1 January 2023. It should be applied prospectively. Earlier application is allowed.

Delayed application is permitted. IFRS 17 replaces IFRS 4, adopted in 2004 as a temporary standard. IFRS 4 granted an exception for companies, allowing them to account for Insurance contracts pursuant to national accounting standards, which resulted in a large diversity of methods. IFRS 17 deals with comparability issues caused by IFRS 4 and requires that all Insurance contracts are accounted for consistently, which is beneficial for both investors and Insurance companies. Liabilities from Insurance shall be accounted for in their current value instead of their historical value.

IASB has issued amendments to IFRS 17 Insurance Contracts aimed at helping companies implement the Standard and making it easier for them to explain their financial performance on 25.6.2020. The fundamental principles introduced for first issued IFRS 17 remain unaffected. The amendments, which respond to feedback from stakeholders, are designed to:

- reduce costs by simplifying some requirements in the Standard;
- make financial performance easier to explain; and
- ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The Company does not expect that these additions, when they are first applied, will have a significant impact on the presentation of its financial statements, because the Company is not an Insurance provider.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

European Commission has decided to postpone their adoption for indefinite period.

The amendments clarify that, in transactions with an affiliate or joint venture, any profit or loss is recognized to the extent and according to whether the sold or contributed asset represents an enterprise, as follows:

- Profit or loss is recognized in full if the transaction between the investor and its affiliate or a joint venture involves the transfer of asset or assets that represent an enterprise (regardless of whether it is placed in a subsidiary or not), while
- Profit or loss is recognized in part if the transaction between the investor and its affiliate or a joint venture includes assets that do not form an enterprise, even if the asset is placed in a subsidiary.

The Company does not expect that these supplements, when they are first applied, will have a significant impact on the presentation of its financial statements, because the Company does not have any subsidiaries, affiliates or joint ventures that would represent net investments of the Company. According to a preliminary conclusion, the Company will continue to be able to account for its subsidiary as well as for its joint venture at cost.

The Company does not plan to apply the above-mentioned new standards, additions to standards and interpretations before their effective date. All new standards, amendments to standards and interpretations that are relevant to the Company will be applied by the Company when they become effective.

Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Classification of Liabilities as Current or Non-current is now effective for annual reporting periods beginning on or after 1 January 2023. The amendments clarify some IAS 1 requirements relating to materiality, order of the notes, subtotals, accounting policies and disaggregation.

Amendments to IFRS 3, IAS 16, IAS 37, Annual improvements 2018-2020

Effective for accounting periods beginning on or after 1 January 2022. Amendments and improvements were issued on 14. May 2020.

The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16 Property, plant and equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss making.
- Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The Company is currently assessing the impact of these new standards on its financial statements.

3 Financial Risk Management

3.1. Financial risk factors

The Company's activities are exposing it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, price risk), credit risk, liquidity risk and the risk of commodity price change. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's performance. The Company uses derivative financial instruments to mitigate certain risk exposures, if necessary.

Risk management is carried out by the Company under policies approved by the Board of Directors. The Company identifies, evaluates and hedges financial risks in cooperation with the Company's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

(i) Market risk

(a) Foreign exchange risk

The Company provides electricity transit Services and auctions in which payments are denominated in EUR. Similarly, the Company recognizes part of purchases and credit financing with payments denominated in EUR.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31 December 2021	31 December 2020	31. December 2021	31. December 2020
CZK/GBP and other	0	-56	1 468	1 136

The impact of other currencies on the Company's operations is immaterial.

Based upon the sensitivity analysis of financial assets and liabilities recognized as at 31 December 2021, a 10 % strengthening/weakening, in the EUR against CZK would result in an increase/decrease in the Company's profit by 133 EUR. Management considers the risk is not significant as at reporting date.

(b) Price risk

The Company is not exposed to significant price risk, as it does not invest in equities.

(c) Operating risks - prices of Services

The Company is a natural monopoly and its activities are regulated by the Regulatory Office for Network Industries (hereinafter referred to as the "Office"). Resolutions of the Office determine tariffs, prices and allowed costs of the Company. To determine these values, the Office applies procedures and formulas described in the Office decrees following the principles set out by the Regulation Board in its regulation policy for the regulation period in question.

The year 2021 is part of regulatory period 2017 - 2022. During this regulatory period is used the determination of prices for access to the transmission system and electricity transmission based on the price cap and tariffs for losses and system Services are determined on the basis of maximum permitted costs. The main part of cost for the providing system Services are costs for support Services, and at the different types of the support Services sets maximum prices of purchased Services or the maximum allowable cost. Part of the cost for the providing of system Services is assured by payment of fixed prices for regulated electricity procured within the framework of the IGCC (International Grid Control Cooperation), which is used to prevent the supply of regulation electricity in opposite directions through the cross-border connections.

The Company acts as shipping agent within Czech, Slovak, Hungarian and Romanian electricity market interconnection (hereinafter referred to as the "MC") in region 4MMC. In June 2021, the 4MMC region merged with the MRC region, where the Polish, German and Austrian electricity markets are interconnected. Relevant revenues and costs of Company are form payments for electricity transmitted through the cross-border links within the interconnection of electricity markets.

Company revenues comprise primarily revenues from tariffs determined by the Office in the respective resolutions (revenues from energy transmission and capacity reserves, revenues from losses in energy transmission, revenues from system Services and revenues from balancing energy acquired within the IGCC system) as well as revenues related to cross-border energy transmission, where the prices for the transmission are not determined by the Office (revenues from the settlement of cross-border transmissions between the operators of transmission networks within the ITC mechanism, revenues from transmission capacity auctions and revenues from MC).

The Company's costs consist mainly costs for purchase of support Services needed to provide system Services, purchase costs for the electricity to cover losses and own consumption, costs for regulated electricity acquired under IGCC system, the costs associated with cross-border electricity transmission and other costs needed for transmission system operation and operation of the Company.

(d) Cash flow interest rate risk

The Company repaid the last loan with a variable rate on 3 December 2015. In the period from 1 January 2021 to 31 December 2021 it has one outstanding long-term investment loan with fixed interest rates. For this reason the Company is not exposed to interest rate risk in consequence of long-term loans.

The Company analyses its interest rate exposure on a dynamic basis. Financial situation of the Company is stable and is not expected to refinance existing debt or alternative financing. Operating revenues and operating cash flows of the Company are largely independent of changes in market interest rates. The Company has no significant interest - bearing assets other than cash and cash equivalents.

(ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including outstanding receivables. If Wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Company has implemented individual credit risk assessment of major customers. The input Information for the assessment is payment discipline of customer, indicators from Financial Statements, available Information on customer's indebtedness. Major customers include those with highest purchases of Services. Payment conditions are set-up according to the results of the assessment. Average maturity of receivables upon sale of products and Services is based on dates agreed in the contracts, i.e. 3 to 30 days.

The Company is managing risk of non-payment of customers through advance payment and guarantees.

As for the trade receivables, the Company carries out its activities with a few significant counterparties. Although the receivables of the Company are generated from a few customers only, the credit risk is limited due to character of the counterparties. All the customers are strategy Slovak companies engaged in the electricity business, most of them with an influence by the state.

Maximum exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 22 500 (Note 11). The Company created the impairment provision of EUR 105 000 for the expected loss on trade receivables that are not yet due after 31 December 2021 (31 December 2020: EUR 555 000).

The table below shows the balances of receivables due from bank and other cash at the reporting date:

		Balance as at 31 December	
Counterparty	**Rating[2]**	**2021**	**2020**
Banks[1]			
Všeobecná úverová banka, a. s.	A2	13 680 760	5 655 113
Tatra banka, a. s.	A2	26 888 095	11 823 029
Československá obchodná banka, a. s.	A3	45 775	998 998
Slovenská sporiteľňa, a. s.	A2	4 968 089	5 799 594
Štátna pokladnica	-	111 008 305	0
365 Banka, a. s. (Poštová banka, a. s.)	BB-	985 870	998 240
UniCredit Bank Czech Republic and Slovakia, a. s. pobočka zahraničnej banky	A3	2 771 445	9 528
UniCredit Bank Czech Republic and Slovakia, a. s.	A3	4 182 044	2 268 428
Other	n/a	108 224	149 098
Total		**164 638 607**	**27 702 028**

[1] The amount of cash and short-term deposits at banks as at 31 December 2021 amounts to EUR 164 638 607 (31 December 2020: EUR 27 702 028). Furthermore, the Company has agreed with those banks on credit lines on current accounts totalling EUR 0 (31 December 2020: EUR 133 550 000), which were not utilized. The Company has bank borrowings as at 31 December 2021 of EUR 5 475 461 (31 December 2020: EUR 30 099 334), and these credit lines were utilized.
[2] The Company uses the independent rating of Moody's, Fitch Ratings and Standard & Poor's.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through and adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company manages liquidity risk by having an option to utilize bank overdrafts which should cover an immediate shortage of cash. The Company regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is between 3 to 60 days.

The Company monitors movements of financial resources on its bank accounts on a regular basis.

Expected cash flow is prepared as follows:
- expected future cash inflows from main operations of the Company,
- expected future cash outflows securing operations of the Company and leading to settlement of all liabilities of the Company, including tax payables.

A cash flow forecast is prepared monthly. It identifies the immediate need for cash and, if funds are available, it enables the Company to make term deposits and other investments.

Management monitors rolling forecasts of the Company's liquidity reserve comprises un-drawn borrowing facility and cash and cash equivalents on the basis of expected cash flow.
The table below analyses the Company's financial liabilities by relevant remaining maturity. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

	Less than 1	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2021				
Bank loans	5 475 461	0	0	0
Finance lease	200 134	197 449	333 815	93 578
Trade and other payables excluding liabilities not falling under IFRS 7	73 551 166	0	0	0
Total	**79 226 761**	**197 449**	**333 815**	**93 578**
At 31 December 2020				
Bank loans	17 200 092	12 899 242	0	0
Finance lease	197 753	133 412	228 200	136 025
Trade and other payables excluding liabilities not falling under IFRS 7	72 169 480	0	0	0
Total	**89 567 325**	**13 032 654**	**228 200**	**136 025**

	Less than 1	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 December 2021				
Short term financial liabilities - hedging derivative Instruments	48 457 260	0	0	0
Total	**48 457 260**	**0**	**0**	**0**
As at 31 December 2020				
Short term financial liabilities - hedging derivative Instruments	13 009 864	0	0	0
Total	**13 009 864**	**0**	**0**	**0**

Fair value of a hedging derivative does not differ from its accounting value as at 31 December 2021

(iv) Commodity risk

The Company's exposure to commodity price change risks arises in purchasing electricity as a result of contracts tied to electricity prices quoted on exchange and can be quantified through risk factors. To mitigate the exposure to commodity price fluctuations, the Company uses commodity futures.

Managing processes related to commodity price change risk in the Company are designed so that the status and development of risks in time is monitored on ongoing basis and it is possible to determine whether the risk level observed for various areas (e.g. from the point of view of geography, organization, etc.) is within the limits set out for acceptance of risk defined by the Company's top management. These operations are carried out in accordance with the concept of formal control rules, within which a strict risk limits were set. Compliance with these limits is verified by the departments that are independent on those Company sections that carry out the transactions, while trading positions are assessed through the Value-at-Risk indicator monitored on quarterly basis.
Electricity Commodity Derivative Sensitivity Analysis

Sensitivity to Changes in Fair Value of Electricity

Electricity Commodity Derivatives	Net Fair Value	Change
10% decrease	52 380 760	3 923 500
Balance as at 31 December 2021	48 457 260	
10% increase	44 533 760	-3 923 500

Electricity Commodity Derivatives	Net Fair Value	Change
10% decrease	13 200 460	190 596
Balance as at 31 December 2020	13 009 864	
10% increase	12 819 268	-190 596

Sensitivity to Changes in Market Prices of Electricity

Electricity Commodity Derivatives	Net Fair Value	Change
10% decrease	35 679 128	-12 778 132
Balance as at 31 December 2021	48 457 260	
10% increase	45 370 580	-3 086 680

Electricity Commodity Derivatives	Net Fair Value	Change
10% decrease	14 059 774	1 049 910
Balance as at 31 December 2020	13 009 864	
10% increase	11 457 801	-1 552 063

Effectivity of hedging is on the level of 100%.

3.2. Capital risk management

The Company's objectives of 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's management manages shareholders' capital reported under IFRS adopted by the European Union at 31 December 2021 in value EUR 870 682 994 (31 December 2020 EUR 838 909 926 EUR).

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as follows:

	31 December 2021	31 December 2020
Total equity and liabilities	1 258 125 871	1 154 217 649
Equity (Note 13)	870 682 994	838 909 926
The ratio of Equity to Total liabilities and equity	69%	73%

The Company's strategy was not changed against 2020, i.e. to maintain equity to total liabilities and equity ratio above 35%, which is compliant with externally imposed capital requirements. During 2021 and 2020, the Company complied with the externally imposed capital requirements (Note 15).

3.3. Fair value estimation

Fair value of financial assets and financial liabilities is the amount, for which the financial instrument could be exchanged in an independent transaction involving informed and voluntarily consenting parties, unless it is a forced liquidation or execution sale. To determine the respective fair values, the following methods and assumptions were used:

- Fair value of cash and short-term deposits, trading receivables, trading payables and other short-term liabilities are approximately equal to their accounting value, basically due to the short-term maturity of these Instruments.
- Long-term receivables with fixed or variable interest rate are assessed by the Company on the basis of parameters such as interest rates, risk factors specific for the given country, individual customer creditworthiness and the risk connected with the financed project. On the basis of such assessment, adjustments are used in accounting to cover expected losses from such receivables. As at 31 December 2021 and 31 December 2020, accounting value of receivables, after the adjustment is deducted, does not significantly differ from the fair value of such receivables.
- The fair value of quoted Instruments is based on bid prices as at the balance sheet date. Fair value of unquoted Instruments, bank loans and other financial liabilities, financial leasing liabilities and other non-financial liabilities is estimated by discounting any future cash flows using a rate that is currently available for loans with similar conditions, credit risk and remaining maturity.
- Fair value of financial assets intended for a sale is determined on the basis of market price quoted on active market, if any such price is available.
- Value of derivatives is determined using valuation techniques and inputs that can be observed on the market, primarily in the form of commodity futures. Valuation techniques that are used most often include the so-called forward valuation model.

Hierarchy of Fair Values

To determine and report fair value of financial Instruments and non-financial assets, the Company uses the following hierarchy, based on valuation method:

Level 1: Quoted prices (non-adjusted) on active markets applicable to the same assets/liabilities.
Level 2: Other techniques, for which all the inputs that significantly affect the fair value can be observed on the market, either directly or indirectly.
Level 3: Techniques, for which the inputs that significantly affect the fair value are not based on observable market data.

Fair value of financial Instruments is based on inputs other than their quoted market price at the date of preparation of the financial statements.
Accounting value of trading receivables and payables, after a deduction by adjustments, is approximately equal to their fair value.

Financial liabilities measured at fair value	31 December 2021	Level 1	Level 2	Level 3
Hedging derivatives	48 457 260	0	48 457 260	0

Financial liabilities measured at fair value	31 December 2020	Level 1	Level 2	Level 3
Hedging derivatives	13 009 864	0	13 009 864	0

4 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future periods. The accounting estimates due to its nature, would differ from actual results realized in future period. Critical estimates and assumptions that bear a risk that their change will cause a material adjustment to the carrying amounts of assets and liabilities within the future, are described below.

(i) Regulated revenues

The Company is a natural monopoly and its activities are regulated by the Regulatory Office for Network Industries (hereinafter referred to as the "Office"). Resolutions of the Office determine tariffs, prices and allowed costs of the Company. To determine these values, the Office applies procedures and formulas described in the Office decrees following the principles set out by the Regulation Board in its regulation policy for the regulation period in question.

The Company's revenues comprise primarily revenues from tariffs determined by the Office in the respective resolutions (revenues from energy transmission and capacity reserves, revenues from losses in energy transmission, revenues from system Services and revenues from balancing energy acquired within the IGCC system) as well as revenues related to cross-border energy transmission, where the prices for the transmission are not determined by the Office (revenues from the settlement of cross-border transmissions between the operators of transmission networks within the ITC mechanism, revenues from transmission capacity auctions and revenues from MC).

For more details on description related to revenues see Note 3.1 (i) (c).

(ii) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. By determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions (Note 19).

(iii) Revaluation of property, plant and equipment

The main operating assets of the Company are assets used for electricity transmission. In the past, the Company valued assets at the historical acquisition costs. As at 31 December 2011, 2016 and 2021 the Company applied the revaluation model to fair value according to IAS 16 for property, plant and equipment, except for the classes of property containing vehicles, inventory and artwork.

Revaluation of property, plant and equipment was made by an independent expert who used a net realizable value. In case of increase of the assets book value during revaluation, the analysis of the possible impairment was performed based on the determining value in use (present value of the current cash flows expecting from the use of property). The revaluation resulted in an increase in the value of the assets and a related increase in other comprehensive income accumulated in equity. Assumptions used in the revaluation model are based on the independent expert. The final reported book values of these assets and related revaluation differences are not necessarily the values at which these assets may have been or will be sold.

The Company also evaluated the expected remaining useful life of the property, plant and equipment based on the expert opinion as stated above.

	2021	**2020**
Buildings, halls, networks, constructions	10 – 60 years	10 – 60 years
Machinery, equipment and vehicles	4 - 50 years	4 - 50 years
Other non-current tangible assets	4 years	4 years

There are uncertainties regarding future economic conditions, technology changes and business environment in the sector or regulations by URSO, which may result to future possible adjustments to the estimated revaluations and useful life of property, plant and equipment. This may significantly change the reported amount of assets, equity and profit of the Company in the future.

(iv) Impairment test

As at 31 December 2021, the Company performed a revaluation of the impairment losses for property, plant and equipment in accordance with IAS 36 on the basis of assessment of their future use, disposal or sale. The Company concluded that all assets used in the regulated activities relating to the transmission of electricity represent as a whole one cash generating unit. Due to the increase in the value of assets on its revaluation, an estimate of discounted future cash flows was also carried out based on currently valid regulation by URSO. Based on the analysis, the Company concluded that the assets used for regulated activities related to electricity transmission are not impaired.

5 Property, plant and equipment

	Land (revaluate)	Buildings, halls and construction (revaluated)	Machinery and equipment** (revaluated)	Vehicles and other assets *** (cost))	Capital work in progress including advances (cost)	Total
At 1 January 2020						
Cost	15 989 415	592 934 249	248 324 520	103 472 927	92 144 129	1 052 865 240
Accumulated depreciation and impairment charges	0	-107 394 727	-75 438 902	-26 490 124	0	-209 323 753
Net book value	**15 989 415**	**485 539 522**	**172 885 618**	**76 982 803**	**92 144 129**	**843 541 487**
Year ended 31 December 2020						
Opening net book value	15 989 415	485 539 522	172 885 618	76 982 803	92 144 129	843 541 487
Additions	0	0	0	0	82 214 353	82 214 353
Transfers	0	74 318 966	3 887 227	41 738 852	-119 945 045	0
Disposals	-180	-296 952	-5 041	0	0	-302 173
Depreciation charge		-25 514 801	-15 941 267	-11 265 548	0	-52 721 616
Impairment charge	0	0	0	0	0	0
Net book value at the end of period	**15 989 235**	**534 046 735**	**160 826 537**	107 456 107	**54 413 437**	**872 732 051**
At 31 December 2020 after revaluation						
Cost	15 989 235	665 404 758	251 070 120	144 062 998	54 413 437	1 130 940 548
Accumulated depreciation and impairment charges	0	-131 358 023	-90 243 583	-36 606 891	0	-258 208 497
Net book value	**15 989 235**	**534 046 735**	**160 826 537**	**107 456 107**	**54 413 437**	**872 732 051**
At 31 December 2020 in historical costs						
Cost	8 705 089	713 119 374	428 515 910	146 548 719	54 406 433	1 351 295 525
Accumulated depreciation and impairment charges	0	-251 554 406	-275 696 123	-38 983 671	0	-566 234 200
Net book value	**8 705 089**	**461 564 968**	**152 819 787**	107 565 048	**54 406 433**	**785 061 325**
Year ended 31 December 2021						
Opening net book value	15 989 235	534 046 735	160 826 537	107 456 107	54 413 437	872 732 051
Revaluation	0	-7 697 024	52 428 809	0	0	44 731 785
Additions	151 140	23 563 263	15 903 515	1 190 534	638 501	41 446 953
Transfers	0	32 875 173	7 498 291	561 320	-40 934 784	0
Disposals	0	-463 117	-980 362	-73 223	0	-1 516 702
Depreciation charge		-21 625 764	-38 971 670	-2 910 960	0	-63 508 394
Impairment charge	0	0	0	0	0	0
Net book value at the end of period	**16 140 375**	**560 699 266**	**196 705 120**	**106 223 778**	**14 117 154**	**893 885 693**

At 31 December 2021 after revaluation						
Cost	16 140 375	582 090 179	201 187 673	145 581 922	14 117 154	959 117 303
Accumulated depreciation and impairment charges	0	-21 390 913	-4 482 553	-39 358 144	0	-65 231 610
Net book value	**16 140 375**	**560 699 266**	**196 705 120**	**106 223 788**	**14 117 154**	**893 885 693**
At 31 December 2021 in historical costs						
Cost	8 856 230	767 880 480	567 025 311	26 297 939	14 110 149	1 384 170 109
Accumulated depreciation and impairment charges	0	-266 685 455	-329 447 457	-7 321 232	0	603 454 144
Net book value	**8 856 230**	**501 195 025**	**237 577 854**	**18 976 707**	**14 110 149**	**780 715 965**

** Includes IT equipment belonging to switchyards that was revalued.
*** Includes inventory, other fixed tangible assets, works of art and collections and IT not belonging to switchyards.

The first revaluation of property, buildings, halls, lines and structures took place on 1 January 2011. As at 1 January 2016 and as at 1 January 2021 an independent expert who is in no way related to the Company performed update of the revaluation of land, buildings, halls, lines and structures, machinery and equipment and other revalued assets on the basis of observed state and determination of replacement costs of assets, with reference to records of current market transactions for similar property items and methodology for estimating net realizable value. Net realizable values are based on current purchase prices at which assets could be acquired as new and the estimated residual values, which are based on current acquisition costs of the assets, useful life and age of existing assets (net realizable value less depreciation methodology).

As at January 1, 2021, the Company updated the revaluation. The revaluation resulted in an increase in the accounting value of property, plant and equipment by EUR 44 731 785 (of which an increase in comprehensive income by EUR 49 799 593 and a decrease in operating profit by EUR 5 067 808), an increase in deferred tax liability by EUR 9 393 675 , a decrease in profit by EUR 3 411 420 and an increase in revaluation gains in other comprehensive income accumulated as a revaluation surplus in equity by EUR 39 341 678 after taking into account the effect of deferred tax.

Revaluation of assets to fair value was performed by an independent expert using a net realizable value and he also assessed the useful life of each item of property, plant and equipment. The revaluation resulted in a reduction of annual depreciation by EUR 11 825 826 in 2021 compared to the previous accounting period.

This valuation is in accordance with International Valuation Standards. The Company recorded a revaluation update on January 1, 2021.

As at 31 December 2021, the Company reassessed the impairment of property, plant and equipment in accordance with IAS 36 based on an assessment of their future use, disposal or sale. The Company has determined that all assets used in the regulated electricity transmission activities as a whole form a single cash generating unit. Based on the performed analysis, the company came to the conclusion that the assets used for regulated activities related to the transmission of electricity are not impaired.

As at 31 December 2021, the most significant items within property, plant and equipment represent: switching stations and administrative buildings in revalued net book value of EUR 436 282 180, in historical net book value of EUR 369 343 616 (31 December 2020: revalued net book value of EUR 421 257 616, historical net book value of EUR 373 060 261 EUR); transmission lines at revalued net book value of EUR 389 554 057 , in historical net book value of EUR 353 602 489 EUR (31 December 2020: revalued net book value of EUR 373 920 955, in historical net book value of EUR 315 020 713).

As at 31 December 2021, the Company assessed all internal and external indicators. The Company did not find any indicators that would require that the impairment test be carried out on a group of assets as at 31 December 2021.

Non-current assets under construction consists mainly of EUR 3 048 701 for a backup data centre in Podunajské Biskupice (31 December 2020: EUR 1 996 934), EUR 68 378 for upgrade of equipment in RIS Horná Ždaňa (31 December 2020: EUR 1 154 276), EUR 2 247 446 for 2x400kV line Bystričany - Horná Ždaňa (31 December 2020: EUR 1 991 901), EUR 1 733 946 for optimizing and increasing security (31 December 2020: EUR 431 013), EUR 1 320 389 for the 400/110 kV substation in Senica (31 December 2020: EUR 962 241). These assets are not available for use at the reporting date.

In 2021, borrowing costs are capitalized in accordance with accounting policies of the Company, borrowing costs EUR 0 (2020: EUR 0) as a part of the acquisition cost of non-current assets. The effective interest rate related to capitalization as at 31 December 2021 amounted 1,27% p.a. (31 December 2020: 1,26% p.a.).

The following table includes property leased by the Company as lessor under operating lease agreements:

	Land, buildings and structures	Plant, machinery and equipment	Total
As at 31 December 2021			
Cost	17 738 127	0	17 738 127
Accumulated depreciation	-723 707	0	-723 707
Net book value as at 31 December 2021	**17 014 420**	0	**17 014 420**
As at 31 December 2021			
Historical acquisition cost	24 513 208	0	24 513 208
Accumulated depreciation historical	-7 911 423	0	-7 911 423
Net book value as at 31 December 2021	**16 601 785**	0	**16 601 785**
As at 31 December 2020			
Cost	21 828 543	0	21 828 543
Accumulated depreciation	-4 036 607	0	-4 036 607
Net book value as at 31 December 2020	**17 791 936**	0	**17 791 936**
As at 31 December 2020			
Historical acquisition cost	24 579 933	0	24 579 933
Accumulated depreciation historical	-7 319 918	0	-7 319 918
Net book value as at 31 December 2020	**17 260 015**	0	**17 260 015**

The Company also leases optic fibres and circuits. The value of such fibres and circuits is difficult to determine, as they are part of other assets that are used by the Company.

There are no restrictions of ownership relating to property, plant and equipment other than those disclosed in these Notes to the Financial Statements. No property, plant and equipment has been pledged.

Type and amount of insurance of non-current intangible and tangible assets

The Company has insured its assets against the following risks:

Insured object	Type of insurance	Amount insured as at 31 Dec 2021	Name of the insurance company
Buildings, halls and constructions	Damage or total los s (natural disaster)	217 369 609	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Machines, tools and equipment, vehicles without car licence plates, transformers RRB - radio relay point, cables	Damage or total loss (natural disaster)	613 423 693	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Elevated line	Damage or total loss (natural disaster)	731 367 633	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Office equipment	Damage or total loss (natural disaster)	1 774 773	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Inventory and other tangible assets	Damage or total loss (natural disaster)	1 331 080	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Scheduled Capital expenditures, automatic coverage of new assets	Damage or total loss (natural disaster)	93 745 591	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Inventories	Damage or total loss (natural disaster)	1 500 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)

Insured object	Type of insurance	Amount insured as at 31 Dec 2021	Name of the insurance company
Cash, valuables, stamps and vouchers, documentary securities deposited in the vaults and mailboxes	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	16 597	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Set of movable tangible fixed assets, cables, elevated power line	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	331 939	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Inventory and other TFA	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	290 966	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Inventories, construction components	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	165 970	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Measuring devices, cables, and laptops in motor vehicles	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	66 388	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Machinery, equipment and cables	Insurance of machinery and equipment (damage or destruction of machinery)	591 145 794	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Scheduled Capital expenditures	Insurance of machinery and equipment (damage or destruction of machinery)	65 000 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Insurance of cybernetic risks		500 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)

Insured object	Type of Insurance	Amount insured as at 31 Dec 2021	Name of the Insurance company
Terrorism		10 000 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)

6 Intangible assets

	Software and other intangible assets	Intangible assets not yet in use	Total
At 1 January 2020			
Cost	47 173 927	2 663 164	49 837 091
Accumulated amortisation and impairment charges	-40 892 258	0	-40 892 258
Net book value	**6 281 669**	**2 663 164**	**8 944 833**
Year ended 31 December 2020			
Opening net book amount	6 281 669	2 663 164	8 944 833
Additions	0	12 987 459	12 987 459
Transfers	14 703 094	-14 703 094	0
Disposals	0	0	0
Amortisation charge	-4 151 907	0	-4 151 907
Closing net book value	**16 832 856**	**947 529**	**17 780 385**
At 31 December 2020			
Cost	61 505 743	947 529	62 453 272
Amortisation charge	-44 672 887	0	-44 672 887
Net book value	**16 832 856**	**947 529**	**17 780 385**
Year ended 31 December 2020			
Year ended 31 December 2021			
Opening net book amount	16 832 856	947 529	17 780 385
Additions	748 144	5 145 441	5 893 585
Transfers	250 516	-250 516	0
Disposals	0	0	0
Amortisation charge	-5 171 440	0	-5 171 440
Closing net book value	**12 660 076**	**5 842 454**	**18 502 530**
At 31 December 2021			
Cost	62 340 863	5 842 454	68 183 317
Accumulated amortisation and impairment charges	-49 680 787	0	-49 680 787
Net book value	**12 660 076**	**5 842 454**	**18 502 530**

The Computer Software consists mainly of Software SAP, Software for registry and Damas Energy and MONARCH RIS SED. Net book value of SAP is EUR 388 641 (31 December 2020: EUR 197 730), remaining amortization period is 4 year. Net book value of Damas Energy is EUR 411 336 (31 December 2020: EUR 49 688), remaining amortization period is 4 year. Net book value of MONARCH RIS SED is EUR 7 214 352 (31 December 2020: 10 418 563 EUR), remaining amortization period is 3 year.

Intangible assets not yet in use include EUR 248 500 for improvement of RIS safety (31 December 2020: EUR 248 500), EUR 1 887 202 for legislative upgrade of trading system (31 December 2020:

EUR 0), EUR 2 349 332 for encumbrances for land under transmission line 2x400 kV Veľký Meder - state border with Hungary (31 December 2020: EUR 307 824).

Internally generated intangible assets are immaterial.

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

7 Shares in subsidiaries and other investments

	2021	2020
At the beginning of the year	**135 278 315**	**5 278 315**
Additions	0	130 000 000
Disposals	-90 946 198	0
At the end of the year	44 332 117	135 278 315

In 2008, eight providers of transmission systems: Verbund - Austrian Power Grid AG, ČEPS, a.s., Electro- Slovenija d.o.o., E.ON Netz GmbH, MAVIR Hungarian TSO Company Ltd., PSE-Operator S.A., SEPS and Vattenfall Europe Transmission GmbH established a joint auction office (CAO) based, Gute Anger 15, Freising, Germany in order to implemented coordinated congestion management at regional level. In 2013 Company's share on the Capital was 12.5 %. On 23 May 2014 was entered in the German Register a new partner - Croatian provider HOPS d. o. o. and Company's share on the Capital was reduced to 11.11%.

The General Assembly of the Central Allocation Office GmbH (CAO) and the Capacity Allocation Service Company.EU S.A. (CASC.EU), two regional offices for allocating cross-border capacity for electricity transmission, on 24 June 2015 approved the merger agreement and the creation of a Joint Allocation Office (JAO).

JAO is a Service company founded by twenty-five transmission system operators of the twenty-two countries - 50Hertz (Germany), IPTO (Greece), Amprion (Germany), APG (Austria), ČEPS (Czech Republic), CREOS (Luxembourg), ELES (Slovenia), ELIA (Belgium), EnerginetDK (Denmark), HOPS (Croatia), MAVIR (Hungary), PSE (Poland), RTE (France), Slovenská elektrizačná prenosová sústava, a.s. / SEPS, Statnett (Norway), Swissgrid (Switzerland), TenneT (Germany), TenneT (Netherlands), Terna (Italy), TransnetBW (Germany), Moyle (Northern Ireland) and EirGrid (Ireland), EMS Elektromreza Srbije AD (Serbia), ESO Elektroenergien Sistemen Operator EAD (Bulgaria), National Power Grid Company Transelectrica, S. A. (Romania). Its main task is to conduct an annual, monthly and daily auctions of rights to transmit electricity across 29 borders in Europe and act as backup for the European Market Coupling.

New allocation platform was established on 1 September 2015. Following the merger until the end of 2015, both agencies operated in parallel to ensure the uninterrupted implementation of monthly and daily auctions on all relevant borders. All acts and activities are fully moved to Luxembourg in the first quarter of 2016. For the year 2021 are not available data about equity and profit/loss yet. The Company does not expect that the investment is impaired.

In June 2018, Slovenská elektrizačná prenosová sústava, a. s. became a shareholder of TSCNET Services GmbH (TSCNET). TSCNET is one of the European Regional Security Coordinators (RSC) based in Munich, Germany. TSCNET provides integrated Services for the operators of transmission systems and their dispatching centres in order to maintain the operational safety of the power grid.

TSCNET shareholders are also the organization's major customers. At present, the following 14 transmission system operators from eleven European countries are the organization's shareholders: 50Hertz (Germany), Amprion (Germany), APG (Austria), ČEPS (Czech Republic), ELES (Slovenia), HOPS (Croatia), MAVIR (Hungary), PSE (Poland), SEPS (Slovakia), Swissgrid (Switzerland), TenneT

(Germany), TenneT (Netherlands), TransnetBW (Germany) and Transelectrica (Romania). For 2021, data on equity and profit or loss is not yet available. The Company does not expect any impairment of the investment.

On 11 August 2010 the Company OKTE, a.s. (with its registered office in Mlynské nivy 48, 824 84 Bratislava) was registered in the Commercial Register of the District Court Bratislava I. The only shareholder of the company is Slovenská elektrizačná prenosová sústava, a.s. The Share Capital consists of 4 644 registered shares at a nominal value of EUR 1 000 and legal reserve fund in amount EUR 3 315. The company as the only shareholder the Company OKTE, a.s. decided on 23 December 2020 to create Capital fund from contributions of shareholders in the amount of EUR 130 000 000 and this contribution was paid up as at 31 December 2020. The company as the only shareholder of the Company OKTE, a.s. decided to compensation the loss of the company OKTE, a.s from the period ending as at 31 December 2020 from the Capital fund from shareholder contributions on 21 December 2021.

In the case of compensation of loss from Other capital funds, the Company waived the right to pay out back Other capital funds from OKTE, a. s., as it is possible in the case of Other capital funds. For this reason, the assets of the Company decreased and this was accounted as a write-off of the value of the financial investment in the amount of EUR 90 946 198 (31 December 2020: EUR 0).

The loss of OKTE, a.s. of the year 2020 is possible to identify as a deficit from the system of support for electricity production from OZE (renewable energy sources) and VÚKVET (high-efficiency cogeneration), of which the company OKTE, a. s. is the organizer and clearer in accordance with Act no. 250/2012 Coll. on regulation in network industries, Act no. 251/2012 Coll. on Energy and on Amendments to Certain Acts and Act No. 309/2009 Coll. on the promotion of renewable energy sources and high-efficiency cogeneration and on the amendment of certain laws. Profit or loss of OKTE, a.s. in the regulatory period it is given by the decision of ÚRSO, which sets the prices of regulated activities of OKTE, a.s. in accordance with Decree no. 18/2017 Coll., which establishes price regulation in the electricity industry and certain conditions for the performance of regulated activities in the electricity industry.

8 Assets representing the right of use

Company as lessee

The Company leases buildings, land, machinery, etc. Lease contracts are concluded for lease periods ranging from 3 years to indefinite period.

The following table shows the overview of rights of use of the leased assets according to IFRS 16, reported as part of real property, machinery and equipment:

	Land, buildings and structures	Machines and equipment	Total
As at 1 January 2021	**161 410**	**487 120**	**648 530**
Additions	0	385 722	385 722
Adjustments due to contract modifications	-25 926	0	-25 926
Depreciation	-33 752	-194 059	-227 811
Disposals	0	0	0
As at 31 December 2021	**110 732**	**678 783**	**780 515**

	Land, buildings and structures	Machines and equipment	Total
As at 1 January 2020	**195 372**	**461 735**	**657 107**
Additions	4 743	195 378	200 121
Depreciation	-38 705	-169 591	-208 296
Disposals	0	-402	-402
As at 31 December 2020	**161 410**	**487 120**	**648 530**

9 Financial Instruments by category

The reconciliation of classes of financial Instruments with measurement categories under IFRS 9 is as follows:

As at 31 December 2021	Financial assets at fair value through profit or loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	0	52 982 825	52 982 825
Other receivables	0	892 105	892 105
Variable collateral from commodity futures		23 392 031	23 392 031
Variable collateral from spot trades		4 275 000	4 275 000
Cash on bank accounts and cash in hand	0	164 638 607	164 638 607
Total	**0**	**246 180 568**	**246 180 568**

As at 31 December 2021	Financial liabilities at fair value through profit and loss	Other financial liabilities - carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	0	63 152 303	63 152 303
Received guarantees	0	7 786 624	7 786 624
Payables due to employees	0	1 447 256	1 447 256
Social security	0	947 440	947 440
Other payables	0	2 612 239	2 612 239
Bank loans	0	6 300 437	6 300 437
Total	**0**	**82 246 299**	**82 246 299**

As at 31 December 2020	Financial assets at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	0	33 944 836	33 944 836
Other receivables	0	683 568	683 568
Variable collateral from commodity futures		1 948 423	1 948 423
Cash on bank accounts and cash in hand	0	27 702 028	27 702 028
Total	**0**	**64 278 855**	**64 278 855**

As at 31 December 2020	Financial liabilities at fair value through profit and loss	Other financial liabilities - carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	0	55 902 004	55 902 004
Received guarantees	0	14 368 049	14 368 049
Payables due to employees	0	1 416 945	1 416 945
Social security	0	931 120	931 120
Other payables	0	1 899 427	1 899 427
Bank loans	0	30 794 724	30 794 724
Total	0	**105 312 269**	**105 312 269**

10 Inventories

	As at 31 December 2021	2020
Prepayments shipper	0	0
Materials and spare parts	1 634 693	1 395 926
	1 634 693	**1 395 926**

There are no restrictions of ownership relating to inventories. No inventories are pledge.

11 Trade and other receivables

	As at 31 December 2021	2020
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	52 958 608	32 427 653
Past due but not impaired trade receivables	1 473	1 494 744
Individually impaired receivables	22 744	22 439
Trade receivables (before provision for impairment)	**52 982 825**	**33 944 836**
Less: Provision for impairment of receivables	-127 500	-577 220
Trade receivables - net	**52 855 325**	**33 367 616**
VAT - receivable	0	0
Grant claims	816 828	0
Prepayments	10 240 735	1 505 785
Other receivables	892 105	683 568
Variable collateral from commodity futures	23 392 031	1 948 423
Variable collateral from spot trades	4 275 000	0
Prepaid expenses and accrued income	935 564	1 231 636
Other receivables - net	**40 552 263**	**5 369 412**
Total trade and other receivables	**93 407 588**	**38 737 028**

All fees related to EEX exchange trading are covered through the clearing account maintained by the clearing bank, namely UniCredit Bank Czech Republic and Slovakia, a. s.. This account is also used for exercising financial settlement of purchase financial products at the EEX exchange. In relation to the future contracts in question, the parties apply exclusively a financial settlement, no commodity is supplied. Financial settlement is carried out on ongoing basis (on a daily basis), i.e. using a variable margin. Settlement is performed through ECC (European Commodity Clearing AG) clearing centre. Losses are covered from the initial deposit. In case that the level of the deposit gets under a certain amount, it must be supplemented. The sum of EUR 23 392 031 represents a variable collateral from commodity futures (31 December 2020: EUR 1 948 423, see also Notes 17, 3.1 and 3.3).

Long-term receivables include the amount of EUR 1 079 061 related to the refinancing of costs of Capital construction within the Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2020: EUR 1 079 061), the amount of EUR 4 337 000 related to the refinancing of costs of Capital construction within the Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2020: EUR 3 500 000), the amount of EUR 1 369 495 related to the refinancing of costs of Capital construction within the Stupava (31 December 2020: EUR 0), the amount of EUR 15 455 217 related to the refinancing of costs of Capital construction within the Vajnory (31 December 2020: EUR 0), the short-term part of this grant amounts to EUR 774 720 (31 December 2020: EUR 0), the amount of EUR 3 074 123 related to the refinancing of costs of Capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2020: EUR 3 074 123) and the amount of EUR 15 629 232 related to the Danube InGrid grant (31 December 2020: EUR 0), the short-term part of this grant is EUR 40,080 (31 December 2020: EUR 0). The Danube InGrid project is the result of cooperation between the Company, Západoslovenská distribučná a.s., and the Hungarian distribution system operator E.ON Észak-dunántúli Áramhálózati Zrt. PCI projects are key infrastructure projects aimed at interconnecting European energy systems and achieving the EU's energy and climate goals.

The analysis of trade receivables by the remaining period to maturity is shown in the following table:

	As at 31 December	
	2021	2020
Receivables within due date	52 958 608	32 427 653
Overdue receivables	24 217	1 517 183
Total	**52 982 825**	**33 944 836**

The analysis of trade receivables that are neither past due nor impaired by their credit quality is as follows:

	As at 31 December	
	2021	2020
OKTE, a. s.	14 455 733	11 958 108
Slovenské elektrárne, a. s.	480 072	264 627
Západoslovenská distribučná, a .s.	2 886 208	5 632 995
Stredoslovenská distribučná, a. s.	2 048 274	1 780 537
Východoslovenská distribučná, a. s.	1 175 902	1 181 344
ČEPS, a. s.	2 696	1 627 205
MAVIR	21 693 934	3 597 382
Other	10 215 789	6 385 455
Neither past due nor impaired trade receivables	**52 958 608**	**32 427 653**

All receivables that are neither past due nor impaired are classified as trade receivables. The credit quality of receivables that are neither past due nor impaired is monitored regularly by the management of the Company. Although the receivables of the Company are generated from a few customers only, the credit risk is limited due to character of the counterparties. All the customers are strategic Slovak companies, most of them engaged in electricity business, with an influence by the state.

As at 31 December 2020 trade receivables of EUR 1 473 (31 December 2020: EUR 1 494 744) were past due but not impaired. Their ageing analysis is as follows:

	As at 31 December 2021	2020
1 to 90 days	1 473	1 494 431
91 to 180 days	0	313
Total past due but not impaired trade receivables	**1 473**	**1 494 744**

The balance of trading receivables as at the end of period includes overdue receivables of the carrying value of EUR 1 473 (2020: EUR 9 527) for which the Company has not created adjustments, as no significant changes in the credibility of debtors have occurred and therefore the receivables are still deemed recoverable. The company has created an adjustment of EUR 105 000 to cover overdue receivables amounting to EUR 1 485 217 (2020: EUR 555 000).

The Company recorded no collateralized receivables.

As at 31 December 2021, trade receivables of EUR 22 744 (2020: EUR 22 439) were individually impaired. As at 31 December 2021, the Company recorded an impairment provision of EUR 22 500 (2020: EUR 22 220).

The ageing of these receivables is as follows:

	As at 31 December 2021	2020
Od 181 to 360 days	0	0
Over 361 days	22 744	22 439
Total individually impaired receivables	**22 744**	**22 439**

The movements in the provision for impairment of trade receivables are recognized in the Income Statement. Movements are presented below:

	2021	2020
At the beginning of the year	577 220	78 575
Additional provision for receivables impairment	280	873
Additional provision for receivables impairment under IFRS 9	0	500 000
Release of unused provision	-450 000	0
Receivables written -off during the year as uncollectible	0	-2 228
At the end of the year	**127 500**	**577 220**

No receivables have been pledged as collateral. The Company does not have any restrictions to deal with receivables.

12 Cash and cash equivalents

	As at 31 December 2021	2020
Cash at bank and in hand	79 638 607	27 702 028
Short-term bank deposits	85 000 000	0
	164 638 607	**27 702 028**

At 31 December 2021 cash and cash equivalents were fully available for the Company's use.

For the purposes of the Statement of Cash Flow, the cash and cash equivalents comprise the following:

	As at 31 December 2021	2020
Cash and bank balances and deposits with original maturities of less than three months:	164 638 607	27 702 028
	164 638 607	**27 702 028**

The carrying amounts of cash and cash equivalents as at 31 December 2021 are not substantially different from their fair value. The maximum exposure to credit risk is limited by the carrying value of cash and cash equivalents.

The analysis by credit quality is reported in Note 3.1 (ii).

13 Shareholder's Equity

As at 31 December 2021, the registered capital consisted of 235 bearer shares at a nominal value of EUR 1 000 000 (31 December 2020: 105 bearer shares at a nominal value of EUR 1 000 000). The Company has no subscribed capital that has not been entered in the Commercial Register. Shares are associated with equal rights. Legal reserve fund has attained the minimum amount of mandatory contribution under Commercial Code as at 31 December 2021.

Legal reserve fund is obligatorily created from profit of the Company in accordance with the Slovak. According to the Commercial Code, the Company is obliged to create a legal reserve fund in the amount of 10% of the share capital at the time of the incorporation of the Company. This amount must be increased annually by at least 10 % from net profit, until the legal reserve fund achieves 20% of the share capital. Use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. Legal reserve fund amounted to EUR 26 930 570 as at 31 December 2021 (as at 31 December 2020: EUR 21 000 000).

As a sole shareholder of the Company, the Ministry of Finance of SR decided on 17 December 2020 that a capital fund would be created from the shareholder's contribution in the amount of EUR 130 000 000 and this contribution was paid up as at 31 December 2020 in full. On 21 September 2021, capital fund from shareholder contribution in amount of EUR 130 000 000 was used to increase the Company's share capital.

Other capital reserves comprise statutory fund of EUR 175 405 425 to finance capital expenditure activities (2020: EUR 175 405 425) and differences from revaluation of assets in amount of EUR 96 382 309 (2020: EUR 72 135 907).

The statutory fund to finance future Capital expenditures is used to accumulate internal funds of the Company allocated from profit dedicated to cover future Capital expenditures. In 2021, the Company contributed to this fund the amount of EUR 0 (31 December 2020: 0). The rules for the use of funds allocated to the statutory fund for Capital expenditures are governed by the general financing principles of the Company in relation to Capital expenditures, and by the acquisition guidelines. Funds on the statutory fund to finance Capital expenditures are accumulated from amounts allocated to the statutory fund based on the decision of General Meeting.

The movements in revaluation surplus are presented in the table below:

	2021
Opening amount	72 135 907
Revaluation as at 1 January 2021	49 799 593
Deferred tax to revaluation as at 1 January 2021	-10 457 915
Revaluation surplus reclassified to retained earnings as at 31 December 2021	-19 020 170
Deferred tax on revaluation surplus as at 31 December 2021	3 994 236
Deferred tax related to special levy from business activities in regulated sectors	-69 342

At the end of the period	96 382 309

	2020
Opening amount	81 311 849
Revaluation surplus reclassified to retained earnings as at 31 December 2020	-11 829 082
Deferred tax on revaluation surplus as at 31 December 2020	2 484 107
Deferred tax related to special levy from business activities in regulated sectors	169 033
At the end of the period	72 135 907

The Company believes that the property revaluation surplus is not immediately available for distribution to the shareholders. Parts of the revaluation surplus are reclassified to retained earnings by the difference between depreciation of the revaluated values and original acquisition costs of the property. The rest of the revaluation is reclassified into retained earnings at the sale and disposal of the assets.

The conversion on IFRS 16 had an impact on the opening balance of retained earnings as of 1. January 2019 in amount of EUR 69 163.

The General Meeting held on 9 June 2021 approved the Financial Statements for 2020. In 2021 were approved dividend for 2020 in the amount of EUR 279 382 (rounded) per share at the nominal value of EUR 1 000 000 (in 2020: EUR 0).

The profit for the year 2020 in amount of EUR 59 305 702 was distributed as follows:

	2020 profit distribution	2019 profit distribution
Dividends	29 335 068	0
Appropriation to the Legal Fund	5 930 570	0
Appropriation to the Statutory Fund	0	0
Transfer to retained earnings	24 040 064	69 305 357
Total	59 305 702	69 305 357

The Company's retained earnings (including profit for the current accounting period and revaluation surpluses reclassified to retained earnings) as at 31 December 2021 amounted to EUR 334 328 205 (31 December 2020: EUR 336 228 466).

As at the date of authorization of these Financial Statements for issue, the statutory body has not yet proposed the distribution of profit for 2021.

14 Trade and other payables

	As at 31 December 2021	2020
Trade payables	63 152 303	55 902 004
Received guarantees	7 786 624	14 368 049
Payables due to employees	1 447 256	1 416 945
Social security	947 440	931 120
Accrued personnel expenses	4 112 679	3 785 600
Social fund	319 898	308 456
Other payables	2 612 239	1 899 427
Total	80 378 439	78 611 601

The fair value of trade and other payables is not significantly different from their carrying amount.

Liabilities include the amount of EUR 1 015 471 relating to deliveries for investment actions not invoiced as at 31 December 2021 (31 December 2020: EUR 482 544). The long-term part related to deliveries for investment actions that were not invoiced as at 31 December 2021 amounts to EUR 6 000 (31 December 2020: EUR 0).

No payables are secured by a lien or other collateral.

The analysis of payables by the remaining maturity period is as follows:

	As at 31 December 2021	2020
Payables not yet due	80 273 705	76 753 824
Overdue payables	104 734	1 857 777
Total	**80 378 439**	**78 611 601**

Social fund

Appropriations to and withdrawals from the social fund during the accounting period are shown in the following table:

	2021	2020
Opening balance at 1 January	**308 456**	**233 318**
Appropriations expensed	1 020 475	1 027 135
Usage	-1 009 033	-951 997
Closing balance at 31 December	**319 898**	**308 456**

15 Bank loans

	As at 31 December 2021	2020
Non-current		
Long term portion of bank loans	0	12 899 242
	0	**12 899 242**
Current		
Short term portion of bank loans	5 475 461	17 200 092
	5 475 461	**17 200 092**

The maturity of bank loans is as follows:

Maturity	As at 31 December 2021	2020
Short term portion of bank loans	5 475 461	17 200 092
Long term portion of bank loans		
1 - 5 years	0	12 899 242
Over 5 years	0	0
Total	**5 475 461**	**30 099 334**

The fair value of current borrowing approximates their carrying amount, as the impact of discounting is not significant.

The Company has the following borrowing facilities, which are not utilized:

	As at 31 December	
	2021	2020
Floating rate:		
- Expiring within one year	0	0
- Expiring beyond one year	0	3 550 000
Fixed rate		
- Expiring within one year	0	130 000 000
- Expiring beyond one year	0	0
Total	**0**	**133 550 000**

Loan from Slovenská sporiteľňa, a. s. was repaid early in 2021.

Loans from VÚB, a. s. and from Slovenská sporiteľňa, a. s. include certain financial covenants related to limits on debt ratios, interest coverage and debt to operating profit ration calculated on the basis of the Financial Statements of the Company. The Company complied with these covenants at the reporting date of these Financial Statements.

The effective interest rates at the reporting date were as follows:

	2021	2020
Bank loans	1,27%	1,26%

Structure of bank loans as at 31 December 2021 is as follows:

Bank/Creditor	**Type**	**Currency**	**Amount in EUR 31 December 2021**	**31 December 2020**	**Interest rate % p. a.**	**Maturity**	**Collateral**	**Part due in next 12 months**	**Part due after 12 months**
Credit cards Tatra Banka, a. s.	operating	EUR	461	1 102	-	January 2022	0	461	0
Slovenská sporiteľňa, a. s.	investment	EUR	0	17 323 232		-	0	0	0
Všeobecná úverová banka, a. s.	investment	EUR	5 475 000	12 775 000	1,30% 1,20% a 1,30% based on tranche	18. 9. 2022	0	5 475 000	0
Total	X	X	**5 475 461**	**30 099 334**	X	X	X	**5 475 461**	**0**

16 Lease payables

	As at 31. December 2021	As at 31. December 2020
Long term		
Long term portion of lease	624 842	497 637
	624 842	**497 637**
Short-term		
Short term portion of lease	200 134	197 753
	200 134	**197 753**

The maturity of lease payables is as follows:

	31 December 2021	2020
Less than one year	200 134	197 753
1 - 5 years	531 264	361 612
More than 5 years	93 578	136 025
Total	**824 976**	**695 390**

17 Grants and deferred revenues

Deferred revenues include the following items:

	As at k 31 December 2021	2020
Deferred revenues		
EBOR grant Križovany – long-term portion (a)	7 908 574	8 885 588
– current portion (a)	620 495	818 530
EBOR grant Lemešany – long-term portion (b)	28 669 995	29 748 522
– current portion (b)	1 314 044	1 627 991
EBOR grant Bystričany – long-term portion (c)	51 416 877	46 319 141
– current portion (c)	1 892 893	1 936 121
US Steel – long-term portion (d)	2 851 785	3 083 184
– current portion (d)	202 290	197 285
EU TEN-E – long-term portion (e)	630 984	659 815
– current portion (e)	28 690	28 550
E.On – long-term portion (f)	2 044 046	2 132 215
– current portion (f)	100 957	118 958
Slovenské elektrárne, a. s. – long-term portion (g)	2 365 544	2 523 994
– current portion (g)	149 500	192 109
EU TEN-E – long-term portion (h)	681 909	717 667
– current portion (h)	28 397	28 003
EU TEN-E – long-term portion (i)	1 698 765	1 762 261
– current portion (i)	65 314	67 147
EU TEN-E – long-term portion (j)	1 936 516	2 004 080
– current portion (j)	67 074	66 585
Západoslovenská distribučná - Stupava– long-term portion (k)	3 830 876	2 539 185
– current portion (k)	120 183	166 925
Východoslovenská distribučná – long-term portion (l)	3 464 388	3 769 353
– current portion (l)	182 153	174 857

INEA Veľký Meder – long-term portion (m)	345 239	360 756
– current portion (m)	11 637	0
INEA Rimavská Sobota – long-term portion (n)	609 437	633 575
– current portion (n)	18 104	0
Západoslovenská distribučná - Podunajské Biskupice– long-term portion (o)	2 935 423	3 061 823
– current portion (o)	71 645	91 491
Západoslovenská distribučná - Senica– long-term portion (p)	4 337 000	3 500 000
– current portion (p)	0	0
Fortischem – long-term portion (q)	3 074 123	3 074 123
– current portion (q)	0	0
Commodity futures – current portion (r)	27 364 757	1 890 201
INEA Danube InGrid – long-term portion (s)	15 574 401	0
– current portion (s)	88 096	0
Západoslovenská distribučná - Vajnory– long-term portion (t)	16 229 937	0
– current portion (t)	0	0
Others – long-term portion (u)	21 283 223	6 838 853
– current portion (u)	5 986 391	4 091 542
Total	**210 201 662**	**133 110 430**

As a result of the revaluation of property, plant and equipment in accordance with IAS 16 as at 1 January 2021, deferred income decreased by EUR 592 148.

a)
On 10 December 2003, the Company concluded a grant contract with the European Bank for Reconstruction and Development (EBRD), under which the EBRD undertook to provide a grant of EUR 24 million for IPR "Križovany 400 kV, Reconstruction- Structure 2, Part 2 and Structure 3". The contract became effective on 4 August 2004. The subsidy proceeds were drawn over the period of 2004 - 2010.

The amount of EUR 8 529 069 (31 December 2020: EUR 9 704 118) was recognized in deferred revenue related to the grant.

At the reporting date, the Company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

b)
On 18 December 2007 the Company concluded a grant contract with the European Bank for Reconstruction and Development (EBRD), under which the EBRD undertook to provide a grant of EUR 43.9 million for extension IPR Bošáca 400 kV, transformer station 400/110kV Medzibrod - 2. construction, transformer station 400/110kV Medzibrod - 3. construction, power lines 2 x 400kV Lemešany - Košice - Moldava - 4. construction. The contract became effective on 4 July 2008.

The amount of EUR 29 984 039 (31 December 2020: EUR 31 376 513) was recognized in deferred revenue related to the subsidy.

At the reporting date, the Company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

c)
On 14 December 2010 was concluded a grant agreement between Slovenská elektrizačná a prenosová sústava, a. s. and the European Bank for Reconstruction and Development (EBRD), in which the EBRD agreed to provide a grant of EUR 76 000 thousand. This agreement effected on 17 December 2014. The grant funds will be used to set of buildings Bystričany - transformation 400/110 kV, for expansion substation in Horná Ždaňa and Križovany Crossing the 400 kV Križovany - Bystričany and 400 kV Oslany - Horná Ždaňa.

The amount of EUR 53 309 770 (31 December 2020: EUR 48 255 262) was recognized in deferred revenue related to the subsidy.

At the reporting date, the Company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

d)
Deferred revenues include an amount EUR 3 054 075 (31 December 2020: EUR 3 280 469), related to investment in the substation in Košice, which remains in property of the Company, however, the company US Steel however, the company US Steel paid the half of the substation's acquisition costs.

e)
Amount of EUR 659 674 represents a co-finance provided to the Company from an European Commission's program EU TEN-E (Trans - European NetWork) in the amount of 10% of the value of transmission lines EK-Moldava - SS Košice (31 December 2020: EUR 688 365 EUR).

f)
Deferred revenue of EUR 2 145 003 included in deferred revenues is related to construction field 13 in ES Križovaný that was 100 % financed by company E.On Elektrárne s.r.o., Trakovice (31 December 2020: EUR 2 251 173).

g)
Amount of EUR 2 515 044 relates to refinancing of cost of Slovenské elektrárne, a.s. for connecting to transmission systems EMO 3 and 4 in Veľký Ďur (31 December 2020: EUR 2 716 103).

h)
Amount of EUR 710 306 represents co-finance provided to Company from European Commission for the transmission line SS Košice - Lemešany (31 December 2020: EUR 745 670).

i)
Amount of EUR 1 764 079 represents co-finance provided from European Commission for the meshing V 409 line to the new transformer station 400 /110kV in electric station Vôľa (31 December 2020: EUR 1 829 408).

j)
Amount of EUR 2 003 590 represents co-finance provided to Company from European Commission for the transmission line 400 kV Gabčíkovo - Veľký Ďur (31 December 2020: 2 070 665 EUR).

k)
Amount EUR 3 951 059 is related to the refinancing of Západoslovenská distribučná a.s. costs for enlargement the electric station in Stupava by second transformer (31 December 2020: EUR 2 706 110).

l)
Amount EUR 3 646 541 is related to the refinancing of Východoslovenská distribučná a.s. costs for the construction of devices necessary to connect R 400/110 kV Vôľa into electric transmission system (31 December 2020: EUR 3 944 210).

m)
Amount of EUR 356 876 represents the financial contribution from INEA agency intended for design and engineering work for the project of 2x400 kV line Veľký Meder - State Border of the Slovak Republic - Hungary (31 December 2020: EUR 360 756).

n)
Amount of EUR 627 541 represents the financial contribution from INEA agency intended for design and engineering work for the project of 2x400 kV line Rimavská Sobota - State Border of the Slovak Republic - Hungary (31 December 2020: EUR 633 575).

o)
The amount of EUR 3 007 068 relates to the refinancing of costs of Capital construction within the Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2020: EUR 3 153 314).

p)
The amount of EUR 4 337 000 relates to the refinancing of costs of Capital construction within the Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2020: EUR 3 500 000).

q)
The amount of EUR 3 074 123 relates to the refinancing of costs of Capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2020: EUR 3 074 123).

r)
The Company decided to trade at electricity exchange, namely EEX (European Energy Exchange). In 2020, the Company concluded future contracts at the exchange with the underlying commodity being electricity. Some of these contracts were settled during 2020, other will be settled in 2021. The objective of these transactions is to minimize or eliminate risk, therefore they represent hedging against a potential unfavourable change in the commodity price. Expected future electricity purchases by the Company are hedged (see also Notes 11, 3.1 and 3.3).

The amount of 27 364 757 EUR represents hedging risk revaluation value in relation to commodity futures (as at 31 December 2020: EUR 1 890 201).

s)
The amount of EUR 15 662 497 relates to the Danube InGrid grant (as at 31 December 2020: EUR 0). The Danube InGrid project is the result of cooperation between the Company, Západoslovenská distribučná, a. s. and the Hungarian distribution system operator E.ON Észak-dunántúli Áramhálózati Zrt. PCI projects are key infrastructure projects aimed at interconnecting European energy systems and achieving the EU's energy and climate goals.

t)
The amount of EUR 16 229 937 relates to the refinancing of costs of Capital construction within the Vajnory power station incurred by Západoslovenská distribučná, a. s. (31 December 2020: EUR 0).

u)
In other deferred income is recognized then amount of EUR 214 529 (31 December 2020: EUR 230 986), which relates to the joint procedure agreement for connection of company's En-Invest, a. s. facilities to the transmission system SR at the Moldava power station.

As other long-term deferred income the Company is recorded an income in amount of EUR 20 062 604 representing the proceeds of regulated tariffs, which does not belong to the Company in 2021 according to regulatory accounting rules and procedures, but in 2023, when they will be realised (31 December 2020: EUR: 5 843 701).

As other short-term deferred income the Company is recorded an income in amount of EUR 5 843 701 representing the proceeds of regulated tariffs, which does not belong to the Company in 2020 according to regulatory accounting rules and procedures, but in 2022, when they will be realised (31 December 2020: EUR 4 015 560).

18 Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 21% (31 December 2020: 21%). As at 31 December 2021 tax rate will increase by additional 4,4% for temporary differences in fixed assets due to charges for regulated subjects based on act No. 235/2012 Coll. (31 December 2020: 4,4%). This levy increased the tax rate for temporary differences, which will offset by the end of 2022 related to fixed assets, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, no taking into consideration temporary differences.

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

The movements in the deferred tax assets and liabilities were as follows:

	As at 31 December 2020	**Change (-) costs/ (+) benefits**	**Accounted to other parts of comprehensive results**	**As at 31 December 2021**
Positive revaluation of fixed assets	-19 928 516	3 994 236	-10 527 257	-26 461 537
Negative revaluation of fixed assets	434 919	-895 981	0	-461 062
Receivables	0	0	0	0
Tangible and intangible assets	-52 244 959	-1 860 781	0	-54 105 740
IFRS 16	9 841	-504	0	9 337
Financial investment	-28 980	0	0	-28 980
Retirement benefit	2 037 665	-158 247	-929 410	950 008
Provisions	744 991	719 532	0	1 464 523
Other	5 927 404	1 746 689	0	7 674 093
Total	**-63 047 635**	**3 544 944**	**-11 456 667**	**-70 959 358**

	As at 31 December 2019	**Change (-) costs/ (+) benefits**	**Accounted to other parts of comprehensive results**	**As at 31 December 2020**
Positive revaluation of fixed assets	-22 581 656	2 484 107	169 033	-19 928 516
Negative revaluation of fixed assets	531 352	-96 433	0	434 919
Receivables	0	0	0	0
Tangible and intangible assets	-47 826 945	-4 418 014	0	-52 244 959
IFRS 16	10 218	-377	0	9 841
Financial investment	-28 980	0	0	-28 980
Retirement benefit	2 313 009	20 452	-295 796	2 037 665
Provisions	509 210	235 781	0	744 991
Other	6 603 930	-676 526	0	5 927 404
Total	**-60 469 862**	**-2 451 010**	**-126 763**	**-63 047 635**

19 Provisions for liabilities and charges

	Pension benefits and other long-term benefits (a)	**Legal claims (b)**	**Others (c)**	**Total**
As at 1 January 2021	**9 703 168**	**40 165**	**0**	**9 743 333**
Additional provisions	0	0	0	0
Dissolution of provision in equity	-4 425 769	0	0	-4 425 769
Provisions used	-470 377	0	0	-470 377
Reversals of unused provision	-283 182	0	0	-283 182
As at 31 December 2021	**4 523 840**	**40 165**	**0**	**4 564 005**

Analysis of total provisions	As at 31 December 2021	2020
Non - current	4 523 840	9 703 168
Current	40 165	40 165
Total	**4 564 005**	**9 743 333**

The IFRS Interpretation Committee published its decision in May 2021 regarding the allocation of benefits to periods of service. Until now, the benefit costs were allocated to the period during which it provides the service was calculated from the date on which the employee began working for the company (prorata temporis).

According to a decision published by the IFRS Committee during 2021, service costs are allocated from the date on which the employee is entitled to the benefit (criteria: length of service, condition of continuity, etc.).
In valuation of employee benefits as at 31 December 2021, this interpretation change related to IAS 19 was fully taken into account.

The change compared to 2020 also occurred in the compensation of costs for electricity consumption. It will not be paid from 1 January 2022 who have left the Company for an old age or invalidity pension.

(a) Pension benefits and other long-term benefits

The following amounts have been recognized with respect of the defined benefit pension plan and other long-term benefits:

(i) Post-employment benefits

	As at 31 December 2021	2020
Present value of unfunded retirement obligations	4 212 680	9 480 088
Unrecognized actuarial gains/(losses) and portion of past Service costs	0	0
Obligation in the Statement of Financial Position	**4 212 680**	**9 480 088**

The amounts recognized in the Income Statement are as follows:

	2021	2020
Current Service cost	485 645	732 279
Past Service cost	-956 653	0
Interest cost	81 023	64 726
Pension (credit) / cost, included in personnel costs	**-389 985**	**797 005**

Value recognized in Equity are as follows:

	2021	2020
Recognized actuarial gains from change in the method of calculating pension liabilities	-4 425 769	-1 408 554
Total change recognized in equity	**-4 425 769**	**-1 408 554**

Movements in the present value of defined benefit obligation are:

	2021	2020
Present value of unfunded retirement obligations at beginning of the year	9 480 088	10 813 362
Current Service cost	485 645	732 279
Interest cost	81 023	64 726
Benefits paid	-451 654	-721 725
Past Service cost	0	0
Cancelled	-956 653	0
Actuarial gain on changes in IAS 19	-4 425 769	-1 408 554
Present value of unfunded retirement obligations at the end of the year	**4 212 680**	**9 480 088**

(ii) Other long-term benefits (jubilees and loyalties)

	As at 31 December	
	2021	2020
Present value of unfunded obligations	311 160	223 080
Obligation in the Statement of Financial Position	**311 160**	**223 080**

The amounts recognized in the Income Statement are as follows:

	2021	2020
Current Service cost	32 417	23 599
Recognized actuarial gains/loss	19 317	4 394
Reported actuarial gains / losses	53 309	15 616
Interest expense	1 760	748
Pension (credit)/cost, included in personnel costs	**106 803**	**44 357**

Value recognized in Equity are as follows:

	2021	2020
Present value of unfunded retirement obligations at beginning of the year	223 080	200 963
Current Service cost	32 417	23 599
Past Service cost	19 317	4 394
Interest cost	1 760	748
Benefits paid	-18 723	-22 240
Actuarial gains/losses	53 309	15 616
Present value of unfunded retirement obligations at the end of the year	**311 160**	**223 080**

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

As at 31 December 2021	
Percentage of employees, who will terminate their employment with SEPS prior to retirement (fluctuation rate)	1,0% -2,6 % p. a. based on age
Expected salary increases	2,75% p.a.
Discount rate	1,06% p.a.; 1,42% p.a.

As at 31 December 2020	
Percentage of employees, who will terminate their employment with SEPS prior to retirement (fluctuation rate)	1,0% -2,1 % p. a., based on age
Expected salary increases	2,75 % p. a.
Discount rate	0,70% p. a.; 1,11%p.a..

(b) Provision for legal claims

A provision is created for those legal claims where it is probable, at the reporting date, that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company is involved in legal cases regarding the cost reimbursement for bush cutting in the protection electricity lines zone and compensation for easements. In the opinion of the Company's management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided.

20 Revenues

Revenues include the following:

Revenues from electricity transmission and electricity transit:

	2021	2 020
Access to transmission grid	131 920 537	131 280 847
Fee for connection to the transmission system	1 118 541	954 647
Covering losing	17 599 668	17 632 220
System operation	134 281	26 550
System Services	130 662 080	137 193 391
Auctions	36 578 439	30 094 973
Deviations and regulation energy	29 468 963	12 818 708
CBT (ITC) mechanism	9 215 949	10 166 349
Import & export	368 153	1 060 530
Unplanned electricity exchanges (FSkar)	2 882 548	0
Shipping	78 581 635	10 816 903
Other regulated revenues (mainly shipping and daily market)	1 863 667	738 950
Total revenues from electricity transmission and transit	**440 394 461**	**352 784 068**
Rental	716 064	737 776
Telecommunications Services	83 283	88 728
Other revenues	14 608	22 253
Total other revenues	**813 955**	**848 757**
Total revenues	**441 208 416**	**353 632 825**

The revenue from the Company's core activities mainly results from the regulatory framework and the URSO decisions that issued by this institution for the relevant year.

Revenues from rental comprise income from the rental of non-residential premises, rental of electric masts for various types of transmitters and antennas and rental of power lines. Revenues for telecommunications Services include the rental of fibre optic and Services of the management Information system.

The Company acts as shipping agent within Czech, Slovak, Hungarian and Romanian electricity market interconnection (hereinafter referred to as the "MC") in region 4MMC. In June 2021, the 4MMC region merged with the MRC region, where the Polish, German and Austrian electricity markets are interconnected. Relevant revenues and costs of Company are reported as sale of goods, resp. costs as costs of goods sold.

In 2021 the Company realized transactions in total amount of EUR 1 424 717 787 and related costs were EUR 1 302 493 324 (31 December 2020: transactions in total amount of EUR 299 612 873 and related costs were in the amount of EUR 294 823 162). According to IFRS 15, costs related to implicit auctions in the amount of EUR 55 817 647 and also costs representing a collection for the benefit of a third party amounting to EUR 107 275 904, were deducted from these items as at 31 December 2021, as such collection does not form a part of the transaction price according to IFRS 15. Revenues related to the use of the OT profile amounting to EUR 135 135 149 are also included in shipping (As at 31 December 2020, costs associated with the implicit auctions amounting to EUR 14 680 590, costs representing collection for the benefit of a third party in the amount of EUR 2 425 119; revenues related to the use of the OT profile in the amount of EUR 23 072 373 EUR). Revenues from shipping with negative prices in the amount of EUR 784 343 and costs of shipping with negative prices in the amount of EUR 552 494 are also included in the shipping. Costs related to congestion income in the amount of EUR 16 771 629 and revenues related to congestion income in the amount of EUR 855 354 are also included in shipping (as at 31 December 2020: Revenues from shipping with negative prices in the amount of EUR 1 524 452 and costs of shipping with negative prices in the amount of EUR 1 463 924).

21 Consumed materials and Services

Consumed materials and Services included the following:

	2021	2020
Material and energy consumption	25 735 521	19 655 265
System IGCC	9 576 632	0
Unplanned electricity exchanges (FSkar)	5 264 273	0
Repair and maintenance	6 544 402	6 608 983
Travel expenses	103 280	138 006
Representation expenses	45 169	49 314
Rental	355 371	441 074
Communication Services	235 827	219 624
Substations Service	1 912 740	2 140 248
Protection and maintenance of area	1 872 840	1 473 165
Revisions, Controls, security Services	1 005 649	591 447
Technical advisory, technical support	35 866	329 910
Cleaning	265 089	318 443
Biological reclamations	179 866	194 868
Geodetic Services	380	27 960
Experts examinations, analysis, experts opinions, certifications	1 379 191	2 131 359
Information technology Services, advertisement	6 977 965	9 377 283
Expenses for ancillary Services	124 986 285	130 020 570
Expenses for deviations	8 708 568	4 637 189
Expenses for auctions	315 365	291 334
Expenses for CBT/ITC	8 054	19 448
Audit of Financial Statements provided by auditor	36 000	40 000
Advisory Services	492 317	454 380
Tax advisory	17 925	34 800

Demolitions	11 411	971 358
Operating Services TSCNET Services GmbH	1 381 740	1 181 100
Recharges of shared costs	276 804	283 106
Other	1 302 680	1 123 520
Total	**199 027 210**	**182 753 754**

The Company is a natural monopoly and the Regulatory Office regulates its activities for Network Industries (hereinafter referred to as the "Office"). Resolutions of the Office determine tariffs, prices and allowed costs of the Company. To determine these values, the Office applies procedures and formulas described in the Office decrees following the principles set out by the Regulation Board in its regulation policy for the regulation period in question

The Company's costs are created mainly from regulated costs for purchase of ancillary needed to provide system services, system operation costs, purchase of regulated electricity for loss coverage and own consumption within the system IGCC, costs for International transmission and auctions and other costs needed for transmission system operation and operation of the Company.

Together with the operator of the Czech transmission network, the Company has introduced a system to avoid simultaneous supplies of balancing energy in opposite directions using cross-border connections (hereinafter the IGCC system). Since 2013, the operator of the Hungarian transmission system has also participated in the system. The respective revenues and costs result from the volume of the balancing energy acquired within the IGCC system and fixed prices for this balancing energy determined by a resolution adopted by the Office. The Company reports revenues from these activities as part of the "sale of goods" and the "costs of goods sold". The net result is reported in the line "System IGCC" (as of 31 December 2020, in the line "other regulated revenues" was used). During 2021, transactions in total of EUR 6 253 727 were carried out and related costs amounted to EUR 15 641 312 (31 December 2020: transactions totalled to EUR 3 797 104 and the costs amounted to EUR 3 511 166). Revenues from negative prices from IGCC totalled to EUR 1 646 875 and costs of negative prices from IGCC totalled to EUR 1 835 922 (As at 31 December 2020: Revenues from negative prices from IGCC totalled to EUR 811 655 and costs of negative prices from IGCC totalled to EUR 946 262).

22 Personnel costs

	2021	2020
Wages and salaries	20 726 850	21 323 622
Other personnel costs	2 410 204	2 676 115
Pension costs - defined contribution plans	8 498 648	8 781 296
Current Service costs	518 062	755 878
Past Service cost	19 317	4 394
Interest expense related to retirement and other employee benefits	82 783	65 474
Interest costs on pension and similar employee's benefits	53 309	15 616
Total	**32 309 173**	**33 622 395**

23 Other operating expenses

	2021	2020
Insurance costs	2 190 687	2 206 954
Losses from sale of fixed assets and materials	346 209	0
Provision for impairment	-449 720	500 872
Taxes and other fees	199 854	227 232
Gifts	92 273	36 500
Non-production compensation	226 725	0
Other operating expense	582 341	592 314
Total	**3 188 369**	**3 563 872**

24 Other operating income

	2021	2020
Gain from sale of material	0	3 960
Profit from sold fixed assets	0	154 408
Release of deferred revenues from a grant from EBOR	4 540 548	3 258 108
Contractual penalties	1 381 343	1 919 387
Insurance	458 572	79 439
Excess material	353	42 282
Other operating income	620 604	515 207
Total	**7 001 420**	**5 972 791**

25 Finance expense, net

	2021	2020
Interest income	32 542	176 816
Interest expense from borrowings	-203 979	-504 307
Interest expense related to IFRS 16	-11 360	-11 968
Foreign Exchange gains	65	53
Foreign Exchange losses	-1 123	-562
Write-off of financial investment	-90 946 198	0
Other financial revenues	29 250	20 861
Other financial expense	-137 202	-47 572
Net finance expense	**-91 238 005**	**-366 679**

Other financial revenues represent revenues from liability provision from a short-term loan provided to a subsidiary in the amount of EUR 50 000 000. For the financial investment write-off see note 7.

26 Income tax expense

Reconciliation from the theoretical to the reported income tax charge is presented in the following table:

	Year ended 31 December	
	2021	2020
Profit before tax	49 416 515	83 201 981
Theoretical income tax related to current period at 21% (2020:21%)	10 377 468	17 472 416
- Other income not subject to tax (permanent)	-726 229	-466 242
- Non-deductible expenses (permanent)	18 122 939	1 155 483
- Increase of tax due to charges for regulated subjects	3 274 917	5 980 823
- Deferred tax from temporary differences to which no deferred tax has been accounted historically	0	0
- Additional income tax	27 977	0
Changes in deferred taxes to 1 January due to change in tax rate	0	-246 201
	31 077 072	**23 896 279**
Income tax expense for the period		
The tax charge for the period comprises:		
- Deferred tax charge - expense/(income) (Note 18)	-3 544 944	2 451 010
Deferred tax total	**-3 544 944**	**2 451 010**

- Special levy for regulated subjects	3 274 917	5 980 823
- Additional income tax	27 977	0
- Current income tax expense	31 319 122	15 464 446
Income tax total	**34 622 016**	**21 445 269**
Total income tax expense for the period	**31 077 072**	**23 896 279**
Effective tax rate	**62,89%**	**28,72%**

Deferred tax is provided, using the balance sheet liability method, on temporary differences using the basic tax rate of 21 % (31 December 2020: 21 %). This tax rate has been increased as at 31 December 2021 for additional 4,4 % for temporary differences in fixed assets because of special levy for regulated industry paid according to Act No. 235/2012 Coll. (31 December 2020: 4,4 %). This levy increased the tax rate for temporary differences, which will offset by the end of 2022 related to fixed assets only, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, not taking into consideration temporary differences.

27 Contingencies

(a) Taxation

Many areas of Slovak tax law (such as transfer-pricing regulations) have not been sufficiently tested in practice, so there is some uncertainty as how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. It will be reduced only if legal precedents or official interpretations are available. The Company's management is not aware of any circumstances that may give rise to future material expense in this respect

(b) Regulation and liberalization in energy industry

Regulatory framework for the electricity market in the Slovak Republic.

Based on the current legislation, the electricity market in the Slovak Republic is liberalized and allows free selection of electricity supplier for all customers.

Activities of the Company are subject to regulation by ÚRSO.

(c) Litigation

The plaintiff Lumius Slovakia, s. r. o. 'In liquidation' claims to reopen the court proceedings in which the plaintiff claimed the payment in amount of EUR 3 792 188.01 with accessories because of the unreasonable beneficiation and damages by the illegitimate charging of the system Services on the cross-border transmission. The plaintiff paid to the defendant following the Contract of transmission of electricity through the interconnector from 16 January 2008 in accordance the legislation at the time. According to the opinion of the plaintiff, the illegitimate charging consists in the fact that such a fee is in the conflict with the European Union law. The Bratislava II District Court dismissed the claim, the plaintiff did not make an appeal against the judgment and the judgment became final. Because of the Court of Justice of the European Union evaluated the charge as conflicted with the European Union law in Case C-305/17, the plaintiff claims the reopening of the court proceedings within the statutory period. At the hearing on 20 May 2021, the court rejected the motion to reopen the proceedings, the plaintiff filed an appeal against the judgment, and the Company submitted a statement on the plaintiff's appeal. The Regional Court in Bratislava will decide on the appeal.

28 Commitments

(a) Future investment commitments

The Company has contractual obligations under the contracts for the purchase of non-current assets entered into before 31 December 2021, the performance of which is scheduled only after 31 December 2021. The total obligation under the contracts amount to EUR 21 093 684 (2020: EUR 33 021 227). The Capital expenditures are related primarily to the Renewal of secondary technology R 400 kV Bošáca - exchange of protections and RIS innovation, with transition of ESt Sučany to remote control, with construction of change of conductors, insulation of 400 kV line Križovany - state border SR / ČR, with innovation of measuring sets, with legislative upgrade of trading system Damas Energy, with the change of connection of Fortischem, a. s. to the transmission system in ES Bystričany.

The Company has approved a Capital expenditure budget for 2022 in the amount of EUR 52 925 036 (2021 capex budget: EUR 67 419 029).
The Capital expenditures are related primarily to the Renewal of secondary technology R 400 kV Bošáca - exchange of protections and RIS innovation, with change of conductors and insulation of lines, to the insulation of 220 kV line V071 Lemešany - Vojany, to the remote control in electrical stations and ICT systems and trading systems.
It is expected that both internal and external funds will be used to finance these Capital expenditures.

(b) Future operating lease commitments - Company as lessee

Using the database of contracts, the Company selected contracts where it has the role of a lessee. For these contracts, it assessed, whether they are compliant with the IFRS 16 conditions and therefore whether are to be reported based on that standard. Reports, for which the Company applied the optional derogation, are listed below. The Company reports neither the right of use of asset nor the liability from lease for all types of lease contracts with the lease period up to 12 months. Costs related to these leases are reported in financial accounts as operating costs evenly over lease periods.

The Company has also applied an optional exemption and reports neither the right of use of asset nor the liability from lease in relation to lease contracts where the value of the leased asset is clearly lower than EUR 5 000. When determining the estimated value of an asset, the Company assumes that it is a new asset. If the asset value cannot be determined reliably, the optional exemption shall not be applied.

The Company has the following future minimum lease instalments in relation to the above operating lease contracts:

	31 December 2021	**31 December 2020**
Due within 1 year	5	171 370
Due in 2 to 5 years	19	19
Due after 5 years	163	168
Total	**187**	**171 557**

The Company has also entered into an operating lease for an unlimited period of time with a possibility of termination with a 3-month termination period. The annual lease payments amount to EUR 8 726 (31 December 2020: EUR 9 620). The main items include the lease of telecommunications routes.

c) Future operating lease commitments - Company as lessor

The Company leases out mainly transformation and optic fibre cables.

The following minimum lease instalments relate to the operating lease contracts:

	31 December 2021	31 December 2020
Due within 1 year	294 163	293 970
Due in 2 to 5 years	1 057 178	1 061 631
Due after 5 years	1 534 265	1 795 225
Total	**2 885 606**	**3 150 826**

The Company has also entered into an operating lease for an unlimited period of time for which the annual lease payments amount to EUR 385 144 (31 December 2020: EUR 382 621).
The Company leases 2x110kV power lines ESt Lemešany - ES SS Košice from supporting point in Bukovec to supporting point in Lemešany in length of 18,678 km. Lease expires in 50 years, rent is calculated every year according to Capital, investment and operating costs. Annual rent for 2022 as at 31 December 2021 amounts to EUR 275 651 (31 December 2020 for year 2021: EUR 286 177). The basic component of the rent will be paid to lessor for the time of 20 years and operating component of the rent will be paid to lessor for the time of 50 years. The minimal lease instalments include the basic component of the rent in amount of EUR 250 672 annually (31 December 2020: EUR 250 658).

29 Cash generated from operations

	Note	2021	2020
Profit before income tax		49 416 515	83 201 981
Adjustments for:			
Depreciation	5	63 736 205	52 929 912
Amortization	6	5 171 440	4 151 907
Financial investments' write off		90 946 198	0
Impairment charge for non-current assets	5	5 067 808	0
Changes in provisions for receivables	11	-449 720	498 645
(Gain) / loss on disposal of assets	24	346 209	-154 408
Dividend income	25	0	0
Income from short - term financial assets	25	-29 250	-20 861
Interest income/expense, net	25	182 797	339 459
Net movements in provisions	19	-5 179 328	-1 339 753
Changes in working Capital:			
Inventories (gross)		-238 767	1 168 698
Trade and other receivables		-87 512 826	-10 505 468
Trade and other payables, deferred revenues		103 791 708	-22 235 493
Cash generated from operations		**225 248 989**	**108 034 619**

In the cash flow statement, proceeds from sale of non-current assets are as follows:

		Year ended 31 December	
	Note	**2021**	**2020**
Net book value		805 957	34 302
Profit/(loss) from sale of tangible fixed assets	24	-346 209	154 408
Proceeds from disposal of tangible fixed assets		**459 748**	**188 710**

30 Related party transactions

Parties related to the Company include its sole shareholder, the subsidiary OKTE, a.s., the company Joint Allocation Office, S. A. and TSCNET Services, GmbH and key management personnel of the Company or the shareholder.

The National Property Fund (FNM), an entity fully owned by the Slovak Republic as the sole shareholder of the Company till 1 October 2012. Since 2 October 2012, the sole shareholder is the Ministry of Finance of Slovak Republic.

Transactions with entities that are owned or controlled directly or indirectly by the State are realized in accordance with the prevailing regulatory principles.

Ministry of Economy of Slovak Republic, is the 51 % shareholder of Západoslovenská energetika, a. s., Východoslovenská energetika Holding, a. s. and Stredoslovenská energetika, a. s..The companies Západoslovenská distribučná, a.s., Západoslovenská energetika - Energia, a. s., ZSE Elektrárne, s. r. o., Východoslovenská energetika, a. s., Východoslovenská distribučná, a. s. and Stredoslovenská distribučná, a. s. are 100% subsidiaries of these companies.

As at 31 December 2021, the outstanding balances with the subsidiary were as follows:

	Gross amount of trade receivable	**Other receivables**	**Value adjustment to trade or other receivables**	**Trade and other payables**
OKTE, a. s.	19 955 733	0	0	-1 835 750

As at 31 December 2021, the outstanding balances with joint venture were as follows:

	Gross amount of trade receivable	**Other receivables**	**Value adjustment to trade or other receivables**	**Trade and other payables**
Joint Allocation Office, S. A. Luxemburg	2 175 113	0	0	-7 827 244

As at 31 December 2021, the outstanding balances with the state-controlled entities and government bodies (other related parties) were as follows:

	Gross amount of trade receivable	**Other receivables**	**Value adjustment to trade or other receivables**	**Trade and other payables**
Slovenské elektrárne, a.s.	480 072	21 618	0	-12 831 962
Slovenské elektrárne - Energetické služby, s. r. o.	0	0	0	0
ZSE Elektrárne, s.r.o.	63 330	0	0	-77 167
Západoslovenská distribučná, a .s.	2 886 208	0	0	-1 045
Západoslovenská energetika – Energia, a.s.	0	0	0	-21 224
Východoslovenská distribučná, a. s.	1 175 902	0	0	-750
Východoslovenská energetika, a. s.	0			-324
Stredoslovenská energetika, a.s.	0	0	0	-299
Stredoslovenská distribučná, a.s.	2 048 274	0	0	-45 330
MH TH, a. s.	5 127	0	0	-562 007
Žilinská teplárenská, a. s.	509	0	0	-169 367
Martinská teplárenská, a. s.	12 356	0	0	-237 237
Zvolenská teplárenská, a. s.	1 592	0	0	-21 769
Vodohospodárska výstavba, a. s.	94 802	0	0	-572 919
Slovenský plynárenský priemysel, a. s.	0	0	0	-444

As at 31 December 2020, the outstanding balances with the subsidiary were as follows:

	Gross amount of trade receivable	Other receivables	Value adjustment to trade or other receivables	Trade and other payables
OKTE, a. s.	13 458 108	50 000 000	0	-3 083 187

As at 31 December 2020, the outstanding balances with joint venture were as follows:

	Gross amount of trade receivable	Other receivables	Value adjustment to trade or other receivables	Trade and other payables
Joint Allocation Office, S. A. Luxemburg	80 519	0	0	-3 064 023

As at 31 December 2020, the outstanding balances with the state-controlled entities and government bodies (other related parties) were as follows:

	Gross amount of trade receivable	Other receivables	Value adjustment to trade or other receivables	Trade and other payables
Slovenské elektrárne, a.s.	264 627	11 765	0	-12 836 193
Slovenské elektrárne - Energetické služby, s. r. o.	0	0	0	-228 334
ZSE Elektrárne, s.r.o.	27 881	0	0	-124 945
Západoslovenská distribučná, a .s.	5 632 995	0	0	-99 190
Západoslovenská energetika – Energia, a.s.	364	0	0	0
Východoslovenská distribučná, a. s.	1 181 344	0	0	-1 260
Východoslovenská energetika, a. s.	126			0
Stredoslovenská energetika, a.s.	0	0	0	-299
Stredoslovenská distribučná, a.s.	1 780 537	0	0	-41 339
Tepláreň Košice, a. s.	2 223	0	0	-380 931
Žilinská teplárenská, a. s.	89	0	0	-90 367
Martinská teplárenská, a. s.	5 031	0	0	-259 656
Zvolenská teplárenská, a. s.	0	0	0	-82 879
Vodohospodárska výstavba, a. s.	38 134	0	0	-685 706
Slovenský plynárenský priemysel, a. s.	172	0	0	0
Slovenský plynárenský priemysel, a. s.	0	0	0	-1 230

The income and expense items with the subsidiary, joint venture, state-controlled entities and government bodies for the year ended 31 December 2021 were as follows:

	Sales of services	Purchase of services
OKTE, a. s.	176 263 970	-46 852 787
Joint Allocation Office, S. A.	-61 637 934	-5 783 249
TSCNET Services, GmbH	0	-1 438 163
Slovenské elektrárne, a.s.	7 282 119	-67 296 122
Slovenské elektrárne Energetické služby, s. r. o.	0	0
Západoslovenská energetika, a. s.	0	-393
Západoslovenská distribučná, a. s.	56 793 278	-177 121
Západoslovenská energetika – Energia, a. s.	1 262	-337 156
ZSE Elektrárne, s. r. o.	1 222 370	-402 955
Východoslovenská distribučná, a. s.	23 968 131	-2 450
Stredoslovenská energetika, a. s.	0	-5 206
Stredoslovenská distribučná, a. s.	37 319 562	-438 859
MH Teplárenský holding, a. s.	0	-2 764 316
Žilinská teplárenská, a. s.	0	-547 351

	Sales of services	Purchase of services
Martinská teplárenská, a. s.	0	-1 259 103
Zvolenská teplárenská, a. s.	0	0
Východoslovenská energetika, a. s.	0	-917
Vodohospodárska výstavba, a. s.	1 527 927	-4 829 257
Slovenský plynárenský priemysel, a. s.	0	-1 660

The negative values in the column Sales of services are due to the reporting of costs and revenues on a net basis, as stated in notes 20 Sales and 21 Consumption of materials and services according to IFRS 15. In this case, completed transactions for individual companies reported in sales were lower than related costs.

The income and expense items with the subsidiary, joint venture, state-controlled entities and government bodies for the year ended 31 December 2020 were as follows:

	Sales of services	Purchase of services
OKTE, a. s.	122 358 239	-11 874 000
Joint Allocation Office, S. A.	15 204 054	-401 251
TSCNET Services, GmbH	0	-1 213 604
Slovenské elektrárne, a.s.	6 986 054	-71 770 099
Slovenské elektrárne Energetické služby, s. r. o.	0	-2 246 520
Západoslovenská energetika, a. s.	0	-3 834
Západoslovenská distribučná, a. s.	58 523 674	-388 223
Západoslovenská energetika – Energia, a. s.	372	0
ZSE Elektrárne, s. r. o.	1 156 875	-731 896
Východoslovenská distribučná, a. s.	24 509 928	-6 686
Stredoslovenská energetika, a. s.	0	-3 804
Stredoslovenská distribučná, a. s.	35 734 715	-399 353
Tepláreň Košice, a. s.	0	-2 853 064
Žilinská teplárenská, a. s.	0	-344 526
Martinská teplárenská, a. s.	0	-1 025 767
Zvolenská teplárenská, a. s.	0	-571 063
Východoslovenská energetika, a. s.	0	-641
Vodohospodárska výstavba, a. s.	1 432 955	-6 260 701
Slovenský plynárenský priemysel, a. s.		-1 277

Key management personnel compensation

Salaries and bonuses paid to the Company's management, directors and other members of top management for the year ended 31 December 2021 and 31 December 2020, are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and short-term employee benefits	1 742 815	2 251 212
Total	**1 742 815**	**2 251 212**

31 Events after the reporting period

At the end of February 2022, there was a politico-military conflict in neighbouring Ukraine with neighbouring Russia, when Russian troops began military operations in Ukraine. This event significantly affects political, economic and financial events in our region, and its impact on the Company cannot be assessed by the Company's management.

Declaration of compliance

The Financial Statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 22 March 2022.

....
Ing. Peter Dovhun
Chairman of the Board of Directors

....
Ing. Jaroslav Vach, MBA
Member of the Board of Directors

....
Ing. Ján Oráč
Person responsible for preparation of the Financial Statements

....
Ing. Ružena Kollárová
Person responsible for bookkeeping