Slovenská elektrizačná prenosová sústava, a. s.

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

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

INDEPENDENT AUDITOR'S REPORT

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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 Consolidated Financial Statements translated into English language.

TPA AUDIT, s. r. o.
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E-mail: office@tpa-group.sk, www.tpa-group.sk, IČO: 36 714 879, IČ DPH: SK2022294131
Vedený v obchodnom registri OS Ba I., v odd. Sro, vložka č. 43738/B.
Albánsko | Bulharsko | Česká republika | Čierna Hora | Chorvátsko | Maďarsko
Poľsko | Rakúsko | Rumunsko | Slovensko | Slovinsko | Srbsko

Face to Face Business

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INDEPENDENT AUDITOR´S REPORT

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

Report from the audit of consolidated financial statements

Opinion

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

2. In our opinion, the consolidated financial statements present fairly in all material respects the financial position of the Group as of 31 December 2021 and its financial performance for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Basis for opinion

3. We conducted our audit in accordance with International Standards on Auditing ("ISAs") and ISA 805 Special considerations. Our responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the consolidated financial information section, below. We are independent of the Group 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 consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified audit opinion on 4 March 2021.

Statutory Representatives' and those charged with Governance responsibility for the Consolidated Financial Statements

5. The Statutory Representatives are responsible for the preparation and fair presentation of the consolidated financial information in accordance with the International Financial Reporting Standards ("IFRS") valid for preparation of balance sheet and income statement and for such internal controls as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial information, management is responsible for assessing the Group'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 Group or to cease its operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Consolidated Financial Information

6. Our responsibility is to obtain reasonable assurance about whether the consolidated financial information 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 consolidated financial information.

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 consolidated financial information, 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention, in our audit report, to the related disclosures in the consolidated financial information 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial information, including the selected disclosures, and whether the consolidated financial information 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 Group's consolidated annual report, prepared in accordance with the Act on Accounting. Our above presented opinion on the consolidated financial statements does not relate to other information presented in the consolidated annual report.

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

We have assessed, if consolidated annual report of the Group includes information required by the Act on Accounting.

Based on the work performed during the audit of the consolidated financial statements, in our opinion:

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

In addition, based on our understanding of the Group and its position, obtained during the audit of the consolidated financial statements, we are required to disclose, whether material misstatements were identified in the consolidated annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 30 March 2022

TPA

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

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

Consolidated Financial Statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

(all amounts are in thousands of EUR unless stated otherwise)

	Note	As at 31 December 2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	894 763	873 718
Intangible assets	6	24 801	25 472
Assets representing right of use	8	915	1 098
Other investment	7	631	631
Receivables	11	40 977	7 686
		962 087	**908 605**
Current assets			
Inventories	10	1 654	1 396
Trade and other receivables	11	113 257	47 564
Cash and cash equivalents	12	437 881	198 778
Current income tax receivable		0	2 361
		552 792	**250 099**
Non-current assets held for sale		0	0
Total assets		**1 514 879**	**1 158 704**
EQUITY			
Share capital and reserves attributable to equity			
Share capital	13	235 000	105 000
Legal reserve fund	13	27 338	21 407
Capital fund from shareholder contributions	13	0	130 000
Other reserves	13	178 145	178 145
Revaluation of financial investment		109	109
Actuarial gains/loss		2 527	-969
Revaluation reserve	13	96 382	72 136
Retained earnings	13	393 638	245 274
Total equity		**933 139**	**751 102**
LIABILITIES			
Non-current liabilities			
Non-current bank loans	15	0	12 899
Non-current finance lease liabilities	16	628	673
Non-current portion of grants and other deferred revenues	17	195 868	122 638
Deferred tax liability	18	67 322	62 964
Other long - term liabilities	14	6	0
Non-current provisions for liabilities and charges	19	4 600	9 769
		268 424	**208 943**
Current liabilities			
Current bank loans	15	5 475	24 200
Current finance lease liabilities	16	335	480
Trade and other payables	14	245 543	159 948
Current portion of grants and other deferred revenues	17	40 087	13 991
Provisions for current liabilities and charges	19	40	40
Current income tax payable		21 836	0
		313 316	**198 659**
Total liabilities		**581 740**	**407 602**
Total equity and liabilities		**1 514 879**	**1 158 704**

(all amounts are in thousands of EUR unless stated otherwise)

		Year ended 31 December	
	Note	**2021**	**2020**
Revenues	20	507 866	377 884
Capitalized costs		945	985
Consumables and services	21	-194 921	-292 716
Personnel costs	22	-34 755	-35 843
Depreciation and amortization	5,6	-71 518	-59 824
Negative revaluation difference	5	-5 068	0
Other operating income	24	7 002	5 973
Other operating expenses	23	-6 253	-3 658
Profit/loss		**203 298**	**-7 199**
Interest income	25	12	46
Interest expenses	25	-226	-594
Other finance income/expense	25	-153	-61
Finance cost, net		**-367**	**-609**
Profit/loss before tax		**202 931**	**-7 808**
Income tax expense	26	-34 328	-23 905
Profit/loss for the year		**168 603**	**-31 713**
Other comprehensive income			
Items that will not be reclassified			
Retirement benefit-actuarial gains		3 496	1 113
Revaluation of property, plant and equipment as at 1 January 2021		49 800	0
Deferred tax from revaluation of property, plant and equipment		-10 527	169
Total comprehensive income		**211 372**	**-30 431**
Profit/loss attributable:			
Owners of the parent company		168 603	-31 713
Non-controlling interest		0	0
Profit/loss for the year		**168 603**	**-31 713**
Total comprehensive income attributable to:			
Owners of the parent company		211 372	-30 431
Non-controlling interest		0	0
Total comprehensive income for the period		**211 372**	**-30 431**

(all amounts are in thousands of EUR 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**	**21 395**	**0**	**178 103**	**109**	**-2 082**	**81 312**	**267 696**	**651 533**
Net profit/loss for the year 2020	0	0	0	0	0	0	0	-31 713	-31 713
Other comprehensive income	0	0	0	0	0	1 113	-9 176	9 345	1 282
2020	**0**	**0**	**0**	**0**	**0**	**1 113**	**-9 176**	**-22 368**	**-30 431**
Allocation to Capital Fund from shareholder contribution (Note 13)	0	0	130 000	0	0	0	0	0	130 000
Profit appropriation to Statutory Fund (Note 13)	0	0	0	42	0	0	0	-42	0
Profit appropriation to Legal Fund	0	12	0	0	0	0	0	-12	0
Balance as at 31 December 2020	**105 000**	**21 407**	**130 000**	**178 145**	**109**	**-969**	**72 136**	**245 274**	**751 102**
Balance at 1 January 2021	**105 000**	**21 407**	**130 000**	**178 145**	**109**	**-969**	**72 136**	**245 274**	**751 102**
Net profit/loss for the year 2021	0	0	0	0	0	0	0	168 603	168 603
Other comprehensive income	0	0	0	0	0	3 496	24 246	15 027	42 769
2021	**0**	**0**	**0**	**0**	**0**	**3 496**	**24 246**	**183 630**	**211 372**
Dividens paid (Note 13)	0	0	0	0	0	0	0	-29 335	-29 335
Profit appropriation to Statutory Fund (Note 13)	0	0	0		0	0	0		0
Allocation to the Capital fund	130 000	0	-130 000	0	0	0	0	0	0
Profit appropriation to Legal Fund	0	5 931	0	0	0	0	0	-5 931	0
Balance as at 31 December 2021	**235 000**	**27 338**	**0**	**178 145**	**109**	**2 527**	**96 382**	**393 638**	**933 139**

(all amounts are in thousands of EUR unless stated otherwise)

	Note	Year ended 31 December 2021	2020
Cash flows from operating activities			
Cash generated from operations	30	385 293	26 621
Income tax paid		-17 229	-27 728
Interest received		2	55
Net cash generated from operating activities		**368 066**	**-1 052**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		-68 281	-60 707
Proceeds from sale of property, plant and equipment	30	401	188
Purchase of financial assets		0	0
Net cash used in investing activities		**-67 880**	**-60 519**
Cash flows from financing activities			
Proceeds / (repayment) of loans		-31 494	-10 214
Interest paid		-254	-729
Increase in equity		0	130 000
Dividends paid	13	-29 335	0
Net cash used in financing activities		**-61 083**	**119 057**
Net increase (+) / decrease (-) in cash and cash equivalents		**239 103**	**57 486**
Cash and cash equivalents at the beginning of the year	12	**198 778**	**141 292**
Cash and cash equivalent at the end of the year	12	**437 881**	**198 778**

(all amounts are in thousands of EUR unless stated otherwise)

1 General Information

Slovenská elektrizačná prenosová sústava, a.s. ("the parent 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.

Consolidated financial statements comprise of the financial statements of the Group and the sole subsidiary OKTE, a s. (hereinafter "the subsidiary"), which has been controlled as at 31 December 2021 and during the year then ended 31 December 2021 (hereinafter "the Group"). OKTE, a s. is 100% subsidiary SEPS. OKTE, a.s. was established on 20 July 2010 by separation of deviation settlement and short-term electricity market administrator in accordance with Act No. 656/2004 Coll, on Energy. OKTE, a.s. was included for the first time to be Consolidated Financial Statements as at 31 December 2011. Parent company SEPS prepares a Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

The principal activities of the Group 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 Group 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 Group operates in accordance with the Act of Energy and the relevant legislation. Office of Network Industries of the Slovak Republic (hereinafter "URSO") controls particular aspects of the relationship of the parent company and subsidiary and with its customers, including rates of the services provided.

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

	Absolute amount thousands EUR	Ownership interest and voting rights %
Slovak Republic represented by Ministry of Finance	235 000	100%
Total	**235 000**	**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 parent 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 parent company as well as 100% of voting rights.

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

(all amounts are in thousands of EUR unless stated otherwise)

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

Body	Function	Name
Board of Directors	Chairman	Ing. Peter Dovhun from 13. February 2021
	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 Kalavský 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 Chvíla 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

(all amounts are in thousands of EUR unless stated otherwise)

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 Communication Technologies	Juraj Saktor from 10 August 2021
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 Group employed 589 personnel on average during 2021 (2020: 591), 12 of which were management (2020: 11).

Registered address and Identification number

Mlynské nivy 59/A
824 84 Bratislava
Slovak Republic

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

Registered address of the subsidiary company

OKTE, a. s.
Mlynské nivy 48
821 09 Bratislava
Slovak Republic

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 of the Consolidated Financial Statements

The Group's Financial Statements at 31 December 2021 have been prepared as Consolidated Financial Statements under § 22 (2) of the Slovak Act No. 431/2002 Coll. ("Accounting Act") for the accounting period from 1 January 2020 to 31 December 2021.

The Accounting Act requires the Group 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").

The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union. The Group applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as amended by the European Union, which were in force as of 31 December 2021.

These Consolidated Financial Statements have been prepared on the historical cost basis, except for the valuation of property, plant and equipment, which were revalued using the revaluation model under IAS 16 and except for derivate financial instruments that are valued at fair value as at the reporting date.

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

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

These consolidated financial statements have been prepared in thousands of euros ("thousands of EUR").

2.2. Changes in the accounting policies

During the year ended 31 December 2021, the Group 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.

Amendments to IFRS 16 COVID 19 Leases - extension of amendment from 30 June 2021 to 30 June 2022

The goal of the Amendment is to make it easier for lessees to account for covid-19-related rent concessions such as rent holidays 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, extended until 30 June 2022.

These amendments to the standards in their first application do not have a material impact on the Group's financial statements.

The Group has changed the method of reporting revenues related to the provision of deviation and difference settlement services to net basis reporting. The Group has considered factors that indicate that the Group is acting as an agent and therefore does not take overall control over the goods and services. In connection with the change in reporting in 2021, the Group also adjusted comparable data for 2020; the impact on the overall consolidated comprehensive income is zero.

		Year ended 31 December	
	Note	**2020 after change of accounting policy**	**2020 before change of accounting policy**
Revenues	20	377 884	453 308
Consumables and Services	21	-292 716	-368 140

2.3. Consolidation principles

Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than 50% in the voting rights or otherwise has power to exercise control over their operations; and are included in the Consolidated Financial Statements. Subsidiaries are consolidated as of the date when the Group gained control. All receivables and payables, disposals and purchases, as well as expenses, revenues, profits and losses on transactions within the Group are eliminated.

All acquisitions of subsidiaries are accounted at cost. The cost of the business combination is measured as the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. If the cost of the business combination exceeds the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized, the difference is disclosed as goodwill.

2.4. Investments

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

2.5. Foreign currency transaction and translation

(i) Functional and presentation currency of the Consolidated Financial Statements

Items included in these Consolidated Financial Statement are presented in thousands of euro, which is the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in thousands of euro.

(ii) Transaction and balances

Transactions in foreign currency are translated into tne functional currency using the reference exchange rated determined and declared by the European Central Bank or National Bank of Slovakia as at the date preceding the date of the accounting transaction or at any other day if required by special regulation. At the reporting date preceding the date, the assets and liabilities (except advance payments made and advance payments received) 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 foreign currency are retranslated into the functional currency using the exchange rate valid at the date of the accounting transaction. Foreign Exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Income Statement.

2.6. Property, plant and equipment

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

(i) Cost

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 asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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 Group comprise assets that were acquired as a result of the separation of Slovenske 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

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 asset's 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 and impairment of fixed assets

The depreciation of property, plant and equipment starts in the month when the property, plant and equipment is available for use. Property, plant and equipment is 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 property, plant and equipment. The estimated useful lives of individual groups of assets 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 roky	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.

Land and assets under construction are not depreciated.

The residual value of an asset is the estimated amount that the Group 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 Group 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 Group 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's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Items that are retired or otherwise disposed of are eliminated from the Consolidated 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 Group as well as from economic environment of the Slovak Republic as at the balance sheet date. In case the Group 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.

2.7. 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 Group, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Borrowing costs are capitalized and included in the cost of an asset. The Group 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 Group 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;
- management intends to complete the software product and use or sell it;
- here 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.

2.8. 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose 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, i.e. release of respective value adjustment.

2.9. 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 part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
c) is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

2.10. Financial assets

The Group 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 asset's 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 asset's 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 the Group 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 Group commits to purchase or sell the asset.

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred 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 Group 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 Consolidated Statement of Financial Position.

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

2.11. Leases

a) Leases - IFRS 16

When concluding a contract, the Group 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 Group 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.

The Group 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 Group shall assign the agreed consideration to each leasing component proportionally on the basis of its value, if agreed separately.

i. Leased asset (Group as a lessee)

The Group 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 stimuli 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 Group shall consider all relevant facts and circumstances providing economic stimuli 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 Group 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 real property, machinery or 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 Group, 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 Group has applied an optional derogation 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 Group has also applied an optional derogation 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 Group assumes that it is a new asset. If the asset value cannot be determined reliably, the optional derogation shall not be applied.

In its statement of financial position, the right of use of asset is reported by the Group in relation to fixed assets and liabilities from lease are reported by the Group in relation to short-term and longterm liabilities. Furthermore, the Group 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 (Group as a lessee)

Any lease, where the Group 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 Group 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. Stimuli 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.

2.12. 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.

2.13. 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. The Group revenue recognition policy is described in the Note 2.23.

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

Value adjustment of trade receivables is established when there is objective evidence that the Group will be not able to collect all the amount 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 are trade receivable is impaired. The amount of the value adjustment is the difference between the asset's carrying amount and the present values 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).

Value adjustment of trade receivables is recognized through an allowance account. Impairment losses and their reversals, if any, are recognized in the Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income within other operating income.

2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other shortterm 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.

2.15. Share capital

Ordinary 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.

2.16. Current and deferred income tax

The current income tax charge is calculated on tne oasis of tne 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 Consolidated 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 (an 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 Group 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 Group offsets deferred tax assets and deferred tax liabilities where the Group 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 Group is obliged to pay special levy from business activities in regulated sectors. The levy 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".

2.17. 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 Group would comply with all attached conditions.
Grants and contributions relating to acquisition of property 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 EBRD for the Reconstruction - Structure 2, Part 2 an Structure 3 in Krizovany, with the grant approved by EBRD for Lemesany - Kosice - Moldava-Structure 4. for reconstruction of "switching station 400/110 kV in Bystricany". The Group also has a grant approved by Danube InGrid for project, which is result of cooperation between the Group, 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.

2.18. 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 Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 month after the reporting date.

2.19. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Where the Group expects a 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 a onerous contract presented at the Group, 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 Group would rationally pay to settle the obligation. The estimate is determined by the judgement of the management and the

(all amounts are in thousands of EUR unless stated otherwise)

Group's lawyers. The provision represents the individual most likeiy 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 recognizes as interest expense.

2.20. Contingent liabilities

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

2.21. Trade payables

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

2.22. Employee benefits

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

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 Group 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 Group 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 Group is obliged, starting from year 2018,based on the number of years in service, to pay its employees on retirement or disability the following multiples of their average monthly salary:

Number of year in service	
0-5 included	7
Over 5 - 10 included	9
Over 10-15 included	10
Over 15-20 included	11
Over 20	12

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

Other benefits

The Group 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 Group for at least three years;
- benefit is in the amount of EUR 550 when the employee reaches the age of 50 and 60 (2020: 500 EUR)

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

The liability recognized in the Consolidated 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 the Consolidated Statement of Changes 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 Group (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 Group for an old age or invalidity pension.

Defined contribution pension plans

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

The Group 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 payments.
Throughout the year, the Group 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 Group 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 Consolidated 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 the amount can be determined before the Consolidated Financial Statements are authorized for issue

- bonuses or profit sharing may be determined before the Consolidated 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.

2.23. Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Group and specific criteria will be met for each of the Group'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 Group's activities. Revenues is shown, net of value-added tax, estimated returns, rebates and discounts.

Revenues should be posted at transaction prices at the time when the goods or services are transferred to the customer. Any promised goods or services that are distinct shall be charged separately and discounts or returns from the sales price must be allocated to individual items, if the price is variable for any reason, a minimum value that is highly unlikely to be derecognized must be posted.

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.

2.24. Dividend distribution

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

2.25. Hedging Accounting

The Group holds derivative financial instruments in order to hedge commodity price risks. A hedged item is other receivable or other liability reported by the Group 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 Group 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 Group 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 ot 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 Group'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 Group 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 Group 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 Group 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.

2.26. 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 Group 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 Group 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, with early application permitted.

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

The Group 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 Group will be applied by the Group when they become effective.

Amendments to IAS 1 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, IAS16, 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 Group is currently assessing the impact of these new standards on its financial statements.

3 Financial Risk Management

3.1. Financial risk factors

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

(all amounts are in thousands of EUR unless stated otherwise)

Risk management is carried out by the Group under policies approved by the Board of Directors. The Group identifies, evaluates and hedges financial risks in cooperation with the Group'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 Group provides electricity transit services and auctions in which payments are denominated in EUR. Similarly, the Group recognizes part of purchases and credit financing with payments denominated in EUR.

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

	Liabilities		Assets	
	31 December 2020	31 December 2020	31 December 2021	31 December 2021
GBP/ CZK/USD and other	0	0	1	1

The impact of other currencies on the Group'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 and GBP would result in an increase/decrease in the Group's profit by EUR 0 thousand. The Group considers the risk is not significant as at reporting date.

(b) Price risk

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

(c) Operating risks - prices of services

The Group provides the electricity transmission of the Slovak Republic and directly associated activities. Moreover the Group carries out activities as organizer of spot electricity market, which also includes the settlement of deviations, central invoicing of fees related to the operation of the electricity system and the organization and settlement of support for electricity production from renewable energy sources and from high-efficiency cogeneration.

Activities of the Group are subject to regulation by The Regulatory Office of Network Industries of the Slovak Republic (hereinafter the „URSO"), which in its decisions determines tariffs, prices and costs allowed the Group. URSO applies in its determinations procedures and formulas describe in the URSO ordinance based on the principles established by the Regulation Committee for the regulatory period.

The year 2021 belongs to 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 the Group together with operators in Czech and Hungarian transmission system

The Group 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 Group are form payments for electricity transmitted through the cross-border links within the interconnection of electricity markets.

The main part of the Group's revenue consists of revenues from URSO's tariffs that have been approved and issued in its ordinances (electricity transmission and reserved capacity revenues, revenues from tariffs for electricity losses in transmission, system services revenues and revenues from balancing energy acquired within the IGCC system). Furthermore, the Group generates revenues related to cross border electricity transmission (clearing of international transfers revenues - ITC mechanism, from auctions and revenues from electricity transmitted through cross border connections within the links to electricity markets - Market Coupling) revenues related to electricity on the daily market, for which the URSO does not set prices.

The Groups's costs consists mainly costs for purchase of support services needed to provide system services, the cost of system operating, electricity purchase costs to cover losses and own consumption, the cost for payments related to deviations of billing subjects, the costs associated with cross-border electricity transmission and other costs needed for transmission system operation and operation of the Group.

(d) Cash flow interest rate risk

The Group repaid the last loan with a variable rate on 2019. In the period from 1 January 2021 to 31 December 2021 it has one outstanding long-term investment loans with fixed interest rates. For this reason the Group is not exposed to interest rate risk in consequence of long-term loans.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.
Operating revenues and operating cash flows of the Group are independent, to a large extent, of the changes in interest rates on the market. The Group does not have material 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 Group has implemented individual assessment of major customers credit risk. 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 Group is managing risk of non-payment of customers through advance payment and guarantees.

As for the trade receivables, the Group carries out its activities with a few significant counterparties. Although the receivables of the Group 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 engaged in the electricity business, most of them with an influence by the state.

The Group secures its credit risk with customers and partners operating on short-term electricity market and with participants of deviation settlement based on regulation rules through received bank guarantees or financial warranties. The Group can use them in case of customers' insolvency.

(all amounts are in thousands of EUR unless stated otherwise)

Maximum exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 4 085 thousand (Note 11).

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

		Balance as at 31 December	
Counterparty	**Rating[2]**	**2021**	**2020**
Banks[1]			
Všeobecná úverová banka, a.s.	A2	13 681	36 218
Tatra banka, a.s.	A2	45 432	152 334
Československá obchodná banka, a.s.	A3	46	999
Slovenská sporiteľňa, a.s.	A2	4 968	5 800
Štátna pokladnica	A2	365 705	0
UniCredit Bank Czech Republic and Slovakia, a. s. pobočka zahraničnej banky	A3	2 771	10
UniCredit Bank Czech Republic and Slovakia, a. s.	A3	4 182	2 268
365 Banka, a. s. (Poštová Banka, a. s.)	BB-	986	998
Other	n/a	110	151
Total		**437 881**	**198 778**

[1] The amount of cash and short-term deposits at banks as at 31 December 2021 amounts to EUR 437 881 thousand (31 December 2020 EUR 198 778 thousand). As at 31 December 2021 cash and cash equivalents are at the Group's full disposal. Furthermore, the Group has agreed with those banks on credit lines on current accounts totalling EUR 0 thousand (31 December 2020: EUR 133 550 thousand), which were not utilized. The Group has bank borrowings as at 31 December 2021 of EUR 5 475 thousand (31 December 2020: EUR 37 099 thousand), and these credit lines were utilized.
[2] The Group uses the independent rating of Moody's 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 Group aims to maintain flexibility in funding by keeping committed credit lines available.

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

The Group 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 Group, and
- expected future cash outflows securing operation of the Group and leading to settlement of all liabilities of the Group, 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 Group to make term deposits and other investments.

(all amounts are in thousands of EUR unless stated otherwise)

Management monitors rolling forecasts of the Group liquidity reserve comprises un-drawn borrowing facility and cash equivalents on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. 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 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2021				
Bank loans	5 475	0	0	0
Finance lease	335	200	334	94
Trade and other payables excluding liabilities not falling under IFRS 7	238 337	0	0	0
Total	244 147	200	334	94
At 31 December 2020				
Bank loans	24 200	12 899	0	0
Finance lease	480	281	256	136
Trade and other payables excluding liabilities not falling under IFRS 7	153 146	0	0	0
Total	177 826	13 180	256	136

	Less than 1 year	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	0	0	0
Total	48 457	0	0	0
As at 31 December 2020				
Short term financial liabilities - hedging derivative Instruments	13 010	0	0	0
Total	13 010	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 Parent 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 parent company uses commodity futures.
Managing processes related to commodity price change risk in the parent 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 parent 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 parent company sections that carry out the transactions, while trading positions are assessed through the Value-at-Risk indicator monitored on quarterly basis.

(all amounts are in thousands of EUR unless stated otherwise)

Electricity Commodity Derivative Sensitivity Analysis

Sensitivity to Changes in Fair Value of Electricity

Electricity Commodity Derivatives	Net Fair Value	Change
10% decrease	52 381	3 924
Balance as at 31 December 2021	48 457	
10% increase	44 533	-3 924

Electricity Commodity Derivatives	Net Fair Value	Change
10% decrease	13 200	191
Balance as at 31 December 2020	13 010	
10% increase	12 819	-191

Sensitivity to Changes in Market Prices of Electricity

Electricity Commodity Derivatives	Net Fair Value	Change
10% decrease	35 679	-12 778
Balance as at 31 December 2021	48 457	
10% increase	45 370	-3 087

Electricity Commodity Derivatives	Net Fair Value	Change
10% decrease	14 060	1 050
Balance as at 31 December 2020	13 010	
10% increase	11 458	-1 552

Effectivity of hedging is on the level of 100%.

3.2. Capital risk management

The parent company's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
The parent company's management manages shareholders capital reported under IFRS adopted by the European Union at 31 December 2021 in value EUR 933 139 thousand (31 December 2020: EUR 751 102 thousand).

Consistent with others in the industry, the parent company' management 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	1 514 879	1 158 704
Equity (Note 13)	933 139	751 102
The ratio of Equity to Total liabilities and equity	62%	65%

(all amounts are in thousands of EUR unless stated otherwise)

The parent company's strategy was unchanged from 2021, 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 Group 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 is 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 Group 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 Group 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.

The carrying value less impairment provision of trade financial assets and liabilities are assumed to approximate their fair values.

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

Financial liabilities measured at fair value	31 December 2020	Level 1	Level 2	Úroveň 3
Hedging derivatives	13 010	0	13 010	0

4 Critical accounting estimates and judgements

The Group 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 iiabilities within the future, are described below.

(i) Regulated revenues

The Group provides the electricity transmission of the Slovak Republic and directly associated activities. Moreover the Group carries out activities as organizer of spot electricity market, which also includes the settlement of deviations, central invoicing of fees related to the operation of the electricity system and the organization and settlement of support for electricity production from renewable energy sources and from high-efficiency cogeneration.

The Group's activities are regulated by The Regulatory Office of Network industries of Slovakia (hereinafter the „URSO), which in its decisions determines tariffs, prices, allowed costs ana allowed revenues of the Group. URSO applies in its determinations procedures and formulas described in the URSO ordinance based on the principles established by the Regulation Committee for the regulatory period.

The year 2021 belongs to the 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, which the Group together with operators in Czech and Hungarian transmission system use to prevent the supply of regulation electricity in opposite directions through the cross-border connections.

The Group 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 Group are form payments for electricity transmitted through the cross-border links within the interconnection of electricity markets.

The main part of the Group's revenue consists of revenues from URSO's tariffs that have been approved and issued in its ordinances (electricity transmission and reserved capacity revenues, revenues from tariffs for electricity losses in transmission, system services revenues and revenues from balancing energy acquired within the IGCC system). Furthermore, the Group generates revenues related to cross border electricity transmission (clearing of international transfers revenues - ITC mechanism, from auctions and revenues from electricity transmitted through cross border connections within the links to electricity markets - Market Coupling) revenues related to electricity on the daily market, for which the URSO does not set prices.

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 Group 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. In determining the appropriate discount rate, the Group 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.

(all amounts are in thousands of EUR unless stated otherwise)

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 Group are assets used tor electricity transmission, in the past, the Group valued assets at the historical acquisition costs. As at 31 December 2011 and 2016 the Group applied the revaluation model to fair value according to IAS 16 for property, plant and equipment, except for the classes of assets containing vehicles, inventory and artwork. Revaluation of property 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 result of the revaluation was and increase of the assets and 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 Group also evaluated the expected remaining useful life of the property, plant and equipments 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 Group in the future.

(iv) Impairment test

As at 31 December 2021, the parent 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 and was concluded that all assets used in the regulated activities relating to the transmission of electricity represent as a whole one cash generating unit. Based on the analysis, the Group concluded that the assets used for regulated activities related to electricity transmission are not impaired.

(all amounts are in thousands of EUR unless stated otherwise)

5 Property, plant and equipment

	Land (revaluated)	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	592 934	248 325	108 041	92 144	1 057 433
Accumulated depreciation and impairment charges	0	-107 394	-75 439	-30 645	0	-213 478
Net book value	**15 989**	**485 540**	**172 886**	**77 396**	**92 144**	**843 955**
Year ended 31 December 2020						
Opening net book value	15 989	485 540	172 886	77 396	92 144	843 955
Additions	0	0	0	0	83 114	83 114
Transfers	0	74 319	3 887	42 639	-120 845	0
Disposals	0	-297	-5	0	0	-302
Depreciation charges	0	-25 515	-15 941	-11 593	0	-53 049
Impairment charges	0	0	0	0	0	0
Closing net book value	**15 989**	**534 047**	**160 827**	**108 442**	**54 413**	**873 718**
At 31 December 2020 after revaluation						
Cost	15 989	665 405	251 070	149 532	54 413	1 136 409
Accumulated depreciation and impairment charges	0	-131 358	-90 243	-41 090	0	-262 691
Net book value	**15 989**	**534 047**	**160 827**	**108 442**	**54 413**	**873 718**
At 31 December 2020 in historical costs						
Costs	8 705	713 119	428 516	152 018	54 406	1 356 764
Accumulated depreciation and impairment charges	0	-251 554	-275 696	-43 467	0	-570 717
Net book value	**8 705**	**461 565**	**152 820**	**108 551**	**54 406**	**786 047**
Year ended 31 December 2021						
Opening net book value	15 989	534 047	160 827	108 442	54 413	873 718
Revaluation	0	-7 697	52 429	0	0	44 732
Additions	151	23 563	15 904	1 435	639	41 692
Transfers	0	32 875	7 498	561	-40 934	0
Disposals	0	-463	-980	-71	0	-1 514
Depreciation charges	0	-21 626	-38 972	-3 267	0	-63 865
Impairment charges	0	0	0	0	0	0
Closing net book value	**16 140**	**560 699**	**196 706**	**107 100**	**14 118**	**894 763**

(all amounts are in thousands of EUR unless stated otherwise)

	Land (revaluated)	Buildings, halls and construction (revaluated)	Machinery and equipment** (revaluated)	Vehicles and other assets *** (cost)	Capital work in progress including advances (cost)	Total
At 31 December 2021 after revaluation						
Costs	16 140	582 090	201 188	147 387	14 118	960 923
Accumulated depreciation and impairment charges	0	-21 391	-4 482	-40 287	0	-66 160
Net book value	16 140	560 699	196 706	107 100	14 118	894 763
At 31 December 2021 in historical costs						
Costs	8 856	767 880	567 025	28 104	14 110	1 385 975
Accumulated depreciation and impairment charges	0	-266 685	-329 447	-8 250	0	-604 382
Net book value	8 856	501 195	237 578	19 854	14 110	781 593

** 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 Group 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).

The Group updated the revaluation as at 1 January 2021. The revaluation resulted in increase of the accounting value of property, plant and equipment by EUR 44 732 thousand,(of which an increase in comprehensive income by EUR 49 800 thousand and a decrease in operating profit by EUR 5 068 thousand) increase of the deferred tax liability by EUR 9 394 thousand, decrease of profits by EUR 3 412 thousand and increase of revaluation gains in other comprehensive income accumulated as a revaluation surplus within equity in the amount of EUR 39 342 thousand after taking the effect of deferred taxes into account.

Revaluation of assets to fair value was performed by an independent expert using a net realizable value; he also assessed the useful life of each asset item. The revaluation resulted in a reduction of annual depreciation by EUR 11 694 thousand in 2021 compared to the previous accounting period.

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

As at 31 December 2021 the Group reviewed all internal and external impairment indicators. The Group did not identify such indicators that would require performing of impairment test as at 31 December 2021.

As at 31 December 2021, the most significant items within property, plant and equipment represent: substations and administrative buildings in revalued net book value of EUR 436 282 thousand, in historical net book value of EUR 369 344 thousand (31 December 2020: revalued net book value of EUR 421 258 thousand, historical net book value of EUR 373 060 thousand); transmission lines at revalued net book value of EUR 389 554 thousand, in historical net book value of EUR 353 602 thousand (31 December 2020: revalued net book value of EUR 373 921 thousand, in historical net book value of EUR 315 021 thousand).

(all amounts are in thousands of EUR unless stated otherwise)

Non-current assets under construction consists mainly of EUR 3 049 thousand for a backup data centre in Podunajske Biskupice (31 December 2020: EUR 1 997 thousand), EUR 68 thousand for upgrade of equipment in RIS Horna Zdaha (31 December 2020: EUR 1 154 thousand), EUR 2 247 thousand for 2x400kV line Bystricany - Horna Zdaha (31 December 2020: EUR 1 992 thousand), EUR 1 734 thousand for implementation of security systems (31 December 2020: EUR 431 thousand), EUR 1 320 thousand for the transformer station 400/110 kV Senica (31 December 2020: EUR 962 thousand). These assets are not available for use at the reporting date.

In 2021, borrowing costs are capitalized in accordance with Group accounting policies, borrowing costs are capitalized and therefore the Group capitalized interest amounting EUR 0 (31 December 2020: EUR 0 thousand) 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 Group as lessors under operating lease agreements:

	Land, buildings and structures	Plant, machinery and equipment	Total
As at 31 December 2021			
Cost	17 738	0	17 738
Accumulated depreciation	-724	0	-724
Net value as at 31 December 2021	**17 014**	**0**	**17 014**
As at 31 December 2021			
Historical acquisition cost	24 513	0	24 513
Accumulated depreciation historical	-7 911	0	-7 911
Historical net book value as at 31 December 2021	**16 602**	**0**	**16 602**
As at 31 December 2020			
Cost	21 829	0	21 829
Accumulated depreciation	-4 037	0	-4 037
Net value as at 31 December 2020	**17 792**	**0**	**17 792**
As at 31 December 2020			
Historical acquisition cost	24 580	20	24 600
Accumulated depreciation historical	-7 320	-19	-7 339
Historical net book value as at 31 December 2020	**17 260**	**1**	**17 261**

The Group also leases optic fibres and circuits. The value of such fibres and circuits cannot be reasonably estimated, as they are part of other assets that are used by the Group.

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.

(all amounts are in thousands of EUR unless stated otherwise)

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

The Group has insured its assets against the following risks:

Insured object	Type of insurance	Amount insured as at 31 Dec 2021 in ths. EUR	Name of the insurance company
Buildings, halls and constructions	Damage or total loss (natural disaster)	217 370	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)	613 424	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)	731 368	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)	1 775	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	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)	93 746	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	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)

(all amounts are in thousands of EUR unless stated otherwise)

Insured object	Type of insurance	Amount insured as at 31 Dec 2021 in ths. EUR	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	17	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	332	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	291	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	166	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	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)	591 146	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	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	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)

(all amounts are in thousands of EUR unless stated otherwise)

Insured object	Type of insurance	Amount insured as at 31 Dec 2021 in ths. EUR	Name of the insurance company
Terorism		10 000	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	69 075	2 664	71 739
Accumulated amortisation	-55 647	0	-55 647
Net book value	**13 428**	**2 664**	**16 092**
Year ended 31 December 2020			
Opening net book amount	13 428	2 664	16 092
Additions	0	15 670	15 670
Transfers	16 443	-16 443	0
Disposals	0	0	0
Amortisation charge	-6 290	0	-6 290
Closing net book value	**23 581**	**1 891**	**25 472**
At 31 December 2020			
Cost	85 147	1 891	87 038
Amortisation charge	-61 566	0	-61 566
Net book value	**23 581**	**1 891**	**25 472**
Year ended 31 December 2021			
Opening net book amount	23 581	1 891	25 472
Additions	749	5 727	6 476
Transfers	611	-611	0
Disposals	0	0	0
Amortisation charge	-7 147	0	-7 147
Closing net book value	**17 794**	**7 007**	**24 801**
At 31 December 2021			
Cost	85 744	7 007	92 751
Accumulated amortisation	-67 950	0	-67 950
Net book value	**17 794**	**7 007**	**24 801**

The computer software consists mainly of software SAP, Damas Energy, MONARCH RIS SED, ISZO a ISOT, ISOM, ISCF a RRM. Net book value of SAP is EUR 389 thousand (31 December 2020: EUR

(all amounts are in thousands of EUR unless stated otherwise)

198 thousand), remaining amortization period is 4 years. Net book value of Damas Energy is EUR 411 thousand (31 December 2020: EUR 50 thousand), remaining amortization period is 4 years. Net book value of MONARCH RIS SED is EUR 7 214 thousand (31 December 2020: EUR 10 419 thousand), remaining amortization period is 3 years. Net book value of ISZO and ISOT are EUR 436 thousand (31 December 2020: 552 thousand), remaining amortization period is 1 years.

Intangible assets not yet in use include mainly EUR 1 000 thousand for the upgrade of IT software ISOT (31. december 2020: 942 EUR), EUR 249 thousand for improvement of RIS safety (31 December 2020: EUR 249 thousand), EUR 2 349 thousand for legislative upgrade of trading system (31 December 2020: EUR 308 thousand).

Internally generated intangible assets are immaterial.

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

7 Shares and other investments

	2021	2020
At the beginning of the year	**631**	**631**
Additions	0	0
Disposals	0	0
At the end of the year	631	631

Eight providers ot transmission systems: Verbund - Austrian Power Grid AG, CEPS, 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, in 2008, Central Auction Office (CAO) based in Gute Anger 15, Freising, Germany for the purpose of introducing regional coordinated management of network overloading. In year 2013 the Group had share on the capital 12.5 %. On 23 May 2014 was entered in the German Register a new partner - Croatian provider HOPS d. o. o. and Group'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), CEPS (Czech Republic), CREOS (Luxembourg), ELES (Slovenia), ELIA (Belgium), EnerginetDK (Denmark), HOPS (Croatia) MAVIR (Hungary), PSE (Poland), RTE (France), Slovenska elektrizacna prenosova sustava, a.s./ SEPS, Statnett (Norway), Swissgrid (Switzerland) TenneT (Germany), TenneT (Netherlands), Terna (Italy), TransnetBW (Germany), Moyle (Northern Ireland) aund Eirgrid (Ireland), EMS Elektromreza Srbije AD (Serbia), ESO Elektroenergien Sistement Operator EAD (Bulgaria) . Its main task is to conduct an annual, monthly and daily auctions of rights to transmit electricity in Europe and act as backup for the European Market Coupling.

New allocative 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 Group does not expect that the investment is impaired.
In June 2018, parent company became a shareholder of TSCNET Services GmbH (TSCNET). TSCNET is one of the European Regional Security Coordinators (RSC) based in Munich, Germany.

(all amounts are in thousands of EUR unless stated otherwise)

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 twelve European countries are the organization's shareholders: 50Hertz (Germany), Amprion (Germany), APG (Austria), CEPS (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 ecuiiy and profit or loss is not yet available. The Group does not expect any impairment of the investment.

8 Assets representing the right of use

Group as lessee

The Group 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, property, plant and equipment	Total
As at 1 January 2021	**1 098**	**1 098**
Adjustments due to contract modifications	-26	-26
Additions	386	386
Depreciation	-506	-506
Disposals	-37	-37
Balance as at 31 December 2021	**915**	**915**

	Land, property, plant and equipment	Total
As at 1 January 2020	**1 434**	**1 434**
Additions	262	262
Depreciation	-485	-485
Disposals	-113	-113
Balance as at 31 December 2020	**1 098**	**1 098**

(all amounts are in thousands of EUR unless stated otherwise)

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 and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	0	74 834	74 834
Variable collateral from commodity futures	0	23 392	23 392
Variable collateral from spot trades	0	4 275	4 275
Other receivables	0	1 795	1 795
Cash on bank accounts and cash in hand	0	437 881	437 881
Short-term bank deposits	0	0	0
Total	0	542 177	542 177

As at 31 December 2021	Financial liabilities at fair value through	Other financial liabilities-carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	0	173 187	173 187
Received guarantees	0	41 600	41 600
Liabilities from derivative financial instruments	0	0	0
Payables to employees	0	1 559	1 559
Social security	0	1 021	1 021
Other payables	0	23 550	23 550
Bank loans and financial leasing	0	6 438	6 438
Total	**0**	**247 355**	**247 355**

As at 31 December 2020	Financial assets at fair value trough profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	0	44 926	44 926
Variable collateral from commodity futures	0	1 948	1 948
Other receivables	0	1 033	1 033
Cash on bank accounts and cash in hand	0	198 778	198 778
Short-term bank deposits	0	0	0
Total	0	246 685	246 685

(all amounts are in thousands of EUR unless stated otherwise)

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	97 122	97 122
Received guarantees	0	43 432	43 432
Liabilities from derivative financial instruments	0	0	0
Payables to employees	0	1 552	1 552
Social security	0	1 016	1 016
Other payables	0	12 592	12 592
Bank loans and financial leasing	0	38 252	38 252
Total	0	193 966	193 966

10 Inventories

	As at 31 December 2021	2020
Advance payments made for inventory	0	0
Materials and spare parts	1 654	1 396
	1 654	**1 396**

The Group has no limited right to dispose with inventory and does not use them to guarantee its liabilities.

(all amounts are in thousands of EUR unless stated otherwise)

11 Trade and other receivables

	As at 31 December 2021	2020
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	73 653	42 338
Within due but impaired trade receivables	0	0
Past due but not impaired trade receivables	1	1 495
Individually impaired trade receivables	1 180	1 093
Trade receivables (before provision for impairment)	**74 834**	**44 926**
Less: Provision for impairment of receivables	-4 085	-1 648
Trade receivables - net	**70 749**	**43 278**
VAT receivable	6 448	0
Claim on grant	817	0
Prepaymants	4 741	6
Other receivables	1 795	1 033
Variable collateral from commodity futures	23 392	1 948
Variable collateral from spot trades	4 275	0
Prepaid expenses and accrued income	1 040	1 299
Other receivables - net	**42 508**	**4 286**
Total trade and other receivables	**113 257**	**47 564**

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 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 thousand represents a variable collateral from commodity futures ((31 December 2020: EUR 1 948 thousand, see also Notes 17, 3.1 and 3.3).

Long-term receivables include the amount of EUR 1 079 thousand related to the refinancing of costs of capital construction within the Podunajske Biskupice power station incurred by Zapadoslovenska distribucna, a. s. (31 December 2020: EUR 1 079 thousand), the amount of EUR 4 337 thousand related to the refinancing of costs of capital construction withinthe Senica power station incurred by Zapadoslovenska distribucna, a. s. (31 December 2020: EUR 3 500 thousand), the amount of EUR 1 369 thousand related to the refinancing of costs of capital construction withinthe Stupava power station incurred by Zapadoslovenska distribucna, a. s. (31 December 2020: EUR 0), the amount of EUR 15 455 thousand related to the refinancing of costs of capital construction withinthe Vajnory power station incurred by Zapadoslovenska distribucna, a. s. (31 December 2020: EUR 0), the short-term part of this subsidy is in the amount of EUR 775 thousand (31 December 2020: EUR 0), the amount of EUR 3 074 thousand related to the refinancing of costs of capital construction within the Est Bystricany power station incurred by Fortischem, a. s. (31 December 2020: EUR 3 074 thousand), and the amount of EUR 15 629 thousand, which is related to the Danube InGrid subsidy (31 December 2020: EUR 0), the short-term part of this subsidy is in the amount of EUR 40 thousand (31 December 2020: EUR 0). The Danube InGrid project is the result of cooperation between the parent 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.

(all amounts are in thousands of EUR unless stated otherwise)

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	73 653	42 338
Overdue receivables	1 181	2 588
Total	74 834	44 926

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
Slovenské elektrárne, a.s.	620	-648
Západoslovenská distribučná, a. s.	2 886	5 633
Západoslovenská energetika Energia, a. s.	3 238	6 507
Stredoslovenská energetika, a. s.	7 092	4 140
Stredoslovenská distribučná, a. s.	2 048	1 781
Východoslovenská energetika, a. s.	3 630	1 808
Východoslovenská distribučná, a. s.	1 176	1 181
ČEPS, a. s.	3	1 627
MAVIR	21 694	3 597
Other	31 266	16 712
Neither past due nor impaired trade receivables	73 653	42 338

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 parent company. Although the receivables of the Group are generated from a few customers only, the credit risk is limited due to character of the counterparties. Most of the customers are strategic Slovak companies, most of them engaged in electricity business, with an influence by the state.

Credit risk of participiant on electricity short-term market and deviation settlement participant is covered by received guarantee or financial warranty.

As at 31 December 2021 trade receivables of EUR 1 thousand (31 December 2020: EUR 1 495 thousand) were past due but not impaired. Their ageing analysis is as follows:

	As at 31 December	
	2021	2020
1 to 90 days	1	1 495
91 to 180 days	0	0
Total past due but not impaired trade receivables	1	1 495

The balance of trading receivables as at the end of period includes overdue receivables of the accounting value of EUR 1 thousand (2020: EUR 9 thousand) for which the Group has not created adjustments, as no significant changes in the credibility of debtors have occurred and therefore the receivables are still deemed recoverable. The group has created an adjustment of EUR 2 905 thousand to cover overdue receivables (2020: EUR 555 thousand) based on the expected loss from trading receivables not overdue as of 31 December 2021.

(all amounts are in thousands of EUR unless stated otherwise)

As at 31 December 2021, the Group recorded individually impaired trade receivables in the gross amount of EUR 1 180 thousand (2020: EUR 1 093 thousand). As at 31 December 2021 was created provision in the amount of EUR 1 180 thousand (2020: EUR 1 093 thousand).

The ageing of these receivables is as follows:

	As at 31 December	
	2021	2020
from 180 to 360 days	86	0
over 361 days	1 094	1 093
Total individually impaired receivables	**1 180**	**1 093**

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

	2021	2020
At the beginning of the year	1 648	1 150
Additional provision for receivables impairment	0	0
Additional provision for receivables according IFRS 9	2 887	500
Unused amounts released	-450	0
Receivables written-off as uncollectible	0	-2
At the end of the year	**4 085**	**1 648**

No receivables have been pledged as collateral. The Group 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	352 881	177 778
Short-term bank deposits	85 000	21 000
	437 881	**198 778**

As at 31 December 2021 cash and cash equivalents were fully available for the Group's use.

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

	As at 31 December	
	2021	202
Cash and bank balances and deposits with original maturities of less than three months	437 881	198 778
Cash and bank balances and deposits with original maturities of more than three months	0	0
	437 881	**198 778**

The carrying amounts of cash and cash equivalents as of 31 December 2020 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. The parent company has no subscribed capital that has not been entered in the Commercial Register. Legal reserve fund has not attained the the minimum amount of mandatory contribution under Commercial Code due to the fact that the share capital of the parent company was increased during 2021.

The parent company has no subscribed capital that has not been entered in the Commercial Register.

Shares are associated with equal rights.

Legal reserve fund is obligatorily created from profit of the parent company in accordance with the Slovak Commercial Code. Accorcing to the Commercial Code, the parent 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 parent 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 parent company and it is no a distributable reserve. Legal reserve fund amounted to EUR 27 338 thousand as at 31 December 2021 (as at 31 December 2020: EUR 21 407 thousand).

As a sole shareholder of the parent 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 thousand 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 thousand was used to increase the Parent Company's share capital.

Other capital reserves comprise statutory fund of EUR 178 145 thousand (2020: EUR 178 145 thousand) and differences from revaluation of assets amounted to EUR 96 382 thousand (31 December 2020: EUR 72 136 thousand).

The statutory fund to finance future capital expenditures is used to accumulate internal funds of the parent company generated from profit dedicated to cover future capital expenditures. In 2021, the parent company contributed to this fund the amount of EUR 0 thousand and subsidiary the amount of EUR 0 thousand (31 December 2020: EUR 0 thousand). The rules for the use of funds allocated to the statutory fund for capital expenditures are governed by the general financing principles of the parent 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 assets fund are presented in the table below:

(all amounts are in thousands of EUR unless stated otherwise)

	2021
At the start of the period	72 136
Revaluation as at 1 January 2021	49 800
Deferred tax to revaluation as at 1 January 2021	-10 458
Revaluation surplus reclassified to retained earnings as at 31 December 2021	-19 021
Deferred tax on revaluation surplus as at 31 December 2021	3 994
Deferred tax related to special levy from business activities in regulated sectors	-69
At the end of the period	**96 382**

	2020
At the start of the period	81 312
Revaluation surplus reclassified to retained earnings as at 31 December 2020	-11 829
Deferred tax on revaluation surplus as at 31 December 2020	2 484
Deferred tax related to changes in tax rates and special levy from profit in regulated industry	169
At the end of the period	**72 136**

The parent 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 General Meeting held on 9 June 2021 approved the Financial Statements of parent company for 2020. In 2021 were approved dividend for 2020 in the amount of EUR 279 381,60 (rounded) per share at the nominal value of EUR 1 000 000 (in 2020: EUR 0 rounded amount).

The loss accounting of the parent company for the year 2020 of EUR 31 713 thousand was distributed as follows:

	2021 loss settlement	**2020 profit distribution**
Dividends paid	29 335	0
Appropriation to the Statutory Fund	0	42
Appropriation to the Reserve Fund	5 931	12
Transfer to account of Accumulated losses from previous years	-90 946	0
Transfer to retained earnings	23 967	69 248
Total	**-31 713**	**69 302**

The parent company made a profit in 2020, for this reason it paid dividends from the profit for 2020 in 2021.

The loss of the group can be definitly identified as a deficit from the system of support for generation electricity from renewable sources and VUKVET, for which OKTE, a. s. is both organizer and clearing institution, pursuant to Act No. 250/2012 Coll., on regulation in network industries, Act No. 251/2012 Coll., on energy and on amendment and supplementation of certain acts and Act No. 309/2009 Coll., on support for renewable energy sources and high-efficiency cogeneration and on amendment and supplementation to certain acts. Profit or loss of the group in the regulation period depends on decision by Regulatory Office for Network Industries, which sets out prices of regulated activities of OKTE, a. s., in accordance with Decree No. 18/2017 Coll., setting out price regulation in electrical energy sector and some conditions of performance of regulated activities in electrical energy sector. The group is of the opinion that the loss incurred in 2020 shall be fully compensated in 2022.

(all amounts are in thousands of EUR unless stated otherwise)

14 Trade and other payables

	As at 31 December	
	2021	2020
Trade payables	173 187	97 122
Received guarantees	41 600	43 432
Payables to employees	1 559	1 552
Social security	1 021	1 016
Accrued personnel expenses	4 270	3 911
Social fund	356	323
Other payables	23 550	12 592
Total	**245 543**	**159 948**

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

Liabilities include the amount of EUR 1 015 thousand relating to deliveries for investment shares not invoiced as of 31 December 2021 (31 December 2020: EUR 483 thousand). The long-term part related to deliveries for investment shares that were not invoiced as at 31 December 2021 is in the amount of EUR 6 thousand (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:

	Ast at 31 December	
	2021	2020
Payables not yet due	245 437	158 082
Overdue payables	106	1 866
Total	**245 543**	**159 948**

Social Fund

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

(all amounts are in thousands of EUR unless stated otherwise)

	As at 31 December 2021	2020
Opening balance at 1 January	**323**	**240**
Creation	1 122	1 083
Usage	-1 089	-1 000
Closing balance at 31 December	**356**	**323**

15 Bank loans and finance lease liabilities

	As at 31 December 2021	2020
Non-current		
Long-term portion of bank loans (a)	0	12 899
	0	12 899
Current		
Short-term portion of bank loans (a)	5 475	24 200
	5 475	24 200

(a) Bank loans

The maturity of bank loans is as follows:

Maturity	As at 31 December 2021	2020
Short-term portion of bank loans	5 475	24 200
Long-term portion of bank loans		
1 to 5 years	0	12 899
over 5 years	0	0
Total	5 475	37 099

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

The Group has the following unoverdraft borrowing facilities:

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

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

Loans from VÚB, a.s. and Slovenska sporitefna, 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 individual financial statements of the parent company. The parent company complied with these covenants at the reporting date of these Consolidated Financial Statements.

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

	2021	2020
Bank borrowings	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
Tatra banka, a. s.	operating	EUR	0	1	EURIBOR +1,95	-	0	0	0
Tatra banka, a. s.	overdraft	EUR	0	7 000	1M EURIBOR + 0,85	-	0	0	0
Slovenská sporiteľňa, a. s.	Investment	EUR	0	17 323	1,30%	-	0	0	0
Všeobecná úverová banka, a. s.	Investment	EUR	5 475	12 775	1,2% and 1,3% depends on tranche	18.9.2022	0	5 475	0
Total	**X**	**X**	**5 475**	**37 099**	**X**	**X**	**X**	**5 475**	**0**

16 Finance lease liabilities

	As at 31 December	
	2021	2020
Long term		
Long term portion of finance lease	628	673
	628	**673**
Shortterm		
Short term portion of finance lease	335	480
	335	**480**

The structure of lease liabilities by residual maturity is provided in the following table:

	Balance as at 31 December	
	2021	2020
Less than one year	335	480
1-5 years	534	537
More than 5 years	94	136
Total	**963**	**1 153**

17 Grants and deferred revenues

Deferred revenues include the following items:

	As at 31 December 2021	2020
Deferred revenues		
EBOR grant Križovany – long-term portion (a)	7 909	8 885
– short-term portion (a)	620	819
EBOR grant Lemešany – long-term portion (b)	28 670	29 748
– short-term portion (b)	1 314	1 628
EBOR grant Bystričany – long-term portion (c)	51 417	46 319
– short-term portion (c)	1 893	1 936
US Steel – long-term portion (d)	2 852	3 083
– short-term portion (d)	202	197
EU TEN-E – long-term portion (e)	631	660
– short-term portion (e)	29	29
E.On – long-term portion (f)	2 044	2 132
– short-term portion (f)	101	119
Slovenské elektrárne, a. s. – long-term portion (g)	2 366	2 524
– short-term portion (g)	150	192
EU TEN-E – long-term portion (h)	682	718
– short-term portion (h)	28	28
EU TEN-E – long-term portion (i)	1 699	1 763
– short-term portion (i)	65	67
EU TEN-E – long-term portion (j)	1 937	2 004
– short-term portion (j)	67	66
Západoslovenská distribučná, a. s. – long-term portion (k)	3 831	2 539
– short-term portion (k)	120	167
Východoslovenská distribučná, a. s. – long-term portion (l)	3 464	3 769
– short-term portion (l)	182	175
INEA Veľký Meder – long-term portion (m)	345	361
– short-term portion (m)	12	0
INEA Rimavská Sobota – long-term portion (n)	609	634
– short-term portion (n)	18	0
Západoslovenská distribučná, a. s. - Pod. Biskupice – long-term portic	2 935	3 062
– short-term portion (o)	72	91
Západoslovenská distribučná, a. s. - Senica– long-term portion (p)	4 337	3 500
– short-term portion (p)	0	0
Fortischem, a. s. – long-term portion (q)	3 074	3 074
– short-term portion (q)	0	0
Derivative – long-term portion (r)	0	0
– short-term portion (r)	27 365	1 890
INEA Danube InGrid – long-term portion (s)	15 574	0
– short-term portion (s)	88	0
Západoslovenská distribučná, a. s. - Vajnory – long-term portion (t)	16 230	0
– short-term portion (t)	0	0
Others – long-term portion (u)	45 262	7 863
– short-term portion (u)	7 761	6 587
Total	**235 955**	**136 629**

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 thousand.

a)
On 10 December 2003, the parent company concluded a grant contract with the European Bank for Reconstruction and Development (EBOR), under which the EBOR undertook to provide a grant of EUR 24 million for IPR "Krizovany 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.

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

At the reporting date, the parent 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 parent company concluded a grant contract with the European Bank for Reconstruction and Development (EBOR), under which the EBOR undertook to provide a grant of EUR 43.9 million for extension IPR Bosaca 400 kV, transformer station 400/110kV Medzibrod - 2. construction, transformer station 400/110kV Medzibrod - 3. construction, power lines 2 x 400kV Lemesany - Kosice - Moldava - 4. construction. The contract became effective on 4 July 2008.

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

At the reporting date, the parent 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 Slovenska elektrizacna a prenosova sustava, a. s. and the European Bank for Reconstruction and Development (EBOR), in which the EBOR 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 Bystricany - transformation 400/110 kV, for expansion substation in Horna Zdana and Krizovany crossing the 400 kV Krizovany - Bystricany and 400 kV Oslany - Horna Zdana. Grant funds were drawn till 2020.

The amount of EUR 53 310 thousand (31 December 2020: EUR 48 255 thousand) was recognized in deferred revenue related to the subsidy.

At the reporting date, the parent 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 thousand (31 December 2020: EUR 3 280 thousand), related to investment in the substation in Kosice, which remains in property of the parent company, however, the company US Steel paid the half of the substation's acquisition costs.

e)
Amount of EUR 660 thousand represents a co-finance provided to the parent 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 Kosice (31 December 2020: EUR 689 thousand).

f)
Amount of EUR 2 145 thousand included in Deferred revenues is related to a 100 % co financing by company E.ON for apart of substation in Krizovany, field 13 (31 December 2020: EUR 2 251 thousand).

g)
Amount of EUR 2 516 thousand relates to refinancing of cost of Slovenske elektrarne, a.s. for connecting to transmission systems EMO 3 and 4 in Vel'ky Bur (31 December 2020: EUR 2 716 thousand).

h)
Amount of EUR 710 thousand represents co-finance provided to Group from European Commission for the transmission line SS Kosice - Lemesany (31 December 2020: EUR 746 thousand).

i)
Amount of EUR 1 764 thousand represents co-finance provided from European Commission for the meshing V 409 line to the new transformer station 400/110kV in Vôla electric station (31 December 2020: EUR 1 830 thousand).

j)
Amount of EUR 2 004 thousand represents co-finance provided to the parent company from European Commission for the transmission line 400 kV Gabcikovo - Vel'ky Ďur (31 December 2020: EUR 2 070 thousand).

k)
Amount EUR 3 951 thousand is related to the refinancing of Zapadoslovenska distribucna, a.s. costs for enlargement of electric station in the Stupava (31 December 2020: EUR 2 706 thousand).

l)
Amount EUR 3 646 thousand is related to the refinancing of Vychodoslovenska distribucna, a.s. costs for the construction of devices necessary to connect R 400/110 kV Vol'a into electric transmission system (31 December 2020: EUR 3 944 thousand).

m)
Amount of EUR 357 thousand represents the financial contribution from INEA agency intended for design and engineering work for the project of 2x400 kV line Veľky Meder - State Border of the Slovak Republic - Hungary (31 December 2020: EUR 361 thousand).

n)
Amount of EUR 627 thousand represents the financial contribution from INEA agency intended for design and engineering work for the project of 2x400 kV line Rimavska Sobota - State Border of the Slovak Republic - Hungary (31 December 2020: EUR 634 thousand).

o)
The amount of EUR 3 007 thousand relates to the refinancing of costs of capital construction within the Podunajske Biskupice power station incurred by Zapadoslovenska distribucna, a. s. (31 December 2020: EUR 3 153 thousand).

p)
The amount of EUR 4 337 thousand relates to the refinancing of costs of capital construction within the Senica power station incurred by Zapadoslovenska distribucna, a. s. (31 December 2020: EUR 3 500 thousand).

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

r)
The parent company decided to trade at electricity exchange, namely EEX (European Energy Exchange). In 2020, the parent company concluded future contracts at the exchange with the underlying commodity being electricity. Some of these contracts were settled during 2020 and 2021 other will be settled in 2022. 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 parent company are hedged (see also Notes 11, 3.1 and 3.3).
The sum of EUR 27 365 thousand represents hedging risk revaluation value in relation to commodity futures (as at 31 December 2020: EUR 1 890).

s)
The amount of EUR 15 662 thousand 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 Északdunántúli 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 16 230 thousand 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 215 thousand (31 December 2020: EUR 231 thousand), which relates to the joint procedure agreement for connection of company's En-Invest, a. s. facilitiest to the transmission system SR at the Moldava power station.

As other long-term deferred income the parent company is recorded an income in amount of EUR 20 063 thousand representing the proceeds of regulated tariffs, which does not belong to the parent company in 2021 according to regulatory accounting rules and procedures, but in 2023, when they will be realised (31 December 2020: EUR 5 844 thousand).

As other short-term deferred income the parent company is recorded an income in amount of EUR 5 844 thousand representing the proceeds of regulated tariffs, which does not belong to the parent company in 2019 according to regulatory accounting rules and procedures, but in 2021, when they will be realised (31 December 2020: EUR 4 016 thousand).

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: 6.5 %). 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.

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:

	At 31 December 2020	Change recognized as (-) expenses/(+) revenues	Change of equity	At 31 December 2021
Positive revaluation of fixed assets	-19 927	3 994	-10 527	-26 460
Negative revaluation of fixed assets	435	-896	0	-461
Receivables	18	606	0	624
Non-current tangible and intangible assets	-52 244	-1 862	0	-54 106
IFRS 16	9	1	0	10
Financial investment	-29	0	0	-29
Retirement benefit	2 052	-157	-929	966
Provisions	787	728	0	1 515
Possibility to claim unused tax deductions	0	2 940	0	2 940
Other	5 935	1 744	0	7 679
Total	-62 964	7 098	**-11 456**	-67 322

The movements in deffered tax assets and liabilities during previous year were as follows:

	At 31 December 2019	Change recognized as (-) expenses/(+) revenues	Change of equity	At 31 December 2020
Positive revaluation of fixed assets	-22 580	2 484	169	-19 927
Negative revaluation of fixed assets	531	-96	0	435
Receivables	18	0	0	18
Non-current tangible and intangible assets	-47 826	-4 418	0	-52 244
IFRS 16	18	-9	0	9
Financial investment	-29	0	0	-29
Retirement benefit	2 328	20	-296	2 052
Provisions	551	236	0	787
Other	6 612	-677	0	5 935
Total	-60 377	-2 460	-127	-62 964

19 Provisions for liabilities and charges

	Pension benefits and other long-term benefits (a)	Legal claims (b)	Others (c)	Total
At 1 January 2021	**9 769**	**40**	**0**	**9 809**
Creation of provisions	28	0	0	28
Reversals of provision to equity	-4 426	0	0	-4 426
Provisions used	-487	0	0	-487
Reversals of unused provision	-284		0	-284
At 31 December 2021	**4 600**	**40**	**0**	**4 640**

Analysis of total provisions	As at 31 December 2021	2020
Non-current	4 600	9 769
Current	40	40
Total	**4 640**	**9 809**

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 Group 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

Analysis of total provisions	As at 31 December 2021	2020
Present value of unfunded retirement obligations	4 289	9 546
Unrecognized actuarial gains/(losses) and portion of past service cost	0	0
Obligation in the Statement of Financial Position	**4 289**	**9 546**

The amount recognized in the Consolidated Statement of Comprehensive Income are as follows:

Analysis of current provisions	**2021**	**2020**
Current service cost	514	732
Past service cost	-957	0
Interest cost	81	65
Pension (credit) / cost, included in personnel costs	-362	797

Value recognized in Equity are as follows:

Analysis of total provision	**2021**	**2020**
Recognized actuarial gains from change in the method of calculating pension liabilities	-4 426	-1 409
Total change recognized in equity	-4 426	-1 409

Movements in the present value of defined benefit obligation are:

	2021	**2020**
Present value of unfunded retirement obligation at the beginning of the year	9 546	10 885
Current service cost	514	732
Interest cost	81	65
Benefits paid	-469	-727
Cancelled	-957	0
Actuarial gain on changes in IAS 19	-4 426	-1 409
Present value of unfunded retirement obligations at the end of the year	**4 289**	**9 546**

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

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

The amounts recognized in the Consolidated income Statement are as follows:

	2021	2020
Current service cost	32	23
Cost of past service	19	4
Recognized actuarial gains/(losses)	53	16
Interest expense	2	1
Pension (credit)/ cost included in personnel costs	106	44

Movements in the present value of defined benefit obligation are:

	2021	2020
Present value of unfunded retirement obligations at beginning of the year	223	201
Current service cost	32	23
Past service cost	19	4
Interest cost	2	1
Benefits paid	-18	-22
Actuarial gains/(losses)	53	16
Present value of unfunded retirement obligations at the end of the year	**311**	**223**

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

As at 31 December 2021	
Percentage of employees, who will terminate their employment 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 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 Group is involved in a legal cases regarding the cost reimbursement for bush cutting in the protection electricity lines zone and compensation for easements. In the opinion of the Group'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 transit, deviation settlement and fees for organization of daily electricity market:

	2021	2020
Access to transmission grid	131 921	131 281
Covering losses	17 600	17 632
System operation	70 392	27
System services	130 662	137 194
Auctions	37 077	30 182
Deviations and regulated energy	23 871	11 092
Shipping	79 796	36 781
CBT mechanism	9 216	10 166
Fee for connection to the transmission system	1 119	955
Import & export	368	1 061
Unplanned electricity exchanges (FSkar)	2 883	0
Other regulated services	2 147	665
Total revenues from electricity transmission and transit, deviation settlement and organization of daily electricity market	**507 052**	**377 036**
Rental	716	737
Telecommunications services	83	89
Other revenues	15	22
Total other revenues	**814**	**848**
Total revenues	**507 866**	**377 884**

Group 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 for the activities of the spot electricity market organizer). Moreover the Group generates revenues for regulated electricity, revenues related to deviations related to deviations of Subject's balancing group, revenues related to cross-border energy transmission (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) and revenues related to electricity on the daily market where the prices are not determined by the Office.

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.

Since 11 September 2012 the Group is acting as a shipping agent in connecting Czech, Slovak and Hungarian electricity market. On 19 November 2014 was operated trilateral Market Coupling between the Czech Republic, the Slovak Republic and Hungary extended by Romania to the quadrilateral Market Coupling (ie. 4MMC), which integrates related daily electricity markets through an implicit allocation of cross-border capacity between the Czech, Slovak, Hungarian and Romanian markets. The respective Group revenues and costs represent payments for electricity transferred across border from countries, where there is electricity surplus, to countries with electricity shortage. The Group recognizes the revenues from these activities under line Sales from merchandise respectively Costs for merchandise sold.

In 2021 were realized transactions in total amount of EUR 1 305 716 thousand and related costs were EUR 1 182 286 thousand (31 December 2020: transactions in amount of EUR 269 382 thousand and related costs were in the amount of EUR 238 647 thousand). According to IFRS 15, costs of implicit auctions of EUR 55 818 thousand and costs of collection for the benefit of a third party amounting to EUR 107 276 thousand, as such collection does not form a part of the transaction price according to IFRS 15, were deducted from these items as at 31 December 2021. Revenues related to the use of the OT profile amounting to EUR 135 135 thousand are also included in shipping, (as at 31 December 2020 costs associated with the implicit auctions amounting to EUR 14 680 thousand, as well as costs of collection for the benefit of a third party in the amount of EUR 2 425 thousand, were included in service costs, revenues related to the use of the OT profile in the amount of EUR 23 072 thousand). Items related to shipping were reported in consumption of material and services as at 31. 12. 2021. Revenues from shipping with negative prices in the amount of EUR 995 thousand and costs of shipping with negative prices in the amount of EUR 754, costs related to congestion income in the amount of EUR 16 771 thousand and revenues related to congestion income in the amount of EUR 855 thousand are also included in the shipping item (as at 31 December 2020: Revenues from shipping with negative prices in the amount of EUR 2 312 and costs of shipping with negative prices in the amount of EUR 2 233 thousand).

According to IFRS 15, costs and revenues for the operation of the system are reported on a net basis. During the year 2021, transactions were carried out in the total amount of EUR 526 982 thousand and related costs were EUR 211 187 thousand (31 December 2020: transactions in the total amount of EUR 520 038 thousand and related costs were EUR 134 071 thousand reported in Consumption of materials and services). As at 31 December 2021, these items were reduced by remuneration for the activities of the buyer in the amount of EUR 252 277 thousand (as at 31 December 2020: EUR 471 030 thousand). Other revenues from the operation of the system, which according to IFRS 15 are not reported in net value, are in amount of EUR 6 874 thousand (31 December 2020: EUR 27 thousand).

According to IFRS 15, costs and revenues for the provision of the deviation settlement service are reported on a net basis. During 2021, related revenues in the total amount of EUR 109 973 thousand and related costs were EUR 89 200 thousand (31 December 2020: transactions in the total amount of EUR 49 249 thousand and related costs were EUR 41 057 thousand reported in Consumption of materials and services). Other income for deviations, which according to IFRS 15 are not reported in net value, are in amount of EUR 3 098 thousand (31 December 2020: EUR 2 900 thousand).

According to IFRS 15, costs and revenues for the provision of the difference settlement service are reported on a net basis. During 2021, related revenues in the total amount of EUR 40 270 thousand and related costs were EUR 40 270 thousand (31 December 2020: related revenues and expenses were EUR 34 367 thousand).

21 Consumed materials and services

Consumed materials and services included the following:

	2021	2020
Sale of electricity on daily market	38 812	32 752
System IGCC	9 575	0
Consumption of material, energy and other non-storable items	12 326	12 510
Repair and maitenance	6 545	6 609
Travel expenses	103	139
Representation expenses	61	63
Rental	442	526
Communication lines outputs	254	246
Stations service	1 913	2 140
Protection and maintenance of area	1 873	1 473
Revisions, controls and security services	1 006	591
Technical advisory, technical support	36	330
Cleaning	265	318
Biological reclamations, ecological costs	180	195
Geodetic and engineering services	0	28
Experts examinations, analysis, experts opinions, certifications	1 453	2 271
Information technology services and advertisement	10 044	12 319
Expenses for support services	124 986	130 021
Expenses for system operation	0	85 063
Expenses for auctions	315	291
Expenses for CBT/ITC	8	19
Unplanned electricity exchanges (Fskar)	5 264	0
Audit of Financial Statements provided by auditor	63	65
Advisory services	741	751
Tax advisory	18	35
Other services provided by auditor	2	15
Operating services TSCNET Services GmbH	1 382	1 181
Demolations	11	971
Recharges of shared costs	277	283
Other	1 618	1 511
Total	**194 921**	**292 716**

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

Except mentioned above, the Group recognizes revenues from sale of electricity and costs from purchased electricity on daily electricity market on net basis. In 2021 Group realized revenues from sale of electricity in the total amount of EUR 705 179 thousand (2020: EUR 212 394 thousand). Related costs were in the amount of EUR 743 991 thousand (2020: EUR 245 146 thousand).

Together with the operator of the Czech transmission network, the Group has introduced a system to avoid simultaneous supplies of balancing energy in opposite directions using cross-border connections (hereinafter the IGCC system) on 19 January 2012. 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 URSO. The Group reports revenues from these activities as part of the "sale of goods" and the "costs of goods sold". During 2021, transactions in total of EUR 6 254 thousand were carried out and related costs amounted to EUR 15 641 thousand (31 December 2020: transactions totalled to EUR 3 797 thousand and the costs amounted to EUR 3 511 thousand). Revenues from negative prices from IGCC totalled to EUR 1 647 thousand costs of negative prices from IGCC totalled to EUR 1 835 thousand (As at 31 December 2020: Revenues from negative prices from IGCC totalled to EUR 812 thousand and costs of negative prices from IGCC totalled to EUR 946 thousand).

22 Personnel costs

	2021	2020
Wages and salaries	22 311	22 850
Other personnel costs	2 636	2 805
Pension costs-definite contribution plan	9 107	9 347
Current service cost	546	755
Past service cost	19	4
Reported actuarial loss/ (profit)	53	16
Interest cost related to pension and other employee benefits	83	66
Total	**34 755**	**35 843**

23 Other operating expenses

	2021	2020
Insurance costs	2 198	2 260
Losses from sale of fixed assets and materials	403	0
Taxes and other fees	234	227
Gifts	97	44
Creation of adjustment	2 437	500
Non-production compensation	227	0
Other operating expenses	657	627
Total	**6 253**	**3 658**

24 Other operating income

	2021	2020
Gain from sale of fixed assets	0	154
Gain from sale of material	0	4
Release of deferred revenues from grant	4 541	3 258
Contractual penalties	1 381	1 919
Insurance income	459	80
Other operating income	621	558
Total	**7 002**	**5 973**

25 Finance expense net

	2021	2020
Interest income	12	46
Interest expense from borrowings	-209	-572
Interest expense according IFRS 16	-17	-22
Foreign exchange gains	0	0
Foreign exchange losses	0	-1
Other financial expenses	-153	-60
Net financial expenses	**-367**	**-609**

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/loss before tax	202 931	-7 808
Theoretical income tax related to current period at 21%	42 616	17 472
- Other income not subject to tax (permanent)	-726	-466
- Non-deductible expenses (permanent)	-870	1 164
- Tax loss utilisation	-6 803	0
- Increase of tax due to charges for regulated subjects	3 275	5 981
- Deferred tax from temporary differences to which no Deferred tax has been accounted historically	-2 940	0
- Income exempt from tax	-252	0
Additional income tax	28	0
Deferred tax increase to 1 January due to increase of tax rate	0	-246
	34 328	**23 905**
Income tax expense for the period		
The tax charge for the period comprises:		
- Deferred tax charge - expense/(income) (Note 18)	-7 098	2 460
Deferred tax total	**-7 098**	**2 460**
- Special levy for regulated industry	3 275	5 981
- Additional income tax	28	0
- Current income tax expense	38 123	15 464
Income tax total	**41 426**	**21 445**
Total tax for period	**34 328**	**23 905**
Effective tax rate	**16,92%**	**-306,16%**

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 by additional 4.4% for temporary differences in fixed assets because of special levy for regulated industry paid according to Act Nr. 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 (e.g. 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. Neither the parent company's management, nor the subsidiary management is aware of any circumstance 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 Group are subject to regulation by URSO.

(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 parent company submitted a statement on the plaintiff's appeal. The Regional Court in Bratislava will decide on the appeal.

28 Commitments

(a) Future capital commitments

The Group 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 21 094 thousand (2020:

EUR 33 021 thousand). 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 Group has approved a Capital expenditure budget for 2022 in the amount of EUR 58 680 thousand (2021 capex budget: EUR 70 979 thousand).
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 - Group as lessee

Using the database of contracts, the Group 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 Group applied the optional derogation, are listed below. The Group 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 Group 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 Group assumes that it is a new asset. If the asset value cannot be determined reliably, the optional exemption shall not be applied.

The Group 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	58	221
Due in 2 to 5 years	0	50
Due after 5 years	0	0
Total	58	271

The Group 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 9 thousand (31 December 2020: EUR 10 thousand). The main items include the lease of telecommunications routes.

c) Future operating lease commitments - Group as lessor

The Group leases out mainly lines and optic fiber cables.

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

	31 December 2021	31 December 2020
Due within 1 year	294	294
Due in 2 to 5 years	1 057	1 062
Due after 5 years	1 534	1 795
Total	**2 885**	**3 151**

The Group has also entered into an operating lease for an unlimited period of time, for which the annual lease payments is in the amount of EUR 385 thousand (31 December 2020: EUR 383 thousands).

The Group leases 2x110kV power lines ESt Lemesany - ES SS Kosice from supporting point in Bukovec to supporting point in Lemesany 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 2021 amounts to EUR 276 thousand (31 December 2020: year 2021: EUR 286 thousand). The basic component of the rent will be paid to lessee 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 payment includes the basic component of the rent in the amount of EUR 251 thousand annually (31 December 2020: EUR 251 thousand).

29 Contingent assets

Participants of spot electricity market and deviaton settlement enclose the contract with banks on bank guarantees in favour of the Group that the Group has the right to use in case of insolvency. The amount of received bank guarantees as at 31 December 2021 is EUR 224 513 thousand (as at 31 December 2020: EUR 136 493 thousand).

30 Cash generated from operations

	Note	2021	2020
Profit/loss before income tax		202 931	-7 808
Adjustments for:			
Depreciation of property, plant and equipment	5	64 371	53 534
Depreciation of non-current intangible assets	6	7 147	6 290
Negative revaluation	5,6	5 068	0
Changes in provisions for receivables	11	2 437	498
(Gain) / loss from disposal of property, plant and equipment	23	403	-154
Interest income / expenses net	25	214	548
Net movements in provisions	19	-5 169	-1 346
Other non-cash transactions		-15	136
Changes in working capital:			
Inventories (gross)		-239	1 169
Trade and other receivables		-101 319	-23 491
Trade and other payables, deferred revenues		209 464	-2 755
Cash generated from operations		385 293	26 621

In the consolidated cash flow statement, proceeds from sale of assets are as follows:

	Note	2021	2020
Net book amount		804	34
Profit / (loss) on disposal of asset	21	-403	154
Proceeds from disposal of asset		401	188

31 Related party transactions

Parties related to the Group include its sole shareholder, Joint Allocation Office, S. A. and TSCNET Services, GmbH and key management personnel of the Group or the shareholder.

The National Property Fund (FNM), an entity fully owned by the Slovak Republic was the sole shareholder of the parent company until 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.

The Ministry of Economy of Slovak Republic, an entity fully owned by the Slovak Republic, is the 51 % shareholder of Zapadoslovenska energetika, a. s., Vychodoslovenska energetika Holding, a. s. and Stredoslovenska energetika, a. s.

Zapadoslovenska distribucna, a. s., Zapadoslovenska energetika - Energia, a. s., Vychodoslovenska energetika, a. s., Vychodoslovenska distribucna, a.s. and Stredoslovenska distribucna, a. s. are 100% subsidiaries of these companies.

As at 31 December 2021, the outstanding balances with joint venture, state-controlled entities and government bodies were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade and other receivables	Trade and other payables
Slovenské elektrárne, a.s.	620	22	0	-37 006
Slovenské elektrárne-energetické služby, s.r.o.	-227	0	0	-440
Západoslovenská distribučná, a.s.	2 886	0	0	-12 679
Západoslovenská energetika – Energia, a.s.	3 238	0	0	-4 654
ZSE Elektrárne, s. r. o.	63	0	0	-77
Východoslovenská energetika, a.s.	3 630	0	0	-1 597
Východoslovenská distribučná, a.s.	1 176	0	0	24
Stredoslovenská energetika, a.s.	7 092	0	0	-4 249
Stredoslovenská distribučná, a.s.	2 048	0	0	-53 522
MH Teplárenský holding, a. s.	5	0	0	-713
Žilinská teplárenská, a. s.	1	0	0	-208
Martinská teplárenská, a. s.	57	0	0	-367
Zvolenská teplárenská, a. s.	14	0	0	-74
Joint Allocation Office, S. A.	2 175	0	0	-7 833
Vodohospodárska výstavba, š.p.	199	0	0	-3 146
Slovenský plynárenský priemysel, a. s.	9 210	904	0	-1
Bratislavská teplárenská, a. s.	0	0	0	-9 919

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

	Sales of services	**Purchase of services**
Slovenské elektrárne, a.s.	-143 428	-444 084
Slovenské elektrárne-Energetické služby, s. r. o.	29 967	3
Západoslovenská energetika, a. s.	0	0
Západoslovenská distribučná, a.s.	40 771	-177
Západoslovenská energetika – Energia, a.s.	204 164	208 295
ZSE Elektrárne, s. r. o.	1 199	-403
Východoslovenská energetika, a.s.	109 327	39 550
Východoslovenská energetika Holding, a.s.	0	0
Východoslovenská distribučná, a.s.	24 305	-2
Stredoslovenská energetika, a.s.	155 826	80 433
Stredoslovenská distribučná, a.s.	-30 778	-439
MH Teplárenský holding, a. s.	-3 766	-2 764
Žilinská teplárenská, a. s.	-1 828	-547
Martinská teplárenská, a. s.	-3 682	-1 259
Zvolenská teplárenská, a. s.	116	0
Joint Allocation Office, S. A.	-61 638	-5 799
TSCNET, GmbH	0	-1 438
Vodohospodárska výstavba, š. p.	-2 012	-49 791
Bratislavská teplárenská, a. s.	-1 860	0
Slovenský plynárenský priemysel, a. s.	70 032	-114 670

Positive values in the service sales column result from the fact that costs and revenues are reported on a net basis, as required in notes 20 Revenues and 21 Consumed materials and services according to IFRS 15. In the given case, revenues from transactions carried out by individual companies were lower than the related costs.

As at 31 December 2020, the outstanding balances with joint venture, state-controlled entities and government bodies were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade and other receivables	Trade and other payables
Slovenské elektrárne, a.s.	-648	12	0	-25 334
Slovenské elektrárne-energetické služby, s.r.o.	329	0	0	-623
Západoslovenská distribučná, a.s.	5 633	0	0	29
Západoslovenská energetika – Energia, a.s.	6 507	0	0	-2 862
ZSE Elektrárne, s. r. o.	28	0	0	-125
Východoslovenská energetika, a.s.	1 808	0	0	-959
Východoslovenská distribučná, a.s.	1 181	0	0	109
Stredoslovenská energetika, a.s.	4 140	0	0	-2 067
Stredoslovenská distribučná, a.s.	1 781	0	0	-23
Tepláreň Košice, a. s.	109	0	0	-1 708
Žilinská teplárenská, a. s.	0	0	0	-581
Martinská teplárenská, a. s.	51	0	0	-709
Zvolenská teplárenská, a. s.	29	0	0	-144
Joint Allocation Office, S. A.	81	0	0	-3 064
Vodohospodárska výstavba, š. p.	180	0	0	-999
Slovenský plynárenský priemysel, a. s.	1 400	350	0	-611
Bratislavská teplárenská, a. s.	0	0	0	-4

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

	Sales of services	**Purchase of services**
Slovenské elektrárne, a.s.	-983	-214 469
Slovenské elektrárne-Energetické služby, s. r. o.	5 070	15 589
Západoslovenská energetika, a. s.	0	-4
Západoslovenská distribučná, a.s.	58 524	-3 739
Západoslovenská energetika – Energia, a.s.	47 310	154 332
ZSE Elektrárne, s. r. o.	918	-732
Východoslovenská energetika, a.s.	24 161	83 364
Východoslovenská energetika Holding, a.s.	0	0
Východoslovenská distribučná, a.s.	24 510	-2 927
Stredoslovenská energetika, a.s.	33 489	119 886
Stredoslovenská distribučná, a.s.	35 735	-15 507
Tepláreň Košice, a. s.	-120	-17 063
Žilinská teplárenská, a. s.	-60	-4 879
Martinská teplárenská, a. s.	96	-3 754
Zvolenská teplárenská, a. s.	-31	-2 187
Joint Allocation Office, S. A.	15 204	-401
TSCNET, GmbH	0	-1 214
Vodohospodárska výstavba, a. s.	-324	-28 105
Bratislavská teplárenská, a. s.	0	-2 522
Slovenský plynárenský priemysel, a. s.	12 086	-39 772

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

	Sales of services	Purchase of services
Slovenské elektrárne, a.s.	8 562	-224 013
Slovenské elektrárne-Energetické služby, s. r. o.	5 789	14 869
Západoslovenská energetika, a. s.	0	-4
Západoslovenská distribučná, a.s.	58 524	-3 739
Západoslovenská energetika – Energia, a.s.	62 767	138 875
ZSE Elektrárne, s. r. o.	1 158	-971
Východoslovenská energetika, a.s.	33 438	74 086
Východoslovenská energetika Holding, a.s.	0	0
Východoslovenská distribučná, a.s.	24 510	-2 927
Stredoslovenská energetika, a.s.	43 284	110 090
Stredoslovenská distribučná, a.s.	35 735	-15 506
Tepláreň Košice, a. s.	334	-17 516
Žilinská teplárenská, a. s.	14	-4 953
Martinská teplárenská, a. s.	217	-3 875
Zvolenská teplárenská, a. s.	105	-2 323
Joint Allocation Office, S. A.	15 204	-401
TSCNET, GmbH	0	-1 214
Vodohospodárska výstavba, a. s.	2 550	-30 979
Bratislavská teplárenská, a. s.	0	-2 522
Slovenský plynárenský priemysel, a. s.	16 109	-43 794

Positive values in the service sales column result from the fact that costs and revenues are reported on a net basis, as required in notes 20 Revenues and 21 Consumed materials and services according to IFRS 15. In the given case, revenues from transactions carried out by individual companies were lower than the related costs.

Key management personnel compensation

Salaries and bonuses paid to the parent company's management, directors and other members of top managment 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	1 776	2 285
Total	1 776	2 285

32 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 Group cannot be assessed by the Group's management.

Declaration of compliance

The Consolidated 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 28 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 Consolidated Financial Statements

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