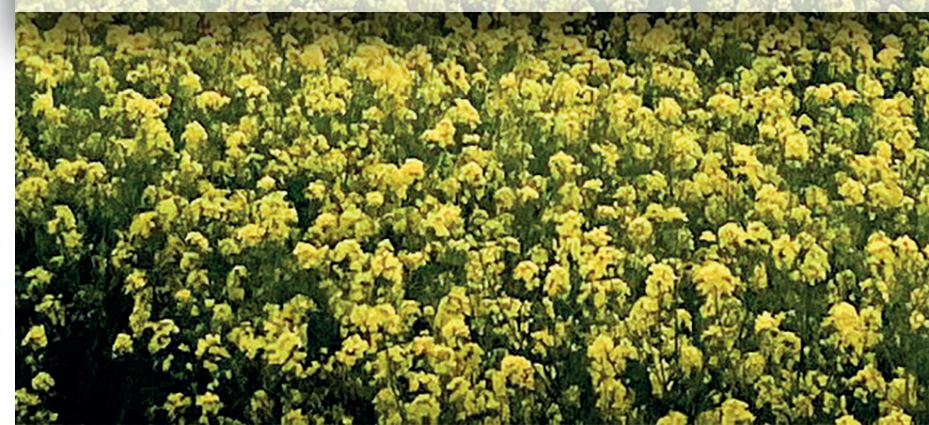
Slovenská elektrizačná prenosová sústava

2022

INDIVIDUAL
AND CONSOLIDATED
ANNUAL REPORT SEPS



AMENDMENT TO THE INDEPENDENT AUDITOR'S REPORT

on verification of consolidated annual report

as of 31 December 2022

Slovenská elektrizačná prenosová sústava, a.s.

Group seat:

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

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

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A Baker Tilly
Europe Alliance member

AMENDMENT TO THE INDEPENDENT AUDITOR´S REPORT

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

to consolidated annual report

in accordance with § 27 par. 6 of the Act no. 423/2015 on Statutory Audit and on change and amendment of Act no. 431/2002 on accounting, as amended („Act on Statutory Audit").

We have audited consolidated financial statements of the Group Slovenská elektrizačná prenosová sústava, a.s. as of 31 December 2022, presented in the consolidated annual report of the Group, to which we have on 29 March 2023 issued independent auditor's report from the audit of the consolidated financial statements with the following wording:

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 2022, 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 2022 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"). 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.

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

4. 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 Statements

5. 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.
6. 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
   - Evaluate the overall presentation, structure and content of the consolidated financial information, including the disclosures, and whether the consolidated financial information represent the underlying transactions and events in a manner that achieves a fair presentation
7. 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 consolidated annual report – amendment to the independent auditor's report

8. 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 Company 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 2022 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 Company and its position, obtained during the audit of the financial statements, we are required to disclose, whether material misstatements were identified in the 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, 14. April 2023

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

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

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TPA AUDIT, s. r. o.

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INTRODUCTION

Company Mission

We help individuals, families, institutions and entrepreneurs live to their full potential, making dreams come true and provide all our customers and citizens with products and services.

We contribute to energy transformation of our country towards emission-free and energy-independent and efficient company.

Company Vision

We share a common vision of Slovakia and the European Union, a vision of the society where we live and work and where there is enough affordable emmission-free electricity for everyone and at any time.

BOARD OF DIRECTORS CHAIRMAN'S LETTER

Dear shareholder, business partners, colleagues.

We entered the year 2022 together with optimism and expectation that after two years of the global pandemic we would gradually return to the "normal" way of work and life. In fact, it was the year full of events forecast by hardly anyone. It would be great simplification to describe it as "turbulent". On one hand, pandemic restrictions ended but, on the other hand, however, it was a year of continuing energy crisis amplified by the war conflict in Ukraine. Prices of energy raw materials and prices of electricity achieved historic peaks in the summer of 2022. The year-to-year growth in prices of goods and services in Slovakia and in the entire European Union breached the double-digit value and was the highest in the recent decades. Safety of energy supply, its price availability and substitution of fossil fuels in energy mix thus acquired a new dimension.

The year 2022 was a year of great challenges for SEPS. Unprecedented external events undoubtedly influenced our everyday activity, our development programmes, execution of ongoing projects and planning of future projects.

However, the year 2022 was also the year in which SEPS finished the second and opened the third decade of its independent activity. It was a year during which, despite external crises, we continued in fulfilling the assignment received from the shareholder upon appointing the current company Board of Directors into function:

Preparation of SEPS to incoming challenges and securing the system stability

The events of the past year showed to all of us how important it is to perceive power engineering within all its dimensions. How the decisions aimed at achieving emission-free energy mix influence not only safety of energy supply but also its long-term price availability. They showed us how important active and open cooperation will all key market participants is. In our case with our partners – with regional distribution company operators, with European transmission system operators, public administration institutions, regulatory office and associations of electricity consumers, producers and suppliers. Emergency synchronous connection of the Ukrainian electricity system to the Central Europe region can be rightly deemed to be a significant test of our ability to cooperate and bring solutions in the required quality and time. To be a confirmation that cooperation and open communication for us in SEPS is not only a managerial phrase but it is the way we carry out our everyday work.

The regular update of our development plans was extended by the scenarios related to decarbonization of production and consumption of energies in Slovakia and in the surrounding countries and by the analyses of impacts on the future safety of supply and price availability of electricity. Concurrently, in the last year, we continued in execution of development projects in the field of infrastructure and information technologies in our transmission system, in the field of development of markets in electricity as well as markets in ancillary services and flexibility.

Within the regular verification of our readiness to respond to crisis situations, we successfully carried out a unique test of the Black Start – simulation of electricity supply restoration. Its uniqueness within the European electricity systems consists in the fact that the supply restoration test included also a block of the nuclear power plant (JE Bohunice) in addition to the water source for electricity production (Vodohospodárska výstavba) and the regional distribution system operator (Západoslovenská distribučná).

In the last year, we continued in expert and personal development of our teams, colleagues within which the exchange of knowledge and experience with our colleagues from the transmission systems in the Czech Republic (ČEPS), Belgium and Germany (Elia) and in Austria (APG) was highlighted.

Making ancillary service procurement more efficient

The highest operating costs of the transmission system operator represent ancillary services inevitable for maintaining balance in the system. Despite the crisis and high prices of input commodities, we managed to get them at fair prices and, at the same time, safely reduce their procured volume by 40% – for the year 2023 it is 960 MW against 1,400 MW for the year 2022. Due to these steps we managed to prevent increase of electricity prices for consumers – otherwise the electricity costs for the inhabitants of Slovakia would be multiple times higher.

Market development with flexibility and ancillary services is our priority both in the past year and in the following years. All this based on the transparency and open communication principles. We are aware of not being able to influence the amount of fixed and variable costs of our suppliers of flexibility. By creation of transparent market environment and by extension of the number of providers, however, we may maintain an economic competition upon procurement of ancillary services which will provide for fair prices and thus also a fair amount of the tariff for ancillary services.

Investment plan prioritising and investment process optimization

Back in 2021, together with the current company management, we introduced changes in order to efficiently use funds and we took the same path in 2022. Based on the audit outputs conducted by the Value for Money Unit of the Ministry of Finance of the Slovak Republic and the needs of the electricity system, we have revised the investment plan in which we cancelled the unnecessary investments and we added the important ones

In regard to the growing requirements for electrification of our country in relation to the EU obligation to gradually reduce carbon emissions up to zero, we pay attention to investing in upgrade and extension of the company assets. Significant investment projects are long-distance run. In 2022, we focused on preparation of projects that will be important in the future, especially in the south-west and north-west part of the transmission system. The most significant investments were made on the V424 Sokolnice – Križovany, V428 Moldava – Kapušany and V429 Podunajské Biskupice – Gabčíkovo lines. The amount for investments in 2022 totalled EUR 52,143 million.

Lean management in the organisation and increase of operational effectiveness

Making the company operation effective started significantly already in 2021. This all in the form of changes in the company structure, by reduction of top manager salaries or by reducing the advertising costs and the costs of the company goodwill promotion. The established trends continued also this year. An open and transparent competition under the principle of the value for money became obvious. It is our company, not our suppliers that decides on the subject-matter and specification of procurement. In 2022, an average number of addressed suppliers for the contract was increased to 7.20 compared to three in the years before the last parliamentary elections. Savings in case of the below-threshold procurement grew in 2022 against the anticipated contract value from “pre-election” 1.98% to 18.75%.

Reflection of making the company effective into the lower electricity price

We have reached the operating cost reduction, in particular, by the changes in procurement of goods and services, by limiting the activities not inevitable for the company run and by changes of the company organisational structure. Moreover, we made savings on advertising and promotion of the business name. SEPS does not have end customers from among households and entrepreneurs thus we do not need to invest high amounts in advertising and promotion. Instead, we focused on support of education in the field of electricity, science and research and environment protection.

Due to good after-tax economic result of EUR 105.142 million, our company contributed to lower electricity prices for households and firms. The Ministry of Finance of the Slovak Republic after the agreement with the SEPS management could ensure so that despite increased prices on the market in electricity the tariff for transmission losses can remain at the level of the last year (1.7169 €/MWh). Due to SEPS extraordinary revenues from the cross-border operation amounting to EUR 153 million, multiple increase of the aforementioned tariff (to 8.6564 €/Mwh) could be prevented.

Current and future priorities

I believe that our 2022 results confirmed again the state could also be a good economist. During two years under the management of the current Board of Directors, Slovenská elektrizačná prenosová sústava became an efficient, transparent and openly communicating company. Our priority remains safety and reliability of the transmission system, however, in addition to this primary task of SEPS, we deem the implementation of the most up-to-date technologies, active support of Slovakia in the field of decarbonization and building a quality team to be the most important.

Sufficient amount of electricity from emission-free sources at fair prices is a goal which we are achieving in our country through progressive steps. All achievements in 2022 which took us closer to this goal are to the credit especially of our employees – quality and enthusiastic experts and their team work.

Here, I would like to express my thanks to all colleagues in SEPS and also to you, our partners and our shareholder for cooperation, personal involvement and excellent results during the entire year. Also, thanks to them we were able not only to react to the current challenges and crisis situations but also to continue in our conceptual work, in preparations of the Slovak electricity system for a new market design, for changes related to energy transformation and for fulfilment of our mission.

Ing. Peter Dovhun
Chairman of the Board of Directors and Chief Executive Officer

YEAR IN BRIEF

In 2022, no changes in the composition of the Board of Directors and top management of Slovenská elektrizačná prenosová sústava, a.s. occurred. However, there were changes in the composition of the company Supervisory Board.

As of 20 August 2022, Michal Sokoli resigned from the function of Supervisory Board member as the employee representative and from the function of the second Deputy Chairman of the Supervisory Board. From 21 August 2022, Ľuboš Obžut became a new member of the Supervisory Board who emerged from the last elections of the Supervisory Board members on behalf of the employees as an alternate.

On 8 September 2022, the Supervisory Board members elected by the SEPS employees designated Ing. Marek Šimlaštík as the second Deputy Chairman of the Supervisory Board.

In 2022, the changes in the Board of Directors composition occurred in OKTE. Pursuant to the Resolution of the SEPS Board of Directors, as of 8 December 2022, Ing. Michal Cabala, PhD. was dismissed from the function of the OKTE, a. s. Board of Directors member. Subsequently, pursuant to the Resolution of the SEPS Supervisory Board, as of 9 December 2022, Štefan Dobák was appointed to the function of the OKTE, a. s. Board Directors member.

Significant Investment and Operational Projects

Year 2022 was a turbulent period where the significant events included emergency synchronous connection of energy system of the Ukraine and Moldavia to Continental Europe. Energy crisis that led to substantial reduction to decommissioning of consumption at the biggest connected entities Slovalco and OFZ Široká what resulted in optimization adjustments of the Horná Ždaňa (Est) substation influenced the transmission system operation.

In terms of investments, great attention was paid to preparations of significant constructions for the future period, especially in south-west and north-west part of the transmission system of SR. The aggregate amount of the costs incurred for investments in 2022 was EUR 52.143 million. The most significant and the largest investments in terms of volume included replacement of conductors and reinsulation on the V424 Sokolnice – Križovany lines, replacement of conductors and reinsulation on the V428 ESt Moldava – ESt Kapušany line and replacement of conductors and reinsulation on the V429 ESt Podunajské Biskupice – VE Gabčíkovo line.

Table 1 | Overview of Key Technical Indicators for the Period 2013 - 2022

Lines – km	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
400 kV	1,951	1,953	1,953	2,138	2,138	2,138	2,138	2,138	2,357	2,357
220 kV	832	826	826	826	826	790	790	772	690	688
110 kV	80	80	80	80	80	80	80	80	80	80
Total	2,863	2,859	2,859	3,044	3,044	3,008	3,008	2,990	3,127	3,125
Transformers – MVA										
400/220 kV	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
400/110 kV	7,910	8,710	8,710	8,710	8,630	8,730	8,730	8,980	9,230	9,230
220/110 kV	1,800	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,200	1,200
Total	11,110	11,710	11,710	11,710	11,630	11,730	11,730	11,980	11,830	11,830
Switchyards - number										
400 kV	17	18	18	19	19	19	19	20	20	20
220 kV	7	6	6	6	6	6	6	6	5	5
Total	24	24	24	25	25	25	25	26	25	25

Note: In 2021, the operation of the R 220 kV Bystričany was terminated, the physical liquidation will be carried out in the period 2022 – 2023.

Electricity Generation and Consumption in the Electricity System of the Slovak Republic in the Year 2022

In 2022, 26,916 GWh of electricity was generated in Slovakia what is a relatively significant downturn by 3,177 GWh compared to 2021 with the year-to-year index of 89.4%.

The electricity consumption in Slovakia in 2022 compared to 2021 has dropped significantly, too. In 2022, the volume of electricity consumption in Slovakia was 28,328 GWh what means decrease compared to 2021 by 2,539 GWh with the year-to-year index of 91.8%. This consumption includes the consumption from pump-fed hydroelectric power plants for repumping (392 GWh, 1.4% of the Slovak Republic consumption).

Such a significant year-to-year decrease of electricity production and consumption in Slovakia was last witnessed in 2009 against the year 2008. The generation index (2009/2008) was then 89.2% and the consumption index was 92.1%.

In 2022, the volume of imported electricity from abroad more than doubled compared to 2021 (year-to-year index of 182.5%). The share of electricity from abroad in the total consumption increased to 5.0% (in 2021 it was 2.5%).

Table 2 | Year-To-Year Quarterly Indices of Electricity Production and Consumption in Slovakia (Year 2022 Against 2021)

2022/2021	I. Q	II. Q	III. Q	IV. Q
Generation (%)	93.6	88.2	82.1	93.3
Consumption (%)	99.0	94.9	88.2	85.0

Table 3 | Electricity Generation and Consumption in Slovakia in 2021 and 2022 in GWh

- GWh -	2021	2022	Index (%) 2022/2021	Share in production 2021 (%)	Share in production 2022 (%)
Nuclear power plants	15,730	15,920	101.2	52.3	59.1
Fossil-fuel power plants	7,274	4,769	65.6	24.2	17.7
Water power	4,604	3,992	86.7	15.3	14.8
Renewable energy sources	2,380	2,125	89.3	7.9	7.9
Other	105	110	104.9	0.3	0.4
Production	30,093	26,916	89.4		
Balance (Import +)	774	1,412	182.5		
Consumption	30,867	28,328	91.8		

Note: All mentioned values of electricity generation and consumption are gross data. Indices are calculated based on input data in MWh.

In 2022, similarly as in the previous years, there was a high share of the produced electricity from the nuclear fuel (59.1%). This share even increased by 6.8% compared to 2021. Nuclear power generation slightly increased by 2021 (index is 101.2%).

The most significant decrease in electricity generation in 2022 was attributed to production from fossil fuels (index of 65.6%). The greatest influence is attributed to generation of electricity from natural gas which decreased on a year-to-year basis by up to half of the value (index 48.1%). The share of electricity generated from natural gas in the total electricity generation in Slovakia dropped in 2022 to the value of 8.1%, in 2021 this share was up to 15.0%. Despite that, also in 2022, natural gas recorded the biggest share in the electricity produced from fossil fuels, in 2022 it amounted to 45.7%, in the previous year it was even 62.3%. The Malženice power plant producing electricity from natural gas was from 19 May 2022 to 1 February 2023 shut down. This power plant has total installed capacity 430 MW of which 419.6 MW is a steam-gas cycle.

In 2022, the decrease in electricity production from liquids obtained from metallurgical gas (index of 83.6%) occurred and slight decrease continued in electricity production from brown coal (index of 94.2%). Increase in electricity production from fossil sources was recorded only from heavy furnace oil (index of 121.7%) when we consider only more significant fossil sources for electricity production. (Electricity production from nuclear fuel is not considered in the production statistics from fossil fuels, it is evaluated separately).

In 2022, the biggest share in electricity production from renewable energy sources (RES) was attributed to photovoltaics (29.6%) followed by biomass (25.9%), liquids from biomass (20.6%) and biogas (19.3%). The share of all these four types in total production from RES was 95.5%. The remaining share of production from RES in the amount of 4.5% was attributed to further categories of production from RES. Decrease in production in case of mentioned four kinds of RES occurred in electricity production from biomass (index of 83.6%), liquids from biomass (index of 87.3%) and biogas (81.3%). On the contrary, electricity generation from photovoltaics slightly increased (index of 102.3%). Electricity production from water is evaluated separately.

In 2022, electricity production in hydroelectric power plants in the amount of 3,992 GWh was significantly lower compared to 2021 (index is 86.7%). Decrease of production in hydroelectric power plants was witnessed especially from May to September 2022 when, compared to the same period of 2021, the production lower by one third was recorded. It is one of the lowest annual volume of electricity production in hydroelectric power plants. Since 1999, lower production was recorded only in 2018 (3,920 GWh) and 2003 (3,582 GWh).

Economic Results in Brief – Individual Financial Statements (Year 2022)

Table 4 | Key Economic Indicators of the Parent Company SEPS Are Recognized in Compliance with the IFRS Standards

Data for parent company (in EUR thous.)	2018	2019	2020	2021	2022
Revenues	359,781	365,565	353,633	441,208	408,216
Profit/(loss) after tax	50,308	69,305	59,306	18,339	105,142
EBITDA	128,969	146,093	140,623	123,575	188,914
ROA	5.3%	7.1%	5.1%	1.5%	7.1%
Total indebtedness	33.2%	33.3%	27.3%	30.8%	34.4%
Balance amount	942,633	971,541	1,154,218	1,258,126	1,484,118
Long-term assets	825,219	853,143	891,161	913,169	898,981
Equity	629,992	648,322	838,910	870,683	974,514
Investments	65,503	74,576	95,417	47,209	52,143
Average number of employees	539	546	548	546	558

EBITDA = Profit before tax plus interest costs plus depreciation and adjusting items to assets minus interest revenues
ROA = Profit after tax/balance amount
Total indebtedness = Total payables/assets

Total revenues of the company in 2022 amounted to EUR 479.041 million including the financial revenues. The biggest volume from the achieved revenues of the company totalling EUR 408.216 million was attributed to the revenues for services of the transmission system operator and for other services.

Total costs (including income tax) amounted to EUR 373,899 million in 2022. These were reduced by EUR 56.979 million compared to 2021. The after-tax profit was EUR 105.142 million. The SEPS net profit significantly increased by EUR 86.803 million on a year-to-year basis, especially due to higher regulated revenues from the company key activity which is transmission and due to higher revenues from cross-border operation. Moreover, the paid out dividends from OKTE, a. s. from the profit achieved in 2021 (amounting to EUR 58.8 million) contributed significantly to the increase of the company profit in 2022.

As of 31 December 2022, the company managed the net assets in the amount of EUR 1,484.118 million. The balance amount was higher by EUR 225.992 million compared to the year 2021, mainly due to increase of Cash and Investments on the asset side and deferred revenues on the liability side of the balance sheet.

In 2022, the company investments in restoration and development of the transmission system totalled EUR 52.143 million which were prevailingly financed from own resources and partially also from foreign resources. The average number of employees was 558.

Economic Results in Brief - Consolidated Financial Statements (year 2022)

Table 5 | Key Group Consolidated Economic Indicators

Consolidated data (in EUR thous.)	2018	2019	2020	2021	2022
Revenues	543,793	461,582	377,884	510,727	454,563
Profit/(loss) after taxí	50,958	69,302	(31,713)	168,603	70,018
EBITDA	133,613	148,590	52,564	279,731	161,057
ROA	5.0%	6.5%	-2.7%	11.1%	3.8%
Total indebtedness	37.4%	38.5%	35.2%	38.4%	45.5%
Balance amount	1,011,415	1,058,781	1,158,704	1,514,879	1,837,228
Long-term assets	829,944	861,481	900,288	920,479	905,412
Equity	633,212	651,533	751,102	933,139	1,001,847
Investments	68,123	79,639	99,000	48,095	53,134
Average number of employees	573	581	591	589	603

EBITDA = Profit before tax plus interest costs plus depreciation and adjusting items to assets minus interest revenues
ROA = Profit after tax/balance amount
Total indebtedness = Total payables/assets

Pursuant to Act No. 431/2002 Coll. on Accountancy as amended SEPS prepares also consolidated financial statements in compliance with the IFRS standards. The SEPS consolidation covers also its only 100% subsidiary OKTE, a. s.

In 2022, the SEPS group achieved the consolidated revenues amounting to EUR 466.982 million including the financial revenues and the consolidated profit of EUR 70.018 million.

Due to higher regulated revenues achieved, SEPS recognized a positive result in 2022 and together with the achieved profit of OKTE, a. s., in 2022 they thus positively contributed to the consolidated profit of the group in 2022.

Total consolidated assets of the Group as of 31 December 2022 were EUR 1,837.228 million. The balance amount was higher compared to 2021, especially due to increase of Cash and Investments on the asset side and trade payables side, other liabilities and deferred revenues on the liability side of the financial statements position.

Legislatívne prostredie – energetická legislatíva

In 2022, the change process of the market in electricity design continued in the field of energy legislation development. The significant milestone was coming into effect of so called transposition amendment of energy acts (especially Act No. 251/2012 Coll. on Energy and Act No. 250/2012 Coll.

on Regulation). Act No. 309/2009 Coll. on the promotion of renewable energy sources (RES) was amended in the course of the year.

Changes in energy legislation and the resulting factual and procedural changes influenced also the SEPS operational documentation. The Operation Rules were changed three times in the course of the year by RONI decisions.

The selected documents of the “Technical Conditions for Access and Connection, Operation Rules for the Transmission System“ were updated in 2022 overall four times. A significant change is represented by incorporation of new rules for distribution of free capacity of connection to the system for electricity generating facilities and, specifically, for local sources between the transmission system operator and distribution system operators in compliance with the requirements of the Act on RES Promotion and conditions of their publishing on the company website.

Integrated Management System

SEPS has had the certified Integrated Management System (IMS) consisting of Quality Management (ISO 9001), Environmental Management (ISO 14001), Information Security Management (ISO/IEC 27001) and Occupational Safety and Health Management (ISO 45001) in place since 2009. Introduction, maintaining and continuous enhancement of ISM means a strategic decision for SEPS which helps improve its performance and achieve the objectives set. ISM based on procedural approach and including the “plan – do – check – act“ (PDCA) cycle with consideration based on risk contributes to coping with risks and opportunities related to the company context and goals and it enables proving the conformity of management systems with the specified requirements. It thus provides trust for the interested parties in sufficient risk management and in providing for security and reliability of its work.

In March 2022, the certification company DNV Business Assurance Slovakia, s. r. o. (hereinafter referred to as „DNV“) conducted a periodical audit in the field of the Quality Management System according to the requirements of ISO 9001:2015 and environmental management according to the requirements of ISO 14001:2015. The result of the periodical audit was a statement that SEPS IMS complies with the requirements of the mentioned standards and observes the certification criteria for continuing IMS certification. The quality and environmental management system in SEPS in place is functional and it is in full compliance with the aforementioned standards. The system strengths evaluation included evaluation of preventive approach and a team of highly-qualified employees.

In July 2022, the certification company DNV conducted a periodical audit of the Information Security Management System (ISMS) according to ISO/EIC 27001:2013. The DNV leading auditor stated SEPS was in compliance with the binding obligations of ISO/IEC 27001:2013 thus fulfilling the certification criteria for continuing certification of activities concerned also in the ISMS area. Auditors evaluated positively the set-up of the system approach to business continuity management and investments in secure infrastructure.

In November 2022, the certification company Technická inšpekcia, a. s., conducted a recertification audit of the Occupational Health and Safety Management System (OHS) according to the ISO 45001:2018 standard requirements. The main result of the recertification audit was a statement that SEPS IMS complies with the requirements of the mentioned standard and observes the certification criteria for certificate granting for the activities concerned. The OHS information security management in SEPS in place is functional and and it is in full compliance with the ISO 45001:2018 standard. Based on the aforementioned statement, SEPS was issued a relevant certificate valid as from 1 January 2026.

Conducting the audits (for all four management systems) is aimed at detection of weaknesses in IMS and helps identify risks in the organisation. The implementation of the proposed measures based on findings of the internal and external audits contributes to permanent improvement of IMS. Except for the results from audits, continuous improvement of the connection system is also contributed by provision of information on performance of processes, use of experience from operation and stimuli for improvement of processes and activities.

Monitoring of satisfaction of the SEPS customers – participants of the market in electricity is performed in the field of quality management in addition to other activities aimed at satisfying their needs. After monitoring evaluation, the measures are taken to increase satisfaction of the SEPS customers - participants of the market in electricity.

The environment protection is implemented by SEPS by introduction of modern technologies and by management of production of its waste. The company continues in the process of improvement of its environmental profile in the field of water and waste management, protection of air as well as landscape and nature protection. In the field of development, SEPS focuses on the technologies ensuring reduction of negative impact on environment and contributing to sustainable development.

In the field of the OHS management system, the emphasis is put on adherence to the programme for implementation of the occupational health and safety policy, especially for exclusion of risks and factors conditioning occurrence of occupational injuries, occupational diseases and other occupational health damages.

The efforts in the field of information security are aimed at efficient elimination or reduction of risks related to disturbing availability, integrity, and confidentiality of the company assets. Promotion of technical infrastructure, introduction of new modern procedures, information systems and technologies emphasize securing and maintaining the appropriate level of cyber security.

The major focus of development in the field of IMS is assertion of quality, environmental behaviour as well as ensuring information security, and occupational health and safety in all spheres of the company activities, i.e. to prove the ability to meet the customer requirements for the services provided by SEPS while guaranteeing reliable and safe electricity transmission.

In the field of fight against corruption and bribery, the valid internal management documentation of management includes an internal directive laying down further details on the internal reporting system of dealing with reports and their registration pursuant to Act No. 54/2019 Coll. on Protection of Notifiers of Antisocial Activity. In the SEPS environment, by means of internal regulations, emphasis is put on prevention of situations in which conflict of interests of employees or members of bodies with the SEPS interests could occur.

Ensuring Procurement Process at SEPS in 2022

Public procurement was carried out in full compliance with Act No. 343/2015 Coll. on Public Procurement and on amendment of certain acts as amended.

Communication with the interested parties and tenderers in the public procurement was carried out electronically using the SEPS PORTÁL VO communication interface in compliance with Art. 20 of Act No. 343/2015 Coll. on Public Procurement and on amendment of certain acts as amended.

Upon assigning other orders, the contracting authority proceeded in compliance with the internal control company documents.

Savings in SEPS in 2022 in case of internal procurements was at the level of 5 and more percent against the set assumed contract value. In case of the tender procedure for orders, contracts and partial contracts, this is saving of 18.75%, in case of the non-tender procedure for orders and contracts this is saving of 0.90% and in case of tender procedure and non-tender procedure for orders and contracts this is saving of 17.34%.

At the end of 2022, SEPS obtained the Transparex A+ certificate from ProWise, a. s. which based on evaluation of the publicly available information from public procurement with 3,904 evaluated entities provided only 229 of them with the best assessment, i.e. A+. The best assessment of SEPS is a result of mainly expert and precise work performance of employees of the procurement and purchase section.

COMPANY BODIES

SEPS

Shareholder

The Slovak Republic is the owner of 100 % of company shares with the Ministry of Finance of the Slovak Republic acting on its behalf.

Body	Function	Name
Board of Directors year 2022	Chairman Vice Chairman Member Member Member	Ing. Peter Dovhun Marián Širanec, MBA Ing. Miroslav Janega Ing. Jaroslav Vach, MBA Mgr. Martin Riegel
Supervisory Board year 2022	Chairman Vice Chairman Deputy Chairman (by 20 August 2022) Deputy Chairman (from 8 September 2022) Member Member Member Member Member Member Member Member (from 21 August 2022)	Ing. Peter Habšuda Ing. Marcel Klimek Michal Sokoli Ing. Marek Šimlaštík Ing. Marek Šimlaštík Ing. Milan Jarás, PhD. Ing. Róbert Király Juraj Mach, MSA Ing. Peter Dragúň PhDr. Ivan Pešout, PhD. Ing. Michal Janíček JUDr. Eva Murínová Ing. Vladimír Beňo Ľuboš Obžut
Top Management year 2022	Chief Executive Officer Managing Director of the Division of Operations Managing Director of the Division of Economics Managing Director of the Division of Development, Investments and Procurement Managing Director of the Division of SED and Commerce and Trade Managing Director of ICT Section	Ing. Peter Dovhun Ing. Miroslav Janega Ing. Jaroslav Vach, MBA Mgr. Martin Riegel Ing. Silvia Čuntalová Juraj Saktor

OKTE, a. s.

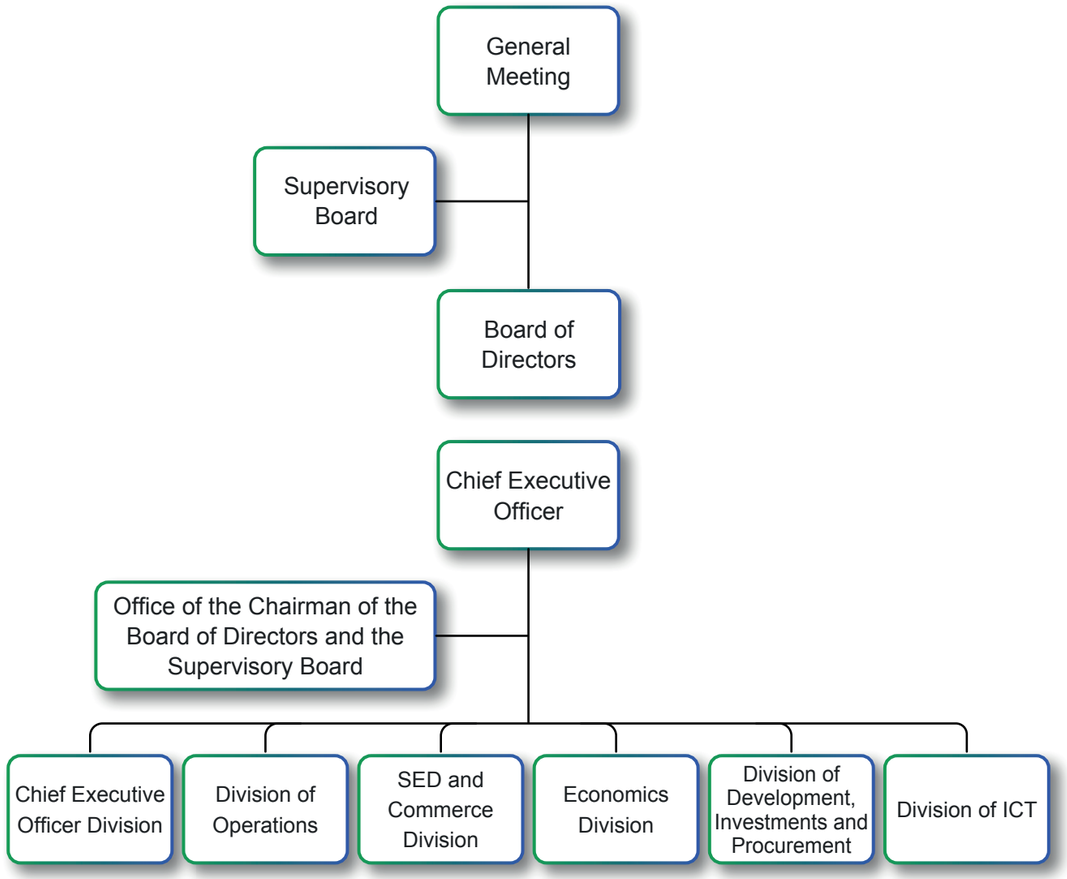
Shareholder

Slovenská elektrizačná prenosová sústava, a. s., owns 100% of OKTE, a. s., shares.

Body	Function	Nameo
Board of Directors year 2022	Chairman Member Member (by 8 December 2022) Member (from 9 December 2022)	doc. Ing. Miloš Bikár, PhD. Ing. Martin Švantner Ing. Michal Cabala, PhD. Štefan Dobák
Supervisory Board year 2022	Chairman Vice Chairman Member	Ing. Milan Jarás, PhD. Vladimír Škola, MBA Ing. Róbert Pajdlhauser

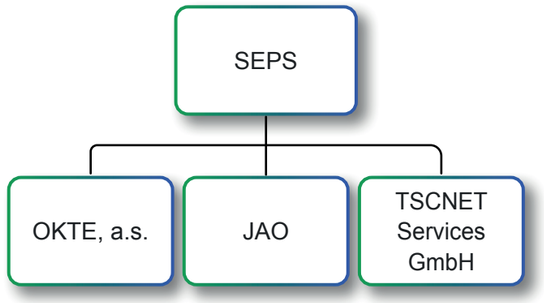
COMPANY STRUCTURE

Organisational Structure as of 31 December 2022



Bratislava – registered office of Slovenská elektrizačná prenosová sústava, a. s.
Žilina – Slovak Load Dispatching Office (SED)
Križovany nad Dudváhom – Section of Operational Administration West
Sučany – Section of Operational Administration Central
Lemešany – Section of Operational Administration East

Ownership Share of SEPS in Other Companies as of 31 December 2022



SEPS – Slovenská elektrizačná prenosová sústava, a. s.	Ownership share in %
OKTE, a. s. – short-term electricity market operator	100
JAO (Joint Allocation Office S.A. – Spoločná alokačná kancelária)	4
TSCNET Services GmbH	6.25

TRANSMISSION SYSTEM OPERATION

SEPS as the transmission system operator adhered to the overall required level of standards for electricity transmission quality pursuant to Decree No. 236/2016 Coll. in 2022. Moreover, partial standards except for electricity quality standard pursuant to Art. 2, par. i), observance of continuity of electricity transmission, point 2, were fulfilled. An average number of unplanned interruption of electricity transmissions related to one transformer (except for 400/220 kV coupling transformers and 400/110 kV and 220/110 kV backup transformers) at the 220 kV voltage level was 0.71, i.e. more than 0,50 permitted by the RONI Decree.

The transmission system operation was smooth and reliable during the entire year 2022 what is also being documented by the steady up to slightly decreasing long-term trend of the failure rate.

The amount of the non-supplied electricity reflects many variable factors during the failure and in 2022 it was deeply below the long-term average (see Charts 1 and 2).

Chart 1 | Specific Failure Rate

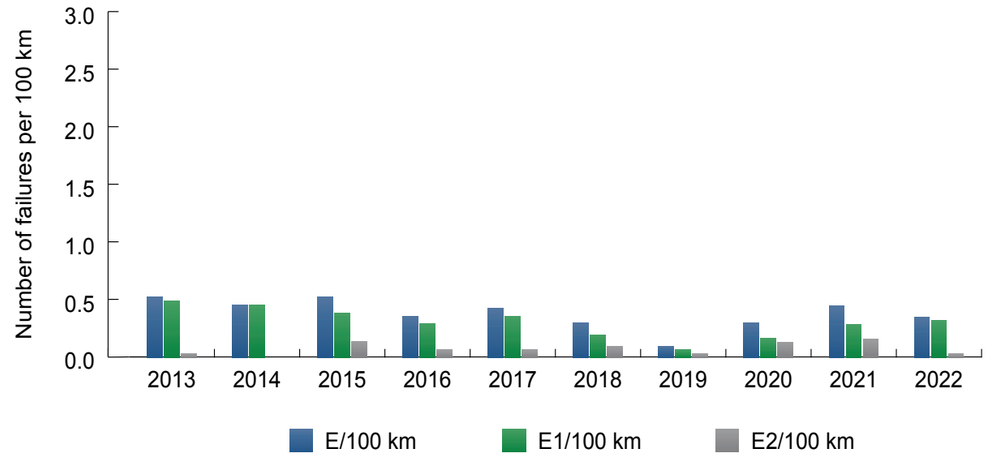
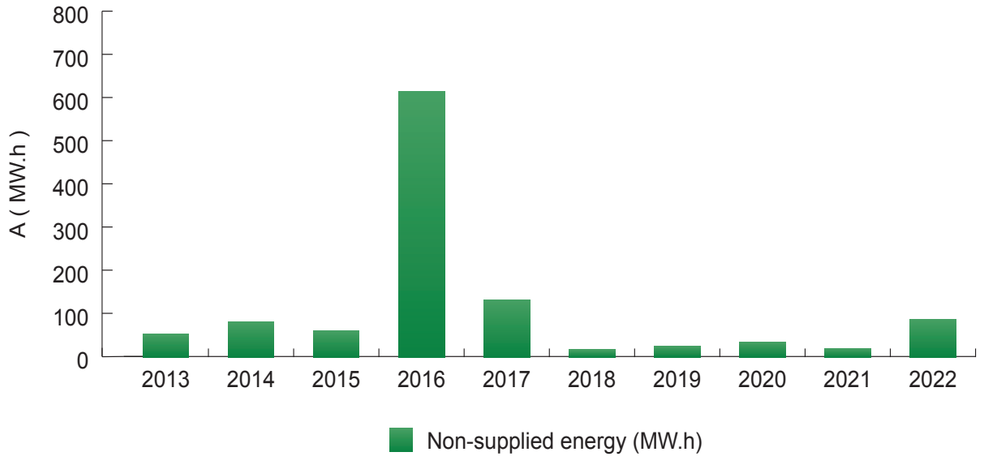


Chart 2 | Development of Non-Supplied Energy



In 2022, the transmission system (TS) operation was influenced the most by the long-term decommissioning of the V424 Sokolnice – Križovany line due to IInd phase of reinsulation of the line and replacement of conductors. Moreover, the V428 Moldava – Veľké Kapušany line was tripped for long time in regard to execution of Ist phase of reinsulation of the line and replacement of conductors. In 2022, the V497 Sokolnice – Stupava line was tripped for long time two times in regard to finalizing its repair after tornado in 2021 in the Czech Republic. The V448 Gabčíkovo – Győr line tripped for long time due to requirement of the Hungarian transmission system operator MAVIR for line repair.

In the 400 kV Bošáca switchyard, the implementation of the “Refurbishment of secondary technology in 400 kV Bošáca switchyard - replacement of protections and RIS innovation” investment project started in 2022 by works in V496 outlets and KSP (combined bus bar breaker). The similar investment project “Refurbishment of secondary technology in 400 kV switchyard and RIS innovation – central office in ESt Horná Ždaňa” was finished in the 400 kV Horná Ždaňa switchyard by long-term triggering of the T402 and T403 transformers.

In 2022, there were 60 activations of protections (with tripping) recorded in the Slovak transmission system, of which 34 were on the lines operated at the 400 kV voltage level and 13 on the lines with the 220 kV voltage level; eight on 400/110 kV transformers, four on 220/110 kV transformers and one on 33 kV peaking coils.

Automatics of reclosing (OZ) used for tripping of transition states on lines were activated 44 times, of which 39 were successful reclosings and five were unsuccessful, i.e. 88% success rate of OZ automatics.

Table 6 | Overview of Operation of Protections and Network Automatics

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of protection actuation with tripping	66	78	58	60	101	65	70	66	40	49	61	60
Number of automatic reclosing actuations	51	64	41	49	65	37	25	43	17	35	33	44
Automatic reclosing success rate percentage	84.3	82.8	97.5	97.9	83.1	78.7	72	93	94	89	94	88

Attenuation of operation of a part of the transmission system with operating voltage 220 kV continued also in 2022 by the aforementioned interconnection of the V271 Bystričany – Sučany and V275 Považská Bystrica – Bystričany with subsequent disconnection and termination of operation of 220 kV Bystričany switchyard. The new Sučany – Považská Bystrica line is designated as V271 and it is the second longest line in TS SR.

Maintenance and Repairs

Maintenance of ultra high voltage (UHV), very high voltage (VHV), self-consumption and secondary technique of substations was prevailingly ensured via outsourcing. All required maintenance and diagnostic activities were performed according to the approved tripping plan and the “Preventive Action Rules for y. 2022” document. Walkway and climbing inspections on the lines managed by SEPS were used to detect individual failures and they were eliminated according to their seriousness and possibility of decommissioning of individual lines.

Implementation of the plan of repairs of the transmission system assets by the company contributes especially to maintaining and further enhancement of reliability and safety of assets. In case of lines, the focus was, in particular, on re-regulation of conductors and repairs of steel structure of towers including replacement of damaged footsteps and numbering tables. Concurrently, barriers against bird perching were installed on the selected towers. Repair of coatings of steel structures of lines and substations prevents their degradation due to corrosion. The biggest investment in terms of volume in 2022 was application of coating to towers of the first part of the V405/406 double line between Varín and Sučany.

The maintenance of protective zones of UHV and VHV lines managed by SEPS was ensured via outsourcing on the entire territory of the Slovak Republic according to the framework and partial contracts. Moreover, procurement of this service for the future period was executed.

Based on unsatisfactory results of diagnostics of the 400 kV and 110 kV transition pieces on the T403 Horná Ždaňa transformer, their replacement was made thus eliminating possible danger of accident of this transformer. Some repairs of protections and automatic devices were performed by SEPS using their own resources, at ESt Varín and Liptovská Mara in the greatest extent.

Small repairs of the building nature by the company prevents origination of damages and ensures permanent and safe use of its objects. In 2022, the first phase of repair of foundations of the main and auxiliary steel structures in ESt Rimavská Sobota was performed.

Diagnostic

Diagnostic measurements of power transformers and substation primary technique equipment were provided for in full extent under the “2022 Diagnostic Action Plan” document.

Preventive diagnostic inspections of the 400 kV, 220 kV and 110 kV lines were carried out on all lines owned by the company. The detected failures threatening line operation reliability were repaired operatively within the time intervals according to the classification of severity.

ELECTRICITY SYSTEM MANAGEMENT

The electricity system of the Slovak Republic (hereinafter referred to as “ES SR”) was operated in parallel within the interconnected European system ENTSO-E in 2022. The operation of the ES SR was reliable and all ENTSO-E key criteria and recommendations in primary and secondary regulation, voltage control, and cross-border transmission balance regulation were continuously evaluated and fulfilled.

Automated Dispatch Management System - ADMS

The operation of the ADMS equipment in the SEPS substations and in the Load Dispatching Office in Žilina (hereinafter referred to as “SED”) in 2022 was reliable and safe without any loss of information disturbing the real-time management of the electricity system of the SR, cooperation with foreign partners and production management.

In the field of data exchange with foreign partners, we continued in extension and update of the data in the (RIS) SED management information system with neighbouring operators (due to reconstructions of their own objects and requirements for the observability area pursuant to the methodology resulting from the EU legislation) of the transmission systems via the ENTSO-E Electronic Highway.

Moreover, the data volume between SEPS and distribution energy companies in Slovakia was extended. The main reason is to map procedural information required for testing and preparation of the “Black Start” ancillary service in detail in order to provide a complex view of the topological model of lower voltage levels required for this service. Extension of data exchange provided by distribution companies was related to the need of extension of the observability area according to the Commission regulation (EU) No. 2017/1485 establishing a guideline on electricity transmission system operation.

Within the international groups we cooperated on the AMICA, OPDE, EAS, OPC/STA, CORE CC Tool, PCN, XBID, EH ENTSO-e, MARI and PICASSO projects. Within the PCN (physical communication network) network project (physical communication network), migration of the EH (electronic highway) network into the PCN network was implemented where all communication with our partners is carried out through this network. We participated in pilot testing of migration of the AMICA environments to the PCN network as one of the first transmission system operators.

In the course of the year, the second round of the OPDE security audit was carried out according to the ENTSO-E requirements and conditions. Migration of EH mail servers into the central IT infrastructure. We cooperated upon launching the Core CC Tool environment, the XBID environment into the production operation.

Management of the electricity system (ES) SR is ensured by the RIS SED Monarch management and information system for which constant technical support was provided by the SED technical su-

pport department and ASDR and the contractual supplier. In the course of the year, there were meetings of the project team arranged with the participation of experts of the supplier and SEPS where operatively the operation events, requirements of end users and the resulting tasks were dealt with. Concurrently, pursuant to the contract on technical support, the supplier executed prophylactic activities and tests of the RIS SED Monarch system restoration. The databases were added in the system along with the data exchange and topological model extension in compliance with the requirements of end users, projects of substation distance control, development of electricity system and development on the market in electricity upon management of ancillary services (PpS).

In relation to the prepared MARI/PICASSO projects and their aFRR/mFRR platforms, the “Harmonizations of PpS” project in the MES (Manufactory Execution System) and RIS SED Monarch systems was successfully implemented at the end of the year in relation to the Damas Energy (DaE) business system, due to synchronization of PpS with the EU legislation based on which the FCR (PRV), aFRR (SRV) and mFRR (TRV) services will be provided in the future.

The MES (Manufacturing Execution System) factory information system was supplemented from time to time by new visual views which assist expert units in accessing various data from the ES SR operation. The MES system was in the course of the entire year in full operation while, primarily, it processed the data from RIS SED Monarch but also from the cooperating systems such as DaE or ISOM. Within enhancing transmission reliability and data archiving entering the MES system from the RIS SED Monarch system, parallel independent communication interfaces for data transmission were implemented.

In 2022, the detailed proposal of solution and technical specification of supporting system development according to innovation of the MES system and its extension of functionalities in the ICT SEPS common infrastructure.

The workplace of the backup dispatching was maintained from the database point of view and tested in order it could fulfil its main functions. There were tests of management transition from the main workplace of dispatching to the backup one carried out on the RIS SED Monarch system when the electricity system of SR was fully managed from the backup workplace.

Certifications of ancillary service providers were carried out during the year in parallel from the main and backup SED workplace.

In 2022, a significant milestone in the ES SR operation was interconnection of the ENTSO-E electricity system with the Ukrainian system and the UKRENERGO partner thus, concurrently, extending the “observability area” by the substantial part of the Ukrainian energy network.

Furthermore, a significant step was connection and subsequent use of the first battery energy storage system in the field of PpS management what brought about new innovative options in the field of FCR (primary regulation of active power and frequency) regulation. This formed a basis for new options about which we already now may say they have growing positive tendency - other battery energy storage systems and new ancillary service providers are established.

In regard to the projects concerning ESt SEPS modifications were executed in the course of the year on SED and ESt management information systems due to installation of new RIS parts in ESt Horná Ždaňa, Liptovská Mara, Veľký Ďur, Medzibrod, Voľa, Stupava and Bošáca within the investment projects:

- Innovation of RIS facilities for control of 110 kV switchyard in ESt Horná Ždaňa,
- Compensation of reactive power in the Liptovská Mara substation,
- Refurbishment of secondary technology and RIS innovation - central office in 400 kV ESt Horná Ždaňa,
- Innovation of RIS - central office in ESt Veľký Ďur,
- Innovation of RIS - central office in ESt Medzibrod,
- Innovation of RIS - central office in ESt Voľa,
- Refurbishment of secondary technology and ESt Stupava RIS central office innovation,
- Refurbishment of secondary technology in 400 kV Bošáca switchyard - replacement of protections and RIS innovation.

Moreover, the cooperation in preparation and implementation of further investment projects in relation to the RIS ESt technology was carried out the most significant of which include:

- Refurbishment of secondary technology in 400 and 220 kV Lemešany switchyard - replacement of protections and RIS innovation,
- Refurbishment of secondary technology and RIS 400 kV Lemešany innovation,
- Refurbishment of secondary technology in ESt Križovany - protection and RIS innovation,
- Innovation of RIS - central office in ESt Rimavská Sobota,
- Extension of ESt Stupava,
- Extension of ESt Podunajské Biskupice + armouring of W2 connection,
- 400 kV Vajnory switchyard, T401, 2x45 MVAr peaking coils,
- Innovation of RIS - central office in ESt Veľké Kapušany and refurbishment of secondary technology,
- Refurbishment of secondary technology and RIS ESt Veľké Kapušany innovation,
- Replacement of T401 transformer in ESt Stupava,
- Replacement of T402 transformer and installation of peaking coils in ESt Podunajské Biskupice,
- Compensation in ESt Varín,
- Peaking coils in Est Bošáca,
- Transition of ESt Sučany to the distance control,
- 400/110 kV ESt Ladce transformation,
- 400/110 kV Senica transformer station,
- Replacement of batteries and rectifiers in ESt Lemešany, ESt Moldava, ESt Rimavská Sobota, ESt Veľké Kapušany and ESt Voľa,
- Completion of SHP field in ESt Levice.

Operation and Information-Communication Technology Management

A reliable operation of ICT, DWDM and MPLS systems was in 2022 provided for in the required quality in full extent without restrictions what was also reflected in the smooth system management and trouble-free communication of individual management systems and protective automatics of lines.

Moreover, communication circuits from the WAN SDH network migrated into the network using more recent MPLS technology in the course of the year.

In order to continuously improve quality of operation of individual systems by the internal employees and suppliers in compliance with the defined SLAs (Service-Level Agreement), a single contact point Service Desk in the form of the new ALVAO system integrating majority of suppliers became a standard thus enabling detailed check of incident and problem solving according to relevant SLAs.

Throughout the year, the employee workplace was equipped with further information technologies – a new office package of Microsoft Office 365 including the tools for more efficient internal communication via MS Teams and with document sharing through OneDrive and Sharepoint. Moreover, replacement of office technology by new up-to-date equipment with preferred replacement of a desk computer by a notebook commenced and complex replacement of local printers by central printing solution was executed.

To ensure high availability of business applications, building of the data centre continued by implementation of individual technological infrastructure parts. The first one was installation of switchboards for servers and network equipment with modern cooling, so called “cold aisle”. Only the technological equipment in switchboards is cooled oriented by face to one another in the aisle where cold air is supplied from the perforated double flooring. In relation to the cold isle technology, the data network technologies were implemented extending the network to the data centre together with renewal of central switches for which end of support was notified by the producer.

After the network technologies a part of the server infrastructure followed. As a platform for hosting applications in the “internal cloud”, the Hyper-Converged Infrastructure HCI was implemented and highly-available ORACLE cluster was built for the database part.

Development of Information Technologies

In the field of IT system development and innovation, SEPS continues in specialization of the team of application architecture development. SEPS builds strong internal IT know-how, makes the procedures of the application architecture management and project management principles precise in order to increase efficiency and quality and to reduce dependence on suppliers.

In 2022, projects concerning connection to the platform for intraday trading XBID, redesign of the website, transition to O365 including redesign of intranet and upgrade of printing environment were successfully implemented. The works on the project of monitoring the electricity system elements started.

Next year, in the field of development of information technologies, we plan to focus on implementation of the integration platform and platform for data publishing. We intend to implement support systems for network security calculations, a new project system including the archive of technical documentation. Within increase of the digitization range of supporting processes, introduction of a new attendance system and upgrade of smaller application are planned. Moreover, in compliance with our European commitments, the execution phase of project concerning connection to European platforms of consolidated activation of regulation electricity - MARI and PICASSO will culminate.

Cyber Security (Operation)

In regard to the changes in the geopolitical situation, the year 2022 brought about new challenges and the need of more efficient response to threats in the field of cyber security. The company took lots of measures in the field of technology, processes and personnel with the aim to guarantee safe operation of the transmission system and to eliminate a risk of cyber security incidents as much as possible. The company reacted to the new conditions by creation of complex security assessment of new threats and their potential impacts on infrastructure and key processes in the company.

Within the security assessment security audits of key elements of the infrastructure and systems forming security perimeter separating individual segments of network infrastructure were conducted. Within remedial measures, the activities related to optimization and revision of various technical rules in the security-operational systems were performed, some technological elements forming a company security perimeter were consolidated in order to ensure a higher level of security and protection of remote accesses to the company. Moreover, new technologies intended for advanced detection of threats were implemented. Along with assessment of new threats, optimization of use of security technologies which were included in the operation in previous periods was initiated but they insufficiently reflected the newly-occurred conditions and threats.

The taken technical measures include commencement of integration of the system for central Privileged Access Management (PAM), launch of active and passive management of vulnerabilities (Vulnerability Assessment), execution of OPDE platform integration into the central system for monitoring and evaluation of Security Information & Event Management (SIEM), strengthening of key infrastructure services according to the security framework of CIS (Center for Internet Security) and further measures through which the company strengthened the technical level for security of elements forming the operational and supporting infrastructure of the company.

Moreover, targeted spearphising and baiting campaigns were arranged in order to verify the level of security awareness among the employees, in particular, among those who by their activity may directly influence quality and security of operational processes of the transmission system. The projects implemented in the field of cyber security were primarily aimed at ensuring more efficient use of technological potential the company disposes of and, concurrently, at support of development especially in the field of monitoring, detection and responses to cyber security threats.

INVESTMENTS

As far as the investments in 2022 are concerned, the preparation and implementation of investment projects within the “SEPS Business Plan and Financial Budget for the Period 2022 – 2026” was ensured. Out of the total planned investments amounting to EUR 52.925 million for the year 2022, the actually used amount was EUR 52.143 million what means 98.52%.

Chart 3 | Structure of Incurred Investment Costs in 2022

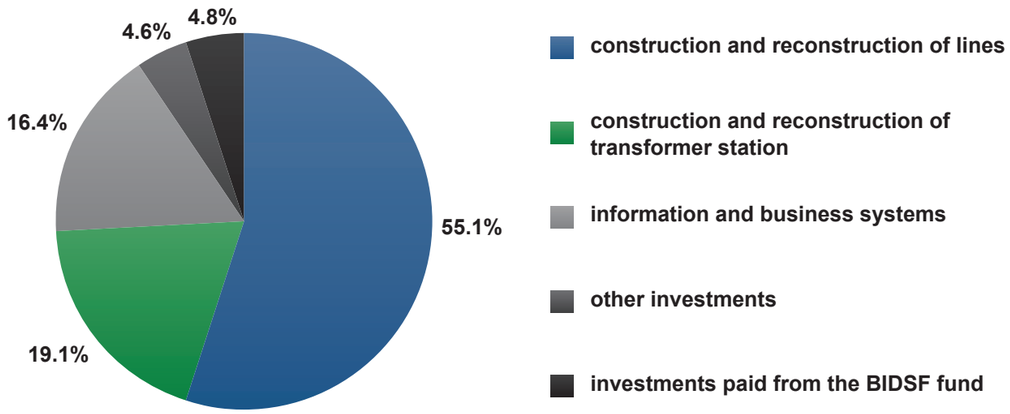


Table 7 | Fulfilment of the Plan in 2022 According to Investment Areas

Order No.	Investment project	Costs in EUR		%
		Plan	Reality	fulfilment
1.	Construction and reconstruction of lines	20,910,730	28,710,970	137.30
2.	Construction and reconstruction of transformer stations	6,493,113	9,976,227	153.64
3.	Information and business systems	20,984,278	8,528,900	40.64
4.	Other investments	3,002,791	2,402,691	80.02
5.	Investments paid from foreign resources	1,534,123	2,524,604	164.56
	Total	**52,925,036**	**52,143,392**	**98.52**

In 2022, the replacement of conductors and reinsulation on the V424 Sokolnice – Križovany line was finished which belonged among the most important investments in terms of volume. It is one of the most important cross-border lines through which the business transmissions are planned and executed and which must ensure also potential international emergency assistance in critical situations. The respective investment will ensure its safe and reliable operation and permanent transmission ability.

Further significant investments in terms of volume in the past year included replacement of conductors and reinsulation on the V428 ESt Moldava – ESt Kapušany line and replacement of conductors and reinsulation on the V429 ESt Podunajské Biskupice – VE Gabčíkovo line.

The implementation of the aforementioned investments will provide for a reliable operation for permanent maximum permitted current load of conductors up to the conductor temperature of +80 °C.

In the field of construction and reconstruction of substations, the investments were aimed at implementation of secondary technology renewal and RIS innovation. In 2022, the “Secondary technology and RIS innovation - central office in ESt Horná Ždaňa 400 kV”, ”Innovation of RIS facilities for control of 110 kV switchyard in ESt Horná Ždaňa” and “Innovation of RIS – central office in ESt Voľa” investment projects were completed.

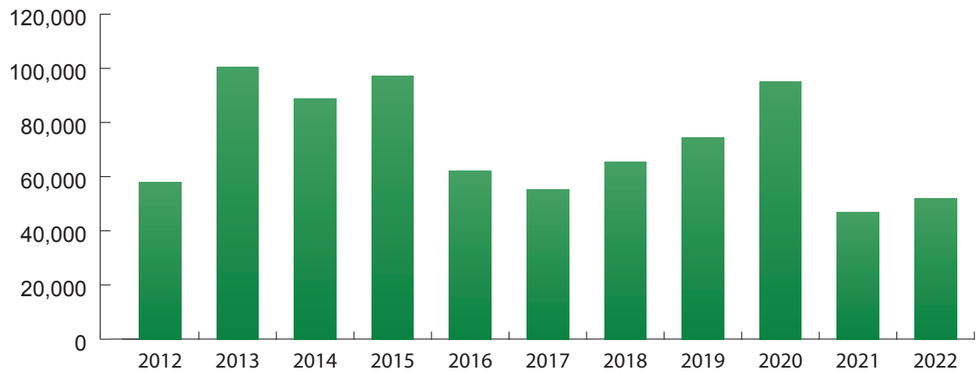
In 2022, the documentation for the selection of the contractor was elaborated and building permits for several investment projects were obtained. For the investment projects of “400/110 kV Senica transformer station” and “Replacement of the T402 transformer and installation of ESt Podunajské Biskupice compensating peaking coils”, public procurements were launched with the total assumed contract value of EUR 41.43 million.

In 2022, innovation of business systems according to the requirements of the valid legislation of the Slovak Republic and the EU continued. The “Legislative upgrade of the Damas Energy business system” investment project was finished at the end of the year.

Within fulfilment of the legislative obligations resulting from the requirements of the Cyber Security Act, the first phase of implementation of the “Optimization, Increase of Security and Availability of Technological Information Network of Protections” project was finished.

In the field of optimization of the critical infrastructure elements, the third phase of replacement of obsolete components of IMS (intelligent measuring systems) that are not endorsed by the producers was finished.

Chart 4 | Development of Investment Cost in the Period 2012 – 2022 in EUR thousand



Danube InGrid Project

Investments in reconstruction of substations, their digitization, upgrade and assimilation to new operational and security requirements is an inevitable element to reach green transformation. Further integration of RES is conditioned by complex strengthening and development of the transmission and distribution system. Fulfilment of climate objectives puts emphasis on building and making more intense the smart use of networks which are prepared for the energy system without fossil fuels. Building of intelligent networks, so called “Smart Grids” is one of the key steps to fulfil the climate-energy goals of many countries and international organisations.

SEPS continues in execution of activities in cooperation with E.ON Észak-dunántúli Áramhálózati Zrt. (distribution system operator in Hungary) and Západoslovenská distribučná, a. s., at the Danube InGrid (Danube Intelligent Grid) project. As the Project of Common Interest in the smart grids category, they were granted funds from the Connecting Europe Facility (CEF). After signing the grant contract in 2021 by and between the project promoters and the CINEA agency (the European Climate, Environment and Infrastructure Executive Agency), preparatory works on the project documentation and obtaining relevant permits within individual activities of SEPS.

The main goal of the project is to develop a smart electricity system in the region of Central and Eastern Europe in order to integrate a larger volume of RES in the distribution system while preserving high quality and security of electricity supply to consumers. The project will create a larger capacity for development and connection of the distributed electricity production and suitable conditions for potential connection of new users of the distributed system in the region. The project will support connection of several new electricity generators from renewable sources, it will improve quality and provide for security of electricity supply, extend the possibility of connection to the system for all users and reduce the negative impacts on environment.

ENVIRONMENTAL POLICY

By means of the introduced environmental management system, Slovenská elektrizačná prenosová sústava, a. s. significantly contributes to elimination of adverse impacts of the company on environment. The systemic approach is supported by the company at fulfilment of binding requirements and it improves the environmental behaviour.

The set goal of gradual reduction of negative impacts on environment in the past period was achieved by the company especially by:

- management and coordination of activities in the field of environment protection pursuant to the requirements of the generally binding legal regulations,
- analysis of the state of environment in evaluation reports,
- monitoring the interests concerning environment creation and protection with investment events of the company, repairs and maintenance of the existing assets,
- performance of own independent audit activity in the field of environment protection,
- reduction of impacts of activities on environment by asserting more energy-saving equipment.

In the first half of 2022, SEPS successfully passed the external audit according to the requirements of the STN EN ISO 14 001:2016 standard without detecting discrepancy of 1st and 2nd category. In the final report, the certification company pointed out one single observation and three opportunities for enhancement.

Within the Integrated Management System (IMS) maintaining and development, the company conducted 17 internal audits which verified also conformity with the requirements of the STN EN ISO 14 001:2016 standard. Final assessments were free of detections of discrepancies in the field of environment protection.

The IMS and Environmental Issues Department conducted 10 internal audits in the selected SEPS substations. The audits were aimed at observing legal regulations in the field of water and waste management, protection of air and fluorinated greenhouse gas treatment. No shortcomings were identified by the audit activity.

Upon adhering to the fundamental principle of the environmental policy "*plan – do– check – remedy*" the company activity focuses mainly on the following areas:

- minimizing the possibility of emergency leakage of pollutants into surrounding environment with subsequent endangering the ground and surface water quality by execution of repairs or reconstructions of retention trays of power transformers and emergency tanks on the basis of the latest technologies using high-quality insulation materials,
- performance of regular checks and service activities in waste water treatment plants in order to ensure observation of the set qualitative parameters for discharged waste water,
- performance of regulated accredited analyses of the discharged waste water from substations,
- application of the waste management hierarchy principle, i.e. taking measures to prevent waste origination, thorough waste separation, preference of recycling or another method of waste appreciation to its disposal,
- paying increased attention to facilities containing fluorinated greenhouse gases (electro-energetic facilities containing SF6, air-conditioning and cooling facilities, stable fire extinguishers) aimed at regular checks of their technical condition and tightness to prevent leakage of fluorinated greenhouse gases into air,
- selection of the best available technologies for new projects in order to minimize the carbon trace,
- cooperation with civic associations aimed at nature and landscape protection,
- support of ecological projects in the field of biotop management under electric lines,
- maintaining an open dialogue with the general public, concerned state and public administration authorities, self-governments.

RECOGNITION OF INFORMATION IN COMPLIANCE WITH THE EU TAXONOMY

Pursuant to Regulation of the European Parliament and Council (EU) No. 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter referred to as "Taxonomy Regulation" or "EU Taxonomy"), Slovenská elektrizačná prenosová sústava, a. s. shall be obliged to evaluate and publish the 2022 information on the share of revenues, capital expenditures and operating costs which are related to eligible economic activities or economic activities compliant with the EU Taxonomy.

The information on the share of revenues, capital expenditures and operating costs of SEPS in the year ending on 31 December 2022 describe the share of activities related to the economic activities eligible according to the first environmental objective (climate change mitigation) in compliance with Article No. 8 of the EU Taxonomy.

The statement on assessment of eligible economic activities is prepared by SEPS for the consolidated whole under which OKTE, a. s. belongs. OKTE assessed its activities as activities which are not present in the EU Taxonomy and thus it is impossible to perform assessment of harmonization with them.

SEPS eligible economic activities

Eligible economic activity according to the EU Taxonomy (hereinafter referred to as "eligible economic activity") is an economic activity described in Commission Delegated Regulation (EU) 2021/2139 supplementing the EU Taxonomy regardless of whether this economic activity complies with some or all technical criteria for examination set out in these delegated acts. For SEPS it is the activity 4.9 Electricity Transmission and Distribution within Annex I of the relevant delegated regulation which is considered to be supporting if it also complies with the technical criteria below.

The eligible economic activity pursuant to the Taxonomy for SEPS means construction and operation of transmission systems serving for electricity transmission in the interconnected system of very high and high voltage.

Table 8 | SEPS Eligible Economic Activities Pursuant to the EU Taxonomy

Economic activity	Description	Share in indicator	NACE Code
4.9. Electricity transmission and distribution	Electricity transmission and distribution	Turnover, Capital expenditures, Operating costs	35.12

Technical criteria of examination

The economic activity shall be designated as environmentally sustainable if it is harmonized with the EU Taxonomy (hereinafter referred to as “harmonized economic activity”) and which complies with all following requirements pursuant to Art. 3 of the EU Taxonomy:

- It complies with the technical criteria of examination defined by the European Commission in compliance with the regulations, in particular:
- It significantly contributes to meeting one or several environmental objectives set out in the regulation,
- It does not markedly breach fulfilment of any of these environmental objectives.
- It is implemented in compliance with minimum guarantees set out in the regulation.

SEPS assessed its economic activities against harmonized economic activities as these are defined and set out in Commission Delegated Regulation (EU) 2021/2139 which sets out technical criteria of examination for the activity 4.9. Electricity transmission and distribution (Annex I).

Significant contribution to climate change mitigation

The SEPS transmission infrastructure forms a part of the electricity system which is a part of the interconnected European electricity system and thus it complies with the condition of significant contribution to climate change mitigation.

Concurrently, however, it applies that the infrastructure intended for establishment of direct interconnection or for extension of the existing direct connection between the switchyard or network and a power plant that emits greenhouse gases above the level of 100 g of CO2e/kWh measured based on the life-cycle is not compliant with the EU Taxonomy.

Based on this condition, SEPS will not consider the costs or investments in the infrastructure in its calculations between the entry into the system and the source of so called “dirty” energy with emissions exceeding a threshold value.

Do no significant harm principle

Apart from significant contribution, the technical criteria of examination deal with the so called “do no significant harm” principle which should ensure the economic activity cannot have considerable negative impact on environment and cannot disturb fulfilment of any other environmental objective set out in Article 9 of Regulation (EU) 2020/852:

a) Adapting to climate change

This activity requires SEPS to comply with the criteria set out in the Amendment A to the Climate Delegated Act based on which it is necessary to assess climate risks, their seriousness and assessment of adaptation solutions which might mitigate the identified physical climate risk while considering the life-cycle of the given activity.

When assessing possible climate risks, apart from the internal consultation with the internal employees from the Environmental Department, SEPS followed also the National Register of Threats since the European Commission notified additional information on interpretation and implementation of taxonomy in December 2022 and permitted use of already existing lists/inventory of risks. SEPS deems the following climate risks possible or serious:

Substantial activities			Substations - construction/ reconstruction/ distance control and TS/DS transformation	Lines - construction / reconstruction	Business, security and ICT systems	Administrative buildings (AB BA and AB ZA)
Service life			> 10 yearsv	> 10 years	< 10 years	> 10 years
Classification of climate dangers	Related to temperature	Changing temperature	Possible	Possible	N/A	Possible
		Temperature variability	Possible	Possible	N/A	Possible
		Heat wave	Possible	Possible	N/A	Possible
		Cold wave/frost	Possible	Possible	N/A	Possible
		Natural fire	Possible	Possible	N/A	Possible
	Related to wind	Changing wind conditions	N/A	Possible	N/A	Possible
		Storm, windstorm	Possible	Possible	N/A	Possible
		Tornado	Possible	Possible	N/A	Possible
	Related to water	Changing precipitation conditions	Possible	Possible	N/A	Possible
		Precipitation or hydrological variability	Possible	Possible	N/A	Possible
		Intense precipitation	Possible	Possible	N/A	Possible
		Flood	Possible	Possible	N/A	Possible
	Related to solid mass	Soil erosion	Possible	Possible	N/A	Possible
		Solifluction	Possible	Possible	N/A	Possible
		Avalanche	N/A	Possible	N/A	N/A
		Land slide	Possible	Possible	N/A	Possible
		Soil settlement	Possible	Possible	N/A	Possible

For the purposes of the first publication of information regarding climate risks, SEPS examined adaptation solutions in the power engineering function published in the national Strategy for Adaptation to Climate Change in 2018 and selected the following measures as applicable also to the company activities:

Type of measure	Examples of measures
Managerial and technical measures	▪ Modelling of climate impact on the existing and planned assets. ▪ Cooperation with meteorological services and forecasting using the climate information. ▪ Evaluation of hydrological data and simulation of possible events for hydro-electric power plants and technological water. ▪ Management on the consumption side to manage interruption of electricity supply. ▪ Installation of backup systems to enable pumping at low water level. ▪ To resolve the problem of water insufficiency by water recycling, use of precipitation or communal waste water where possible. ▪ Projects including increase of resistance of energy sources in case of extreme weather. ▪ International cooperation and coordination of common procedures upon prevention of states of emergency in the power engineering industry
Technological and structural measures	▪ Strengthening of infrastructure protection against floods. ▪ Use of enhanced technologies that increase energy efficiency. ▪ Improved cooling systems, e.g. recirculation cooling systems as less sensitive to changes within the accessibility of water compared to single-shot cooling systems. ▪ Air-cooled cooling systems reducing losses by evaporation and not using water ▪ in a process (but requiring additional energy) if they are suitable for additional equipping of the existing facilities. ▪ Reduction of dependence on the prevailing energy source (natural gas) in case of fuel production and transition to more substantial representation of several sources (bio-fuels, electricity, hydrogen), thus achieving better adaptability to possible disturbing supplier systems. ▪ Decentralized production of various energy forms by using, for example, renewable energy sources enabling approximation of production to the point of consumption. ▪ Building of new ones and reconstruction of obsolete lines and electricity system assets. ▪ Strengthening of inter-state connections of energy systems.
Education and training	▪ Preparation of responsible persons for development of capabilities to process the information and data, to model scenarios of climate change impact on power engineering industry, to integrate climate forecasts in planning of energy systems. ▪ Preparation of responsible persons allowing their fast and correct reaction in urgent emergency cases but assisting also to their capabilities to subsequently actively intervene in favour of fast repairs and restoration. Collaboration with the capacity building programmes.
Innovativeness and recoverability	▪ Elaboration and periodic upgrade of security measures, emergency and crisis plans, technical and procedural measures aimed at shortening the period required for the system renewal after effect of extreme weather.
Reduction of energy consumption	▪ Continue in enforcement of measures of cost-benefit measures in the field of energy efficiency in the Slovak Republic in compliance with the relevant plans and strategies aimed at energy efficiency. ▪ Implementation of energy labelling which will contribute to orientation of consumers to more energy-saving appliances.

SEPS plans to introduce the efficient risk management system resulting from the climate change and according to the requirements of the Taxonomy Regulation, SEPS will have assessment of impacts including projections of various climate scenarios done.

b) Transition to circular economy

SEPS internally elaborated the Waste Management Plan which states that responsibility for waste management is transferred to their contractors while considering the environmental criteria also at public tender for contractors.

c) Pollution prevention and control

The principles of general environmental, health and security guidelines included in the internal document entitled Occupational Health and Safety (OHS) are respected at activities performance. Similarly, valid standards and regulations covering impact of electromagnetic radiation on human health are respected. SEPS has operational rules elaborated for EMG radiation for all substations. In addition, measurement of EMG radiation performed by the external company certified for these activities is carried out at all substations.

Since use of polychlorinated biphenyls is prohibited by law, SEPS complies also with this criterion.

d) protection and renewal of biodiversity and ecosystems

SEPS must comply with the criteria set out in Amendment D to Commission Delegated Regulation (EU) 2021/2139 according to which environmental impact assessment is to be performed in compliance with Directive 2011/92/EU. However, only the activities complying with the threshold values defined by Act No. 24/2006 are subject to such assessment and these were not performed by SEPS in the reporting period.

Minimum guarantees

Pursuant to Article 3 par. c) of the EU Taxonomy, every economic activity which is deemed to be environmentally sustainable must be performed in compliance with the minimum guarantees.

Minimum guarantees are defined in Article 18 par. a) of the EU Taxonomy as procedures ensuring performance of environmentally sustainable economic activities in accordance with:

- The OECD Guidelines for Multinational Enterprises (2011)[1],
- The main UN principles in the field of business and human rights (UNGP)[2], including all principles and rights defined in eight basic conventions mentioned in the Declaration of the International Labour Organisation on Basic Principles and Rights at Work[3];
- International Bill of Human Rights[4].

Assessment of Minimum Guarantees was performed according to the Final Report on Minimum Guarantees elaborated by the Platform on Sustainable Finances in October 2022

Assessments of compliance with minimum social guarantees were performed for four investigated areas:

- Human rights (including labour and consumer rights)
- Corruption and bribery
- Taxation
- Fair economic competition

No violation of human rights (including working and consumer rights) was recorded in SEPS neither during the reporting period, nor historically. The company Ethic Code has been introduced to ensure correct functioning of the company in the field of human rights. Due to pro-active prevention of the corruption behaviour and bribery, SEPS has introduced the Internal System for Dealing with Suggestions of Anti-Social Activity. Correct procedures in the area of taxation are confirmed by regular quarterly intervals of accountancy control and financial statements subject to external audit and also based on these activities SEPS has been assigned a designation “Highly Reliable Tax Entity” by the Financial Administration of the Slovak Republic.

1) https://www.oecd.org/daf/inv/mne/48004323.pdf
2) https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
3) https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/normativeinstrument/wcms_716594.pdf
4) https://www.ohchr.org/sites/default/files/Documents/Publications/Compilation1.1en.pdf

SEPS accounting policies

Key Performance Indicators (KPI) include turnover indicator, capital expenditures indicator and operating costs indicator. Publication of KPI indicators is in compliance with the EU Taxonomy and Annex II to Commission Delegated Regulation (EU) on publication5. In regard to the fact that the indicators must include assessment of harmonization of activities with the EU Taxonomy for the first time in the 2022 reporting period, the data for the comparable period are not provided.

The summary share of economic activities eligible and harmonized in individual SEPS indicators is provided in Table No. 9. SEPS eligible economic activities are provided in Table No. 8. The activity mentioned in Table No. 8 participates in the SEPS revenues, capital expenditures and operating costs.

Tab. 9 | Podiel hospodárskych činností oprávnených a zosúladených v zmysle EÚ taxonómie za rok 2022 (obrat, kapitálové výdavky, prevádzkové náklady)

Year ending on 31 December 2022	Total (EUR thous.)	Share of eligible (non-harmonized) economic activities (%)	Share of harmonized economic activities (%)	Share of non-eligible economic activities (%)
Turnover	454,563	1.6%	41.1%	57.3%
Capital expenditures	53,134	0%	93.7%	6.3%
Operating costs	372,797	3.7%	92.2%	4.1%

Turnover

Share of harmonized economic activities in the SEPS total revenues was calculated as a part of net turnover resulting from the products and services related to harmonized economic activities (numerator) divided by the company total net turnover (denominator) in the year ending on 31 December 2022.

The company turnover consists especially of revenues from the tariffs determined by the Regulatory Office for Network Industries (revenues from electricity transmission and reserved capacity, revenues for losses during electricity transmission, revenues for system services and revenues for regulation electricity procured within the IGCC system) and revenues related to cross-border electricity transmissions, (revenues from settlement of international transmissions among the transmission system operators within the ITC mechanism, revenues from auctions of the transmission capacities and revenues from MC). Other SEPS revenues are not eligible activities according to the EU Taxonomy.

5) Commission Delegated Regulation No. 2021/2178 of 6 July 2021 supplementing Regulation of the European Parliament and of the Council (EU) 2020/852 by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation

The percentage of the network length used for direct interconnection of the network and sources the emission production of which is below 100 g of the CO2/kWh equivalent shall be subsequently, as an aliquot part, applied to the resulting eligible turnover of the SEPS group.

The table of eligible and harmonized turnover contains the information on the consolidated whole and, moreover, it contains the data on the OKTE company. Without the OKTE data, the share of SEPS eligible turnover would amount to 99.6% from the company total turnover. The SEPS rate of harmonization is 96.15%

Table 10 | Revenue Indicator

				Criteria of significant contribution						Criteria covering the Do No Significant Harm principle									
Economic activities	Code(s)	Absolute turnover	Share of turnover	Mitigating of climate change	Adapting to climate change	Water and sea sources	Circular economy	Environment pollution	Biodiversity and ecosystems	Mitigating of climate change	Adapting to climate change	Water and sea sources	Circular economy	Environment pollution	Biodiversity and ecosystems	Share of turnover harmonized with taxonomy, year N	Share of turnover harmonized with taxonomy, year N-1	Category (supporting activity)	Category (temporary activity)
				%	%	%	%	%	%	yes/no	yes/no	yes/no	yes/no	yes/no	yes/no	%	%		
A. Activities eligible within taxonomy %																			
A.1 Environmentally sustainable activities (harmonized with taxonomy)																			
4.9. Electricity transmission and distribution (1) Turnover from environmentally sustainable activities (harmonized with taxonomy) A.1	35.12	186,669	41.1%	100%	%	%	%	%	%	yes	yes	Not applicable	yes	yes	yes	41.1%	N/A	Supporting	N/A
A.2 Activities eligible within taxonomy but not environmentally sustainable (activities not-harmonized with taxonomy)																			
4.9. Electricity transmission and distribution Turnover from activities eligible within taxonomy but not environmentally sustainable (activities non-harmonized with taxonomy) A.2	35.12	7,472	1.6%	**Not applicable**															
Total (A.1 + A.2)		194,141	42.7%													%		%	
Turnover from activities non-eligible within taxonomy (B)		260,422	57.3%																
Total (A + B)		454,563	100%																

(1) Activity is eligible within taxonomy in full extent. Only a share from it is harmonized with taxonomy. Therefore the activity 1 may be recognized within A1 and within A2. However, only a share recognized within A1 may be included in KPIs of a non-financial enterprise concerning turnover as harmonized with taxonomy.

Capital expenditures

The capital expenditure indicator was determined as a share of capital expenditure related to harmonized economic activities (numerator) and total capital expenditures according to definition of the EU Taxonomy (denominator) for the year ending on 31 December 2022.

The denominator includes capital expenditures related to investments in the transmission system development, related IT systems and investments for purchase of other assets not regarding the main activity of the system. The company accounts for investments as additions of tangible and intangible assets according to the IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets standards. The company does not have a significant right to use assets according to IFRS 16.

The numerator includes all parts of total capital expenditures related to the core company activity such as transmission system and related infrastructure development such as substations and IT systems in the field of cyber security of the system and its management. Capital expenditures shall be governed by the long-term objective of the company to increase the transmission system stability and resilience in the context of international practises and better integration of the European transmission systems. The company investments shall be governed by the long-term investment strategy based on which a ten-year investment plan is being elaborated. The company deems the activities related to the transmission system development to be harmonized according to the EU Taxonomy. The resulting data mentioned in the numerator means an amount assessed as eligible according to the EU Taxonomy to which the percentage expressing the network length used for direct interconnection of the network and sources the emission production of which is below 100 g of the CO2/kWh equivalent shall be subsequently, as an aliquot part, applied. The company does not have other eligible and harmonized capital expenditures.

Operating costs

The operating costs indicator was determined as a share of operating costs related to harmonized economic activities (numerator) and total operating costs according to definition of the EU Taxonomy (denominator).

The operating costs according to the EU Taxonomy include also the costs related to maintenance and repair or buildings, machines and equipment, with research and development and short-term leasing and rentals. In case of SEPS, these operating costs are, in particular, the costs related to the transmission system maintenance and repairs. The company does not have significant costs related to rental.

The numerator includes a part of the SEPS direct operating costs related to assets or processes, related to harmonized economic activities and it is a part of the capital expenditures plan to expand the harmonized economic activities. The harmonized economic activity means the system operation for electricity transmission and distribution. The numerator includes direct operating costs related to repairs and maintenance of the transmission system or costs of employees covering administration of

IT security of the transmission system. The resulting data mentioned in the numerator is an amount assessed as eligible according to the EU Taxonomy to which the percentage of the network length used for direct interconnection of the network and sources the emission production of which is below 100 g of the CO2/kWh equivalent shall be subsequently, as an aliquot part, applied.

Due to missing data from contractors, SEPS does not include operating costs related to purchase of outputs of harmonized economic activities into calculation. The company expects improvement of data availability from its contractors in the coming periods when adoption of the EU Taxonomy by these entities is performed.

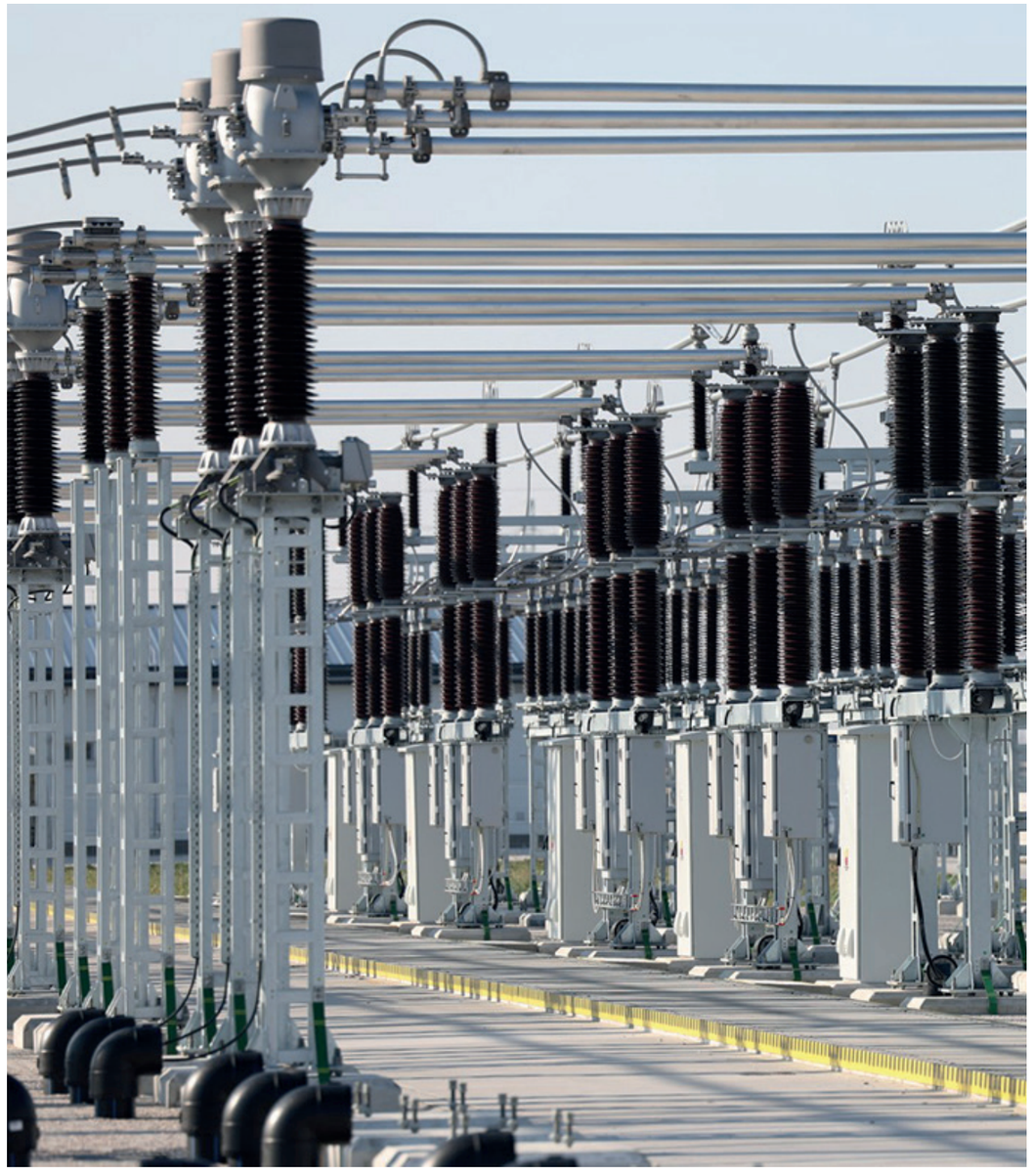


Table 11 | Capital Expenditures Indicator

				Criteria of significant contribution						Criteria covering the Do No Significant Harm principle									
Economic activities	Code(s)	Absolute turnover	Share of turnover	Mitigating of climate change	Adapting to climate change	Water and sea sources	Circular economy	Environment pollution	Biodiversity and ecosystems	Mitigating of climate change	Adapting to climate change	Water and sea sources	Circular economy	Environment pollution	Biodiversity and ecosystems	Share of turnover harmonized with taxonomy, year N	Share of turnover harmonized with taxonomy, year N-1	Category (supporting activity)	Category (temporary activity)
				%	%	%	%	%	%	yes/no	yes/no	yes/no	yes/no	yes/no	yes/no	%	%		
A. Activities eligible within taxonomy %																			
A.1 Environmentally sustainable activities (harmonized with taxonomy)																			
4.9. Electricity transmission and distribution (1) Capital expenditures from environmentally sustainable activities (harmonized with taxonomy) A.1	35.12	49,791	93.7%	100%	%	%	%	%	%	yes	yes	Not applicable	yes	yes	yes	93.7%	N/A	Supporting	N/A
A.2 Activities eligible within taxonomy but not environmentally sustainable (activities not-harmonized with taxonomy)																			
4.9. Electricity transmission and distribution Capital expenditures from activities eligible within taxonomy but not environmentally sustainable (activities non-harmonized with taxonomy) A.2	35.12	0	0	**Not applicable**															
Total (A.1 + A.2)		49,791	93.7%													%		%	
Capital expenditures from activities non-eligible within taxonomy (B)		3,344	6.3%																
Total (A + B)		53,134	100%																

(1) Activity is eligible within taxonomy in full extent. Only a share from it is harmonized with taxonomy. Therefore the activity 1 may be recognized within A1 and within A2. However, only a share recognized within A1 may be included in KPIs of a non-financial enterprise concerning capital expenditures as harmonized with taxonomy.

Table 12 | Operating Costs Indicator

				Criteria of significant contribution						Criteria covering the Do No Significant Harm principle									
Economic activities	Code(s)	Absolute turnover	Share of turnover	Mitigating of climate change	Adapting to climate change	Water and sea sources	Circular economy	Environment pollution	Biodiversity and ecosystems	Mitigating of climate change	Adapting to climate change	Water and sea sources	Circular economy	Environment pollution	Biodiversity and ecosystems	Share of turnover harmonized with taxonomy, year N	Share of turnover harmonized with taxonomy, year N-1	Category (supporting activity)	Category (temporary activity)
				%	%	%	%	%	%	yes/no	yes/no	yes/no	yes/no	yes/no	yes/no	%	%		
A. Activities eligible within taxonomy %																			
A.1 Environmentally sustainable activities (harmonized with taxonomy)																			
4.9. Electricity transmission and distribution (1) Operating expenditures from environmentally sustainable activities (harmonized with taxonomy) A.1	35.12	343,755	92.2%	100%	%	%	%	%	%	yes	yes	Not applicable	yes	yes	yes	92.2%		Supporting	
A.2 Activities eligible within taxonomy but not environmentally sustainable (activities not-harmonized with taxonomy)																			
4.9. Electricity transmission and distribution Operating expenditures of activities eligible within taxonomy but not environmentally sustainable (activities non-harmonized with taxonomy) A.2	35.12	13,760	3.7%	**Not applicable**															
Total (A.1 + A.2)		357,515	95.9%													%		%	
Operating costs from activities non-eligible within taxonomy (B)		15,282	4.1%																
Total (A + B)		372,797	100%																

(1) Activity is eligible within taxonomy in full extent. Only a share from it is harmonized with taxonomy. Therefore the activity 1 may be recognized within A1 and within A2. However, only a share recognized within A1 may be included in KPIs of a non-financial enterprise concerning capital expenditures as harmonized with taxonomy.

COMPANY DEVELOPMENT

In 2022, the preparation and execution of SEPS investments in developing and increasing safety of the transmission infrastructure (elements of critical infrastructure such as substations or lines), investments in the secondary technology facilities (management and information system, billing measurement, telecommunications equipment etc.), as well in business systems and information-communication technologies continued.

The Contract on Common Procedure at construction of the 400/110 kV transformation in a new substation in Ladce was signed with Stredoslovenská distribučná, a. s., (SSD) and an investment process of this project started (as a replacement for the existing 220/110 kV transformation in Považská Bystrica).

Continuous preparation and execution of other SEPS investments was carried out in increase of the transmission infrastructure security (as critical infrastructure elements) aimed at transition of the SEPS substations into distance control, replacement of obsolete primary and secondary assets of the transmission system (TS) and projects dealing with continuous attenuation of the 220 kV transmission system.

Together with ZSD and E.ON Észak-dunántúli Áramhálózati Zrt (operator of one from distribution systems in Hungary) SEPS continued in the investment process on the Project of Common Interest “Danube InGrid“ in the field of smart grids for which a grant was provided from the Connecting Europe Facility (CEF) instrument. In August 2022, SEPS became a holder of the “Certificate on Significant Investment“ for the Danube InGrid investment project issued by the Ministry of Economy of the Slovak Republic under the Resolution of the Government of the Slovak Republic No. 531/2022 of 24 August 2022. From the point of view of SEPS, the project will result in strengthening of the transformation relation between the western part of TS and distribution system (DS) including their upgrade what will contribute to development of decentralized generation, intelligent technologies etc. on the territory concerned. The project includes also construction of a new TS/DS transformation in the Vajnory location, replacement of the transformer in Stupava and replacement of the transformer and installation of peaking coils in Podunajské Biskupice.

ASSUMED FUTURE DEVELOPMENT OF THE COMPANY ACTIVITIES

SEPS is the owner and operator of the transmission system of SR and it performs the dispatcher management of the electricity system of SR. The company is a natural monopoly the activity of which is limited by Act No. 251/2012 on Energy, as amended and by Act No. 250/2012 Coll. on Regulation in Network Industries, as amended.

The company main line of business will be preserved in the future in the scope similar to the one in 2022, i.e. In the future, it will perform operation of transmission system of SR, electricity transmission, coverage of losses in the transmission system, management of the electricity system of SR via provision of the system services and collection of the efficient rate from the directly connected customers to cover levies for the National Nuclear Fund.

Collection of fees for the system services will be further performed by OKTE, a. s., a subsidiary, which pursuant to the Energy Act performs the function of central invoicing. Subsequently, it will pay them to SEPS in the amount invoiced to its business partners (accounting entities).

In the future periods, SEPS will renew and develop the transmission system of SR so as to maintain safety and reliability of electricity supply, strengthen the cross-border interconnections with the surrounding systems, connect new suppliers and customers to the transmission system, develop international cooperation and support coupling of national markets in electricity in a way so as to remain a reliable and stable entity on the market in electricity in the Central-European region.

INTERNATIONAL COOPERATION

Year 2022 may be characterized as postpandemic and the expectations were related to it of how we are going to live in a new “normal state”. Positive expectations in both domestic and international range were, however, affected by new elements of instability – beginning of the war in the Ukraine and world energy crisis related to dramatic inflation growth. The mentioned factors had significant impact on the SEPS activity, across all its sections including international cooperation.

The European transmission system whose integral part is also the Slovak one plays a key role upon implementation of solutions of acute challenges in the field of decarbonization, electrification, digitization, redesign of the market in electricity and other challenges of the technological progress. Cooperation of the European transmission system operators is thus a basic attribute of successful solution for the aforementioned challenges.

International Cooperation Starts in Neighbourhood

The past year was exceptional right in strengthening of neighbourly relations. On 3 February 2022, an online and historically the first meeting of top managers from SEPS and APG took place. It was aimed at mutual exchange of the basic information and it substantially opened the way for a personal meeting held on 18 May 2022 in the APG registered office. One of the key outputs of the established cooperation are the first considerations concerning building of the cross-border interconnection between SEPS and APG which in the pre-preparatory phase should acquire particular contours in the 2023 Memorandum.

Very favourable relations with ČEPS continued from 2021 and on 11 August 2022 a meeting of the Board of Directors was held again. A key topic was sharing of FCR (Frequency Containment Reserve) and common purchase of specific products. SEPS accepted an offer from ČEPS for transfer of know-how in the field of strategy creation and management. The meeting at the strategy sections level was held on 8 November 2022.

International Cooperation on a European Scale

In the past year, SEPS was involved in the work of the European Network of Transmission System Operators for Electricity, ENTSO-E and regional and pan-European projects of integration of markets in electricity. In 2022, the company was represented 75 employees in up to 144 working and steering groups.

A novelty is occupation of the ENTSO-E‘s Research, Development & Innovation Committee (RDIC) the task of which is to integrate the technological innovations in the activities of the transmission system operators. Participation in RDIC is important for SEPS both in terms of monitoring the development and development trends in transmission and management of electricity systems within Europe and the world, as well as in terms of possibility to take part in development and solver tasks and preparation of modification of our entire system for the requirements of the “tomorrow’s networks” which in the current period of power engineering transformation are carried out at the all-European level. Thus the company may actively influence direction of development and capture trends in advance and not only catch up their implementation with time delay and subsequent negative impact on the early implementation and higher financial costs.

The process of strengthening the regional security coordination reached an important milestone in July 2022 when the transformation process of regional security coordinators into regional coordination centres (RCC) in compliance with the requirements of the Regulation on the internal market for electricity was completed. In the regional security coordination process, SEPS has reservations against the activity of two regional coordination centres – TSCNET Services GmbH and CORESO S.A. – in one region of the system operation; the company deems that inefficient, however, respects the opinion of the majority.

In May 2022, SEPS hosted a significant meeting of top representatives of the transmission system operators from Slovakia, Hungary, Croatia and Slovenia with top representatives of ENTSO-E. The participants dealt with topics of priorities and challenges of the ENTSO-E association and approaches of its members.

From the point of view of integration projects on the market in electricity, successful commissioning of the Core Flow-Based Market Coupling (Core FB MC) project was performed on 8 June 2022 and LIP 17 project in the fourth wave of the SIDC extension on 30 November 2022. Both milestones are a result of the long-term cooperation of the transmission system operators, nominated operators of the markets in electricity and national regulatory authorities.

Past year brought up extension of cooperation but it was possible to monitor also creative tension resulting from co-responsibility of SEPS for long-term sustainable balance among the factors such as security, price availability and permanent and sustainability of electricity supply with favourable impact on the living standard to which we, as citizens, are used to.

HUMAN RESOURCES

In the field of human resources management and development (personal, wage, social agenda/care for employees, education and development of employees) we proceeded in compliance with the relevant generally binding legal regulations and the internal documentation of management.

The strategic goal of the human resources section in 2022 was to provide for employees in the required quantity and structure with the use of their qualification and personal potential so as the set goals of SEPS can be achieved in as much extent as possible. All activities were aimed at ensuring smooth and trouble-free operation of the transmission system. The measures to prevent COVID disease spreading was maintained further in the company and occasionally also the work in the form of Home Office was used.

Employment rate

As of 31. December 2022, total of 566 employees had the employment contract of whom 555 were registered employees. Out of the provided registered employees, 468 of them were technical-administrative employees and 87 employees were workers. Out of the registered employees there were 22.9% of women and 77.1% of men. The average age of an employee for the evaluated period was 46 years, the same as in the previous year.

Chart 5 | Share of Men and Women in 2022

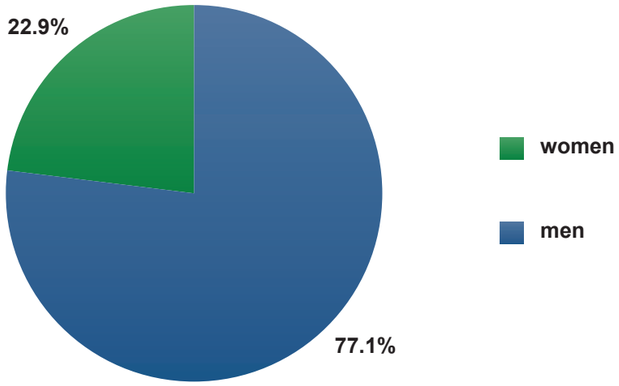
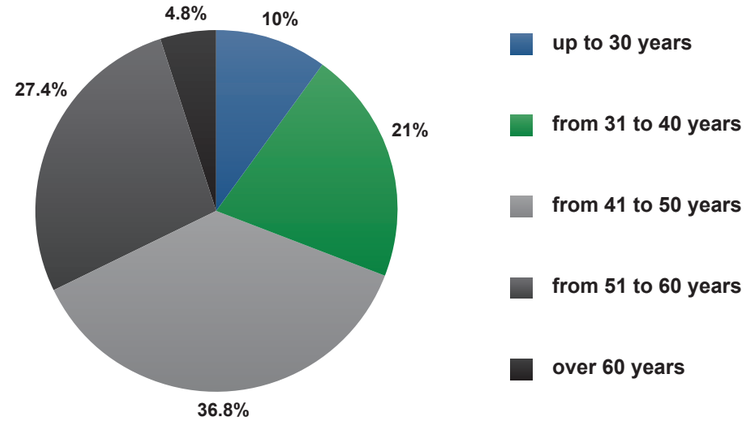


Chart 6 | Overview of Age Structure of SEPS Employees in 2022



Turnover and Stability Index of Employees

Table 13 | Turnover and Stability Index of Employees in 2022

Year 2022	Turnover of TAS	Turnover of W	Total turnover	Stability index TAS	Stability index W	Total stability index
Number of employees	41	8	**49**	x	x	x
Expression in %	7.35	1.43	**8.79**	92.54	91.11	**69.10**
Legend: TAS – technical-administrative staff; W - workers						

In 2022, there were total of 57 employees with the employment contract recruited.

SEPS is a stable employer in the power engineering sector as well as on the Slovak labour market. Our goal is to maintain this position also in the future periods

The employee stability index expressed in percentage in 2022 amounted to 69.10%; compared to the previous year 2021, it dropped by 21.23%. The total employee turnover was 8.79% and was reduced against 2021 by 2.01%. The most frequent reason of the employment termination for employees was leaving due to entitlement to old-age pension and to early old-age pension.

Educational Structure of Employees

Table 14| Educational structure of employees as of 31 December 2022

Educational level	Employees employees	Employees Non-Registered	All employees with an employment contract as of 31 12 2022
Primary education	0	0	0
Secondary education	197	3	200
University education	358	8	366
Total	**555**	**11**	**566**

The educational structure of the company employees is directly related to systemizing the jobs and definition of the qualification requirements for their occupancy. Within the tender process and subsequent occupying the temporarily free jobs, the company pays attention to fulfilment of the required level of education by the candidates.

The educational structure of the company employees is at good level, the employees with university education form 64.7% out of the total number of employees.

Education of Employees

Compulsory trainings resulting from legislation were organized in the first quarter of 2022 still online, in the form of e-learning due to finishing pandemic. Majority of conferences and workshops was executed also in person also with a possibility of online access. In compliance with the approved Business Plan and financial budget for education and development of the SEPS employees for the year 2022 and the relevant internal documentation of the SEPS management, educational and development activities were implemented:

- professional preparation (courses resulting from the legislation, periodical, basic and update ones). Repeated trainings for drivers of motor vehicles were carried out in the form of e-learning for the third time. Furthermore, the training covering Occupational Health and Safety and Fire Protection (OHS and FP) for all employees was executed in the form of e-learning,
- seminars, trainings, courses (aimed at energy, economic legislation, HR, environmentalistics, OHS, employee education to increase awareness and protection in the field of cyber security, public procurement),
- conferences, congresses and symposia (focus on power engineering, environmentalistics, HR),
- IT courses (MS Office, CISCO solutions, Power BI, Python, TOGAF9, SQL language, Modelling by means of enterprise architect in practise etc.),
- courses of technical nature (international training of SED dispatchers, training of the AZD, RUPLAN systems, principles of line and transformer protection, training or protection of SEL-T401L and other specific systems),
- personal development and development of managerial skills (couching, basic media and communication training, solution of crisis situations, how to communicate in demanding situations and efficiently deal with conflicts, presentation skills, professional telephone and e-mail communication, how to cope with stress etc.),
- language preparation (focus on English language – individual courses or small group courses).

Remuneration

The remuneration system applied consists of the guaranteed wage (basic monthly wage + wage privilege) and variable wage component.

In terms of the agreed wage, the employees are divided into the employees with the wage agreed on individual basis (contractual wage) and employees with wage according to wage tariffs agreed in the SEPS company collective agreement (technical-administrative employees, workers, foremen). The employee structure varies, according to remuneration they can be divided into managers of Ist IInd, IIIrd level, specialists and other employees – according to working grade, education and professional experience.

The year-to-year wage growth for the employee category of technical-administrative employees, workers, foremen agreed between the Basic Organisation of Energy-Chemical Trade Union (ZO ECHOZ) at SEPS and the company in the SEPS company collective agreement for the year 2022 was observed.

Basic wage tariffs in 2022 compared to the previous year were increased. From 1 January 2022, the increase was by 2.5% according to the collective agreement (CA) of higher level since the negotiations between ZO ECHOZ at SEPS and the SEPS employers have not been finished yet, and from 1 June 2022 by 4% based on the concluded amendment No. 20 to SEPS CA for the period 2012 – 2022.

The employees remunerated by a tariff wage were apart from the basic monthly wage and the relevant allowances granted also the performance-personal remuneration as a form of individual appraisal of working performance and motivation.

The tasks were continuously given and evaluated by the direct superior employee.

The employees remunerated by a contractual wage were apart from the basic monthly wage granted also the quarterly, half-year and annual remuneration/variable component of wage. Remuneration of contract

staff was applied under the principle of demandingness of the work performed and their contribution to fulfilment of strategic plans and goals of the company.

A variable wage component was granted for fulfilment of strategic tasks, key performance indicators, material interest and operative tasks defined for individual categories of employees (employees with the wage agreed on an individual basis/contract staff), after evaluation of the task fulfilment and the performance indicators set in advance.

Other remunerations/variable wage components were granted in compliance with the SEPS company collective agreement and the relevant rules of remuneration for SEPS managers.

Care of Employees

The company employees were provided with employee advantages and benefits within the scope agreed in the SEPS collective agreement. The substantial source of financing covering care of employees was the social fund from which a contribution for catering, commuting to work and back, workforce regeneration, holiday, health care, children recreation, social aid, support of parenthood, cost compensation at electricity demand, for a package on St. Nicholas Day and for leisure time activities.

According to the valid Labour Code, the employees exercised also the employer contribution for recreation of employees. The maximum contribution for the relevant calendar year per employee, who meets the conditions for its payment is EUR 275. In 2022, based on 260 requests from employees, the company provided total costs of the employer amounting to EUR 50,423.41 for the mentioned purpose.

Occupational Health and Safety and Fire Protection

The occupational health and safety can be characterized as a set of measures, principles, rules, attitudes, behaviour, and activities that help eliminate adverse consequences of work. The term “occupational health and safety” is known also as OHS, however, its content and application are far more wider than indicated by these words.

When fulfilling the requirements in the field of occupational health and safety, the important role is played by the managing company employees who activate subordinate employees towards the work free of injuries, improvement of relationships at the workplace and fulfilment of principles of safe working procedures. Such approach strengthens prevention of occupational diseases.

The elected employee representatives for occupational health and safety cooperate with the managing employees upon enhancing informedness of all employees on the company intentions in the respective area and they apply the rules introduced by the OHS policy to increase the responsibility for own health and improvement of the working environment.

Our company introduced and applies the occupational health and safety management system in practise pursuant to ISO 45001:2007 and it adheres to the certification criteria in compliance with the certificate No. 1719/5/2022-2.

The level of occupational health and safety and fire protection in the company is assessed by the control at workplaces during which fulfilment of legal labour requirements and other related regulations is evaluated. The purpose of the control activity is to find out the facts, take measures, and eliminate the found drawbacks.

Within the work health service, SEPS ensures regular preventive medical check-ups for all employees classified in 2nd and 3rd category of works and regular vaccination of employees who are professionally exposed to the increased danger of the selected infections.

The company pays great attention to safety of our suppliers for whom we provide for training and information in the field of occupational health and safety and fire protection, access to the OHS documentation and counselling.

The company provides for the conditions of fire safety of the objects defined in the legislation via preventive control activity and by maintaining fire-technical means in the operational state.

In 2022, the safety-technical service and managing employees of SEPS aimed their efforts in the field of occupational health and safety and fire protection in a good direction and they pay appropriate attention to them. This trend can be continued only with the active participation of all SEPS employees so as to fulfil the requirements for ensuring OHS valid for this area.

SOCIAL RESPONSIBILITY

Slovenská elektrizačná prenosová sústava, a. s., supports public-benefit activities in the areas closely related to the company activity. It focuses on education, science and research (in the field of electricity as a priority) and on environment protection.

The organisations may acquire financial aid for public-benefit activities from the mentioned fields from two resources. The first option is an advertising partnership and the second option is to acquire grant from the Slovenská elektrizačná prenosová sústava Endowment Fund in the Pontis Foundation.

Advertising and Promotion of the Business Name and Logo

In 2022, SEPS as an advertising partner participated in support of several activities. For example, it financially supported "Festival vedy a techniky" (Science and Technology Festival), project on climate change for primary schools "Pre lepšiu budúcnosť Zeme" (For Better Future of the Earth), professional portal Energie-portal.sk, publications of the professional magazine Raptor Journal and discussions on the SME forum "Globálny kontext k energetike" (Global Context to Power Engineering).

Advertising of the business name was ensured by the company also at several expert conferences organized especially by technical universities, for example at the Conference of Electrotechnicians of Slovakia, at the International Scientific Symposium "Electroenergy 2022", at the international conference "Elektro 2022", as well as at the SME conference "Smart Power Engineering 2022" or at the "Conference of Electrotechnicians of Slovakia".

Slovenská elektrizačná prenosová sústava Endowment Fund in the Pontis Foundation

EDUCATION

Motivation of the young for technical education

In August 2022, the Endowment Fund announced its first grant call entitled "Support of Competitions for Raising Awareness of Science and Technology". The entitled applicants were primary, secondary schools and universities, citizen associations, non-profit organisation and public research institutions. Eight organisations were supported from the call.

Moreover, the MyMachine educational programme which is run in 13 countries and since 2016 also in Slovakia was supported from the Endowment Fund. Within this programme the children from primary schools dream of inventions, teams of university students propose the method of their construction and skilful secondary school students form vocational schools will make them. The involved pupils and students develop creativity and ability to cooperate but they mainly learn that everything works if various talents cooperate.

To raise awareness of the area of electro-power engineering, the "Zmudri G" project was supported aimed at informing young people in an attractive and entertaining form through the social networks.

The grant was awarded also to the Centre for Raising Awareness of Physics at V. Paulíny Tóth Grammar School in Martin which is a sought-after place where enthusiasts of physics from all Slovakia meet. This Centre served as an example of good practise for the call "Building of Centers for Raising Awareness of Physics" in East and West Slovakia which was announced in December.

SCIENCE AND RESEARCH

Support of technical universities

Direct financial aid from the Endowment Fund was aimed at three technical universities – in Bratislava, in Žilina and in Košice – for the equipment in technical laboratories and research projects

Several projects were supported – "Replacements of diesel-aggregates in substations", "Research of options for use of large-capacity battery energy storage systems", "Technical provisions for pedagogic and research activity of the high voltage laboratory in Bratislava", "Securing of specialized facilities in Košice", "Establishment of faculty large-capacity computer classroom in Žilina" and "Complex renewal of the high-voltage laboratory in Bratislava".

The assignment from the share in the tax paid in 2021 served to support three technical universities during the year 2022, i.e. the Slovak University of Technology in Bratislava (Faculty of Electrical Engineering and Information Technology) with the project "Upgrade and Renewal of Technological Equipment of Laboratories", the Technical University of Košice (Faculty of Electrical Engineering and Informatics with the project "Research of Options for Use of Digital Protections in the WAMS Systems and the University of Žilina in Žilina (Faculty of Electrical Engineering and Information Technology) with the project "Optimization of Ecological Parameters of Hydrogen Production Process and Use".

ENVIRONMENT

Protection of birds and assistance for rescue bird stations

The long-term cooperation of SEPS with Protection of Birds of Prey resulted in wished achievements in the form of a record number of young ones of Saker Falcon. Due to installing of nesting boxes, currently almost the entire population of this precious falcon lives on high-voltage line towers. Great contribution in the field of bird protection was purchase of GPS radios, financial support for the Slovak Ornithological Society/BirdLife Slovensko and assistance to rescue bird stations all over Slovakia.

VOLUNTEERING

SEPS supported volunteering of the employees within the project entitled “Our City”

PROJECTS DECLARED IN 2022 AND IMPLEMENTED IN 2023

Employee grant programme

At the beginning of December, a pilot call for the employee grant programme entitled “Energy for the Good” was announced. The aim was to support non-profit organisations recommended by the employee. The organisations could apply for support of activities in health care, social, sports, cultural, educational, human-legal, environmental or scientific-research areas. The call was evaluated next year when the submitted projects were evaluated by the selection committee and the best ones acquired financial support for their activities.

Within the call “Building of Centers for Raising Awareness of Physics” announced in December, the “ScienceOpenLab – Centre for Raising Awareness of Physics at Pavol Horov Grammar School in Michalovce” project was awarded a grant. The project will be implemented in 2023 under the auspice of the Košice Self-Governing Region

ECONOMIC RESULTS

Pursuant to Act No. 431/2002 Coll. on Accountancy, as amended, SEPS, apart from individual financial statements, prepares also consolidated financial statements in compliance with IFRS in the way as these were approved by the EU. The SEPS consolidation covers also its 100% subsidiary OKTE, a. s.

The data on the economic results and state of assets and liabilities are derived from the IFRS consolidated financial statements and from the IFRS individual financial statements for y. 2022. The detailed structure of revenues and costs may be presented in a different structure compared to the summary data in the Income Statement.

Shortened Statements of the Financial Position as of 31 December 2022 and as of 31 December 2021 (in EUR thous.)

	consolidated		individual	
	2022	**2021**	**2022**	**2021**
Assets	**1,837,228**	**1,514,879**	**1,484,118,**	**1,258,126**
Non-current assets	**950,872**	**962,087**	**988,116**	**998,445**
Tangible assets	877,211	894,763	876,726	893,886
Non-tangible assets and other assets	73,661	67,324	111,390	104,559
Current assets	**886,356**	**552,792**	**496,002**	**259,681**
Inventories	1,469	1,654	1,469	1,635
Trade receivables and other receivables	103,924	113,257	68,616	93,407
Short-term Cash and Investments	255,000	0	255,000	0
Cash and cash equivalents	514,030	437,881	160,702	164,639
Receivables from income tax	11,933	0	10,215	0
Equity and liabilities	**1,837,228**	**1,514,879**	**1,484,118**	**1,258,126**
Equity	**1,001,847**	**933,139**	**974,514**	**870,683**
Share capital	235,000	235,000	235,000	235,000
Legal reserve fund	29,690	27,338	28,764	26,931
Fund from revenues from congestion	58,255	0	58,255	0
Other funds	198,924	178,145	196,184	175,405
Revaluation of the financial investment	109	109	109	109
Gains or losses from derivative revaluation	(1,710)	0	(1,710)	0
Actuarial profits/losses	2,823	2,527	2,823	2,528
Fund from asset revaluation	83,846	96,382	83,846	96,382
Undistributed profit	394,910	393,638	371,243	334,328
Liabilities	**835,381**	**581,740**	**509,604**	**387,443**
Long-term liabilities	258,500	268,424	248,193	248,003
Short-term liabilities	576,881	313,316	261,411	139,440

Shortened Profit and Loss Accounts for the Years Ending on 31 December 2022 and 2021 (in EUR thous.)

	consolidated		individual	
	2022	**2021**	**2022**	**2021**
Revenues	465,274	518,674	418,811	449,154
Operating costs	(372,797)	(315,376)	(354,790)	(308,500)
Pre-interest and pre-tax profit/(loss)	**92,477**	**203,298**	**64,021**	**140,654**
Financial revenues/(costs)	1,116	(367)	59,676	(91,238)
Pre-tax profit/(loss)	**93,593**	**202,931**	**123,697**	**49,416**
Income tax	(23,575)	(34,328)	(18,555)	(31,077)
Net profit/(loss)	**70,018**	**168,603**	**105,142**	**18,339**

The most significant data according to the individual financial statements

In 2022, according to the individual financial statements prepared pursuant to IFRS, SEPS revenues totalled EUR 479.041 million with total costs (including the income tax) of EUR 373.899 million and the after-tax profit amounting to EUR 105.142 million.

The revenues for services of the transmission system operator and for other services totalled EUR 408,216 million and formed 85.2% from total revenues. In addition to transmission, which is a basic profit-generating company activity, net profits from cross-border operation of the transmission system participated in profit generation. Moreover, the paid out SEPS dividends from OKTE, a. s. from the profit achieved in 2021 (amounting to EUR 58.8 million) significantly influenced the net profit. Thus, in 2022, the company reached a higher net profit which grew by EUR 86.803 million on a year-to-year basis.

The operating costs for securing provision of the regulated services, consumption of material and energy, costs of repairs and maintenance, costs of services, staff costs, taxes, charges, other operating costs, and depreciations formed the total costs (without financial costs and income tax) of EUR 354.790 million.

According to the individual financial statements, SEPS reported total assets in the net amount of EUR 1,484.118 million, liabilities of EUR 509.604 million and equity amounting to EUR 974.514 million as of 31 December 2022.

The long-term tangible assets amounting to EUR 876.726 million reported in their real value in compliance with IAS 16 represented the highest item of the total assets.

The company liabilities represented especially deferred revenues related to withdrawal of subsidies for long-term tangible assets and accruals of deferred revenues related to regulated activity in the amount of EUR 352.898 million, trade payables, other liabilities of EUR 84.048 million and deferred tax liability of EUR 68.371 million.

Equity consisted especially of: the share capital amounting to EUR 235.000 million, then legal reserve fund of EUR 28.764 million, fund from revenues from congestion of EUR 58.255 million, other funds of EUR 196.184 million, also fund from the asset revaluation amounting to EUR 83.846 million and undistributed profit of EUR 371,243 million.

The balance amount was higher by EUR 225.992 million compared to the year 2021, mainly due to increase of Cash and Investments on the asset side and deferred revenues on the liability side of the balance sheet.

SEPS profit distribution

Item	Reality (EUR mil.)	Profit share (based on reality)
Net after-tax profit	**105,142**	**100.00%**
Dividends	79,338	75.46%
Legal reserve fund	10,514	10.00%
Undistributed profit	15,290	14.54%

The most significant data according to the consolidated financial statements

In the year ending on 31 December 2022, according to the consolidated financial statements, the SEPS group reported the consolidated profit amounting to EUR 70.018 million with total consolidated revenues of EUR 466.982 million. The profit or loss of the Group in the regulatory period is substantially affected by the RONI decisions which lay down prices of the regulated activities of the Group according to Decree No. 18/2017 Coll.

The SEPS Group reported total consolidated assets in the amount of EUR 1,837.228 million and equity amounting to EUR 1,001.847 million as of 31 December 2022. The most significant item of the financial statements position was formed by long-term tangible assets amounting to EUR 877.211 million.

Due to higher regulated revenues achieved, SEPS recognized a positive economic result and along with the achieved profit of OKTE, a. s., thus positively contributed to the consolidated profit of the group in 2022.

EVENTS OCCURRING AFTER THE END OF THE ACCOUNTING PERIOD FOR WHICH THE ANNUAL REPORT IS PREPARED

The company management are not aware of any events occurring after 31 December 2022 and which would have significant influence on objective presentation of facts in the individual and consolidated financial statements as of 31 December 2022.

TRADE AND DISPATCHING

Based on the Regulatory Office for Network Industries (RONI) license No. 2005E 0137 – 5th change of 18 March 2015 – SEPS is the sole operator of the transmission system in the Slovak Republic. Within its core business activities, SEPS provides for transmission and system services, it provides for ancillary services, and it controls the transmission system components as a dispatcher as well as facilities providing ancillary services and supplies regulation electricity acquired within the Grid Control Cooperation (GCC).

The core business activity of SEPS is subject to regulation by RONI. The year 2022 belonged to the 2017 - 2022 regulatory period, while the legislative framework of regulation is defined by the RONI Decree No. 189/2011 of 22 June 2011, on the scope of the price regulation in network industries and on the method of its performance as amended. The parameters for the SEPS regulated activities were defined by Decree No. 18/2017 Coll. of 8 February 2017, laying down the price regulation in electrical engineering and some conditions for execution of regulated activities in electrical engineering, amended by Decrees No. 207/2018 Coll. of 27 June 2018, No. 178/2019 Coll. of 4 June 2019, No. 309/2019 Coll. of 1 October 2019, No. 300/2021 Coll. of 15 June 2021 and No. 477/2021 Coll. of 9 December 2021.

Apart from the core business activity, SEPS provided also other services the provision of which stems from the SEPS position as the transmission system operator as well as some services not related to the core business activity.

Technological Upgrade of the Damas Energy Information System

On 4 February 2022, the technological upgrade of the Damas Energy (hereinafter referred to as “DaE”) was executed. The change covered transfer from JAVA to HTML5. The deployment was preceded by complex internal tests of the DaE views and functionalities which were completed by the UAT (user acceptance testing) tests with the market participants. The main positive aspects of the change are increased speed and response of the system, simpler implementation of changes and, last but not least, increased safety.

Interim Coupling Project

The day-ahead market in electricity coupling on the implicit auction basis (Interim Coupling Project or ICP) was successfully operated by 17 June 2022 By this date, SEPS operated the central module of TSO Management Function (mTMF) which formed the interface for communication and data exchange between the systems of all involved transmission system operators and the systems of nominated operators of the markets in electricity (NEMO). For the ICP purposes, the mTMF module was modified in a way so as to cover complex requirements stemming from extension of the coupled day-ahead market by further borders (PL-DE, PL-CZ, PL-SK, CZ-DE, CZ-AT and HU-AT) or the areas of Germany (50Hertz, TenneT-DE), Austria and Poland.

Within the ICP project, no extraordinary operational states were recorded in 2022, however, on 10 May 2022, the backup solution activation occurred, so called Partial Decoupling due to technical problems on the part of OKTE. It resulted in triggering the Shadow Auction and explicit allocation of capacities on cross-border profiles of CZ-SK SK-HU and SK-PL. Subsequently, the market participants were given a possibility to nominate directly through the DaE system.

Core Flow-Based Market Coupling

On 8 June 2022, the Core Flow-Based Market Coupling project (hereinafter referred to as “Core FB MC”) was launched. The project is a result of long-term efforts of all involved parties to meet the 2015 CACM Regulation aimed at creation of a single European market in electricity through the flow-based calculation and allocation of capacities.

Through the Core FB MC project a commissioning of the day-ahead market was carried out based on the flow-based principle (calculation of capacities based on physical flows and system limits) in the entire region for coordinated calculation of transmission capacities, i.e. Core Capacity Calculation Region (hereinafter referred to as “Core CCR”) within a single day-ahead market in electricity in Europe (single day-ahead coupling, hereinafter referred to as “SDAC”).

Core CCR consists of the bidding zone borders in the following EU countries: Austria, Belgium, Croatia, the Czech Republic, France, Germany, Hungary, Luxembourg, the Netherlands, Poland, Romania, Slovakia and Slovenia.

The transition from use of Physical Transmission Rights – PTR within annual and monthly auctions to Financial Transmission Rights – FTR was initiated by the operational use of Core FB MC. Due to this reason, from 31 December 2022, the possibility of nominations of allocated transmission capacities acquired within annual and monthly auctions organized by JAO have ceased for the market participants. Moreover, the Core FB MC project initiated coordinated calculation of the transmission capacities within Core CCR thus causing replacement of the mTMF module operated by SEPS by the Core Capacity Calculation Tool (CCCt) system which is operated within the centralized IT solution designed specifically for the Core region.

Fig. 1 | Core CCR

SIDC (XBID)

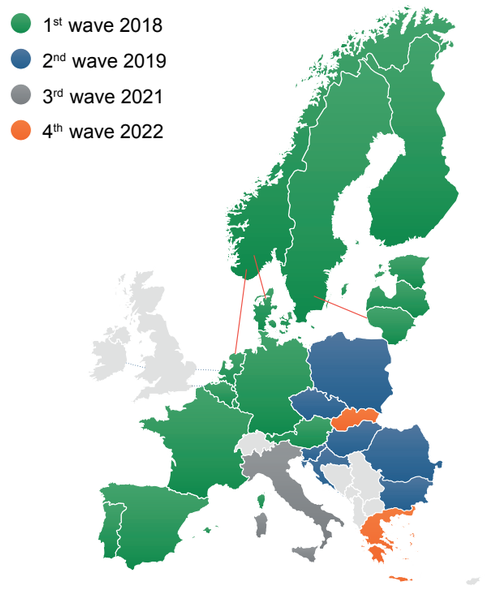
On 30 November 2022, the SIDC (Single Intraday Coupling, known also as XBID in the past) project was successfully launched. SEPS joined as a part of the LIP 17 project within the fourth wave of the SIDC extension. At present, SIDC covers the integrated intraday markets of 25 countries: Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Norway, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. The project responds to the market needs by creation of transparent, efficient and continual environment which will allow trading of intraday positions within SIDC without necessity to explicitly allocate the transmission capacity.

The solution stems from the common central IT system which interconnects orders from local business systems operated by the nominated operators of the market in electricity (NEMO), as well as available cross-zonal transmission capacities determined by the concerned transmission system operators (TSO). Within the central solution, the offers submitted by the market participants in one

country may be paired with the offers submitted by the market participants in any other participating country if the cross-border transmission capacity is available between the relevant bidding zones.

The project brought about the change in intraday allocation of the cross-border transmission capacities, ČEPS as an entity operating the regional allocation platform was replaced by the XBID Europe-wide centralized solution. The platform for submission of offers of the Slovak market participants is the ISOT system (VDT module) OKTE. Concurrently, the implementation of the XBID project enabled an option of trading of 60-minute and 15-minute products through the solution based on the implicit interim pairing.

Fig. 2 | SIDC (XBID)



AMICA – coordinated safety analyses

From 2016, SEPS together with other transmission system operators conducts coordinated safety analyses within the region via the common AMICA system operated by the regional security coordinator by TSCNET Services GmbH. It is a decentralized system serving for early diagnostics of potential risk situations including the proposal for their solution. In the course of 2022, the AMICA system was operated without more significant problems. At the end of 2022, SEPS together with TSCNET Services joined the pilot project of transition from the decentralized version of the system to the centralized version. Transition of the system to the centralized version should accelerate substantially all data flows and thus the very calculation processes related to performance of safety analyses within the DACF and IDCF processes.

Allocation of Cross-Border Transmission Capacities

The transmission capacities on the SEPS cross-border profiles are allocated in several time horizons – on annual, monthly, day-ahead, and intraday basis. The procedures of explicit auctions, implicit auctions and explicit allocations are applied using the FCFS (First Comes First Served) method to allocate capacities in dependence on the respective time horizon and cross-border profile – when the requirements for capacity allocation are evaluated from time to time in the order in which they are accepted by the allocation system.

Allocation of cross-border transmission capacities on an annual and monthly basis on the SK-PL, SK-CZ and SK-HU cross-border profiles was performed in 2022 via the Joint Allocation Office S.A. (JAO) with the registered office in Luxembourg. The cross-border capacities were allocated in the form of explicit auctions.

JAO fulfils the function of the SAP (Single Allocation Platform) operator based on the Single Allocation Platform Cooperation Agreement between JAO and the participating European transmission system operators.

The cross-border capacities on the SK-HU, SK-CZ and SK-PL profiles are allocated on a daily basis implicitly within the SDAC processes.

Table 15 | Overview of the Capacity Allocation Mode on SEPS Cross-Border Profiles by 29 November 2022 (of the business day)

Profile	Annual auction	Monthly auctions	Daily auctions	Intraday allocation
SK/CZ	explicit (SAP)	explicit (SAP)	implicit (market coupling)	explicit FCFS (allocation office ČEPS)
SK/HU	explicit (SAP)	explicit (SAP)	implicit (market coupling)	explicit FCFS (allocation office ČEPS)
SK/PL	explicit (SAP)	explicit (SAP)	implicit (market coupling)	explicit FCFS (allocation office ČEPS)
SK/UA	not applicable	explicit unilateral (Auction Office SEPS) - by 3/2022	explicit unilateral (Auction Office SEPS) interrupted from 24.2. to 6.7.	not applicable

Table 16 | Overview of the Capacity Allocation Mode on SEPS Cross-Border Profiles from 30 November 2022 (of the business day)

Profile	Annual auction	Monthly auctions	Daily auctions	Intraday allocation
SK/CZ	explicit (SAP)	explicit (SAP)	implicit (market coupling)	continually trading (XBID)
SK/HU	explicit (SAP)	explicit (SAP)	implicit (market coupling)	continually trading (XBID)
SK/PL	explicit (SAP)	explicit (SAP)	implicit (market coupling)	continually trading (XBID)
SK/UA	not applicable	suspended	explicit unilateral (Auction Office SEPS)	not applicable

The independent SEPS trade management department organized allocation of the transmission capacity rights only on the cross-border profile of the transmission system of SR with the Ukraine (UA) in 2022. Allocation of cross-border transmission capacities was executed in the form of monthly and daily explicit unilateral auctions according to the rules published on www.sepsas.sk. In order the successful participants of unilateral auctions organized by SEPS can use the allocated capacities, they must ensure the transmission capacity also on the Ukrainian part. Monthly auctions were conducted only for the period January – March 2022, subsequently the monthly unilateral auctions were suspended until the end of 2022. From the business day, on 24 February 2022, daily auctions were suspended. Daily auctions were relaunched for the business day, on 7 July 2022, while the available capacity was changed from the export one from UA to the import one to UA according to the availability or insufficiency of resources on UA. Division of the capacity import limit set by RGCE ENTSO-E was simply divided into profiles available for trading while at the end of the year, only the SK-UA profile remained for trading. Moreover, during 2022, negotiations with the Ukrainian party continued concerning joint auctions on the SK-UA cross-border profile which should be launched in the course of 2023. JAO will be an auction office for allocation of capacities within the joint auctions. Introduction of the joint auctions will mean a step forward upon coordination of capacity allocation on the SK/UA profile thus simplifying access to the cross-border capacity for the market participants.

The cross-border capacities are on the SK-CZ, SK-HU, and SK-PL profiles allocated also on the intraday basis. The allocator function for capacities was performed by ČEPS from 1 January to 29 November 2022. The capacities were allocated free of charge, the requirements for capacity were evaluated in the order in which they were received in the information system of the capacity allocator. The capacity rights were allocated as so called “rights with obligation“, i.e. the market participant was obliged to use the allocated capacity rights in full extent. Intraday allocation for the SK-PL profile was carried out in the mode of six 4-hour seances during the business day, in case of the SK-CZ and SK-HU profiles there was the mode of 1-hour seance performed 24 times during a business day.

Starting on the business day on 30 November 2022, the continuous intraday trading on the SK-CZ, SK-HU and CK-PL profiles through the XBID platform. 60-minute business interval is applied to trading on the SK-CZ and SK-PL profiles, 15-minute business interval is applied on the SK-HU profile.

Securing Ancillary Services

The core business activities of SEPS include provision of the system services. To ensure the aforementioned, SEPS procures ancillary services (“PpS”). Procurement of the ancillary services for various time horizons in 2022 was carried out in compliance with the SEPS Operation Rules of the Transmission System Operator.

The required volume of availability was defined based on the operational requirements for the year 2022 and the results of availability procurement of individual PpS within an annual tender for the year 2022 according to the “*Strategy of ensuring sufficient volume of ancillary services for provision of system services and safe and reliable operation of ES SR for the year 2022*”. The missing volume of PpS availability for the year 2022 was ensured by the daily purchase of individual types of PpS and it considered volume of already contractually secured PpS availability from the annual tender for the year 2022.

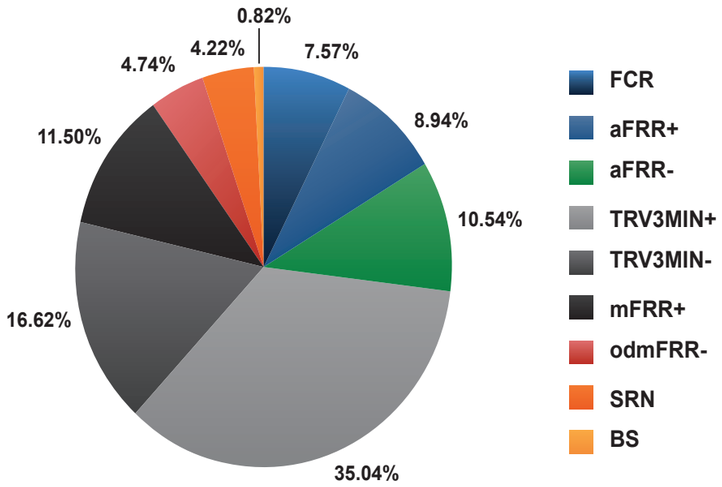
For the year 2022, the total volume of PpS primary regulation of active power and frequency (FCR) amounted to 92.8%, secondary regulation of active power and frequency positive (aFRR+) was 70.2%, secondary regulation of active power and frequency negative (aFRR-) was 85.2%, tertiary regulation of active power and frequency 3-minute positive (TRV3MIN+) was 99.9%, tertiary regulation of active power and frequency 3-minute negative (TRV3MIN-) was 99.8%, tertiary regulation of active power and frequency positive (mFRR+) was 65% and tertiary regulation of active power and frequency negative (mFRR-) was 33.6%.

Based on evaluation of a drop in electricity consumption and change of load in the electricity system of the Slovak Republic in 2021, the requirements for the PpS volume within the daily purchase were optimized so as to reflect reduction of risk of imbalance states in the system in relation to reduction of the industrial production in 2022. The total incurred costs related to procurement of the PpS availability for the year 2022 amounting to almost EUR 122 million did not exceed the amount of the permitted costs approved by RONI.

Purchase of PpS in 2022 was governed by the RONI price Decision No. 0092/2022/E of 28 December 2021 which determined maximum prices for provision of individual types of PpS and maximum or minimum prices of the offered regulation electricity as well as permitted costs of PpS purchase. In regard to turbulent development of commodity prices on European markets in 2022, this decision was changed by issuance of a new price decision No. 0322/2022/E of 29 November 2022 which significantly increased maximum prices for provision of individual kinds of PpS. On 28 December 2022, the Decision No. 0327/2022/E adjusted the price for provision of PpS mFRR+.

Graphic representation of cost withdrawal for individual types of PpS means a share in total costs incurred for PpS availability in 2022.

Chart 7 | Share of Cost Drawdown for Particular PpS out of Total Cost Drawdown in 2022



Legend:

PpS	ancillary services
FCR	primary regulation of active power and frequency
aFRR+	secondary regulation of active power and frequency, positive
aFRR-	secondary regulation of active power and frequency, negative
TRV3MIN+	tertiary regulation of active power and frequency, 3-minute positive
TRV3MIN-	tertiary regulation of active power and frequency, 3-minute negative
mFRR+	tertiary regulation of active power and frequency, positive
mFRR-	tertiary regulation of active power and frequency, negative
SRN	secondary voltage regulation
BS	black start

Chart 8 | Number of Ancillary Service Providers from 2004

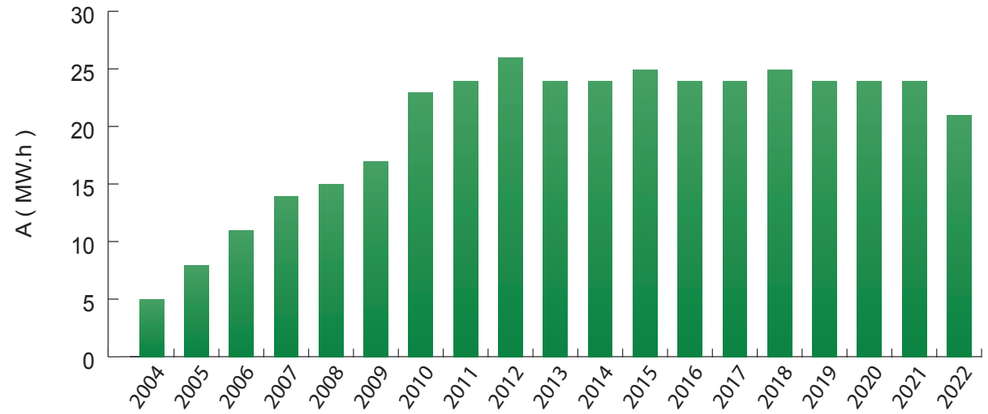
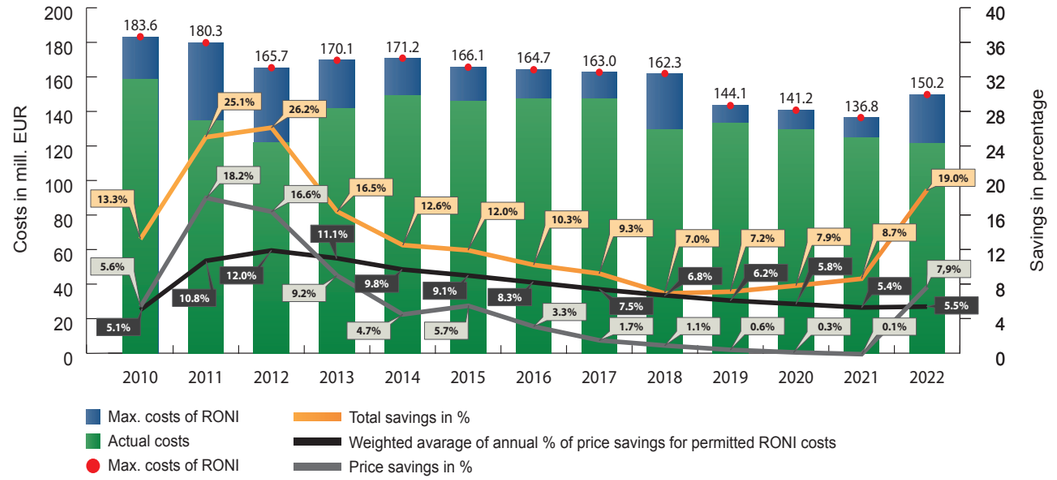


Chart 9 | Overview of Savings at PpS Procurement in the Period 2010 to 2022

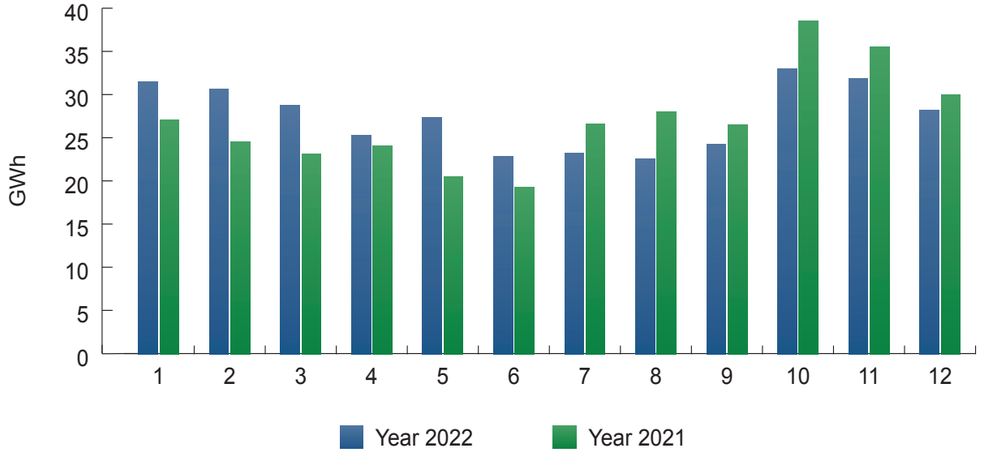


Electricity to Cover Losses at Electricity Transmission

Electricity transmitted via the transmission system is defined as a sum of all electricity inputs in the transmission system including import from the neighbouring systems. In 2022, the transmitted electricity through the transmission system totalled 33,523.266 GWh. It is a year-to-year increase of 2.2% compared to year 2021 when 32,807.142 GWh of electricity were transmitted via the transmission system. This increase was caused by the increased electricity import through the transmission system (+20.6% against the previous year), as well as the volume of back supplies from the distribution system (+22.3% against the previous year) while the electricity production on the entry into the transmission system dropped (-11.6% against the year 2021).

Losses in the transmission system are evaluated as a difference between the electricity volume which enters the transmission system and the volume of electricity which exits the transmission system reduced by self-consumption of electricity of the transmission system operator. Losses in the transmission system in 2022 amounted to 330.249 GWh. Compared to the year 2021, on a year-to-year basis, it means increase by 1.7%, when the losses in the transmission system amounted to 324.654 GWh. The share of losses in the transmitted electricity in 2022 was below the limit of 1% (0.99%). Monthly electricity losses in 2022 reached maximum level in October (33.088 GWh) and minimum level in August (22.636 GWh).

Chart 10 | Development of Losses in 2022 and 2021



From 1 April 2016, the platform for intraday trading in electricity in the Slovak area used by SEPS for specification of business positions of loss diagrams is available for accounting entities. In 2022, SEPS traded 13,385.9 MWh of electricity on the intraday market to cover losses in the transmission system of which purchase amounted to 8,805.8 MWh and sale amounted to 4,580.1 MWh. Compared to 2021, significant reduction of traded volume of electricity on the intraday market due to high electricity prices on the market occurred.

Dispatch Management

The important activity to ensure safe and reliable operation of the transmission system is correct prediction of electricity flows and identification of bottlenecks. Based on the forecast models, SEPS performs complex N-1 calculations resulting from the relevant Network Codes and methodologies.

Based on these calculations and actual situation, the SEPS dispatcher on duty will evaluate eligibility of utilization of possible remedial measures for reliable and safe operation of ES SR. The dispatcher control of ES SR within the coupled European system as one of the main SEPS tasks was performed in compliance with the valid legislation.

Reconfigurations (changes in topology) of the transmission system of the Slovak Republic as a means for observation of the basic N-1 security criterion were activated in 2022 by the SEPS dispatching in one case in the Varín switchyard on 10 May 2022.

In order to observe the prescribed voltage limits and in the context of the valid European legislation, the SEPS dispatching uses all available voltage remedial measures affecting the voltage conditions in ES. In order to ensure fulfilment of the N-1 criterion in the transmission system in the voltage area, several measures were activated, in the line tripping category it was especially the V406 Varín – Liptovská Mara line. Reduction of demands by consumers connected to the system, such as Slovalco, a. s. or OFZ Široká had negative impact on voltage conditions in the transmission system. A problem covering flows of reactive power from the distribution system level persists. Progressive resolving of this issue is expected from the amendment to the Act on Power Engineering in 2022. Implementation of the relevant provisions of the Act should determine the limit values of flows of reactive power between the transmission and distribution system.

In 2022, the European Awareness System (EAS) was activated for several times in 2022. In summary, the Alert State was activated for 10 times, 2 times due to loss of communication connection of the dispatching centre, 8 times due to drop of volume of available power reserves. The state of Emergency was not activated in 2022.

In May 2022, the Black Start test was carried out between the Gabčíkovo hydro-electric power plant (VE) and the Bohunice nuclear power plant (JE EBO) while the aim was to renew self-consumption of 4th reactor following the black-out type failure. The programme of the test was successfully executed in full extent, the abilities of the tested facilities to participate in the procedures for the ES SR renewal after the black-out type failure were proved.

Billing Measurement and Quality Measurement

In 2022, by their activity, the ASZD Department employees provided for reliable, safe, and continuous running of technology of the Automated Data Collection System (ASZD) and Information System of Billing Measurement (ISOM) that provides the documents for electricity flow settlement through

the transmission system. ISOM collected and provided all data for the needs of securing fulfilment of legislative obligations of the transmission system operator, especially in the field of measurement, collection, and evaluation of the measured data in individual meter-transfer points of the transmission system, calculation of losses in the transmission system and the transmission system operator self-consumption as well as in the area of electricity quality measurement.

In 2022, the works continued within the IPDE system (International Phasor Data Exchange) whose founding members include ČEPS and SEPS and the system has been in routine operation since 2019). With effect from 1 January 2021, MAVIR is another member of the IPDE system. Moreover, the Polish transmission system operator PSE proved interest in the participation in the system. Extension of members of the IPDE system continues by active promotion of the system among the European transmission system operators. Extension of the IPDE system will contribute to increase of the data volume on the current operational situation in the interconnected electricity systems at the time of increasingly growing demands for electricity transmission. It serves for the needs of analyses of various anomalies in the interconnected transmission system and the ways are sought for its use also in real time.

In 2022, the “Innovation of measurement sets” investment project implementation continued. The project purpose is replacement of obsolete equipment and adjustment of connection and supply of components of measurement sets according to the new concept stemming from the latest knowledge and needs in the field of electricity metering. In 2022, the execution in the ESt Spišská Nová Ves, ESt Liptovská Mara, ESt Medzibrod, ESt Voľa, EMO1, EMO3, ESt Lemešany, ESt Križovany, ESt Podunajské Biskupice, ESt Stupava, ESt Považská Bystrica, ESt Horná Ždaňa, EMO2, Košice switching station, ESt Veľké Kapušany, Vojany power plant, Slovalco, ESt Rimavská Sobota objects was carried out. Modifications and checks of collection of the measured data were performed from time to time in the collection systems. After commissioning the facilities were taken over to the administration of ASZD. Responsible employees of the department performed supervision over the performed works and secured the activities related to commissioning of measuring sets.

Within the “Innovation of communication equipment” investment project, the technical specification for selection of the project promoter was outsourced.

In ISOM, for the needs of ASZD department, instruments for control of billing measurement data quality were improved.

Cross-Border Exchange

The cross-border values of the measured import and export of electricity were significantly increased in 2022 compared to 2021. The year-to-year index of electricity import into ES SR was 120.6%, the index of export amounted to 116.9%. The balance of cross-border flows in ES SR has been in the import direction since 2007. The balance (import) in 2022 almost doubled compared to 2021 (index of 182.5%), it amounted to the value of 1,412 GWh. The cross-border flows of electricity in the import and export direction were in 2022 historically the highest.

Table 17 | Measured Cross-Border Electricity Transmissions in the Period 2015 to 2022 in GWh

- GWh -	2015	2016	2017	2018	2019	2020	2021	2022
Import	14,968	13,249	15,565	12,544	13,539	13,288	13,884	16,743
Export	12,611	10,598	12,535	8,747	11,839	12,970	13,110	15,331
Balance (import)	2,357	2,651	3,030	3,797	1,700	318	774	1,412

Procured Regulation Electricity

By activation of the ancillary services SEPS provides for balance between the electricity generation and consumption on the territory of Slovakia. It is one of the SEPS tasks as the transmission system operator. The result of the PpS activation is supply of the regulation electricity (RE) into ES SR. In 2019 and 2020, negative regulation electricity significantly prevailed over the positive regulation electricity. In 2021, the situation got reversed, a significantly higher volume of positive regulation electricity against the negative regulation electricity was needed in the electricity system. This situation continued also in 2022.

Monthly volumes of the positive regulation electricity prevailed over negative regulation electricity in each month of the year 2022. In 2022, the volume of positive RE was 217,091 MWh (year-to-year index is 95.3%) and volume of negative RE was -114,355 MWh (index of 110.3%). The volume of the procured positive regulation electricity in the 14-year history of evaluation in 2022 was the fourth highest one, the year before it was the third highest volume of positive regulation electricity. On the contrary, the negative volumes of regulation electricity in 2021 and 2022 proved the lowest historical values. In 2022, it was historically second lowest volume of regulation electricity.

Grid Control Cooperation (IGCC)

The goal of the IGCC system is to optimize activations of the secondary regulation power (aFRR) of the cooperating transmission system operators. If the requirement for aFRR activation is in the reverse direction than with participating operators, the exchange of the regulation electricity among operators occurs thus preventing reverse activation of aFRR in the participating control areas.

After previous functioning in the e-GCC system which SEPS formed together with the neighbouring transmission system operators (ČEPS and MAVIR), SEPS participates from 13 May 2020 in the IGCC system which records much higher number of the transmission system operators from ENTSO-E. Thus IGCC allows for higher share of exchanges in regulation electricity compared to the e-GCC system.

In 2022, there were 124,875 MWh of positive RE imported from the IGCC system to ES SR and 65,398 MWh of negative RE were exported. The year-to-year indices of acquired regulation electricity from the IGCC system were 88.9% in case of positive regulation electricity and in case of negative regulation electricity they reached 95.4%. The share of regulation electricity from the e-IGCC system in the regulation electricity procured within aFRR from the resources on the territory of the Slovak

Republic was at the similar level as in 2021. In 2022, this share amounted to 60.7% of positive regulation electricity and 61.3% of negative regulation electricity. In 2021, the share of positive regulation electricity reached 65.7% and 70.9% of negative regulation electricity.

Load of ES SR

In 2022, the peak load of ES SR was almost similar as in 2021. However, the annual minimum load of ES SR in 2022 was historically the lowest one and it reached the value of 1,881 MW. By then, the lowest annual minima of the ES SR load in 2009 (2,001 MW) and 2020 (2,009 MW). The year-to-year reduction of the minimum annual load by 324 MW is comparable with 2009 when against the year 2008 the annual minimum was lower by 336 MW. Annual maximum was on 12 January 2022 and minimum was on 11 September 2022 The statistics of peak and minimum load serves for the purposes of comparison with the historical data based on the immediate hourly data.

Table 18 | Peak and Minimum Load of ES SR in 2022

	Date	Hour	Load	Difference /2022-2021/
Peak	12 January	5:00 a.m.	4,442 MW	-6 MW
Minimum	11 September	3:00 a.m.	1,881 MW	-324 MW

Chart 11 | Share of Generators in the Electricity Generation of Slovakia in 2021 and 2022

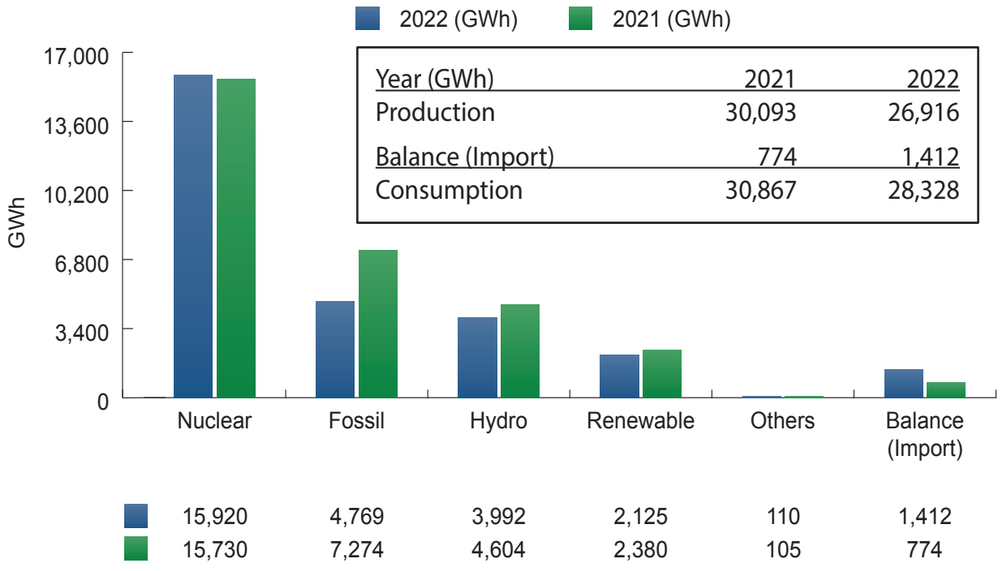


Chart 12 | Share of Generators in the Electricity Generation of Slovakia in 2022

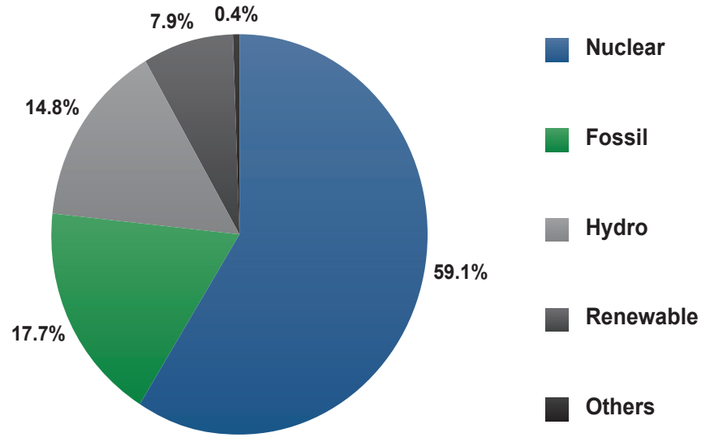


Chart 13 | Year-To-Year Monthly Indices of Electricity Generation and Consumption 2022/2021 (%)

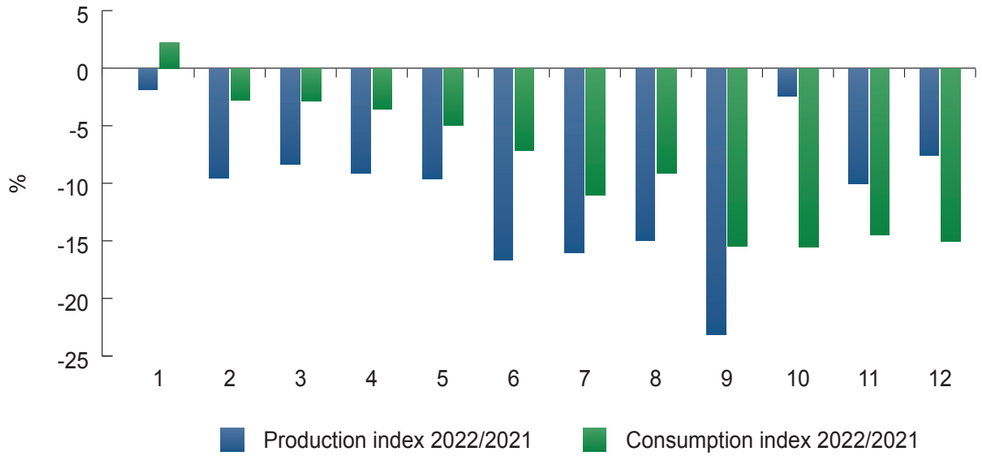


Chart 14 | Annual Electricity Production and Consumption in Slovakia in the Period 2008 - 2022

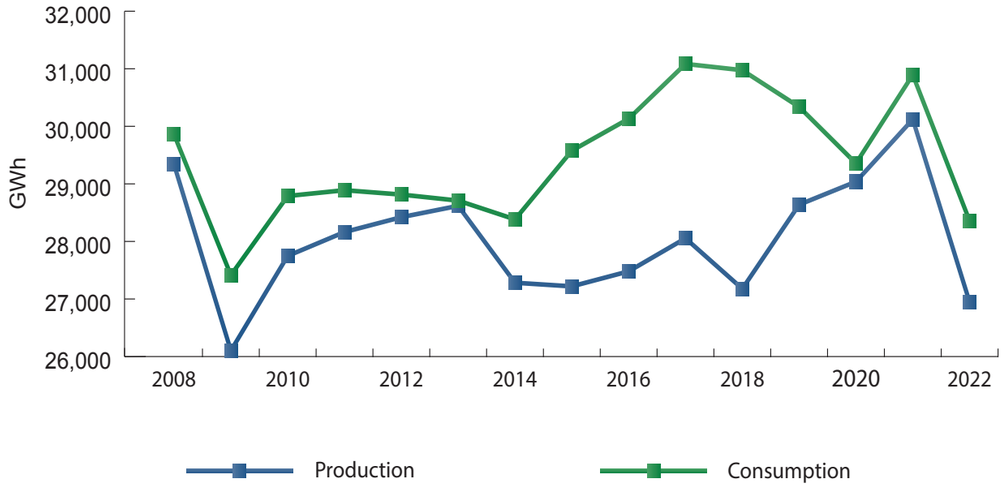


Chart 15 | Weekly Peak Loads of ES SR in the Period 2020 - 2022

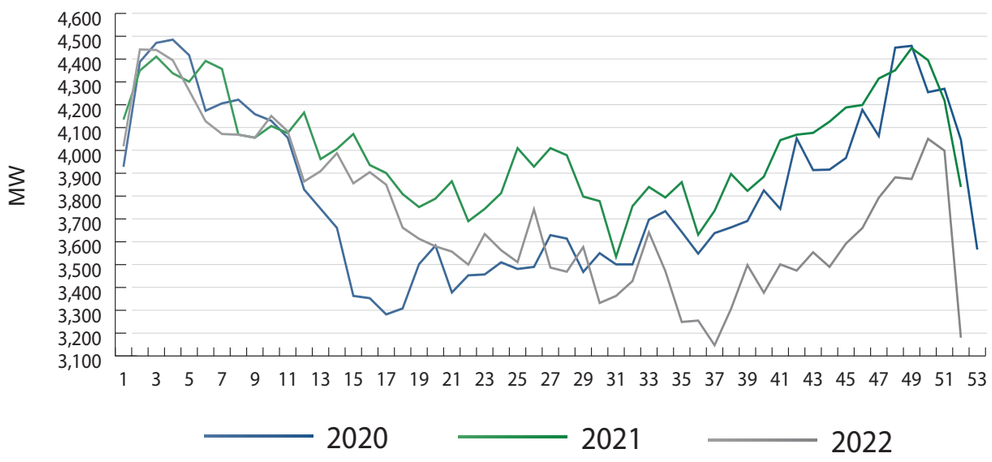


Chart 16 | Annual Peak and Minimum Loads of ES SR in the Period 2000 - 2022

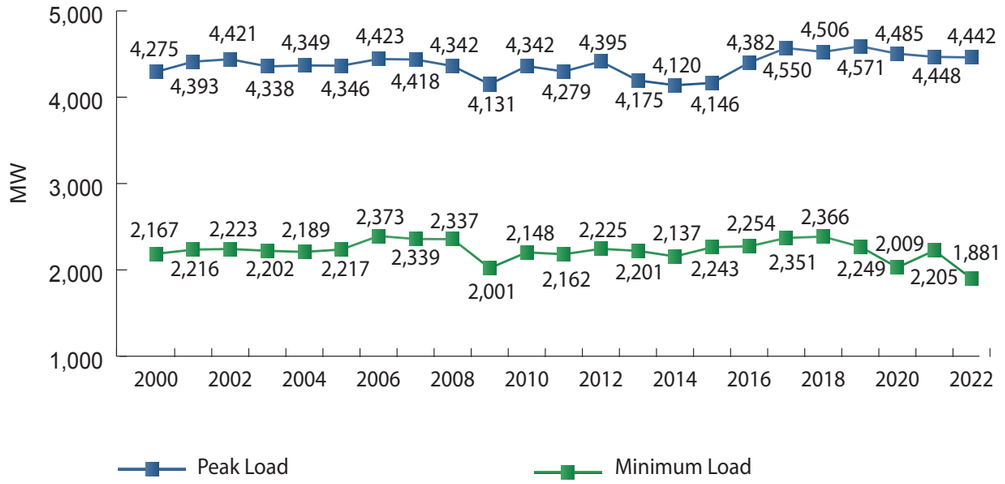


Chart 17 | Measured Monthly Cross-Border Balance in ES SR in the Period 2021 - 2022

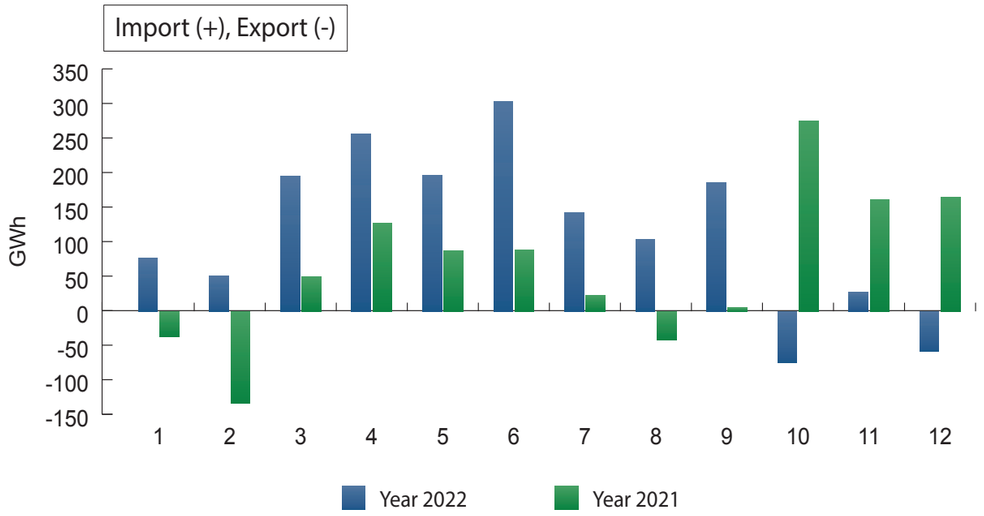
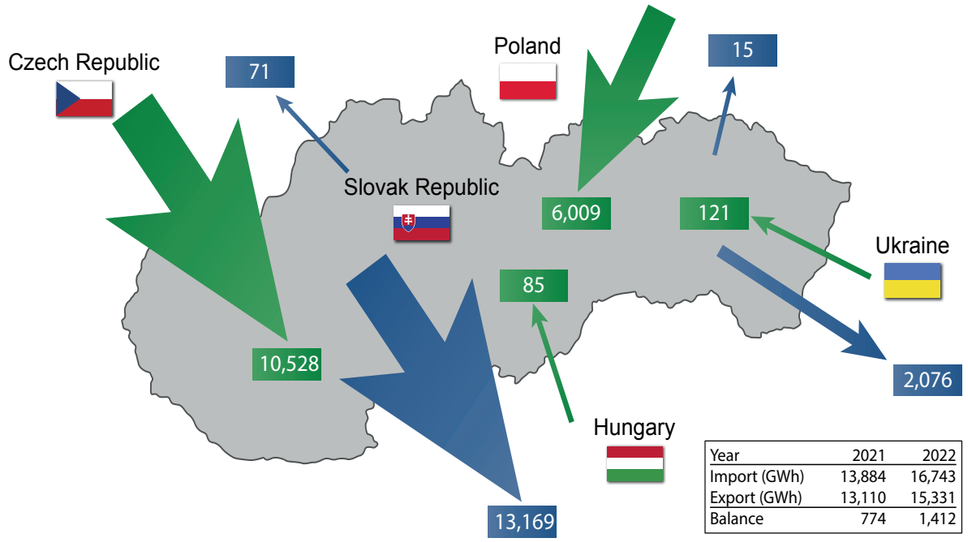


Chart 18 | Measured Cross-Border Flows in Electricity in ES SR in 2022 in GWh



Year	2021	2022
Import (GWh)	13,884	16,743
Export (GWh)	13,110	15,331
Balance	774	1,412

Chart 19 | Measured Cross-Border Flows in Electricity in ES SR in the Period 2008 – 2022

Chart 20 | Monthly Volumes of Procured RE for ES SR in 2022

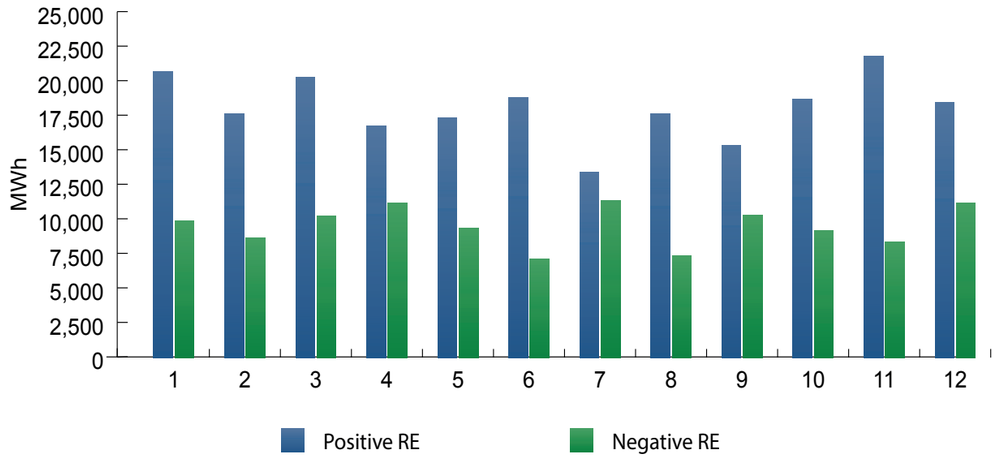


Chart 21 | Share of Procured RE for ES SR in 2022 (%)

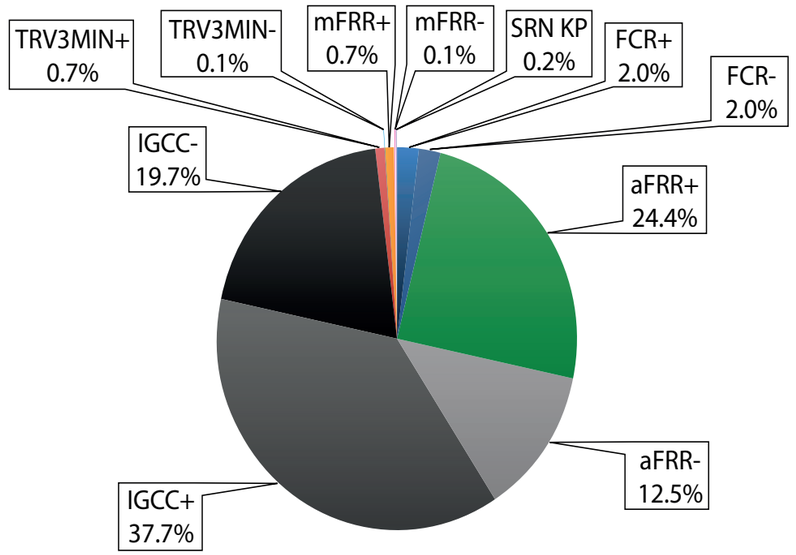
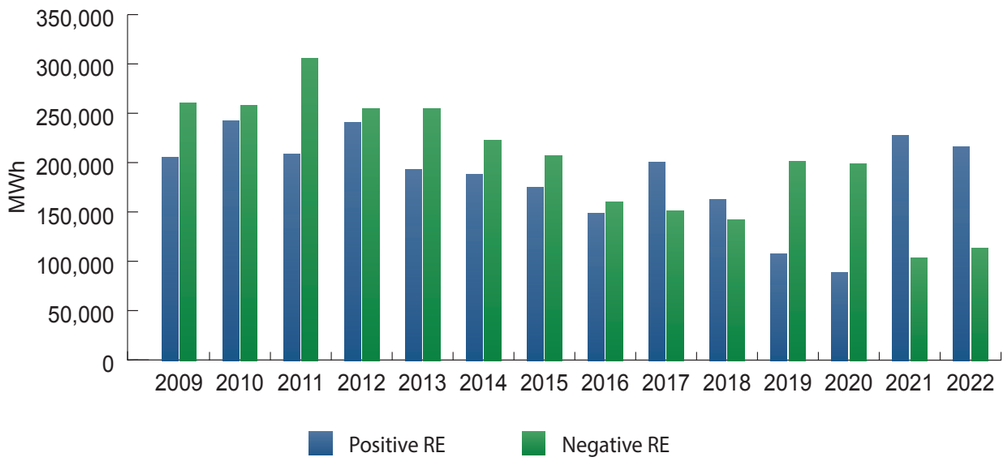


Chart 22 | Annual Volumes of Positive and Negative Regulation Electricity in the Period 2009 – 2022



SUBSIDIARY OKTE, a. s.

OKTE, a. s. (hereinafter referred to as “OKTE”) was established in 2010 and since then it has built-up a position of a significant entity on the Slovak market in electricity with broad coverage providing its services both for all entities operating on the market in electricity and various state administration bodies and other clients. OKTE took over from its sole shareholder, Slovenská elektrizačná prenosová sústava, a. s., the activities covering organization and evaluation of the short-term market in electricity and imbalance settlement to which activities in the field of guarantees for energy origin and data collection and processing were added. OKTE is an established entity on the energy market in compliance with the relevant international and national regulations.

Portfolio of Services

The OKTE position within the Slovak energy market is defined in the primary legislation, especially by Act No. 251/2012 Coll. on Power Engineering and on amendment of certain acts, as amended (hereinafter referred to as “Energy Act”), as well as by Act No. 309/2009 Coll. on Promotion of Renewable Energy Sources and High Efficiency Combined Generation and on amendment of certain acts, as amended (hereinafter referred to as “Act on RES Promotion”). Through the quality and level of the services provided, OKTE acquired a significant and trustworthy position of the strong entity on the energy market during its existence.

The starting portfolio of tasks and services provided by OKTE was significantly extended since the company establishment. Currently, this portfolio includes, except for organisation and evaluation of the organized short-term cross-border market in electricity and imbalance settlement and regulation electricity, as an initial package taken over from the parent company, also administration and collection of the measured data, central invoicing and other tasks in the section of renewable energy sources, especially organization and settlement of electricity production support and registration, transfers and organization of the market including guarantees of origin for some energies (hereinafter referred to as “Guarantees of Origin”).

Upon performance of its activities, OKTE is a significant partner not only for individual market participants but also public administration authorities from among which OKTE closely cooperates for example with the Ministry of Economy of the Slovak Republic or the Statistical Office of the Slovak Republic. As a regulated entity, its task is to cooperate with the Regulatory Office for Network Industries and other Slovak and foreign entities of either public or private character.

International Cooperation

In terms of international cooperation, one of the most significant change in 2022 occurred already at its beginning. The cooperation among all nominated organizers of the market in electricity (hereinafter referred to as „NEMO“) and transmission system operators is carried out according to the new organisational structure. Within it a new central governing body, Market Coupling Steering

Committee was established the competences of which include decision-making on organisation and development of single coupled markets in electricity in the EU. The existence of the mentioned body is assumed by the European Commission Regulation No. 2015/1222 establishing a guideline on capacity allocation and congestion management.

From its position of NEMO, OKTE is a member of the committee associating all NEMOs in the EU whose main goal is to ensure better organisation among all NEMOs and unified procedure at acting and negotiations with other entities.

In terms of activities in the renewable sources section, the OKTE membership in the Association of Issuing Bodies – AIB. The aforementioned membership helps the OKTE customers on the market with guarantees, since AIB facilitates European transfers of guarantees of origin and strives to harmonize the rules and procedures.

Moreover, further forms of international cooperation of OKTE include participation in the Europex association, cooperation with the association of the European transmission system operators (ENTSO-E) and with the Agency for Cooperation of Energy Regulators (ACER).

Transparency of the Wholesale Market

REMIT (Regulation on Wholesale Energy Market Integrity and Transparency) is the Regulation of the European Parliament and of the Council (EU) No. 1227/2011 on Integrity and Transparency of the Wholesale Market in energy and implementing regulation of the European Commission No. 1348/2014 which impose an obligation to provide ACER with the information on contacts on wholesale markets in energy including instructions for trading on the participants of the wholesale market. From 20 August 2015, OKTE operates so called registered reporting mechanism (RRM). At the same time, OKTE provides for mediation of data reporting on wholesale contracts on behalf of the transmission system operator and participants of the market in electricity and gas.

Development of the Subsidiary Company

Development of Information Technologies (hereinafter referred to as IT)

Within the IT OKTE development, the steps leading to the change of the information system architecture were initiated in 2022. Their goal is redesign and upgrade of the IT architecture and infrastructure. The architecture change includes the following projects:

- EDC (Energy Data Center)
- Transition of Invoicing Module into SAP
- Integration platform Introduction

EDC

In 2022, further milestone in the EDC creation project was achieved. After completion of the first project phase that includes aggregation, accumulation, energy communities and electricity sharing, core data, charging stations for e-mobility, data on generation and measured data, the tender for supplier of the information system for EDC was successfully carried out. The EDC project focuses on suitable implementation, especially of the requirements for renewable sources integration resulting from so called EU Winter Energy Package in the field of new market in electricity design which sets up new activities and actors on the electro-energy market.

The EDC system will deal mainly with the following areas:

- aggregation of flexibility,
- energy communities and sharing of energy from RES,
- accumulation,
- administration of consumption and transfer sites core data,
- data from intelligent measuring systems (IMS) measurements,
- standard reports and statistical outputs,
- sharing of data on application of guarantees for origins for electricity from RES,
- sharing of data on electricity production including the data on generation from RES,
- documents for invoicing, clearing and imbalance settlement.

Transition of Invoicing Module into SAP

The invoicing process was identified as one of the processes which will be subject to change and upgrade to introduce standard solutions at development of the IT architecture. The invoicing system will be shifted from the custom development solution to the standard solution for invoicing, accountancy, assets, controlling and other sources – SAP. A new solution will bring an option of legislative updates, data consolidation, unifying invoicing processes, simplification and making transparent the accounting operations. In 2022, the first part of the project – selection of supplier was successfully completed.

Integration Platform Introduction

The project goal is introduction of the integration platform as a new element in the OKTE environment to ensure communication of the existing and new systems.

The integration platform will serve to centralize the interconnection of the OKTE information systems to unify the interfaces of the systems connected to the Enterprise Service Bus (ESB) integration platform. ESB will provide a possibility of communication of the OKTE information system with new systems under preparation in a transparent manner without redundant connections, of IS among themselves as well as with the surrounding system. In 2022, the first part of the project – selection of supplier was successfully completed.

Daily Imbalance Settlement

With effect from 1 October 2022, OKTE transited to daily financial imbalance settlement. No changes were applied to the imbalance settlement process itself. The change covered exclusively invoicing and financial settlement of imbalance settlement between OKTE and accounting entities. Daily financial settlement of imbalance settlement is based on similar principles as the daily financial settlement of trades on the organized short-term cross-border market in electricity. The receivables and liabilities from the relevant daily evaluation of imbalance shall be mutually set off and the result of settlement of balance of the relevant daily imbalance settlement is issuance of payment or collection order.

Development of the Single Market in Electricity

In 2022, OKTE was actively participating in the activities related to development, implementation, and operation of the single coupling of cross-border day-ahead and intraday market in electricity within the European Union.

In the first half of the year, the company further participated in the ongoing testing of the project of Core Flow-Based Market Coupling (hereinafter referred to as “Core FB MC”) which was a target solution for implementation of a single day-ahead coupling in Europe (hereinafter referred to as „SDAC“) fro the point of view of regulators. After successful testing of the solution at the international level, the Core FB MC project was commissioned for the first time on 8 June 2022 thus the Slovak bidding area together with other 12 countries became a part of the Core Capacity Calculation Region (hereinafter referred to as “Core CCR”), in which the capacity for the daily auction is calculated using the flow-based method.

The development activities of OKTE in 2022 covered also an intraday market in electricity, especially with regard to further development of the platform of the interim intraday cross-border trading. In compliance with this development, OKTE continued in preparatory works within the Local Implementation Project 17 (LIP 17) as well as in coordination with the central project of Single Intraday Coupling (SIDC). On 29 November 2022, successful implementation and commissioning of the interim intraday cross-border trading through borders of the SK-CZ, SK-PL and SK-HU bidding zones will be carried out. One of the most important changes for the market participants was introduction of an option to trade in 15-minute products on the intraday market. Integration of Slovakia in the uniform intraday trading was an important milestone of a single integrated European intraday market.

Company Operation

Information Technologies

To ensure fulfilment of the main activities resulting from the legislation, OKTE operates the XMtrade®/ISO information system which contains the following functions:

- ISZO – imbalance biller information system,
- ISOT – market organizer information system,
- ISOM – information system of measurement operator,
- ISCF – information system of central invoicing,
- IMS – information system for intelligent measurement systems,
- RRM – information system of registered reporting mechanism,
- ISOZE – information system of renewable sources of electricity,
- ISZPE – information system of guarantees of origin.

Except for the XMtrade®/ISO system, OKTE uses also the SAP economic information system and the office information system based on Microsoft SharePoint and Office 365 for its activity.

To provide for a trouble-free operation of systems and applications as well as sufficient capacities and calculation sources for new projects, purchases of the necessary additional hardware sources were made at the end of 2022.

Safety and Reliability, Fulfilment of ISO Standards

In the field of IT, year 2022 was the year of rapid increase of cyber attacks related mainly to the war in the Ukraine. This was also the reason why OKTE executed penetration tests carried out by the external company in the second quarter 2022 in order to assess preparedness of OKTE to cyber attack. It resulted in the recommendations to strengthen protection and resilience of environment of the OKTE information system against current types of cyber attacks. Based on these recommendations, in 2022, OKTE started implementation of new advanced security technologies at the level of communication and system infrastructure and implementation of the Microsoft O365 cloud of security modules which are being commissioned gradually.

OKTE has been responsibly dealing with the cyber security topic since its establishment. From 2015, OKTE is a certificate holder according to the ISO/IEC 27001-2013 standard which they successfully defended in 2022 again. This certificate confirms the OKTE Security Management System is compliant with the requirements of the standard for ISMS – Information Security Management System: ISO/IEC 27001:2013.

By obtaining and re-confirming the validity of the ISO/IEC 27001:2013 certificate, OKTE declares they comply with the demanding technical, legislative and administrative requirements in the field of

Information Security Management. The certificate confirms the company responsibly deals with cyber security the result of which is the guarantee of data protection stored and processed in the OKTE information systems against unauthorized access, damage, loss, misuse or theft.

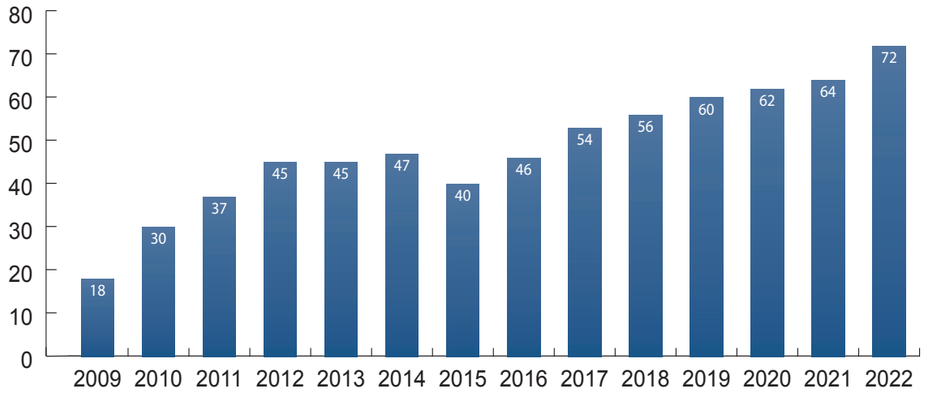
In addition to confirmation of the ISO/IEC 27001:2013 certificate, the certification audit result was proving fulfilment of the requirements of the ISO/IEC 9001:2015 standard what significantly contributed to assuring the market participants on quality of internal processes and quality of outputs from the main information systems.

Organization of the Short-Term Cross-Border Market in Electricity

OKTE uses the ISOT information system designed especially for this function for organization and evaluation of the short-term market.

In 2022, there were 72 participants registered in the ISOT information system.

Chart 23 | Development of the Number of Registered Participants of the Organized Short-Term Cross-Border Market in Electricity from the Year 2009



Day-Ahead Market in Electricity

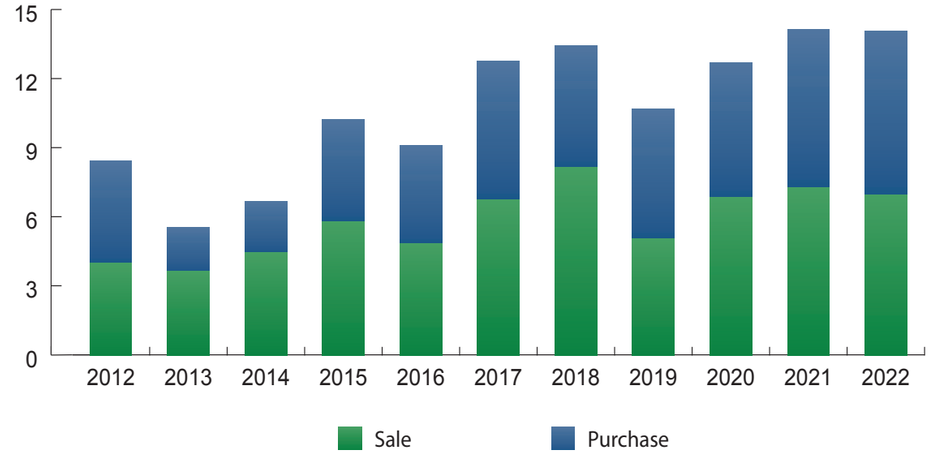
On the day-ahead market in electricity, the market participant may sell or purchase electricity anonymously for each out of 24 hours of the following business day. Order registration is performed on the previous calendar day preceding the business day by 12 p.m. The result of the order pairing for every hour is a fixed marginal price. Average price of trades on the day-ahead market in 2022 was EUR 264.93.

The operation of the ISOT information system in 2022 was carried out in the Interim Coupling setting and then from 8 June 2022 in the CORE Day-Ahead Flow-Based Market Coupling setting. Organization, evaluation, accounting, and settlement of the short-term market were carried out on a daily basis with the final monthly settlement.

The volume of the traded electricity on the short-term market in SR recorded a slight decrease in 2022 compared to the previous year when the total volume of the traded electricity amounted to 14.09 TWh, what means by 0.05 TWh less than in 2021.

The traded amount of electricity for sale reached the level of 6.985 TWh and the traded volume of electricity for purchase reached the level of 7.105 TWh.

Chart 24 | Development of the Total Traded Volume in TWh from y. 2012



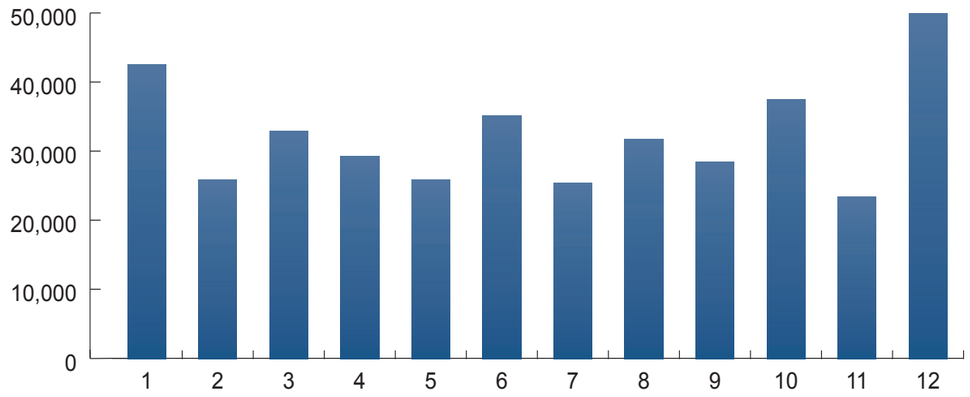
Intraday Market in Electricity

Within the interim intraday trading in the Slovak bidding area (hereinafter referred to as “Intraday Market”) which has been successfully operated by OKTE since 2016, the orders are received from the market participants continuously and they are gradually matched anonymously using the intraday market evaluation algorithm at the local level. From 30 November 2022, cross-border pairing of orders in the XBID mode (Cross-border Intraday Coupling) as well as order making in 60-minute and 15-minute resolution was allowed.

Commencement of electricity trading with supply in business periods of the business day is at 3 p.m. of the calendar day prior to the business day. Termination of intraday trading for every business period is 30 minutes prior to commencement of electricity supply in the respective business period. If it is a block order, termination of intraday trading is 30 minutes prior to commencement of electricity supply for the first business period from the respective block.

The volume of trades concluded in 2022 amounted to 388,962 MWh while in 2021 it amounted to 523,962 MWh. The biggest traded volume of electricity was achieved in December, i.e. 49,982 Mwh especially due to triggering of the XBID project. An average price of the trade amounted to € 252.54/MWh. The offered volume of electricity for purchase reached the value of 185,871 MWh and the value of 203,090 MWh for sale.

Chart 25 | Traded Volume in Intraday Market in MWh in 2022

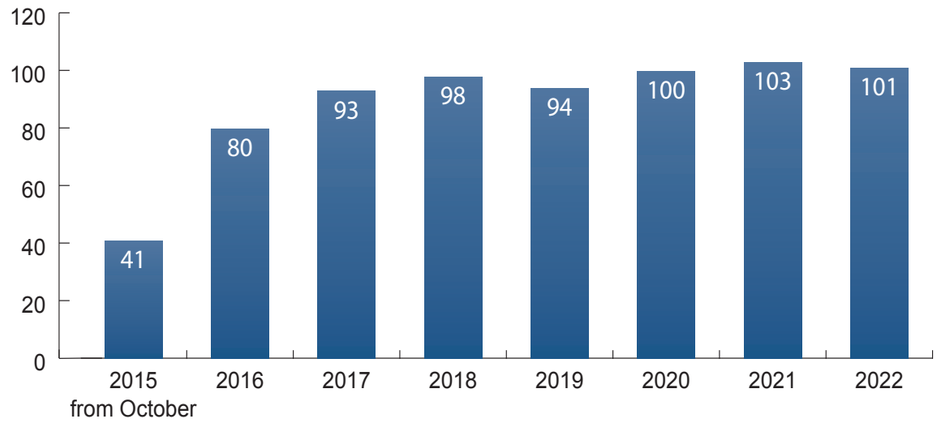


Notification of the Transactions Concluded on the Wholesale Market in Electricity and Gas – RRM

OKTE is registered in ACER for reporting transactions made in the ISOT information system, bilateral - OTC trades and contracts of the transmission system operators and distribution systems.

In 2022, there were 101 registered participants of the registered reporting mechanism (RRM) in the information system. The aforementioned figure means more than a double increase of the number of participants since reporting launch in 2015.

Chart 26 | Development of the Number of Participants in RRM



Using the RRM portal, the user may see the current state of the report and download the ACER confirmation for registration of meeting the reporting obligation. OKTE archives these reports and confirmations during the period of five years.

The RRM information system has web services established by means of which the system of the market participant may download the information on the state of individual reports as well as the confirmation of the report receipt.

Collection, Administration and Making the Measured Data Available and Central Invoicing of Fees

OKTE responsibly fulfils, inter alia, its legal obligations in the field of collection, administration and making available the measured data. Together with these services they perform also central invoicing of charges related to the system operation. In this area, no significant changes occurred in 2022.

Administration and Collection of the Measured Data

Based on the legislation, electricity producers, system operators and operators of direct lines shall be obliged to access the OKTE information system and enter data into it and based on the Energy Act they shall be responsible for correctness, timely handover and completeness of the provided data. OKTE performs administration and collection of the measured data via the ISOM information system.

Within the ISOM information system, especially the following activities are performed by OKTE:

- registration of the market participants and their roles,
- registration of producers and production sites,
- registration of system operators and particular systems,
- registration of the consumer type,
- registration of consumption and transfer sites (OOM),
- registration of type diagrams of individual systems,
- receipt of measurements from system operators and producers and their publishing to the relevant market participants,
- calculation of the final consumption for the purposes of central invoicing,
- calculation and publishing of aggregates for the needs of imbalance evaluation and imbalance settlement,
- calculation and publishing of statistics pursuant to the valid legislation.

Using the IMS information system, end consumers have access to the measured data entered in the ISOM information system by the system operators.

Reference Database of the Measured Data

Based on the practise related to execution of management and collection of measured data and central invoicing in the period between 2014 and 2022 it is obvious, the legislative environment and collaboration of the participants of the market in electricity is a key topic.

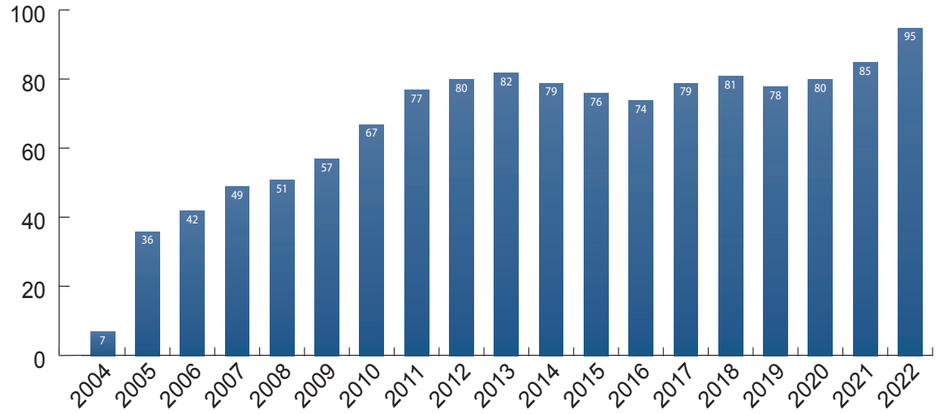
Thus to ensure unambiguity of the rights and obligations of individual market participants, OKTE submitted some measures in the Energy Act and Act on RES Promotion in regard to the changes in processes of data provision by electricity producers and formalization of the ISOM information system as a unified reference database of the measured data.

The proposed steps are directed towards elimination of current duplicities in provision of data on the market in electricity. The market participants and state authorities currently use the data within the unified reference database of OKTE, what simplifies the flow of data exchange, increases their quality and ensures reliable baseline documents for deciding of state institutions and market participants.

Imbalance Settlement and Settlement of Differences

In the course of 2022, there were 95 accounting entities of imbalance settlement registered in the ISZO information system. Imbalance settlement was carried out in the decade, monthly, and final cycle while the final imbalance settlement was performed two months after the end of the respective month. From 1 October 2022, OKTE introduced a daily invoicing of imbalance and shares in regulation electricity due to reduction of the financial risk.

Chart 27 | Development of the Number of Accounting Entities from the Year 2004



Furthermore, OKTE, performs evaluation and settlement of imbalances:

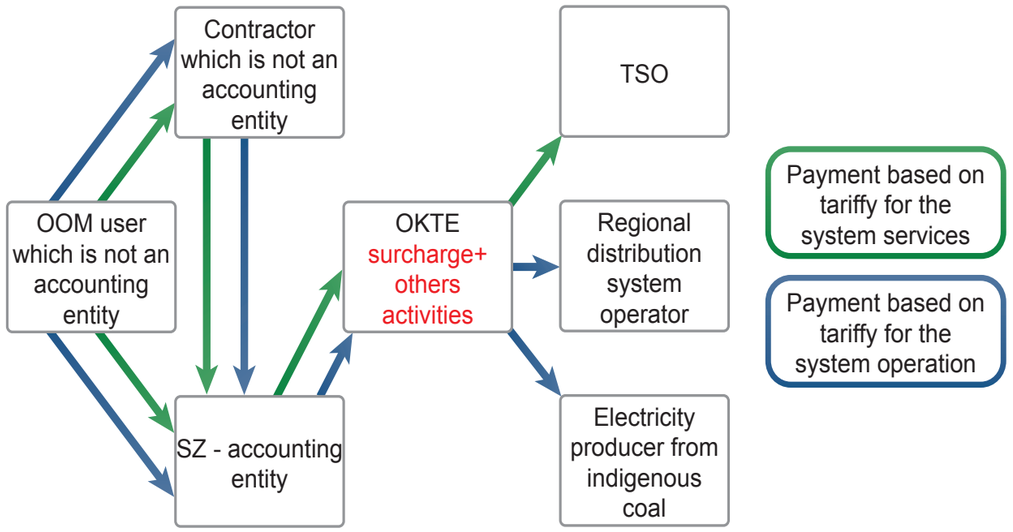
- among nomination and measured values of electricity demand and delivery with OOM not equipped with continuous metering,
- among the last known values of electricity losses in the system and the values of electricity losses in the system determined based on readings of specified meters if the operator of the respective system uses the specified meters without continuous record of values,
- among aggregated values of demands and deliveries in the local distribution systems used for the purposes of imbalance settlement and aggregated values of demands and deliveries in local distribution systems calculated after reading the specified meters if the calculation of the value of the total demand and delivery includes also values from consumption and transfer sites equipped with the defined meter without the continuous record of values.

Settlement of imbalances is performed based on readings about which OKTE learnt by the date of the monthly imbalance settlements with the reading date not later than the end of the previous month which were not considered in the previous imbalance settlement and, concurrently, it is not correction of readings considered in any of the previous imbalance settlements.

Central Invoicing of Fees for System Services and Fees for the System Operation

OKTE using the ISCF information system performs invoicing of charges collected from the accounting entities and subsequent redistribution of these charges to their claimants. OKTE collects fees for system services based on the tariff for system services (TSS) and fees for the system operation based on the tariff for the system operation (TPS). Within the ISCF system the sets are calculated and published serving as a basis for invoicing against the accounting entities on behalf of the participants of the market in electricity to which fees are paid under the respective tariff by the company. During the entire year 2022, the volume of EUR 142,866,647 was invoiced via the ISCF system based on the TSS tariff and the volume of EUR 268,091,763 was invoiced based on TPS tariff.

Fig. 3 | Model of Central Invoicing TPS (tariff for the system operation) and TSS (tariff for system services)



Organising and Settlement of Promotion of Electricity Production from RES and VÚKVET

From 1 January 2020, OKTE performs organising and settlement of promotion of electricity generation from renewable energy sources and electricity production by high efficiency combined generation of electricity and heat (VÚKVET) according to the special regulation and registration, transfers and organisation of the market including guarantees of origin of electricity from renewable energy sources and guarantees of origin of electricity generated by high efficiency combined generation according to the special regulation. Electricity producers are paid the promotion through surcharge for the actual amount of electricity generated from renewable energy sources or electricity produced by high efficiency combined generation, based on the data provided to the promotion biller under the contract on data provision and verified by the promotion biller in accordance with the Operation Rules of the promotion biller. In cooperation with the obliged purchaser they pay remuneration for electricity repurchase which the electricity producer entitled to promotion through repurchase and by assuming responsibility for imbalance supplied to the electricity purchaser under the contract on compulsory repurchase of electricity. The electricity purchaser is entitled to payment from the promotion biller for the activities related to electricity repurchase from electricity producers entitled to promotion and for the activities related to assuming the responsibility for imbalance on behalf of electricity producers entitled to promotion.

The situation on the market in electricity in 2022 resulted in enormous increase of electricity prices on the day-ahead market. Due to increased price, the OKTE costs of surcharge were lower compared to 2021. Producers with a lower fixed price to set the surcharge than was the average of electricity prices on the day-ahead market, were provided with zero promotion through the surcharge. For the year 2022, the costs for the surcharge were paid only to photovoltaic assets with higher fixed prices.

The tables provide the amount of the promoted electricity and amount of payments for the period 2020 – 2022:

Year	Electricity Amount for Surcharge (MWh)	Surcharge – Payment (€)
2020	5,193,210	467,519,480
2021	5,257,980	264,356,000
2022	3,965,418	26,137,109

The situation in promotion by electricity repurchase and by assuming responsibility for imbalance in 2022 was marked by going out of producers from this promotion scheme. The situation on the market in electricity along with growing fuel costs caused leaving of electricity producers for other electricity purchaser at higher repurchase prices compared to maximum repurchase price set in the price decision by RONI. The aforementioned goings out were often in conflict with provisions of the Act on RES Promotion. Outflow of producers was reflected in the lower volume of purchased electricity compared to the period 2020 – 2021.

Increase of electricity prices on the day-ahead market caused higher volume of over-revenues compared to 2021 in the system of repurchase and assuming responsibility.

Year	Amount of Repurchased Electricity (MWh)	Repurchase – Payment (€)
2020	1,391,211	53,474,140
2021	1,368,300	116,253,500
2022	983,830	179,357,861

Year	Over-Revenues of Electricity Repurchaser (€)
2020	0
2021	16,494,233
2022	77,227,599

The aforementioned activities shall be performed in the IS OZE system (information system for renewable energy sources) which cooperates with ISOM, ISOT and ISZPE. The tables provide the number of facilities in division according to the type of production entitled to promotion:

Number of Facilities Entitled to Surcharge According to Type of Electricity Generation	
Solar energy	2,038
Water power	187
Wind power	1
Combustion	232
Total generating facilities	**2,458**
Number of entities with a valid contract	**1,928**

Number of Facilities Entitled to Compulsory Repurchase According to Type of Electricity Generation	
Solar energy	2,005
Water power	221
Wind power	0
Combustion	161
Total generating facilities	**2,387**
Number of entities with a valid contract	**1,886**

Guarantees of Electricity Origin

From 2020, pursuant to the Act on Promotion of Renewable Energy Sources and using the ISZPE information system of guarantees of origin, OKTE performs registration and issuance of guarantees of electricity origin from renewable energy sources and electricity generated by high efficiency combined generation. The number of active account holders totalled 49 of whom four were issued guarantees in,ISZPE in the volume of 3,455,649 MWh, what means approximately the same amount as in 2021. The number of applied guarantees of origin reached the volume of 5,148,953 MWh. In the course of 2022, four auctions of guarantees of origin were held with total volume of sold guarantees of 1,087,992 MWh.

Number of account holders	49
Number of registered generating facilities	30
Volume of issued guarantees of origin [MWh]	3,455,649
Volume of exercised guarantees of origin [MWh]	5,148,953

Date of Auction	Sold volume [MWh]
3. February. 2022	388,977
5. May. 2022	202,771
4. August. 2022	214,548
7. November. 2022	281,696

Reports on the Property State and Economic Results

In 2020 and,2021, OKTE fulfilled the conditions for compulsory recognition of the financial results according to the IFRS international standards pursuant to the Accountancy Act No. 431/2002 Coll., Art. 17a, par. 2. The financial results are provided according to IFRS.

Table 19 | Key Indicators of OKTE Economic Result in 2021 and 2022

Key Indicators	Economic Results in EUR in 2021	Economic Results in EUR in 2022	Change, 2022/2021 in %	Share in Revenues in %
Revenues	77,557,594	43,575,998	56.19	100.00
Other operating revenues	303	116,314	38,387.46	0.27
Material and energy consumption	25,254	52,567	208.15	0.12
Staff costs	2,445,509	2,955,405	120.85	6.78
Costs of services	6,769,598	8,935,431	131.99	20.51
Depreciations of long-term intangible assets and long-term tangible assets	2,610,003	2,508,754	96.12	5.76
Other operating costs	3,007,582	783,445	26.05	1.80
Pre-Tax Economic Results from Operating Activity	**62,699,951**	**28,456,710**	45.39	65.30
Financial revenues	7,524	268,234	3,565.05	0.62
Financial costs	82,415	38,494	46.71	0.09
Pre-Tax Economic Results from Continuing Activities	**62,625,060**	**28,686,450**	45.81	65.83
Income tax	3,250,697	5,021,721	154.48	11.52
After-Tax Economic Results from Continuing Activities	**59,374,363**	**23,664,729**	39.86	54.31
Average number of employees	43	45	104.65	–

In the period from 1 January 2022 to 31 December 2022, OKTE reached the pre-tax economic result amounting to EUR 28.686 million (profit). The pre-tax economic result of OKTE consists of two components. The first one is the economic result from operation and the second one is surplus in the promotion system for electricity generation from RES and VÚKVET. The 2022 economic result from operation amounts EUR 543,000 (profit). The surplus of funds in the promotion system in 2022 is EUR 28.172 million (profit).

In 2022, OKTE reached the revenues from fees and tariffs for provision of regulated services at the level of EUR 10.802 million and operating costs of EUR 10.652 million. The highest share from operating costs is attributed to the costs of information technologies and depreciations of the long-term assets.

As of 31. December 2022, total assets of OKTE amounted to EUR 421.609 million of which floating capital formed 98.1% and it amounted to EUR 413.610 million. The amount of the floating capital is influenced by the financial accounts amounting to EUR 353.328 million. This value covers surplus of funds in the system for RES and VÚKVET promotion as well as financial securities in the form of deposits within trading on the day-ahead market and imbalance settlement.

In the period from 1 January 2022 to 31 December 2022, the total amount of investments was EUR 0.991 million what corresponded to fulfilment of the investment plan for the year 2022 in the amount of EUR 5.755 million at the level of 17%. Comparison of the 2022 investment plan and actual fulfilment in 2022 reveals the significant changes in objective purpose of investments as well as the changes in financial volumes allocated to individual investment topics. OKTE focused on preparation of the energy data centre project. In 2022, investment was made in ISOT where the XBID project (extension of the intraday market into cross-border trading) was launched. Similarly, as in ISOT, from half of 2022, the Core Flow-Based Market Coupling project was launched where the change occurred in regard to the capacity calculation methodology for the day-ahead market. A significant change for OKTE was introduction of the daily financial imbalance settlement. Further planned investment activities were re-evaluated and their implementation was shifted to further periods.

REPORT BY AN INDEPENDENT AUDITOR AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

ELABORATED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN THE WORDING ADOPTED BY THE EUROPEAN UNION

INDEPENDENT AUDITOR'S REPORT

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

as of 31 December 2022

Slovenská elektrizačná prenosová sústava, a.s.

Group seat:

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

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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

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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 2022, the consolidated income statement and consolidated statement of comprehens ve 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 finar cial position of the Group as of 31 December 2022 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"). 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 require ments 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.

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

4. 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 anc 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

5. Our responsibility is to obtain reasonable assurance about whether the consolidated financial informa ion 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 audi conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can a ise 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.

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

   - Identify and assess the risks of material misstatement 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 overr de 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial information, including the disclosures, and whether the consolidated financial information represent the underlying transactions and events in a manner that achieves a fair presentation

7. 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

1. 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.

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

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

   - The information presented in the consolidated annual report for 2022 is consistent with the consolidated financial statements for that year,
   - The consolidated annual report includes information required by the Act on Accounting.

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

Bratislava, 29 March 2023

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

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

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

bakertilly
A Baker Tilly Europe Alliance member

Consolidated Financial Statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

	Note	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	877 211	894 763
Intangible assets	6	27 148	24 801
Assets representing right of use	8	1 053	915
Other investment	7	631	631
Receivables	11	44 829	40 977
		950 872	**962 087**
Current assets			
Inventories	10	1 469	1 654
Trade and other receivables	11	103 924	113 257
Short - term financial assets	12	255 000	0
Cash and cash equivalents	12	514 030	437 881
Current income tax receivable		11 933	0
		886 356	**552 792**
Total assets		**1 837 228**	**1 514 879**
EQUITY			
Share capital and reserves attributable to equity			
Share capital	13	235 000	235 000
Legal reserve fund	13	29 690	27 338
Congestion income fund	13	58 255	0
Other reserves	13	198 924	178 145
Revaluation of financial investment		109	109
Gains or losses from revaluation of derivatives		-1 710	0
Actuarial gains/loss		2 823	2 527
Revaluation reserve	13	83 846	96 382
Retained earnings	13	394 910	393 638
Total equity		**1 001 847**	**933 139**
LIABILITIES			
Non-current liabilities			
Non-current finance lease liabilities	16	701	628
Non-current portion of grants and other deferred revenues	17	187 139	195 868
Deferred tax liability	18	66 885	67 322
Other long - term liabilities	14	0	6
Non-current provisions for liabilities and charges	19	3 775	4 600
		258 500	**268 424**
Current liabilities			
Current bank loans	15	5	5 475
Current finance lease liabilities	16	393	335
Trade and other payables	14	374 440	245 543
Current portion of grants and other deferred revenues	17	202 003	40 087
Provisions for current liabilities and charges	19	40	40
Current income tax payable		0	21 836
		576 881	**313 316**
Total liabilities		**835 381**	**581 740**

	Note	Year ended 31 December 2022	2021
Revenues	20	454 563	510 727
Capitalized costs		1 004	945
Consumables and services	21	-265 327	-197 782
Personnel costs	22	-34 561	-34 755
Depreciation and amortization	5,6	-68 836	-71 518
Negative revaluation difference	5	0	-5 068
Other operating income	24	9 707	7 002
Other operating expenses	23	-4 073	-6 253
Operating profit		**92 477**	**203 298**
Interest income	25	1 708	12
Interest expenses	25	-336	-226
Other finance expense, net	25	-256	-153
Finance income/(expense), net		**1 116**	**-367**
Profit/loss before tax		**93 593**	**202 931**
Income tax expense	26	-23 575	-34 328
Profit/loss for the year		**70 018**	**168 603**
Other comprehensive income			
Items that will not be reclassified:			
Retirement benefit-actuarial gains		296	3 496
Gains or losses from revaluation of derivatives		-1 710	0
Revaluation of property, plant and equipment as at 1 January 2021		0	49 800
Deferred tax from revaluation of property, plant and equipment		104	-10 527
Total comprehensive income		**68 708**	**211 372**
Profit/loss attributable:			
Owners of the parent company		70 018	168 603
Non-controlling interest		0	0
Profit for the year		**70 018**	**168 603**
Total comprehensive income attributable to:			
Owners of the parent company		68 708	211 372
Non-controlling interest		0	0
Total comprehensive income for the period		**68 708**	**211 372**

Slovenská elektrizačná prenosová sústava, a.s.
Consolidated Statement of Changes in Equity for the year ended 31 December 2022 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)

	Share capital	Legal reserve fund	Capital fund from shareholder contributions	Other funds	Congestion income fund	Revaluation of financial investment	Actuarial gains/loss	Gains or losses from revaluation of derivatives	Revaluation of property, plant and equipment fund	Retained earnings	Equity in total
Balance as at 1 January 2021	**105 000**	**21 407**	**130 000**	**178 145**	**0**	**109**	**-969**	**0**	**72 136**	**245 274**	**751 102**
Net profit for the year 2021	0	0	0	0	**0**	0	0	0	0	168 603	168 603
Other comprehensive income	0	0	0	0	**0**	0	3 496	0	24 246	15 027	42 769
Total comprehensive income for the year 2021	**0**	**0**	**0**	**0**	**0**	**0**	**3 496**	**0**	**24 246**	**183 630**	**211 372**
Dividens paid (Note 13)	0	0	0	0	**0**	0	0	**0**	0	-29 335	-29 335
Increase of the Share capital from the Capital fund from shareholder contribution (Note 13)	130 000	0	-130 000	0	**0**	0	0	**0**	0	0	0
Profit appropriation to Legal Fund (Note 13)	0	5 931	0	0	0	0	0	0	0	-5 931	0
Balance as at 31 December 2021	**235 000**	**27 338**	**0**	**178 145**	**0**	**109**	**2 527**	**0**	**96 382**	**393 638**	**933 139**
Balance at 1 January 2022	**235 000**	**27 338**	**0**	**178 145**	**0**	**109**	**2 527**	**0**	**96 382**	**393 638**	**933 139**
Net profit for the year 2022	0	0	0	0	0	0	0	0	0	70 018	70 018
Other comprehensive income	0	0	0	0	0	0	296	-1 710	-12 536	12 640	-1 310
Total comprehensive income for the year 2022	**0**	**0**	**0**	**0**	**0**	**0**	**296**	**-1 710**	**-12 536**	**82 658**	**68 708**
Dividens paid (Note 13)	0	0	0	0	0	0	0	0	0	0	0
Increase of the Share capital from the Capital fund from shareholder contribution (Note 13)	0	0	0	0	0	0	0	0	0	0	0
Allocation to congestion income fund from retained earnings	0	0	0	0	79 034	0	0	0	0	-79 034	0
Profit appropriation to Legal Fund (Note 13)	0	2 352	0	0	0	0	0	0	0	-2 352	0
Profit appropriation to Statutory (Note 13)	0	0	0	20 779	-20 779	0	0	0	0	0	0
Balance as at 31 December 2022	**235 000**	**29 690**	**0**	**198 924**	**58 255**	**109**	**2 823**	**-1 710**	**83 846**	**394 910**	**1 001 847**

The notes on pages 5 to 74 form an integral part of these Consolidated Financial Statements

	Note	Year ended 31 December 2022	2021
Cash flows from operating activities			
Cash generated from operations	30	181 582	385 293
Income tax paid		-57 250	-17 229
Interest received		461	2
Net cash generated from operating activities		**124 793**	**368 066**
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangible assets		-43 603	-68 281
Proceeds from sale of property, plant and equipment	30	636	401
Expenditures on acquisition of long - term financial assets		0	0
Net cash used in investing activities		**-42 967**	**-67 880**
Cash flows used in financing activities			
Repayment of loans		-5 339	-31 494
Interest paid		-338	-254
Increase in equity		0	0
Dividends paid	13	0	-29 335
Net cash used in financing activities		**-5 677**	**-61 083**
Net increase (+) / decrease (-) in cash and cash equivalents		**76 149**	**239 103**
Cash and cash equivalents at the beginning of the year	12	**437 881**	**198 778**
Cash and cash equivalent at the end of the year	12	**514 030**	**437 881**

The notes on pages 5 to 74 form an integral part of these Consolidated Financial Statements

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