# 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:*

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

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

C O N T E N T S

# 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 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 Information*

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 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 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 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.

**Slovenská elektrizačná prenosová sústava, a. s.**

**Consolidated Financial Statements prepared as of 31 December 2022**

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

**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**



Notes to the Financial Statements:

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

| | 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** |

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

| | 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** |

*(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** |

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

| | 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** |

## 1 General Information

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

Consolidated financial statements comprise of the financial statements of the Group and the sole subsidiary OKTE, a s. (hereinafter “the subsidiary”), which has been controlled as at 31 December 2022 and during the year then ended 31 December 2022 (hereinafter “the Group”). OKTE, a s. is 100% subsidiary SEPS. OKTE, a.s. was established on 20 July 2010 by separation of deviation settlement and short-term electricity market administrator in accordance with Act No. 656/2004 Coll, on Energy. OKTE, a.s. was included for the first time to be Consolidated Financial Statements as at 31 December 2011. Parent company SEPS prepares a Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (“EU”).

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

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

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

The structure of the parent company's shareholders as at 31 December 2022 was as follows:

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

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

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

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

The members of the parent company's statutory bodies during the year ended 31 December 2022 were as follows:

| **Body** | **Function** | **Name** |
|---|---|---|
| **Board of Directors** | Chairman | Ing. Peter Dovhun |
| | Vice Chairman | Širanec Marián, MBA |
| | Member | Mgr. Martin Riegel |
| | Member | Ing. Jaroslav Vach, MBA |
| | Member | Ing. Miroslav Janega |
| **Supervisory Board** | Chairman | Ing. Peter Habšuda |
| | Vice Chairman | Ing. Marcel Klimek |
| | Vice Chairman | Michal Sokoli till 20 August 2022 |
| | Vice Chairman | Ing. Marek Šimlaštík from 8 September 2022 |
| | Member | Ing. Róbert Király |
| | Member | Ing. Milan Jarás PhD. |
| | Member | Ing. Vladimír Beňo |
| | Member | JUDr. Eva Murínová |
| | Member | Ing. Marek Šimlaštík till 7 September 2022 |
| | Member | Juraj Mach, MSc. |
| | Member | Ing. Peter Dragúň |
| | Member | PhDr. Ivan Pešout, PhD. |
| | Member | Ing. Michal Janíček |
| | Member | Ľuboš Obžut from 21 August 2022 |
| **Executive management** | General Director | Ing. Peter Dovhun |
| | Managing Director of Operating | Ing. Miroslav Janega |
| | Managing Director of SED and Commerce | Ing. Silvia Čuntalová |
| | Managing Director of Economics | Ing. Jaroslav Vach, MBA |
| | Managing Director of Development Capital Investment and Procurement | Mgr. Martin Riegel |
| | Managing Director of Information and Communication Technologies | Juraj Saktor |

The Group employed 603 personnel on average during 2022 (2021: 589), 11 of which were management (2021: 12).

**Registered address and Identification number**

Mlynské nivy 59/A
824 84 Bratislava
Slovak Republic

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

**Registered address of the subsidiary company**

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

## 2 Summary of significant accounting policy

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

### 2.1. Basis for preparation of the Consolidated Financial Statements

Legal reasons for preparing the Financial Statements:
The Group's Financial Statements at 31 December 2022 have been prepared as Consolidated Financial Statements under § 22 (2) of the Slovak Act No. 431/2002 Coll. ("Accounting Act") for the accounting period from 1 January 2022 to 31 December 2022.

The Accounting Act requires the Group to prepare Financial Statements for the year ended 31 December 2022 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union. The Group applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as amended by the European Union, which were in force as of 31 December 2022.

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

The Consolidated Financial Statements were prepared on accrual basis and under the going concern principle.

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

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

The Consolidated Financial Statements of the Group for the previous period were approved by the Decision of the Ministry of Finance of the Slovak Republic made within the scope of the General Meeting of the parent company held on 22 June 2022.

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

### 2.2. Changes in the accounting policies

During the year ended 31 December 2022, the Group applied the following new and revised IFRS and IFRIC interpretations:

**Amendments to IAS 16 Property, Plants and Equipment – Proceeds before Intended Use**
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while

bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

Amendments must be applied retrospectively, but only to those items of property and plant and equipment that have been placed in their designated location and are in a condition ensuring the possibility of operation as intended by management at the beginning of the earliest accounting period or in a subsequent period in which the Group applies given amendments for the first time. The cumulative impact of the first application of these amendments shall be reported as an adjustment to the opening balance of retained earnings (or other items of equity, as the case may be) at the beginning of that earliest period presented (if applicable).

The amendments did not have a significant impact on the financial statements upon their initial application.

**Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract**
The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Paragraph 68A clarifies that costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group should apply these amendments to contracts for which it has not yet fulfilled all of its obligations at the beginning of the accounting period in which it applies the amendments for the first time (date of first application). The Group will not adjust the comparable information. Instead, as of the date of first application, it shall report the cumulative impact of the first application of amendments as an adjustment to the opening balance of retained earnings or other equity item, as the case may be.

The amendments did not have a significant impact on the financial statements upon their initial application.

**Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle**

**Amendments to IFRS 9 Financial Instruments**
The improvements clarify that, in assessing whether the exchange of debt instruments between an existing borrower and a lender is on substantially different terms, the fees to be included along with the discounted present value of the cash flows under the new terms include only the fees paid or received between the borrower and by the Lender, including fees paid or received by either the Borrower or the Lender on behalf of the other party.

**Amendments to IFRS 16 Leases**
The amendments remove from Illustrative Example 13 of IFRS 16 Leases the reference to reimbursement that the lessor will provide to the lessee for the leasehold improvements of the object of the lease, as well as explanations for the accounting of these reimbursements by the lessee.

**Amendments to IAS 41 Agriculture**
The improvements remove the requirement to use pre-tax cash flows when valuing agricultural assets at fair value. Originally, IAS 41 required a Group to use pre-tax cash flows in fair value measurement, but did not require the use of a pre-tax discount rate to discount those cash flows.

The amendments did not have a significant impact on the financial statements upon their initial application.

**Change in method of presentation**

The Group has changed the method of presentation revenues related to the provision of deviation and difference settlement services to net basis reporting. The Group has considered factors that indicate that the Group is acting as an agent and therefore does not take overall control over the goods and services. In connection with the change in reporting in 2022, the Group also adjusted comparable data for 2021; the impact on the overall consolidated comprehensive income is zero.

| | | Year ended 31 December | |
|---|---|---|---|
| | **Note** | **2021 after change in method of presentation** | **2021 before change in method of presentation** |
| Revenues | 20 | 510 727 | 507 866 |
| Consumables and Services | 21 | -197 782 | -194 921 |

## 2.3. Consolidation principles

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

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

## 2.4. Investments

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

## 2.5. Foreign currency transaction and translation

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

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

### (ii) Transaction and balances of the Consolidated Statement of Financial Position

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

## 2.6. Property, plant and equipment

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

### (i) Costs

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

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

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

The most significant part of property, plant and equipment is represented by the network. The network mainly includes power lines, pylons and switching stations. Useful life of networks assets varies between 5 and 60 years (2021: between 5 and 60 years).

### (ii) Revaluation

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

Subsequently, the land, buildings, halls, lines and structures, machinery and equipment and other revalued assets reported in the balance sheet at revalued amount, which represents the fair value at the date of revaluation after deducting any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other classes of property, plant and equipment are subsequently evaluated at historical acquisition costs less accumulated depreciation and accumulated impairment losses.

Revaluation is carried out by an independent expert. Revaluations are performed regularly in sufficient intervals (at least every five years), so that the carrying amount does not differ materially from the value, which would have been reported as at the balance sheet date using fair values.

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

### (iii) Depreciation and impairment of fixed assets

The depreciation of property, plant and equipment starts in the month when the property, plant and equipment is available for use. Property, plant and equipment is depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment. The estimated useful lives of individual groups of assets are as follows:

| | 2022 | 2021 |
|---|---|---|
| Buildings, halls, networks and constructions | 10 – 60 years | 10 – 60 years |
| Machines, equipment and vehicles | 4 - 50 years | 4 - 50 years |
| Other property, plant and equipment | 4 years | 4 years |

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

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

Land and assets under construction are not depreciated.

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

Expenditures to acquire the property, plant and equipment subsequent to initial recognition are recognized as an item of property, plant and equipment only if it is probable that they will enhance the future economic benefits beyond its original performance. All other expenses are recognized as repair and maintenance costs in the period to which it is incurred.
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognizes in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

## 2.7. Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Borrowing costs are capitalized and included in the cost of an asset. The Group does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight- line basis over their useful lives.

The amortization of an intangible asset starts in the month when the intangible asset is put in use. Intangible assets are depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the intangible assets.

Residual value of intangible assets is assumed to be zero unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

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

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

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

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

## 2.8. Impairment of non-financial assets

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

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

## 2.9. Non-current assets held for sale and discontinued operations

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

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

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

## 2.10. Financial assets

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

A financial asset is valued at amortized cost when the following two conditions are met:
a) financial asset is held in a business model where there is intention to hold the financial asset in order to collect contractual cash flows; and
b) financial asset's contractual terms and conditions result, on specified dates, in cash flows that represent payments of principal and interest on the outstanding principal only.

A financial asset is valued at fair value through other comprehensive income when the following two conditions are met:
a) financial asset is held in a business model, where there is intention both to collect contractual cash flows and to sell the financial asset; and
b) financial asset's contractual terms and conditions result, on specified dates, in cash flows that represent payments of principal and interest on the outstanding principal only.

A financial asset is valued at fair value through profit or loss, unless it is valued at amortized cost or fair value through other comprehensive income. For certain, investments in equity instruments that would otherwise be valued at fair value through profit or loss, an entity may, however, when initially recognizing them, irrevocably decide to present any subsequent changes in fair value through other comprehensive income.

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

Subsequent valuation:
After its initial recognition, an accounting entity recognizes a financial asset at: (a) amortized cost; (b) fair value through other comprehensive income; or (c) fair value through profit or loss.

An accounting entity applies impairment requirements to financial assets that are valued at amortized cost and to financial assets that are valued at fair value through other comprehensive income.

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

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

Management determines the classification of its investments at initial recognition.

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

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

**Loans and receivables**

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

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

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

**2.11. Leases**

a) Leases - IFRS 16

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

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

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

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

i. Leased asset (Group as a lessee)

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

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

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

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

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

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

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

- Principal payments related to liability from lease are reported as part of the cash flow related to financial activities;

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

b) Leases - IAS 17 (comparable period)

i. Leased asset (Group as a lessee)

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

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

ii. Lease payments

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

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

### 2.12. Inventories

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

### 2.13. Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of provision for impairment. The Group revenue recognition policy is described in the Note 2.23.

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

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

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

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

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

### 2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method.

### 2.15. Share capital

Ordinary shares are classified as share capital.

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

### 2.16. Current and deferred income tax

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

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

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

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

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

According to act No. 235/2012 Coll, the parent company is obliged to pay special levy from business activities in regulated sectors. The levy is calculated from the profit realized according to the Slovak Act on Accounting. Total amount of this levy is included in the item "Income tax expense".

### 2.17. Grants and contributions related to acquisition of property and equipment

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

### 2.18. Borrowings

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

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

### 2.19. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Where the Group expects provisions to be reimbursed, for example under an insurance contract, the reimbursement is recognized as an asset but only when the reimbursement is virtually certain.
If there is an onerous contract presented at the Group, the present obligation according to this contract is recognized and valued as a provision.

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

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

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

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

## 2.20. Contingent liabilities

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

## 2.21. Trade payables

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

## 2.22. Employee benefits

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

### Pension plans

A defined plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity or to the Government and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

### Unfunded defined benefit pension plan

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

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

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

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

### Other benefits

The Group also pays the following life and work jubilee benefits:

- compensation of electricity costs in amount of EUR 150 yearly to retired employees who have worked continuously in the Group for at least three years, the Group paid the eligible employees for the last time in 2021. With the amendment to the collective agreement, effective January 1, 2022, this compensation contribution was cancelled.

- benefit is in the amount of EUR 598 when the employee reaches the age of 50 and 60 (2021: 577 EUR)

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

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

The defined obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of government bonds which have terms to maturity approximating the terms of the related pension liability and (b) the attributing the calculated present values to the periods of service based on the plan's benefit formula.

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

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

**Defined contribution pension plans**

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

The Group makes contributions to the government health, retirement benefit and accidental and guarantee insurance and unemployment schemes at the statutory rates in force during the year based on gross salary payments.
Throughout the year, the Group made contributions amounting to 35.2% (2021: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law for such schemes together with contributions by employees of a further 13.4% (2021: 13.4%). The cost of these payments is charged to the Income Statement in the same period as the related salary cost.

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

**Profit sharing and bonus plans**

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

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

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

## 2.23. Revenue recognition

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

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

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

The revenue is recognized when the respective service is rendered.

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

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

Net revenue recognition

If the Group acts as an agent (the person responsible for management of goods and services provision, agent) and not as a principal, revenue is recognised net after deduction of related costs. The management of the parent company considers following factors which indicate that the Group operates like an agent, and therefore does not take overall control of the goods and services:

- The Group does not have the freedom to set the price for the services provided,
- The Group cannot modify the goods or provide part of the service,
- The Group cannot determine the specification of the goods,
- Reward is set as a fixed amount or percentage of the value of the consideration.

## 2.24. Dividend distribution

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

## 2.25. Hedging Accounting

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

**Cash Flow Hedge**

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

**Fair Value Hedge**

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

As at 31 December 2022, the Group classified all existing hedging relationships as cash flow hedges.

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

**Hedge Termination**

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

**Classification of Derivative instruments: Short-Term and Long-Term instruments**

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

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

## 2.26. New standards and interpretations that have not yet been applied – standards and interpretations adopted by the European Union

The following issued new standards and interpretations were issued with the possibility of early application and the Group did not apply them early.

**Amendments to IAS 1 Presentation of financial statements and IFRS Practice Statement 2 Making Materiality Judgements**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments to IAS 1 require for companies to disclose their material accounting policies and not their significant accounting policies.

The Group plans to apply the amendments from January 1, 2023. The Group does not expect the amendments to have a significant impact on its financial statements upon their initial application.

**Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The amendments introduce a definition of 'accounting estimates' and include further amendments to IAS 8 that clarify how to distinguish changes in accounting policies from changes in estimates. The distinction is important because changes in accounting policies are generally applied retrospectively, whereas changes in estimates are accounted for at the time when the change occurred.

The Group plans to apply the amendments from January 1, 2023. The Group does not expect the amendments to have a material impact on its financial statements upon their initial application.

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

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

The amendments narrow the scope of the original recognition exemption (IRE) so that it does not apply to transactions that lead to identical and compensating temporary differences As a result, companies will be required to recognize a deferred tax asset and deferred tax liability due to temporary differences arising from the initial recognition of a lease and a reinstatement provision. The Group plans to apply the amendments from January 1, 2023. The Group does not expect the amendments to have a material impact on its financial statements upon their initial application.

### 2.27 Offsetting

Financial assets and liabilities are set off and the net amount is presented in the consolidated statement of financial position only if the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses are presented on a net basis only when permitted by the reporting standards, or for gains and losses arising from a group of similar transactions..

### 2.28. New standards and interpretations that have not yet been applied - standards and interpretations that have not yet been adopted by the European Union

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

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

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

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

The Group does not expect these amendments to have a significant impact on the presentation of its financial statements upon their initial application.

**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**

Classification of Liabilities as Current or Non-current is now effective for annual reporting periods beginning on or after 1 January 2024.

Amendments only affect the presentation of liabilities in the consolidated statement of financial position.

Amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.

The classification is not affected by management's intentions or expectations as to whether and when the Group will apply its right to defer settlement of the liability. The amendments also clarify what is considered settlement of a liability.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

Effective for accounting periods beginning on or after 1 January 2024. Earlier application is allowed.

Amendments affect the way a seller-lessee accounts for variable lease payments in a sale and leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and, where appropriate, reclassify sale and leaseback transactions entered into since 2019.
The amendments confirm the following:

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

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains;
- Seller-lessee may adopt different approaches, which meet the new requirements for subsequent valuation.

The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

The Group does not expect the amendments to have a material impact on its financial statements upon their initial application.

## 3 Financial Risk Management

### 3.1. Financial risk factors

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

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

### (i) Market risk

### (a) Foreign exchange risk

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

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

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| CZK | 0 | 0 | 1 | 1 |

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

Based upon the sensitivity analysis of financial assets and liabilities recognized as at 31 December 2022 a 10 % strengthening/weakening, in the EUR against CZK would result in an increase/decrease in the Group's profit by EUR 0 thousand. The Group considers the risk is not significant as at reporting date.

### (b) Price risk

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

### (c) Operating risks - prices of services

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

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

The year 2022 belongs to regulatory period 2017 - 2022. During this regulatory period is used the determination of prices for access to the transmission system and electricity transmission based on the price cap and tariffs for losses and system services are determined on the basis of maximum permitted costs. The main part of cost for the providing system services are costs for support services and at the different types of the support services sets maximum prices of purchased services or the maximum allowable cost. Part of the cost for the providing of system services is assured by payment of fixed prices for regulated electricity procured within the framework of the IGCC (International Grid Control Cooperation), which the Group together with operators in Czech and Hungarian transmission system

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

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

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

### (d) Cash flow interest rate risk

The Group repaid the last loan with a variable rate on 2019. In the period from 1 January 2022 to 31 December 2022, The Group does not have any loan. For this reason, the Group is not exposed to interest rate risk in consequence of long-term loans.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Operating revenues and operating cash flows of the Group are independent, to a large extent, of the changes in interest rates on the market. The Group does not have material interest - bearing assets other than cash and cash equivalents.

### (ii) Credit risk

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

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

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

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

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

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

Maximum exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 4 760 thousand (Note 11).

The table below shows the balances of receivables due from bank (short-term financial assets) and other cash and cash equivalents at the reporting date:

| | | December | |
|---|---|---|---|
| **Counterparty** | **Rating[2]** | **2022** | **2021** |
| Banks[1] | | | |
| Všeobecná úverová banka, a.s. | A2 | 151 105 | 13 681 |
| Tatra banka, a.s. | A2 | 462 163 | 45 432 |
| Československá obchodná banka, a.s. | A3 | 40 062 | 46 |
| Slovenská sporiteľňa, a.s. | A2 | 40 447 | 4 968 |
| Štátna pokladnica | A2 | 25 527 | 365 705 |
| UniCredit Bank Czech Republic and Slovakia, a. s. pobočka zahraničnej banky | A3 | 17 183 | 2 771 |
| UniCredit Bank Czech Republic and Slovakia, a. s. | A3 | 0 | 4 182 |
| 365 Banka, a. s. (Poštová Banka, a. s.) | BB- | 86 | 986 |
| HypoVereinsbank | A2 | 32 385 | 0 |
| Other | n/a | 72 | 110 |
| **Total** | | **769 030** | **437 881** |

[1]The amount of cash and short-term deposits at banks as at 31 December 2022 amounts to EUR 514 030 thousand (31 December 2021 EUR: 437 881 thousand). As at 31 December 2022, cash and cash equivalents are at the Group's full disposal. Short-term financial assets in the amount of EUR 255 000 thousand as at 31 December 2022 represents deposits in banks with a commitment period of more than three months (31 December 2021: EUR 0). The Group has bank borrowings as at 31 December 2022 of EUR 5 thousand (31 December 2021: EUR 5 475 thousand).
[2] The Group uses the independent rating of Moody's and Standard & Poor's.

As a part of cash and cash equivalents, the Group reports bank accounts in the amount of EUR 17 861 thousand, which secure trading on the spot market and the commodity futures market in a form of variable collateral.

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

### (iii) Liquidity risk

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

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

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

Expected cash flow is prepared as follows:

- expected future cash inflows from main operations of the Group, and
- expected future cash outflows securing operation of the Group and leading to settlement of all liabilities of the Group, including tax payables.

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

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
|---|---|---|---|---|
| **At 31 December 2022** | | | | |
| Bank loans | 5 | 0 | 0 | 0 |
| Finance lease | 393 | 439 | 214 | 48 |
| Trade and other payables excluding liabilities not falling under IFRS 7 | 365 532 | 0 | 0 | 0 |
| **Total** | **365 930** | **439** | **214** | **48** |
| **At 31 December 2021** | | | | |
| Bank loans | 5 475 | 0 | 0 | 0 |
| Finance lease | 335 | 200 | 334 | 94 |
| Trade and other payables excluding liabilities not falling under IFRS 7 | 238 337 | 0 | 0 | 0 |
| **Total** | **244 147** | **200** | **334** | **94** |

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

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| **As at 31 December 2022** | | | | |
| Short term financial liabilities - hedging derivative Instruments | 2 165 | 0 | 0 | 0 |
| **Total** | **2 165** | **0** | **0** | **0** |
| | | | | |
| **As at 31 December 2021** | | | | |
| Short term financial liabilities - hedging derivative Instruments | 48 457 | 0 | 0 | 0 |
| **Total** | **48 457** | **0** | **0** | **0** |

Fair value of a hedging derivative does not differ from its accounting value as at 31 December 2022 and as at 31 December 2021.

**Overview of movements in liabilities from financing activities:**

| Liabilities from financing activities | As at 31 December 2021 | Cash-flow from financing activities | Other changes | As at 31 December 2022 |
|---|---|---|---|---|
| Bank loans | 5 475 | -5 470 | 0 | 5 |
| Liabilities from lease | 963 | 131 | 0 | 1 094 |
| Other finance liabilities | 0 | 0 | 0 | 0 |
| Dividends | 0 | 0 | 0 | 0 |
| Interests | 0 | -338 | 338 | 0 |
| **Total** | **6 438** | **-5 677** | **338** | **1 099** |

**(iv) Commodity risk**

The Parent company's exposure to commodity price change risks arises in purchasing electricity as a result of contracts tied to electricity prices quoted on exchange and can be quantified through risk factors. To mitigate the exposure to commodity price fluctuations, the parent company uses commodity futures.
Managing processes related to commodity price change risk in the parent company are designed so that the status and development of risks in time is monitored on ongoing basis and it is possible to determine whether the risk level observed for various areas (e.g. from the point of view of geography, organization, etc.) is within the limits set out for acceptance of risk defined by the parent company's top management. These operations are carried out in accordance with the concept of formal control rules, within which a strict risk limits were set. Compliance with these limits is verified by the departments that are independent on those parent company sections that carry out the transactions, while trading positions are assessed through the Value-at-Risk indicator monitored on quarterly basis.

**Electricity Commodity Derivative Sensitivity Analysis**

Sensitivity to Changes in Fair Value of Electricity

| Electricity Commodity Derivatives | Net Fair Value | Change |
|---|---|---|
| 10% decrease | 26 374 | 1 204 |
| Balance as at 31 December 2022 | 25 170 | |
| 10% increase | 23 966 | -1 204 |

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

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

Sensitivity to Changes in Market Prices of Electricity

| Electricity Commodity Derivatives | Net Fair Value | Change |
|---|---|---|
| 10% decrease | 22 653 | -2 517 |
| Balance as at 31 December 2022 | 25 170 | |
| 10% increase | 27 687 | 2 517 |

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

Effectivity of hedging is on the level of 100%.

### 3.2. Capital risk management

The parent company's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
The parent company's management manages shareholders capital reported under IFRS adopted by the European Union at 31 December 2022 in value EUR 1 001 847 thousand (31 December 2021: EUR 933 139 thousand).

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

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Total equity and liabilities | 1 837 228 | 1 514 879 |
| Equity (Note 13) | 1 001 847 | 933 139 |
| The ratio of Equity to Total liabilities and equity | 55% | 62% |

The parent company's strategy was unchanged from 2021. During 2022 and 2021 the Group complied with the externally imposed capital requirements (Note 15).

### 3.3. Fair value estimation

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

- Fair value of cash and short-term deposits, trading receivables, trading payables and other short-term liabilities is approximately equal to their accounting value, basically due to the short-term maturity of these instruments.
- Long-term receivables with fixed or variable interest rate are assessed by the Group on the basis of parameters such as interest rates, risk factors specific for the given country, individual customer creditworthiness and the risk connected with the financed project. On the basis of such assessment, adjustments are used in accounting to cover expected losses from such receivables. As at 31 December 2022 and 31 December 2021, accounting value of receivables, after the adjustment is deducted, does not significantly differ from the fair value of such receivables.
- The fair value of quoted instruments is based on bid prices as at the balance sheet date. Fair value of unquoted instruments, bank loans and other financial liabilities, financial leasing liabilities and other non-financial liabilities is estimated by discounting any future cash flows using a rate that is currently available for loans with similar conditions, credit risk and remaining maturity.

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

- Fair value of financial assets intended for a sale is determined on the basis of market price quoted on active market, if any such price is available.
- Value of derivatives is determined using valuation techniques and inputs that can be observed on the market, primarily in the form of commodity futures. Valuation techniques that are used most often include the so-called forward valuation model.

**Hierarchy of Fair Values**

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

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

Fair value of financial instruments is based on inputs other than their quoted market price at the date of preparation of the financial statements.

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

| Financial liabilities measured at fair value | 31 December 2022 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Hedging derivatives | 25 170 | 0 | 25 170 | 0 |

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

## 4 Critical accounting estimates and judgements

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

### (i) Regulated revenues

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

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

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

The Group acts as shipping agent within Czech, Slovak, Hungarian and Romanian electricity market interconnection (hereinafter referred to as the "MC") in region 4MMC. In June 2021, the 4MMC region merged with the MRC region, where the Polish, German and Austrian electricity markets are interconnected. Since June 2022, the Group has been part of the single daily market Flow-Based Market Coupling project, which optimizes the daily European electricity market for 13 countries within the Core Capacity Calculation Region. Relevant revenues and costs of Group are form payments for electricity transmitted through the cross-border links within the interconnection of electricity markets.

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

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

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

### (ii) Pension benefits

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

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

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

### (iii) Revaluation of property, plant and equipment

The main operating assets of the Group are assets used tor electricity transmission, in the past, the Group valued assets at the historical acquisition costs. As at 31 December 2011 and 2016 and 2021 the Group applied the revaluation model to fair value according to IAS 16 for property, plant and equipment, except for the classes of assets containing vehicles, inventory and artwork. Revaluation of property was made by an independent expert who used a net realizable value. In case of increase of the assets book value during revaluation, the analysis of the possible impairment was performed based on the determining value in use (present value of the current cash flows expecting from the use of property). The result of the revaluation was an increase of the assets and related increase in other comprehensive income accumulated in equity. Assumptions used in the revaluation model are based on the independent expert. The final reported book values of these assets and related revaluation differences are not necessarily the values at which these assets may have been or will be sold.

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

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

| | 2022 | 2021 |
|---|---|---|
| Buildings, halls, networks, constructions | 10 – 60 years | 10 – 60 years |
| Machinery, equipment and vehicles | 4 - 50 years | 4 - 50 years |
| Other non-current tangible assets | 4 years | 4 years |

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

### (iv) Impairment test

As at 31 December 2022, the parent company performed a revaluation of the impairment losses for property, plant and equipment in accordance with IAS 36 on the basis of assessment of their future use, disposal or sale and was concluded that all assets used in the regulated activities relating to the transmission of electricity represent as a whole one cash generating unit. Based on the analysis, the Group concluded that the assets used for regulated activities related to electricity transmission are not impaired.

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

## 5 Property, plant and equipment

| | Land (revaluated) | Buildings, halls and construction (revaluated) | Machinery and equipment** (revaluated) | Vehicles and other assets *** (cost) | Capital work in progress including advances (cost) | Total |
|---|---|---|---|---|---|---|
| **At 1 January 2021** | | | | | | |
| Cost | 15 989 | 665 405 | 251 070 | 149 532 | 54 413 | 1 136 409 |
| Accumulated depreciation and impairment charges | 0 | -131 358 | -90 243 | -41 090 | 0 | -262 691 |
| **Net book value** | **15 989** | **534 047** | **160 827** | **108 442** | **54 413** | **873 718** |
| **Year ended 31 December 2021** | | | | | | |
| Opening net book value | 15 989 | 534 047 | 160 827 | 108 442 | 54 413 | 873 718 |
| Revaluation | 0 | -7 697 | 52 429 | 0 | 0 | 44 732 |
| Additions | 151 | 23 563 | 15 904 | 1 435 | 639 | 41 692 |
| Transfers | 0 | 32 875 | 7 498 | 561 | -40 934 | 0 |
| Disposals | 0 | -463 | -980 | -71 | 0 | -1 514 |
| Depreciation charges | 0 | -21 626 | -38 972 | -3 267 | 0 | -63 865 |
| Impairment charges | 0 | 0 | 0 | 0 | 0 | 0 |
| **Closing net book value** | **16 140** | **560 699** | **196 706** | **107 100** | **14 118** | **894 763** |
| **At 31 December 2021 after revaluation** | | | | | | |
| Cost | 16 140 | 582 090 | 201 188 | 147 387 | 14 118 | 960 923 |
| Accumulated depreciation and impairment charges | 0 | -21 391 | -4 482 | -40 287 | 0 | -66 160 |
| **Net book value** | **16 140** | **560 699** | **196 706** | **107 100** | **14 118** | **894 763** |
| **At 31 December 2021 in historical costs** | | | | | | |
| Costs | 8 856 | 767 880 | 567 025 | 28 104 | 14 110 | 1 385 975 |
| Accumulated depreciation and impairment charges | 0 | -266 685 | -329 447 | -8 250 | 0 | -604 382 |
| **Net book value** | **8 856** | **501 195** | **237 578** | **19 854** | **14 110** | **781 593** |
| **Year ended 31 December 2022** | | | | | | |
| Opening net book value | 16 140 | 560 699 | 196 706 | 107 100 | 14 118 | 894 763 |
| Additions | 4 197 | 20 717 | 4 260 | 477 | 14 437 | 44 088 |
| Transfers | 0 | 3 385 | 6 879 | 764 | -11 028 | 0 |
| Disposals | 0 | -210 | -4 | -1 | 0 | -215 |
| Depreciation charges | 0 | -22 558 | -34 624 | -4 243 | 0 | -61 425 |
| Impairment charges | 0 | 0 | 0 | 0 | 0 | 0 |
| **Closing net book value** | **20 337** | **562 033** | **173 217** | **104 097** | **17 527** | **877 211** |

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

| | Land (revaluated) | Buildings, halls and construction (revaluated) | Machinery and equipment** (revaluated) | Vehicles and other assets *** (cost) | Capital work in progress including advances (cost) | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2022 after revaluation** | | | | | | |
| Costs | 20 337 | 605 864 | 208 898 | 147 992 | 17 527 | 1 000 618 |
| Accumulated depreciation and impairment charges | 0 | -43 831 | -35 681 | -43 895 | 0 | -123 407 |
| **Net book value** | **20 337** | **562 033** | **173 217** | **104 097** | **17 527** | **877 211** |
| **At 31 December 2022 in historical costs** | | | | | | |
| Costs | 13 053 | 790 663 | 551 477 | 36 765 | 17 526 | 1 409 484 |
| Accumulated depreciation and impairment charges | 0 | -283 539 | -335 448 | -11 445 | 0 | -630 432 |
| **Net book value** | **13 053** | **507 124** | **216 029** | **25 320** | **17 526** | **779 052** |

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

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

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

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

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

As at 31 December 2022, the Group reviewed all internal and external impairment indicators. The Group did not identify such indicators that would require performing of impairment test as at 31 December 2022.

As at 31 December 2022, the most significant items within property, plant and equipment represent: substations and administrative buildings in revalued net book value of EUR 408 291 thousand, in historical net book value of EUR 352 288 thousand (31 December 2021: revalued net book value of EUR 436 282 thousand, historical net book value of EUR 369 344 thousand); transmission lines at revalued net book value of EUR 395 304 thousand, in historical net book value of

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

EUR 362 987 thousand (31 December 2021: revalued net book value of EUR 389 554 thousand, in historical net book value of EUR 353 602 thousand).

Non-current assets under construction consists mainly of EUR 3 154 thousand for a backup data centre in Podunajské Biskupice (31 December 2021: EUR 3 049 thousand), EUR 2 293 thousand for 2x400kV line Bystričany - Horná Ždaňa (31 December 2021: EUR 2 247 thousand), EUR 1 564 thousand for the 400/110 kV substation in Senica (31 December 2021: EUR 1 320 thousand), EUR 1 035 thousand for changing the connection Fortischem, a. s. to ES Bystričany (31 December 2021: EUR 343 thousand), EUR 1 440 thousand for central hyper convergent infrastructure (31 December 2021: EUR 0), EUR 0 for upgrade of equipment in RIS Horná Ždaňa (31 December 2021: EUR 68 thousand), EUR 0 for optimizing and increasing security (31 December 2021: EUR 1 734 thousand). These assets are not available for use at the reporting date.

In 2022, borrowing costs are capitalized in accordance with accounting policies of the Group, borrowing costs EUR 0 (2021: EUR 0) as a part of the acquisition cost of non-current assets. The effective interest rate related to capitalization as at 31 December 2022 amounted 0% p.a. (31 December 2021: 1,27% p.a.).

The following table includes property leased by the Group as lessors under operating lease agreements:

| | Land, buildings and structures | Plant, machinery and equipment | Total |
|---|---|---|---|
| As at 31 December 2022 | | | |
| Cost | 17 781 | 0 | 17 781 |
| Accumulated depreciation | -1 442 | 0 | -1 442 |
| Net value as at 31 December 2022 | **16 339** | **0** | **16 339** |
| As at 31 December 2022 | | | |
| Historical acquisition cost | 24 566 | 0 | 24 566 |
| Accumulated depreciation historical | -8 581 | 0 | -8 581 |
| Historical net book value as at 31 December 2022 | **15 985** | **0** | **15 985** |
| As at 31 December 2021 | | | |
| Cost | 17 738 | 0 | 17 738 |
| Accumulated depreciation | -724 | 0 | -724 |
| Net value as at 31 December 2021 | **17 014** | **0** | **17 014** |
| As at 31 December 2021 | | | |
| Historical acquisition cost | 24 513 | 0 | 24 513 |
| Accumulated depreciation historical | -7 911 | 0 | -7 911 |
| Historical net book value as at 31 December 2021 | **16 602** | **0** | **16 602** |

The Group also leases optic fibres and circuits. The value of such fibres and circuits cannot be reasonably estimated, as they are part of other assets that are used by the Group.
There are no restrictions of ownership relating to property, plant and equipment other than those disclosed in these Notes to the Financial Statements. No property, plant and equipment has been pledged.

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

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

The Group has insured its assets against the following risks:

| Insured object | Type of insurance | Amount insured as at 31 Dec 2022 and 2021 in ths. EUR | Name of the insurance company |
|---|---|---|---|
| Buildings, halls and constructions | Damage or total loss (natural disaster) | 217 370 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Machines, tools and equipment, vehicles without car licence plates, transformers, RRB - radio relay point, cables | Damage or total loss (natural disaster) | 613 424 | Lead insurer: Allianz - Slovenska poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Elevated line | Damage or total loss (natural disaster) | 731 368 | Lead insurer: Allianz - Slovenska poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Office equipment | Damage or total loss (natural disaster) | 1 775 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Inventory and other tangible assets | Damage or total loss (natural disaster) | 1 331 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Scheduled capital expenditures, automatic coverage of new assets | Damage or total loss (natural disaster) | 93 746 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Inventories | Damage or total loss (natural disaster) | 1 500 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Cash, valuables, stamps and vouchers, documentary securities deposited in the vaults and mailboxes | Insurance against theft, burglary and robbery, and robbery during transport and vandalism | 17 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |

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

| Insured object | Type of insurance | Amount insured as at 31 Dec 2022 and 2021 in ths. EUR | Name of the insurance company |
|---|---|---|---|
| Set of movable tangible fixed assets, cables, elevated power line | Insurance against theft, burglary and robbery, and robbery during transport and vandalism | 332 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Inventory and other TFA | Insurance against theft, burglary and robbery, and robbery during transport and vandalism | 291 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Inventories, construction components | Insurance against theft, burglary and robbery, and robbery during transport and vandalism | 166 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Measuring devices, cables, and laptops in motor vehicles | Insurance against theft, burglary and robbery, and robbery during transport and vandalism | 66 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Machinery, equipment and cables | Insurance of machinery and equipment (damage or destruction of machinery) | 591 146 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Scheduled capital expenditures | Insurance of machinery and equipment (damage or destruction of machinery) | 65 000 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Insurance of cybernetic risks | | 500 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.) |
| Terorism | | 10 000 | Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.) |

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

## 6 Intangible assets

| | Software and other intangible assets | Intangible assets not yet in use | Total |
|---|---|---|---|
| **At 1 January 2021** | | | |
| Cost | 85 147 | 1 891 | 87 038 |
| Accumulated amortisation | -61 566 | 0 | -61 566 |
| **Net book value** | **23 581** | **1 891** | **25 472** |
| **Year ended 31 December 2021** | | | |
| Opening net book amount | 23 581 | 1 891 | 25 472 |
| Additions | 749 | 5 727 | 6 476 |
| Transfers | 611 | -611 | 0 |
| Disposals | 0 | 0 | 0 |
| Amortisation charge | -7 147 | 0 | -7 147 |
| **Closing net book value** | **17 794** | **7 007** | **24 801** |
| **At 31 December 2021** | | | |
| Cost | 85 744 | 7 007 | 92 751 |
| Amortisation charge | -67 950 | 0 | -67 950 |
| **Net book value** | **17 794** | **7 007** | **24 801** |
| **Year ended 31 December 2022** | | | |
| Opening net book amount | 17 794 | 7 007 | 24 801 |
| Additions | 8998 | 326 | 9 324 |
| Transfers | 6 511 | -6 511 | 0 |
| Disposals | 0 | 0 | 0 |
| Amortisation charge | -6 977 | 0 | -6 977 |
| **Closing net book value** | **26 326** | **822** | **27 148** |
| **At 31 December 2022** | | | |
| Cost | 101 056 | 822 | 101 878 |
| Accumulated amortisation | -74 730 | 0 | -74 730 |
| **Net book value** | **26 326** | **822** | **27 148** |

The computer software consists mainly of software SAP, Damas Energy, MONARCH RIS SED, ISZO, ISOT, ISOM, ISCF and RRM. Net book value of SAP is EUR 253 thousand (31 December 2021: EUR 389 thousand), remaining amortization period is 3 years. Net book value of Damas Energy is EUR 3 982 thousand (31 December 2021: EUR 411 thousand), remaining amortization period is 4 years. Net book value of MONARCH RIS SED is EUR 4 170 thousand (31 December 2021: EUR 7 214 thousand), remaining amortization period is 2 years. Net book value of ISZO and ISOT are EUR 1 480 thousand (31 December 2021: 436 thousand), remaining amortization period is 4 years.

Intangible assets not yet in use include EUR 249 thousand for improvement of RIS safety (31 December 2021: EUR 249 thousand), EUR 80 thousand for update and upgrade of MARI/PICASSO (31 December 2021: EUR 0), EUR 0 for legislative upgrade of trading system (31 December 2021: EUR 1 887 thousand), EUR 0 for encumbrances for land under transmission line 2x400 kV Veľký Meder - state border with Hungary (31 December 2021: EUR 2 349 thousand).

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

Internally generated intangible assets are immaterial.

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

## 7 Shares and other investments

| | 2022 | 2021 |
|---|---|---|
| **At the beginning of the year** | **631** | **631** |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| **At the end of the year** | **631** | **631** |

Eight providers of transmission systems: Verbund - Austrian Power Grid AG, CEPS a.s., Electro-Slovenija d.o.o., E.ON Netz GmbH, MAVIR Hungarian TSO Company Ltd., PSE-Operator S.A., SEPS and Vattenfall Europe Transmission GmbH established, in 2008, Central Auction Office (CAO) based in Gute Änger 15, Freising, Germany for the purpose of introducing regional coordinated management of network overloading. In year 2013, the Group had share on the capital 12.5 %. On 23 May 2014 was entered in the German Register a new partner - Croatian provider HOPS d. o. c. and Group's share on the capital was reduced to 11.11 %.

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

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

New allocative platform was established on 1 September 2015. Following the merger until the end of 2015, both agencies operated in parallel to ensure the uninterrupted implementation of monthly and daily auctions on all relevant borders. All acts and activities are fully moved to Luxembcurg in the first quarter of 2016. For the year 2022 are not available data about equity and profit/loss yet. The Group does not expect that the investment is impaired.

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

TSCNET shareholders are also the organization's major customers. At present, the following 15 transmission system operators from eleven European countries are the organization's shareholders: 50Hertz (Germany), Amprion (Germany), APG (Austria), ČEPS (Czech Republic), ELES (Slovenia), HOPS (Croatia), MAVIR (Hungary), PSE (Poland), SEPS (Slovakia), Swissgrid (Switzerland), TenneT (Germany), TenneT (Netherlands), TransnetBW (Germany) and Transelectrica (Romania). For 2022, data on equity and profit or loss are not yet available. The Group does not expect any impairment of the investment.

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

## 8 Assets representing the right of use

### Group as lessee

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

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

| | Land, property, plant and equipment | Total |
|---|---|---|
| **As at 1 January 2022** | **915** | **915** |
| Adjustments due to contract modifications | -64 | -64 |
| Additions | 646 | 646 |
| Depreciation | -433 | -433 |
| Disposals | -11 | -11 |
| **Balance as at 31 December 2022** | **1 053** | **1 053** |

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

## 9 Financial instruments by category

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

| **As at 31 December 2022** | **Financial assets at fair value through profit and loss** | **Loans and receivables** | **Total** |
|---|---|---|---|
| **Assets as per Consolidated Statement of Financial Position** | | | |
| Trade receivables (before impairment provision) | 0 | 75 418 | 75 418 |
| Other receivables | 0 | 848 | 848 |
| Cash on bank accounts and cash in hand | 0 | 514 030 | 514 030 |
| Short-term bank deposits | 0 | 255 000 | 255 000 |
| **Total** | **0** | **845 296** | **845 296** |

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

| As at 31 December 2022 | Financial liabilities at fair value through equity | Financial liabilities at fair value through profit and loss | Other financial liabilities-carried at amortized cost | Total |
|---|---|---|---|---|
| **Liabilities as per Consolidated Statement of Financial Position** | | | | |
| Trade and other payables | 0 | 0 | 283 415 | 283 415 |
| Received guarantees | 0 | 0 | 68 647 | 68 647 |
| Liabilities from derivatives | 2 165 | 0 | 0 | 2 165 |
| Payables to employees | 0 | 0 | 1 568 | 1 568 |
| Social security | 0 | 0 | 947 | 947 |
| Other payables | 0 | 0 | 13 470 | 13 470 |
| Bank loans and financial leasing | 0 | 0 | 1 099 | 1 099 |
| **Total** | **2 165** | **0** | **369 146** | **371 311** |

| As at 31 December 2021 | Financial assets at fair value trough profit and loss | Loans and receivables | Total |
|---|---|---|---|
| **Assets as per Consolidated Statement of Financial Position** | | | |
| Trade receivables (before impairment provision) | 0 | 74 834 | 74 834 |
| Variable collateral from commodity futures | 0 | 23 392 | 23 392 |
| Variable collateral from spot trades | 0 | 4 275 | 4 275 |
| Other receivables | 0 | 1 795 | 1 795 |
| Cash on bank accounts and cash in hand | 0 | 437 881 | 437 881 |
| Short-term bank deposits | 0 | 0 | 0 |
| **Total** | **0** | **542 177** | **542 177** |

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

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

## 10 Inventories

| | As at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| Advance payments made for inventory | 0 | 0 |
| Goods | 330 | 0 |
| Materials and spare parts | 1 139 | 1 654 |
| | **1 469** | **1 654** |

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

## 11 Trade and other receivables

| | As at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| Current receivables and prepayments: | | |
| Neither past due not impaired trade receivables | 70 210 | 73 653 |
| Within due but impaired trade receivables | 0 | 0 |
| Past due but not impaired trade receivables | 7 | 1 |
| Individually impaired trade receivables | 5 201 | 1 180 |
| Trade receivables (before provision for impairment) | **75 418** | **74 834** |
| Less: Provision for impairment of receivables | -4 760 | -4 085 |
| Trade receivables - net | **70 658** | **70 749** |
| VAT receivable | 29 537 | 6 448 |
| Claim on grant | 775 | 817 |
| Prepaymants | 5 | 4 741 |
| Other receivables | 848 | 1 795 |
| Variable collateral from commodity futures | 0 | 23 392 |
| Variable collateral from spot trades | 0 | 4 275 |
| Prepaid expenses and accrued income | 2 101 | 1 040 |
| **Other receivables - net** | **33 266** | **42 508** |
| **Total trade and other receivables** | **103 924** | **113 257** |

All fees related to EEX exchange trading are covered through the clearing account maintained by the clearing bank, namely HypoVereinsbank. This account is also used for exercising financial settlement of purchase financial products at the EEX exchange. In relation to the future contracts in question, the parties apply exclusively financial settlement, no commodity is supplied. Financial settlement is carried out on ongoing basis (on a daily basis), i.e. using a variable margin. Settlement is performed through ECC (European Commodity Clearing AG) clearing centre. Losses are covered from the initial deposit. In case that the level of the deposit gets under a certain amount, it must be supplemented. Variable collateral from commodity futures and spot trades is in the total amount of EUR 0 as of 31 December 2022 (31 December 2021: EUR 27 667 thousand, see also Notes 17, 3.1 and 3.3). As at 31 December 2022, hedging of trading on the commodity futures market and the spot market is carried out through bank accounts that fulfil the function of short-term hedging (Note 3.1).

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

Long-term receivables include the amount of EUR 1 079 thousand related to the refinancing of costs of Capital construction within the Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2021: EUR 1 079 thousand), the amount of EUR 4 269 thousand of which the short-term part is EUR 0 related to the refinancing of costs of Capital construction within the Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2021: EUR 4 337 thousand),the amount of EUR 1 309 thousand of which the short-term part is EUR 0 related to the refinancing of costs for the construction in the electrical station in Stupava (31 December 2021: EUR 1 369 thousand), the amount of EUR 16 230 thousand related to the refinancing of costs for the construction in the electrical station in Vajnory (31 December 2021: EUR 16 230 thousand), from that the short-term part of this grant amounts to EUR 775 thousand, the amount of EUR 2 125 thousand related to the refinancing of costs of Capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2021: EUR 3 074 thousand), the amount of EUR 1 788 thousand, of which the short-term part is EUR 0, related to the refinancing of the costs of Západoslovenská distribučná, a. s. for investment construction in the power station in Križovany (31 December 2021: EUR 0), the amount of EUR 2 989 thousand, of which the short-term part is EUR 0, si related to the refinancing of the costs of Duslo Šaľa, a. s. for investment construction in the power station in Križovany (31 December 2021: EUR 0),and the amount of EUR 15 789 thousand related to the Danube InGrid grant (31 December 2021: EUR 15 669 thousand), the short-term part of this grant is EUR 0. The Danube InGrid project is the result of cooperation between the Company, Západoslovenská distribučná a.s., and the Hungarian distribution system operator E.ON Észak-dunántúli Áramhálózati Zrt. PCI projects are key infrastructure projects aimed at nterconnecting European energy systems and achieving the EU's energy and climate goals.

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

| | **As at 31 December** | |
|---|---|---|
| | **2022** | **2021** |
| Receivables within due date | 70 210 | 73 653 |
| Overdue receivables | 5 208 | 1 181 |
| **Total** | **75 418** | **74 834** |

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

| | **As at 31 December** | |
|---|---|---|
| | **2022** | **2021** |
| Slovenské elektrárne, a.s. | 399 | 620 |
| Západoslovenská distribučná, a. s. | 2 820 | 2 886 |
| Západoslovenská energetika Energia, a. s. | 5 323 | 3 238 |
| Stredoslovenská energetika, a. s. | 4 359 | 7 092 |
| Stredoslovenská distribučná, a. s. | 1 832 | 2 048 |
| Východoslovenská energetika, a. s. | 2 914 | 3 630 |
| Východoslovenská distribučná, a. s. | 1 305 | 1 176 |
| ČEPS, a. s. | 72 | 3 |
| MAVIR | 5 112 | 21 694 |
| Joint Allocation Office | 18 765 | 0 |
| Other | 27 309 | 31 266 |
| **Neither past due nor impaired trade receivables** | **70 210** | **73 653** |

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

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

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

As at 31 December 2022 trade receivables of EUR 7 thousand (31 December 2021: EUR 1 thousand) were past due but not impaired. Their ageing analysis is as follows:

| | As at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| 1 to 90 days | 5 | 1 |
| 91 to 180 days | 2 | 0 |
| **Total past due but not impaired trade receivables** | **7** | **1** |

The balance of trading receivables as at the end of period includes overdue receivables of the accounting value of EUR 7 thousand (2021: EUR 1 thousand) for which the Group has not created adjustments, as no significant changes in the credibility of debtors have occurred and therefore the receivables are still deemed recoverable. The group has created an adjustment of EUR 105 thousand to cover overdue receivables (2021: EUR 2 905 thousand) based on the expected loss from trading receivables not overdue as of 31 December 2022.

As at 31 December 2022, the Group recorded individually impaired trade receivables in the gross amount of EUR 5 201 thousand (2021: EUR 1 180 thousand). As at 31 December 2022 was created provision in the amount of EUR 4 655 thousand (2021: EUR 1 180 thousand).

The ageing of these receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| from 180 to 360 days | 670 | 86 |
| over 361 days | 4 531 | 1 094 |
| **Total individually impaired receivables** | **5 201** | **1 180** |

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

| | **2022** | **2021** |
|---|---|---|
| At the beginning of the year | 4 085 | 1 648 |
| Additional provision for receivables impairment | 675 | 0 |
| Additional provision for receivables according IFRS 9 | 0 | 2 887 |
| Unused amounts released | 0 | -450 |
| Receivables written-off as uncollectible | 0 | 0 |
| **At the end of the year** | **4 760** | **4 085** |

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

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

## 12 Cash and cash equivalents

| | As at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| Cash at bank and in hand | 403 696 | 352 881 |
| Short-term bank deposits | 110 334 | 85 000 |
| | **514 030** | **437 881** |

As at 31 December 2022, cash and cash equivalents were fully available for the Group's use.

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

| | As at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| Cash and bank balances and deposits with original maturities of less than three months | 514 030 | 437 881 |
| | **514 030** | **437 881** |

The carrying amounts of cash and cash equivalents as of 31 December 2022 are not substantially different from their fair value. The maximum exposure to credit risk is limited by the carrying value of cash and cash equivalents.

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

As at 31 December 2022, the Group had deposits in banks with a commitment period longer than three months in the amount of EUR 255 000 thousand (31 December 2021: EUR 0).

## 13 Shareholder's Equity

As at 31 December 2022, the registered capital consisted of 235 bearer shares at a nominal value of EUR 1 000 000. Legal reserve fund has not attained the minimum amount of mandatory contribution under Commercial Code as at 31 December 2022, due to the fact that the registered capital was increased during the year 2021.

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

Shares are associated with equal rights.

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

Legal reserve fund is obligatorily created from profit of the parent company in accordance with the Slovak Commercial Code. According to the Commercial Code, the parent company is obliged to create a legal reserve fund in the amount of 10% of the share capital at the time of the incorporation of the parent company. This amount must be increased annually by at least 10 % from net profit until the Legal reserve fund achieves 20 % of the share capital. Use of this fund is restricted under the Commercial Code only to cover losses of the parent company and it is not a distributable reserve. Legal reserve fund amounted to EUR 29 690 thousand as at 31 December 2022 (as at 31 December 2021: EUR 27 338 thousand).

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

The Group created a congestion income fund of EUR 79 034 thousand transferred from the retained earnings of the previous years. Subsequently, the Group transferred EUR 20 779 thousand from the congestion income fund to the statutory fund in order to secure investment activities.

Other capital reserves comprise statutory fund of EUR 198 924 thousand (2021: EUR 178 145 thousand) and differences from revaluation of assets amounted to EUR 83 846 thousand (31 December 2021: EUR 96 382 thousand).

The statutory fund to finance future capital expenditures is used to accumulate internal funds of the parent company generated from profit dedicated to cover future capital expenditures. The rules for the use of funds allocated to the statutory fund for capital expenditures are governed by the general financing principles of the parent company in relation to capital expenditures, and by the acquisition guidelines. Funds on the statutory fund to finance capital expenditures are accumulated from amounts allocated to the statutory fund based on the decision of General Meeting.

The movements in revaluation assets fund are presented in the table below:

| | **2022** |
|---|---|
| **At the start of the period** | 96 382 |
| Revaluation surplus reclassified to retained earnings as at 31 December 2022 | -16 000 |
| Deferred tax on revaluation surplus as at 31 December 2022 | 3 360 |
| Deferred tax related to special levy from business activities in regulated sectors | 104 |
| **At the end of the period** | **83 846** |

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

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

The General Meeting held on 22 June 2022 approved the Financial Statements of parent company for 2021. In 2022 were approved dividend for 2021 in the amount of EUR 0 (rounded) per share at the nominal value of EUR 1 000 000 (in 2021: EUR 279 381,60 rounded amount).

The profit accounting of the parent company for the year 2021 of EUR 168 603 thousand was distributed as follows:

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

| | **2022 profit distribution** | **2021 loss settlement** |
|---|---|---|
| Dividends paid | 0 | 29 335 |
| Appropriation to the Statutory Fund | 0 | 0 |
| Appropriation to the Reserve Fund | 2 352 | 5 931 |
| Transfer to account of Accumulated losses from previous years | 0 | -90 946 |
| Transfer to retained earnings | 166 251 | 23 967 |
| **Total** | **168 603** | **-31 713** |

The Group's loss in 2020 can clearly be identified as a deficit from the support system for electricity production from OZE and VÚKVET, whose subsidiary is OKTE, a. s. organizer and accountant in accordance with Act no. 250/2012 Coll. on regulation in network industries, Act no. 251/2012 on energy and on amendments to certain laws and Act no. 309/2009 on the support of renewable energy sources and highly efficient combined production of electricity and heat and on the amendment of certain laws. The Group's profit or loss in the regulatory period is determined by the decision of the ÚRSO, which sets the prices of the Group's regulated activities in accordance with Decree no. 18/2017, which establishes price regulation in the electric power industry and some conditions for the performance of regulated activities in the electric power industry.

## 14 Trade and other payables

| | **As at 31 December** | |
|---|---|---|
| | **2022** | **2021** |
| Trade payables | 283 415 | 173 187 |
| Received guarantees | 68 647 | 41 600 |
| Payables to employees | 1 568 | 1 559 |
| Social security | 947 | 1 021 |
| Accrued personnel expenses | 3 739 | 4 270 |
| Liabilities from derivatives | 2 165 | 0 |
| Social fund | 489 | 356 |
| Other payables | 13 470 | 23 550 |
| **Total** | **374 440** | **245 543** |

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

Liabilities include the amount of EUR 1 086 thousand relating to deliveries for investment shares not invoiced as of 31 December 2022 (31 December 2021: EUR 1 015 thousand). The long-term part related to deliveries for investment shares that were not invoiced as at 31 December 2022 is in the amount of EUR 0 thousand (31 December 2021: EUR 6).

No payables are secured by a lien or other collateral.

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

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

| | Ast at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| Payables not yet due | 376 138 | 245 437 |
| Overdue payables | 467 | 106 |
| **Total** | **376 605** | **245 543** |

Social Fund

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

| | As at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| **Opening balance at 1 January** | **356** | **323** |
| Creation | 1 137 | 1 122 |
| Usage | -1 004 | -1 089 |
| **Closing balance at 31 December** | **489** | **356** |

## 15 Bank loans and finance lease liabilities

| | As at 31 December | |
|---|---|---|
| | **2022** | **2021** |
| **Non-current** | | |
| Long-term portion of bank loans (a) | 0 | 0 |
| | **0** | **0** |
| **Current** | | |
| Short-term portion of bank loans (a) | 5 | 5 475 |
| | **5** | **5 475** |

### (a) Bank loans

The maturity of bank loans is as follows:

| | As at 31 December | |
|---|---|---|
| **Maturity** | **2022** | **2021** |
| Short-term portion of bank loans | 5 | 5 475 |
| Long-term portion of bank loans | | |
| 1 to 5 years | 0 | 0 |
| over 5 years | 0 | 0 |
| **Total** | **5** | **5 475** |

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

Loan from Slovenská sporiteľňa, a. s. was repaid early in 2021. Loan from Všeobecná úverová banka, a. s. was repaid in 2022.

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

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

| | 2022 | 2021 |
|---|---|---|
| Bank borrowings | 0% | 1,27% |

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

Structure of bank loans as at 31 December 2022 is as follows:

| Bank/Creditor | Type | Currency | Amount in EUR 31 December 2022 | 31 December 2021 | Interest rate %p. a. | Maturity | Collateral | Part due in next 12 months | Part due after 12 months |
|---|---|---|---|---|---|---|---|---|---|
| **Tatra banka, a. s.** | operating | EUR | 5 | - | - | January 2023 | 0 | 5 | 0 |
| **Všeobecná úverová banka, a. s.** | Investment | EUR | 0 | 5 475 | 1,2% and 1,3% depends on tranche | 18.9.2022 | 0 | 0 | 0 |
| **Total** | **X** | **X** | **5** | **5 475** | **X** | **X** | **X** | **5** | **0** |

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

## 16 Finance lease liabilities

| | As at 31 December 2022 | 2021 |
|---|---|---|
| **Long term** | | |
| Long term portion of finance lease | 701 | 628 |
| | **701** | **628** |
| **Short-term** | | |
| Short term portion of finance lease | 393 | 335 |
| | **393** | **335** |

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

| | Balance as at 31 December 2022 | 2021 |
|---|---|---|
| Less than one year | 393 | 335 |
| 1-5 years | 653 | 534 |
| More than 5 years | 48 | 94 |
| **Total** | **1 094** | **963** |

Overview of movements of leasing liabilities during the period:

| | |
|---|---|
| **As at 31 December 2020** | **1153** |
| Cost interests | 17 |
| Increases (+)/ Decreases (-) | 301 |
| Payments for rents | -508 |
| **As at 31 December 2021** | **963** |
| Cost interests | 18 |
| Increases (+)/ Decreases (-) | 565 |
| Payments for rents | -452 |
| **As at 31 December 2022** | **1 094** |

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

## 17 Grants and deferred revenues

Deferred revenues include the following items:

| Deferred revenues | As at December 31 2022 | 2021 |
|---|---|---|
| EBOR grant Križovany – long-term portion (a) | 7 419 | 7 909 |
| – short-term portion (a) | 490 | 620 |
| EBOR grant Lemešany – long-term portion (b) | 27 370 | 28 670 |
| – short-term portion (b) | 1 301 | 1 314 |
| EBOR grant Bystričany – long-term portion (c) | 49 603 | 51 417 |
| – short-term portion (c) | 1 892 | 1 893 |
| US Steel – long-term portion (d) | 2 650 | 2 852 |
| – short-term portion (d) | 202 | 202 |
| EU TEN-E – long-term portion (e) | 602 | 631 |
| – short-term portion (e) | 29 | 29 |
| E.On – long-term portion (f) | 1 942 | 2 044 |
| – short-term portion (f) | 101 | 101 |
| Slovenské elektrárne, a. s. – long-term portion (g) | 2 216 | 2 366 |
| – short-term portion (g) | 150 | 150 |
| EU TEN-E – long-term portion (h) | 654 | 682 |
| – short-term portion (h) | 28 | 28 |
| EU TEN-E – long-term portion (i) | 1 634 | 1 699 |
| – short-term portion (i) | 65 | 65 |
| EU TEN-E – long-term portion (j) | 1 869 | 1 937 |
| – short-term portion (j) | 67 | 67 |
| Západoslovenská distribučná, a. s. – long-term portion (k) | 3 650 | 3 831 |
| – short-term portion (k) | 120 | 120 |
| Východoslovenská distribučná, a. s. – long-term portion (l) | 3 294 | 3 464 |
| – short-term portion (l) | 171 | 182 |
| INEA Veľký Meder – long-term portion (m) | 334 | 345 |
| – short-term portion (m) | 12 | 12 |
| INEA Rimavská Sobota – long-term portion (n) | 591 | 609 |
| – short-term portion (n) | 18 | 18 |
| Západoslovenská distribučná, a. s. - Pod. Biskupice – long-term portion (o) | 2 864 | 2 935 |
| – short-term portion (o) | 72 | 72 |
| Západoslovenská distribučná, a. s. - Senica– long-term portion (p) | 4 269 | 4 337 |
| – short-term portion (p) | 0 | 0 |
| Fortischem, a. s. – long-term portion (q) | 3 160 | 3 074 |
| – short-term portion (q) | 0 | 0 |
| Derivative – long-term portion (r) | 0 | 0 |
| – short-term portion (r) | 0 | 27 365 |
| INEA Danube InGrid – long-term portion (s) | 15 820 | 15 574 |
| – short-term portion (s) | 17 | 88 |
| Západoslovenská distribučná, a. s. - Vajnory – long-term portion (t) | 16 230 | 16 230 |
| – short-term portion (t) | 0 | 0 |
| Západoslovenská distribučná, a. s. - Križovany – long-term portion (u) | 1 788 | 0 |
| – short-term portion (u) | 0 | 0 |
| Duslo, a. s. - Križovany - long-term portion (v) | 2 989 | 0 |
| – short-term portion (v) | 0 | 0 |
| Deferred income from regulated tariffs | 35 045 | 44 041 |
| – short-term portion (x) | 196 236 | 6 868 |
| Others – long-term portion (y) | 1 146 | 1 221 |
| – short-term portion (y) | 1 032 | 893 |
| **Total** | **389 142** | **235 955** |

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

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

An amount of EUR 7 909 thousand (31 December 2021: EUR 8 529 thousand) was recognized in deferred revenue related to the grant.

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

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

An amount of EUR 28 671 thousand (31 December 2021: EUR 29 984 thousand) was recognized in deferred revenue related to the subsidy.

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

c)
On 14 December 2010 was concluded a grant agreement between Slovenská elektrizačná a prenosová sústava, a. s. and the European Bank for Reconstruction and Development (EBOR), in which the EBOR agreed to provide a grant of EUR 76 000 thousand. This agreement effected on 17 December 2014. The grant funds will be used to set of buildings Bystričany - transformation 400/110 kV, for expansion substation in Horná Ždaňa and Križovany crossing the 400 kV Križovany - Bystričany and 400 kV Oslany - Horná Ždaňa. Grant funds were drawn till 2020.

The amount of EUR 51 495 thousand (31 December 2021: EUR 53 310 thousand) was recognized in deferred revenue related to the subsidy.

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

d)
Deferred revenues include an amount EUR 2 852 thousand (31 December 2021: EUR 3 054 thousand), related to investment in the substation in Košice, which remains in property of the parent company, however, the company US Steel paid the half of the substation's acquisition costs.

e)
Amount of EUR 631 thousand represents a co-finance provided to the parent company from an European Commission's program EU TEN-E (Trans - European Network ) in the amount of 10% of the value of transmission lines EK-Moldava - SS Košice (31 December 2021: EUR 660 thousand).

f)
Amount of EUR 2 043 thousand included in deferred revenues is related to a 100 % co financing by company E.ON for construction field 13 in Križovany, (31 December 2021: EUR 2 145 thousand).

g)
Amount of EUR 2 366 thousand relates to refinancing of cost of Slovenské elektrárne, a.s. for connecting to transmission systems EMO 3 and 4 in Veľký Ďur (31 December 2021: EUR 2 516 thousand).

h)
Amount of EUR 682 thousand represents co-finance provided to Group from European Commission for the transmission line SS Košice - Lemešany (31 December 2021: EUR 710 thousand).

i)
Amount of EUR 1 699 thousand represents co-finance provided from European Comm ssion for the meshing V 409 line to the new transformer station 400/110kV in Voľa electric station (31 December 2021: EUR 1 764 thousand).

j)
Amount of EUR 1 936 thousand represents co-finance provided to the parent company from European Commission for the transmission line 400 kV Gabčíkovo - Veľky Ďur (31 December 2021: EUR 2 004 thousand).

k)
Amount EUR 3 770 thousand is related to the refinancing of Západoslovenská distribučná, a.s. costs for enlargement of electric station in the Stupava (31 December 2021: EUR 3 951 thousand).

l)
Amount EUR 3 465 thousand is related to the refinancing of Východoslovenská distribučná, a.s. costs for the construction of devices necessary to connect R 400/110 kV Voľa into electric transmission system (31 December 2021: EUR 3 646 thousand).

m)
Amount of EUR 346 thousand represents the financial contribution from INEA agency intended for design and engineering work for the project of 2x400 kV line Veľký Meder - State Border of the Slovak Republic - Hungary (31 December 2021: EUR 357 thousand).

n)
Amount of EUR 609 thousand represents the financial contribution from INEA agency intended for design and engineering work for the project of 2x400 kV line Rimavská Sobota - State Border of the Slovak Republic - Hungary (31 December 2021: EUR 627 thousand).

o)
The amount of EUR 2 936 thousand relates to the refinancing of costs of capital construction within the Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2021: EUR 3 007 thousand).

p)
The amount of EUR 4 269 thousand relates to the refinancing of costs of capital construction within the Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2021: EUR 4 337 thousand).

q)
The amount of EUR 3 160 thousand relates to the refinancing of costs of capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2021: EUR 3 074 thousand).

r)
The parent company decided to trade at electricity exchange, namely EEX (European Energy Exchange). The objective of these transactions is to minimize or eliminate risk, therefore they represent hedging against a potential unfavourable change in the commodity price. Expected future electricity purchases by the parent company are hedged (see also Notes 11, 3.1 and 3.3).
The amount of EUR 27 365 thousand at 31 December 2021 represents hedging risk revaluation value in relation to commodity futures. The parent company hedges cash flows related to the future purchases of electricity and in 2022 fair value of the hedge is recorded through equity.

s)
The amount of EUR 15 837 thousand relates to the Danube InGrid grant (as at 31 December 2021: EUR 15 662). The Danube InGrid project is the result of cooperation between the parent company, company Západoslovenská distribučná, a. s. and the Hungarian distribution system operator E.ON Észak-dunántúli Áramhálózati Zrt. PCI projects are key infrastructure projects aimed at interconnecting European energy systems and achieving the EU's energy and climate goals.

t)
The amount of EUR 16 230 thousand relates to the refinancing of costs of Capital construction within the Vajnory power station incurred by Západoslovenská distribučná, a. s. (31 December 2021: EUR 16 230).

u)
The amount of EUR 1 788 thousand relates to the refinancing of costs of Capital construction within the Križovany power station incurred by Západoslovenská distribučná, a. s. (31 December 2021: EUR 0).

v)
The amount of EUR 2 989 thousand relates to the refinancing of costs of Capital construction within the Križovany power station incurred by Duslo Šaľa, a. s. (31 December 2021: EUR 0).

x)
In other long-term deferred income is recognized an income in amount of EUR 35 045 thousand representing the 2022 revenues from regulated tariffs, which according to regulatory rules and accounting procedures, is revenue of the year ending 31 December 2024.

In other short-term deferred income is recognized an income in amount of EUR 43 236 thousand representing the 2022 revenues from regulated tariffs, which according to regulatory rules and accounting procedures, is revenue of the year ending 31 December 2023.

In other short-term deferred income is recognized an income in amount of EUR 153 000 thousand representing the revenues from regulated tariffs, which, according to regulatory rules and accounting procedures, is revenue of the year ending 31 December 2023.

y)
In other deferred income is recognized then amount of EUR 204 thousand (31 December 2021: EUR 215 thousand), which relates to the joint procedure agreement for connection of facilities of the company En-Invest, a. s. to the transmission system SR at the Moldava power station.

## 18 Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 21% (31 December 2021: 21%). As at 31 December 2022 tax rate will increase by additional 4,4% for temporary differences in fixed assets due to charges for regulated subjects based on act No. 235/2012 Coll. (31 December 2021: 4,4 %). This levy increased the tax rate for temporary differences, which will offset by the end of 2023 related to fixed assets only, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, not taking into consideration temporary differences.

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

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

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

| | **At 31 December 2021** | **Change recognized as (-) expenses/(+) revenues** | **Accounted to other parts of comprehensive results** | **At 31 December 2022** |
|---|---|---|---|---|
| Positive revaluation of fixed assets | -26 460 | 3 360 | 104 | -22 996 |
| Negative revaluation of fixed assets | -461 | -151 | 0 | -612 |
| Receivables | 624 | -453 | 0 | 171 |
| Non-current tangible and intangible assets | -54 106 | -3 184 | 0 | -57 290 |
| IFRS 16 | 10 | -1 | 0 | 9 |
| Financial investment | -29 | 0 | 0 | -29 |
| Retirement benefit | 966 | -95 | -80 | 791 |
| Provisions | 1 515 | 1 961 | 0 | 3 476 |
| Revaluation of derivates | 0 | 0 | 455 | 455 |
| Interests | 0 | -236 | 0 | -236 |
| Possibility to claim unused tax deductions | 2 940 | -1 785 | 0 | 1 155 |
| Other | 7 679 | 542 | 0 | 8 221 |
| **Total** | **-67 322** | **-42** | **479** | **-66 885** |

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

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

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

## 19 Provisions for liabilities and charges

| | Pension benefits and other long-term benefits (a) | Legal claims (b) | Others (c) | Total |
|---|---|---|---|---|
| **At 1 January 2022** | **4 600** | **40** | **0** | **4 640** |
| Creation of provisions | 446 | 0 | 0 | 446 |
| Reversals of provision to equity | -374 | 0 | 0 | -374 |
| Provisions used | -897 | 0 | 0 | -897 |
| Reversals of unused provision | 0 | | 0 | 0 |
| **At 31 December 2022** | **3 775** | **40** | **0** | **3 815** |

| **Analysis of total provisions** | As at 31 December 2022 | 2021 |
|---|---|---|
| Non-current | 3 775 | 4 600 |
| Current | 40 | 40 |
| **Total** | **3 815** | **4 640** |

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

According to a decision published by the IFRS Committee during 2021, service costs are allocated from the date on which the employee is entitled to the benefit (criteria: length of service, condition of continuity, etc.).

In valuation of employee benefits as at 31 December 2021, this interpretation change related to IAS 19 was fully taken into account.

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

### (a) Pension benefits and other long-term benefits

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

### (i) Post employment benefits

| **Analysis of total provisions** | As at 31 December 2022 | 2021 |
|---|---|---|
| Present value of unfunded retirement obligations | 3 535 | 4 289 |
| Unrecognized actuarial gains/(losses) and portion of past service cost | 0 | 0 |
| **Obligation in the Statement of Financial Position** | **3 535** | **4 289** |

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

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

| **Analysis of current provisions** | **2022** | **2021** |
|---|---|---|
| Current service cost | 446 | 514 |
| Past service cost | 0 | -957 |
| Interest cost | 48 | 81 |
| **Pension (credit) / cost, included in personnel costs** | **494** | **-362** |

Value recognized in Equity are as follows:

| **Analysis of total provision** | **2022** | **2021** |
|---|---|---|
| Recognized actuarial gains from change in the method of calculating pension liabilities | -374 | -4 426 |
| **Total change recognized in equity** | **-374** | **-4 426** |

Movements in the present value of defined benefit obligation are:

| | **2022** | **2021** |
|---|---|---|
| Present value of unfunded retirement obligation at the beginning of the year | 4 289 | 9 546 |
| Current service cost | 446 | 514 |
| Interest cost | 48 | 81 |
| Benefits paid | -874 | -469 |
| Cancelled | 0 | -957 |
| Actuarial gain on changes in IAS 19 | -374 | -4 426 |
| **Present value of unfunded retirement obligations at the end of the year** | **3 535** | **4 289** |

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

| | **As at 31 December** | |
|---|---|---|
| | **2022** | **2021** |
| Present value of unfunded obligations | 240 | 311 |
| **Obligation in the Statement of Financial Position** | **240** | **311** |

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

| | **2022** | **2021** |
|---|---|---|
| Current service cost | 30 | 32 |
| Cost of past service | 26 | 19 |
| Recognized actuarial gains/(losses) | -107 | 53 |
| Interest expense | 3 | 2 |
| **Pension (credit)/ cost included in personnel costs** | **-48** | **106** |

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

Movements in the present value of defined benefit obligation are:

| | 2022 | 2021 |
|---|---|---|
| Present value of unfunded retirement obligations at beginning of the year | 311 | 223 |
| Current service cost | 30 | 32 |
| Past service cost | 26 | 19 |
| Interest cost | 3 | 2 |
| Benefits paid | -23 | -18 |
| Actuarial gains/(losses) | -107 | 53 |
| **Present value of unfunded retirement obligations at the end of the year** | **240** | **311** |

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

**As at 31 December 2022**

| | |
|---|---|
| Percentage of employees, who will terminate their employment prior to retirement (fluctuation rate) | 1,7 –3,1 % p.a. based on age |
| Expected salary increases | 4,30% p. a. |
| Discount rate | 4,14% p. a. ; 4,24 % p.a. |

**As at 31 December 2021**

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

The table below presents a sensitivity analysis related to significant assumptions as of 31 December 2022, calculated using a method that extrapolates the impact on employees' pension related liabilities, a subject of reasonable change in key assumptions at the year end.

| Significant assumptions | Change | Result | Result % |
|---|---|---|---|
| Discount rate | 0,50% | 3 563 | -3,6% |
| Discount rate | -0,50% | 3 839 | 3,8% |
| Fluctuation of employees, yearly | -1,00% | 3 415 | -7,6% |
| Fluctuation of employees, yearly | 1,00% | 4 011 | 8,5% |
| Change in Remuneration | 0,50% | 3 836 | 3,8% |
| Change in Remuneration | -0,50% | 3 565 | -3,6% |
| Change in probability of death | -10,00% | 3 662 | -0,9% |
| Change in probability of death | 10,00% | 3 732 | 1,0% |

Expected payments or contributions to the defined benefit program in the future years in nominal value:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| During the next 12 months (next annual reporting period) | 205 | 306 |
| From 2 to 5 years | 2 128 | 2 025 |
| From 6 to 10 years | 3 952 | 3 210 |
| **Total expected payments** | **6 285** | **5 541** |

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

The average duration of obligation for the defined benefit program at the end of the reporting period is 10 years (in 2021: 10 years).

### (b) Provision for legal claims

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

## 20 Revenues

Revenues include the following:

Revenues from electricity transmission and transit, deviation settlement and fees for organization of daily electricity market:

| | 2022 | 2021 |
|---|---|---|
| Access to transmission grid | 120 516 | 131 921 |
| Covering losses | 31 479 | 17 600 |
| System operation | 37 790 | 73 253 |
| System services | 127 147 | 130 662 |
| Auctions | 33 338 | 37 077 |
| Deviations and regulated energy | 39 014 | 23 871 |
| Shipping | 0 | 79 796 |
| CBT (ITC) mechanism | 9 119 | 9 216 |
| Fee for connection to the transmission system | 837 | 1 119 |
| Import & export | 559 | 368 |
| Unplanned electricity exchanges (FSkar) | 7 233 | 2 883 |
| Sale of electricity on daily market | 36 710 | 0 |
| Cross-border emergency assistance | 9 411 | 1 352 |
| Other regulated services | 554 | 795 |
| **Total revenues from electricity transmission and transit, deviation settlement and organization of daily electricity market** | **453 707** | **509 913** |
| | | |
| Rental | 598 | 716 |
| Telecommunications services | 199 | 83 |
| Other revenues | 59 | 15 |
| **Total other revenues** | **856** | **814** |
| | | |
| **Total revenues** | **454 563** | **510 727** |

Group revenues comprise primarily revenues from tariffs determined by the Office in the respective resolutions (revenues from energy transmission and capacity reserves, revenues from losses in energy transmission, revenues from system services and revenues for the activities of the spot electricity market organizer). Moreover the Group generates revenues for regulated electricity, revenues related to deviations related to deviations of Subject's balancing group, revenues related to cross-border energy transmission (revenues from the settlement of cross-border transmissions between the operators of transmission networks within the ITC mechanism, revenues from transmission capacity auctions and revenues from MC) and revenues related to electricity on the daily market where the prices are not determined by the Office.

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

Except mentioned above, the Group recognizes revenues from sale of electricity and costs from purchased electricity on daily electricity market on net basis (As at 31 december 2021: net balance was presented in Consumed materials and services). In 2022 Group realized revenues from sale of electricity in the total amount of EUR 1 908 727 thousand (2021: EUR 705 179 thousand). Related costs were in the amount of EUR 1 872 017 thousand (2021: EUR 743 991 thousand).

According to IFRS 15, costs and revenues for the operation of the system are reported on a net basis. During the year 2022, transactions were carried out in the total amount of EUR 373 874 thousand and related costs were EUR 308 941 thousand (31 December 2021: transactions in the total amount of EUR 526 982 thousand and related costs were EUR 211 187 thousand reported in Consumption of materials and services). As at 31 December 2022, these items were reduced by remuneration for the activities of the buyer in the amount of EUR 27 242 thousand (as at 31 December 2021: EUR 249 416 thousand). Other revenues from the operation of the system, which according to IFRS 15 are not reported in net value, are in amount of EUR 99 thousand (31 December 2021: EUR 6 874 thousand).

According to IFRS 15, costs and revenues for the provision of the deviation settlement service are reported on a net basis. During 2022, related revenues in the total amount of EUR 207 305 thousand and related costs were EUR 170 741 thousand (31 December 2021: transactions in the total amount of EUR 109 973 thousand and related costs were EUR 89 200 thousand reported in Consumption of materials and services). Other income for deviations, which according to IFRS 15 are not reported in net value, are in amount of EUR 2 450 thousand (31 December 2021: EUR 3 098 thousand).

According to IFRS 15, costs and revenues for the provision of the difference settlement service are reported on a net basis. During 2022, related revenues in the total amount of EUR 43 319 thousand and related costs were EUR 43 319 thousand (31 December 2021: revenues and related expenses were EUR 40 270 thousand).

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

## 21 Consumed materials and services

Consumed materials and services included the following:

| | 2022 | 2021 |
|---|---|---|
| Shipping | 117 772 | 0 |
| Sale of electricity on daily market | 0 | 38 812 |
| System IGCC | 17 224 | 9 575 |
| Consumption of material, energy and other non-storable items | -38 861 | -12 326 |
| Repair and maitenance | 5 440 | 6 545 |
| Travel expenses | 263 | 103 |
| Representation expenses | 287 | 61 |
| Rental | 331 | 442 |
| Communication lines outputs | 254 | 254 |
| Stations service | 1 470 | 1 913 |
| Protection and maintenance of area | 1 112 | 1 873 |
| Revisions, controls and security services | 605 | 1 006 |
| Technical advisory, technical support | 112 | 36 |
| Cleaning | 236 | 265 |
| Biological reclamations, ecological costs | 158 | 180 |
| Geodetic and engineering services | 31 | 0 |
| Experts examinations, analysis, experts opinions, certifications | 1 972 | 1 453 |
| Information technology services and advertisement | 10 452 | 10 044 |
| Expenses for support services | 121 633 | 124 986 |
| Expenses for auctions | 265 | 315 |
| Expenses for system operation | 0 | 0 |
| Expenses for CBT/ITC | 2 | 8 |
| Unplanned electricity exchanges (Fskar) | 14 515 | 5 264 |
| Remuneration for the activity of the buyer | 4 568 | 2 861 |
| Audit of Financial Statements provided by auditor | 88 | 63 |
| Advisory services | 614 | 741 |
| Tax advisory | 18 | 18 |
| Other services provided by auditor | 0 | 2 |
| Operating services TSCNET Services GmbH | 1 650 | 1 382 |
| Demolations | 107 | 11 |
| Recharges of shared costs | 1 209 | 277 |
| Other | 1 800 | 1 618 |
| **Total** | **265 327** | **197 782** |

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

From 11 september 2012 the Group acts as shipping agent within Czech, Slovak and Hungarian electricity market. Based on the request of the Romanian transmission system operator and the Romanian Energy Exchange, a project to expand the tripartite Market Coupling operated between the Czech Republic, Slovakia and Hungary was launched. In accordance with the project plan, on 19 November 2014, the four-way Market Coupling (so-called 4MMC) was launched, that is, the operation of connected daily markets in the form of implicit allocation of cross-border capacities between the Czech, Slovak, Hungarian and Romanian market areas. The relevant revenues and expenses of the Group consist of payments for electricity transferred via cross-border connections from countries where there is a surplus of electricity on the market to countries where there was a shortage of electricity on the market. Relevant revenues and costs of the Group from this activity are recognized as sale of goods, resp. costs as costs of goods sold.

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

In 2022 the Group realized transactions in total amount of EUR 2 973 032 thousand and related costs were EUR 2 484 845 thousand (31 December 2021: transactions in total amount of EUR 1 305 716 thousand and related costs were in the amount of EUR 1 182 286 thousand. According to IFRS 15, costs related to implicit auctions in the amount of EUR 92 852 thousand and also costs representing a collection for the benefit of a third party amounting to EUR 582 363 thousand, were deducted from these items as at 31 December 2022, as such collection does not form a part of the transaction price according to IFRS 15. Revenues related to the use of the OT profile amounting to EUR 145 826 thousand are also included in shipping (As at 31 December 2021, costs associated with the implicit auctions amounting to EUR 55 818 thousand, costs representing collection for the benefit of a third party in the amount of EUR 107 276 thousand; revenues related to the use of the OT profile in the amount of EUR 135 135 thousand. Revenues from shipping with negative prices in the amount of EUR 74 thousand and costs of shipping with negative prices in the amount of EUR 26 thousand are also included in the shipping. Costs related to congestion income in the amount of EUR 84 391 thousand and revenues related to congestion income in the amount of EUR 7 773 thousand are also included in shipping (as at 31 December 2021: Revenues from shipping with negative prices in the amount of EUR 995 thousand and costs of shipping with negative prices in the amount of EUR 754 thousand, costs related to congestion income in the amount of EUR 16 771 thousand and revenues related to congestion income in the amount of EUR 855 thousand).

The negative net balance of the Group from the shipping activity in the amount of EUR 117 772 thousand in 2022 was influenced by ÚRSO's decision to use the excess congestion income resulting from the allocation of interregional capacity achieved by the parent company in 2022 for the purpose of reducing regulated tariffs. According to the regulatory rules and accounting procedures, these revenues from regulated tariffs do not belong to the Group in 2022, but in 2023, in which they will be realized (Note 17 Grants and deferred revenues, paragraph x). In 2021, the positive balance achieved by the Group from the shipping activity in the amount of EUR 79 976 thousand, presented in note 20 Revenues.

Together with the operator of the Czech transmission network, the Group has introduced a system to avoid simultaneous supplies of balancing energy in opposite directions using cross-border connections (hereinafter the IGCC system) on 19 January 2012. Since 2013, the operator of the Hungarian transmission system has also participated in the system. The respective revenues and costs result from the volume of the balancing energy acquired within the IGCC system and fixed prices for this balancing energy determined by a resolution adopted by the URSO. The Group reports revenues from these activities as part of the "sale of goods" and the "costs of goods sold". During 2022, transactions in total amount of EUR 15 223 thousand were carried out and related costs amounted to EUR 32 156 thousand (31 December 2021: transactions totalled to EUR 6 254 thousand and the costs amounted to EUR 15 641 thousand). Revenues from negative prices from IGCC totalled to EUR 2 453 thousand costs of negative prices from IGCC totalled to EUR 2 744 thousand (As at 31 December 2021: Revenues from negative prices from IGCC totalled to EUR 1 647 thousand and costs of negative prices from IGCC totalled to EUR 1 835 thousand).

## 22 Personnel costs

| | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 22 403 | 22 311 |
| Other personnel costs | 2 430 | 2 636 |
| Pension costs-definite contribution plan | 9 282 | 9 107 |
| Current service cost | 476 | 546 |
| Past service cost | 26 | 19 |
| Reported actuarial loss/ (profit) | -107 | 53 |
| Interest cost related to pension and other employee benefits | 51 | 83 |
| **Total** | **34 561** | **34 755** |

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

## 23 Other operating expenses

| | 2022 | 2021 |
|---|---|---|
| Insurance costs | 2 162 | 2 198 |
| Losses from sale of fixed assets and materials | 0 | 403 |
| Taxes and other fees | 206 | 234 |
| Gifts | 158 | 97 |
| Creation of adjustment | 675 | 2 437 |
| Non-production compensation | 164 | 227 |
| Other operating expenses | 708 | 657 |
| **Total** | **4 073** | **6 253** |

## 24 Other operating income

| | 2022 | 2021 |
|---|---|---|
| Gain from sale of fixed assets | 623 | 0 |
| Gain from sale of material | 1 | 0 |
| Release of deferred revenues from grant | 3 825 | 4 541 |
| Contractual penalties | 4 473 | 1 381 |
| Insurance income | 147 | 459 |
| Other operating income | 638 | 621 |
| **Total** | **9 707** | **7 002** |

## 25 Finance expense net

| | 2022 | 2021 |
|---|---|---|
| Interest income | 1 708 | 12 |
| Interest expense from borrowings | -318 | -209 |
| Interest expense according IFRS 16 | -18 | -17 |
| Foreign exchange gains | 0 | 0 |
| Foreign exchange losses | -3 | 0 |
| Other financial expenses | -253 | -153 |
| **Net financial expenses** | **1 116** | **-367** |

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

## 26 Income tax expense

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

| | Year ended 31 December | |
|---|---|---|
| | **2022** | **2021** |
| Profit/loss before tax | 93 593 | 202 931 |
| Theoretical income tax related to current period at 21% | 19 655 | 42 616 |
| - Other income not subject to tax (permanent) | -13 816 | -726 |
| - Non-deductible expenses (permanent) | 13 084 | -870 |
| - Tax Deductions | 0 | -6 803 |
| - Increase of tax due to charges for regulated subjects | 5 821 | 3 275 |
| - Deferred tax from temporary differences to which no Deferred tax has been accounted historically | -1 155 | -2 940 |
| - Income exempt from tax | -56 | -252 |
| Additional income tax | 42 | 28 |
| Deferred tax increase to 1 January due to increase of tax rate | 0 | 0 |
| | **23 575** | **34 328** |
| Income tax expense for the period | | |
| The tax charge for the period comprises: | | |
| - Deferred tax charge - expense/(income) (Note 18) | 42 | -7 098 |
| Deferred tax total | **42** | **-7 098** |
| - Special levy for regulated industry | 5 821 | 3 275 |
| - Additional income tax | 42 | 28 |
| - Current income tax expense | 17 670 | 38 123 |
| Income tax total | **23 533** | **41 426** |
| **Total tax for period** | **23 575** | **34 328** |
| Effective tax rate | **25,19%** | **16,92%** |

Deferred tax is provided, using the balance sheet liability method, on temporary differences using the basic tax rate of 21% (31 December 2021: 21%). This tax rate has been increased as at 31 December 2022 by additional 4.4% for temporary differences in fixed assets because of special levy for regulated industry paid according to Act No. 235/2012 Coll. (31 December 2021: 4.4%). This levy increased the tax rate for temporary differences, which will offset by the end of 2022 related to fixed assets only, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, not taking into consideration temporary differences.

## 27 Contingencies

### (a) Taxation

Many areas of Slovak tax law (e.g. transfer-pricing regulations) have not been sufficiently tested in practice, so there is some uncertainty as how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. It will be reduced only if legal precedents or official interpretations are available. Neither the parent company's management, nor the subsidiary management is aware of any circumstance that may give rise to future material expense in this respect.

### (b) Regulation and liberalization in energy industry

*Regulatory framework for the electricity market in the Slovak Republic*

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

Activities of the Group are subject to regulation by URSO.

### (c) Litigation

The plaintiff Lumius Slovakia, s. r. o. 'In liquidation' claims to reopen the court proceedings in which the plaintiff claimed the payment in amount of EUR 3 792 188.01 with accessories because of the unreasonable beneficiation and damages by the illegitimate charging of the system Services on the cross-border transmission. The plaintiff paid to the defendant following the Contract of transmission of electricity through the interconnector from 16 January 2008 in accordance the legislation at the time. According to the opinion of the plaintiff, the illegitimate charging consists in the fact that such a fee is in the conflict with the European Union law. The Bratislava II District Court dismissed the claim, the plaintiff did not make an appeal against the judgment and the judgment became final. Because of the Court of Justice of the European Union evaluated the charge as conflicted with the European Union law in Case C-305/17, the plaintiff claims the reopening of the court proceedings within the statutory period. At the hearing on 20 May 2021, the court rejected the motion to reopen the proceedings, the plaintiff filed an appeal against the judgment, and the Group submitted a statement on the plaintiff's appeal. On November 14, 2022, the Regional Court in Bratislava annulled the first-instance judgment of the Bratislava II District Court and returned the matter to this court for further proceedings as the justification of the first-instance judgment does not contain reasons that would clearly and convincingly represent an explanation of the conclusion adopted by the court that there is no personal or material connection between the proceedings for the restoration of which the plaintiff is demanding and the decision of the Court of Justice of the European Union in Case C-305/17, thus the decision of the Court of Justice of the EU is not binding for the parties to this dispute. At the hearing on February 7, 2023, the court did not make a decision on the matter, adjourning the hearing to March 23, 2023.

### (d) Bank guarantees

As at 31 December 2022, the Group records issued bank guarantees in the amount of EUR 38 000 thousand to third parties.

## 28 Commitments

### (a) Future capital commitments

The Group has contractual obligations under the contracts for the purchase of non-current assets entered into before 31 December 2022, the performance of which is scheduled only after 31 December 2022. The total obligation under the contracts amount to EUR 39 730 thousand (2021: EUR 21 094 thousand). The Capital expenditures are related primarily to the Renewal of secondary technology R 400 kV Bošáca - exchange of protections and RIS innovation, with transition of ESt Sučany to remote control, with construction of change of conductors, insulation of 400 kV line Križovany - state border SR / ČR, with innovation of measuring sets, with legislative upgrade of trading system Damas Energy, with the change of connection of Fortischem, a. s. to the transmission system in ES Bystričany.

The Group has approved a Capital expenditure budget for 2023 in the amount of EUR 80 158 thousand (2022 capex budget: EUR 58 680 thousand).

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

The Capital expenditures are related primarily to the Renewal of secondary technology R 400 kV Bošáca - exchange of protections and RIS innovation, with change of conductors and insulation of lines, to the insulation of 220 kV line V071 Lemešany - Vojany, to the remote control in electrical stations and ICT systems and trading systems.

It is expected that both internal and external funds will be used to finance these Capital expenditures.

### (b) Future operating lease commitments - Group as lessee

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

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

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

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Due within 1 year | 58 | 58 |
| Due in 2 to 5 years | 0 | 0 |
| Due after 5 years | 0 | 0 |
| **Total** | **58** | **58** |

The Group has also entered into an operating lease for an unlimited period of time with a possibility of termination with a 3-month termination period. The annual lease payments amount to EUR 9 thousand (31 December 2021: EUR 9 thousand). The main items include the lease of telecommunications routes.

### c) Future operating lease commitments - Group as lessor

The Group leases out mainly lines and optic fiber cables.

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

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Due within 1 year | 346 | 294 |
| Due in 2 to 5 years | 1 260 | 1 057 |
| Due after 5 years | 1 526 | 1 534 |
| **Total** | **3 132** | **2 885** |

The Group has also entered into an operating lease for an unlimited period of time, for which the annual lease payments is in the amount of EUR 431 thousand (31 December 2021: EUR 385 thousands).

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

The Group leases 2x110kV power lines ESt Lemešany - ES SS Košice from supporting point in Bukovec to supporting point in Lemešany in length of 18.678 km. Lease expires in 50 years, rent is calculated every year according to capital, investment and operating costs. Annual rent for 2023 amounts to EUR 329 thousand (31 December 2021: year 2022: EUR 276 thousand). The basic component of the rent will be paid to lessee for the time of 20 years and operating component of the rent will be paid to lessor for the time of 50 years. The minimal lease payment includes the basic component of the rent in the amount of EUR 301 thousand annually (31 December 2021: EUR 251 thousand).

## 29 Contingent assets

Participants of spot electricity market and deviation settlement enclose the contract with banks on bank guarantees in favour of the Group that the Group has the right to use in case of insolvency. The amount of received bank guarantees as at 31 December 2022 is EUR 317 912 thousand (as at 31 December 2021: EUR 224 513 thousand).

## 30 Cash generated from operations

| | Note | 2022 | 2021 |
|---|---|---|---|
| Profit before income tax | | 93 593 | 202 931 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 5 | 61 858 | 64 371 |
| Depreciation of non-current intangible assets | 6 | 6 977 | 7 147 |
| Negative revaluation | 5,6 | 0 | 5 068 |
| Changes in provisions for receivables | 11 | 675 | 2 437 |
| (Gain) / loss from disposal of property, plant and equipment | 23,24 | -623 | 403 |
| Interest income / expenses net | 25 | -1 372 | 214 |
| Net movements in provisions | 19 | -825 | -5 169 |
| Other non-cash transactions | | -50 | -15 |
| Changes in working capital: | | | |
| Inventories (gross) | | 166 | -239 |
| Trade and other receivables | | 7 413 | -101 319 |
| Short-term financial assets | | -255 000 | 0 |
| Trade and other payables, deferred revenues | | 268 770 | 209 464 |
| **Cash generated from operations** | | **181 582** | **385 293** |

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

| | Note | 2022 | 2021 |
|---|---|---|---|
| Net book amount | | 21 | 804 |
| Profit / (loss) on disposal of asset | 23,24 | 623 | -403 |
| Proceeds from disposal of asset | | **644** | **401** |

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

## 31 Related party transactions

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

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

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

The Ministry of Economy of Slovak Republic, an entity fully owned by the Slovak Republic, is the 51 % shareholder of Západoslovenské energetika, a. s., Východoslovenská energetika Holding, a. s. and Stredoslovenská energetika, a. s.

Západoslovenská distribučná, a. s., Západoslovenská energetika - Energ a, a. s., Východoslovenská energetika, a. s., Východoslovenská distribučná, a.s. and Strecoslovenská distribučná, a. s. are 100% subsidiaries of these companies.

As at 31 December 2022, the outstanding balances with joint venture, state-controlled entities and government bodies were as follows:

| | Gross amount of trade receivables | Other receivables | Value adjustment to trade and other receivables | Trade and other payables |
|---|---|---|---|---|
| Slovenské elektrárne, a.s. | 399 | 17 | 0 | -27 930 |
| Slovenské elektrárne-energetické služby, s.r.o. | 536 | 0 | 0 | -746 |
| Západoslovenská distribučná, a.s. | 2 820 | 0 | 0 | -79 122 |
| Západoslovenská energetika – Energia, a.s. | 5 323 | 0 | 0 | -6 364 |
| ZSE Elektrárne, s. r. o. | 0 | 0 | 0 | -280 |
| Východoslovenská energetika, a.s. | 2 914 | 0 | 0 | -1 762 |
| Východoslovenská distribučná, a.s. | 1 305 | 0 | 0 | -29 845 |
| Stredoslovenská energetika, a.s. | 4 359 | 0 | 0 | -2 217 |
| Stredoslovenská distribučná, a.s. | 1 836 | 0 | 0 | -69 939 |
| Stredoslovenská energetika Project Development, s. r. o. | 0 | 0 | 0 | -1 251 |
| MH Teplárenský holding, a. s. | 135 | 0 | 0 | -1 006 |
| Žilinská teplárenská, a. s. | 0 | 0 | 0 | 0 |
| Martinská teplárenská, a. s. | 0 | 0 | 0 | 0 |
| Zvolenská teplárenská, a. s. | 0 | 0 | 0 | 0 |
| Joint Allocation Office, S. A. | 18 765 | 0 | 0 | -18 298 |
| Vodohospodárska výstavba, š.p. | 80 | 0 | 0 | -9 474 |
| Slovenský plynárenský priemysel, a. s. | 9 553 | 309 | 0 | -4 818 |
| Bratislavská teplárenská, a. s. | 0 | 0 | 0 | 0 |
| TSCENT | 0 | 0 | 0 | -89 |

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

The income and expense items with joint venture, state-controlled entities and government bodies for the year ended 31 December 2022 were as follows:

| | **Sales of services** | **Purchase of services** |
|---|---|---|
| Slovenské elektrárne, a.s. | -1 394 822 | -73 298 |
| Slovenské elektrárne-Energetické služby, s. r. o. | 18 863 | 0 |
| Západoslovenská energetika, a. s. | 0 | 0 |
| Západoslovenská distribučná, a.s. | -10 058 | -148 |
| Západoslovenská energetika – Energia, a.s. | 743 448 | -777 |
| ZSE Elektrárne, s. r. o. | 1 001 | -635 |
| Východoslovenská energetika, a.s. | 167 114 | -1 |
| Východoslovenská energetika Holding, a.s. | 0 | 0 |
| Východoslovenská distribučná, a.s. | 1 363 | -65 |
| Stredoslovenská energetika, a.s. | 499 298 | -6 |
| Stredoslovenská distribučná, a.s. | -37 623 | -365 |
| MH Teplárenský holding, a. s. | -3 188 | -4 529 |
| Žilinská teplárenská, a. s. | -30 | -264 |
| Martinská teplárenská, a. s. | 2 | -292 |
| Zvolenská teplárenská, a. s. | 15 | 0 |
| Joint Allocation Office, S. A. | 53 022 | -412 960 |
| TSCNET, GmbH | 0 | -1 674 |
| Vodohospodárska výstavba, š. p. | -92 147 | -5 424 |
| Bratislavská teplárenská, a. s. | 0 | 0 |
| Slovenský plynárenský priemysel, a. s. | 60 104 | -4 569 |

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

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

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

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

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

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

| | **Sales of services** | **Purchase of services** |
|---|---|---|
| Slovenské elektrárne, a.s. | -143 428 | -444 084 |
| Slovenské elektrárne-Energetické služby, s. r. o. | 29 967 | 3 |
| Západoslovenská energetika, a. s. | 0 | 0 |
| Západoslovenská distribučná, a.s. | 40 771 | -177 |
| Západoslovenská energetika – Energia, a.s. | 204 164 | 208 295 |
| ZSE Elektrárne, s. r. o. | 1 199 | -403 |
| Východoslovenská energetika, a.s. | 109 327 | 39 550 |
| Východoslovenská energetika Holding, a.s. | 0 | 0 |
| Východoslovenská distribučná, a.s. | 24 305 | -2 |
| Stredoslovenská energetika, a.s. | 155 826 | 80 433 |
| Stredoslovenská distribučná, a.s. | -30 778 | -439 |
| MH Teplárenský holding, a. s. | -3 766 | -2 764 |
| Žilinská teplárenská, a. s. | -1 828 | -547 |
| Martinská teplárenská, a. s. | -3 682 | -1 259 |
| Zvolenská teplárenská, a. s. | 116 | 0 |
| Joint Allocation Office, S. A. | -61 638 | -5 799 |
| TSCNET, GmbH | 0 | -1 438 |
| Vodohospodárska výstavba, š. p. | -2 012 | -49 791 |
| Bratislavská teplárenská, a. s. | -1 860 | 0 |
| Slovenský plynárenský priemysel, a. s. | 72 893 | -117 531 |

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

### Key management personnel compensation

Salaries and bonuses paid to the parent company's management, directors and other members of top management for the year ended 31 December 2022 and 31 December 2021, are as follows:

| | **Year ended 31 December 2022** | **Year ended 31 December 2021** |
|---|---|---|
| Salaries and short-term employee benefits | 1 339 | 1 776 |
| **Total** | **1 339** | **1 776** |

## 32 Events after the reporting period

After the date on which the financial statements are prepared, no events have occurred that would require adjustments or additional disclosures in the financial statements and notes to the financial statements.

## Declaration of compliance

The Consolidated Financial Statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 15 March 2023.

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

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

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

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