

INDEPENDENT AUDITOR'S REPORT
(unofficial translation)

on the consolidated financial statements prepared
as of December 31, 2020

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

of company

Slovenská elektrizačná prenosová sústava, a.s.

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Independent Auditor's report on the consolidated financial statements for the Shareholder, Board of Directors, Supervisory Board and Audit Committee of company Slovenská elektrizačná prenosová sústava, a.s.

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Slovenská elektrizačná prenosová sústava, a.s. and its subsidiary (the "Group"), which comprise the statement of consolidated financial position as of December 31, 2020, the consolidated income statement and consolidated statement of comprehensive income for the year then ended, the consolidated statement of Changes in Equity for the year then ended and the consolidated statement of Cash Flows for the year then ended, and the notes, comprising a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2020, and its consolidated financial performance for the year then ended and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union as amended.

Basis for Opinion

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

Management's Responsibility and persons charged with governance for the consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements to give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union as amended and for such internal control as management determines is 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 statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those persons charged with governance are responsible for the supervising of the Company's financial reporting process and whole group.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We inform the persons charged with governance about, including, but not limited to, the planned scope and schedule of the audit and about any significant audit findings, including any significant deficiencies of internal controls weaknesses identified during the audit.

We also provide the persons charged with governance with a declaration that we have met the relevant requirements relating to independence, and we inform them about any relationships and other facts that can be reasonably believed to affect our independence, as well as on any related protective measures.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Consolidated Annual Report

The statutory body is responsible for information disclosed in the consolidated annual report prepared under the requirements of the Act on Accounting. Our opinion on the consolidated financial statements stated above does not apply to other information in the consolidated annual report.

In connection with the audit of consolidated financial statements, our responsibility is to gain an understanding of the information disclosed in the consolidated annual report and consider whether such information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

As at the issuance date of the auditor's report on the audit of consolidated financial statements, the consolidated annual report was not available to us.

When we obtain the consolidated annual report, we will evaluate whether the Company's consolidated annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the consolidated financial statements, we will express an opinion on whether:

- Information disclosed in the consolidated annual report prepared for 2020 is consistent with the consolidated financial statements for the relevant year,
- The consolidated annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the consolidated annual report based on our understanding of the Company and its position, obtained in the audit of the consolidated financial statements.

Bratislava, on March 4th, 2021

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Námestie SNP 15, 811 01 Bratislava
SKAU licence nr. 278

Ing. Martin Dubai
Responsible auditor
SKAU licence nr. 1090



Slovenská elektrizačná prenosová sústava, a.s.

*Consolidated Financial Statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union
(all amounts are in thousands of euro unless stated otherwise)*

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	Note	As at 31 December 2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	873 718	843 955
Intangible assets	6	25 472	16 092
Non-current financial assets	8	1 098	1 434
Other investments	7	631	631
Receivables	11	7 686	10 153
		908 605	872 265
Current assets			
Inventories	10	1 396	2 564
Trade and other receivables	11	47 564	42 660
Cash and cash equivalents	12	198 778	141 292
Current income tax receivable		2 361	0
		250 099	186 516
Non-current assets held for sale		0	0
Total assets		1 158 704	1 058 781
EQUITY			
Share capital and reserves attributable to equity			
Share capital	13	105 000	105 000
Legal reserve fund	13	21 407	21 395
Capital fund from shareholder contributions	13	130 000	0
Other reserves	13	178 145	178 103
Revaluation of financial investment		109	109
Actuarial gains/loss		-969	-2 082
Revaluation reserve	13	72 136	81 312
Retained earnings		245 274	267 696
Total equity		751 102	651 533
LIABILITIES			
Non-current liabilities			
Non-current bank loans	15	12 899	30 098
Non-current liabilities from leasing	16	673	1 031
Grants and other deferred revenues	17	122 638	102 074
Deferred tax liability	18	62 964	60 377
Non-current provisions for liabilities and charges	19	9 769	11 086
		208 943	204 666
Current liabilities			
Current bank loans	15	24 200	17 205
Current liabilities from leasing	16	480	460
Trade and other payables	14	159 948	165 316
Grants and other deferred revenue	17	13 991	15 611
Provisions for current liabilities and charges	19	40	69
Current income tax payable		0	3 921
		198 659	202 582
Total liabilities		407 602	407 248
Total equity and liabilities		1 158 704	1 058 781

The Consolidated Financial Statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were approved and authorized for issue on 4 March 2021 by the Board of Directors.



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



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

		Year ended 31 December	
	Note	2020	2019
Revenues	20	453 308	461 582
Activations		985	1 168
Consumables and services	21	-368 140	-281 540
Personnel costs	22	-35 843	-33 914
Depreciation and amortisation	5,6	-59 824	-53 075
(Impairment)/Reversal of impairment of fixed assets	5	0	0
Other operating income	24	5 973	4 768
Other operating expense	23	-3 658	-3 439
Profit/loss		-7 199	95 550
Interest income	25	46	90
Interest expense	25	-594	-566
Other finance income/expense)	25	-61	-35
Finance cost, net		-609	-511
Profit/loss before tax		-7 808	95 039
Income tax expense	26	-23 905	-25 737
Profit/loss for the year		-31 713	69 302
Other comprehensive income			
Items that will not be reclassified			
Actuarial gains/loss		1 113	-993
Impact IFRS 16 Lease		0	-76
Deferred tax from revaluation of property, plant and equipment		169	88
Total comprehensive income		-30 431	68 321
Profit/loss attributable:			
Owners of the parent		-31 713	69 302
Non-controlling interest		0	0
Profit/loss for the year		-31 713	69 302
Total comprehensive income attributable to:			
Owners of the parent		-30 431	68 321
Non-controlling interest		0	0
Total comprehensive income for the period		-30 431	68 321

Consolidated Statement of Changes in Equity for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (all amounts are in thousands of euro unless stated otherwise)

	Share capital	Legal reserve fund	Capital fund from shareholder contributions	Other funds	Revaluation of financial investment	Actuarial gains/loss	Revaluation of property, plant and equipment fund	Retained earnings	Equity in total
Balance as at 1 January 2019	105 000	21 320	0	162 294	109	-1 089	91 102	254 476	633 212
Net profit for the year 2019	0	0	0	0	0	0	0	69 302	69 302
Other comprehensive income	0	0	0	0	0	-993	-9 790	9 802	-981
2019	0	0	0	0	0	-993	-9 790	79 104	68 321
Dividends paid (Note 13)								-50 000	-50 000
Profit appropriation to Statutory Fund (Note 13)	0	0	0	15 809	0	0	0	-15 809	0
Profit appropriation to Legal Fund	0	75	0	0	0	0	0	-75	0
Balance as at 31 December 2019	105 000	21 395	0	178 103	109	-2 082	81 312	267 696	651 533
Balance at 1 January 2020	105 000	21 395	0	178 103	109	-2 082	81 312	267 696	651 533
Net profit/loss for the year 2020	0	0	0	0	0	0	0	-31 713	-31 713
Other comprehensive income	0	0	0	0	0	1 113	-9 176	9 345	1 282
Total comprehensive income for the year 2020	0	0	0	0	0	1 113	-9 176	-22 368	-30 431
Dividends paid (Note 13)	0	0	0	0	0	0	0	0	0
Profit appropriation to Statutory Fund (Note 13)	0	0	0	42	0	0	0	-42	0
Allocation to the Capital fund	0	0	130 000	0	0	0	0	0	130 000
Profit appropriation to Legal Fund	0	12	0	0	0	0	0	-12	0
Balance as at 31 December 2020	105 000	21 407	130 000	178 145	109	-969	72 136	245 274	751 102

Consolidated Statement of Cash Flows for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (all amounts are in thousands of euro unless stated otherwise)

		Year ended 31 December	
	Note	2020	2019
Cash flows from operating activities			
Cash generated from operations	30	26 621	173 612
Income tax paid		-27 728	-11 695
Interest received		55	81
Net cash generated from operating activities		<u>-1 052</u>	<u>161 998</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		-60 707	-83 728
Proceeds from sale of property, plant and equipment	30	188	490
Purchase of financial assets		0	0
Net cash used in investing activities		<u>-60 519</u>	<u>-83 238</u>
Cash flows from financing activities			
Proceeds/(repayments) of loans		-10 214	3 124
Interest paid		-729	-544
Increase in equity		130 000	0
Dividends paid	13	0	-50 000
Net cash used in financing activities		<u>119 057</u>	<u>-47 420</u>
Net increase (+) / decrease (-) in cash and cash equivalents		57 486	31 340
Cash and cash equivalents at the beginning of the year	12	<u>141 292</u>	<u>109 952</u>
Cash and cash equivalent at the end of the year	12	<u>198 778</u>	<u>141 292</u>

1 General Information

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

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 2020 and during the year then ended 31 December 2020 (hereinafter "the Group"). OKTE, a.s. is 100% subsidiary SEPS. OKTE, a.s. was established on 20 July 2010 by separation of deviation settlement and short-term electricity market administrator in accordance with Act No. 656/2004 Coll. on Energy. OKTE, a.s. was included for the first time to be Consolidated Financial Statements as at 31 December 2011. Parent company SEPS prepares a Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

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

The Bohunice International Decommissioning Support Fund ("BIDSF") was established in relation to the shut-down 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 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 2020 was as follows:

	Absolute amount thousands EUR	Ownership interest and voting rights %
Slovak Republic represented by Ministry of Finance	105 000	100%
Total	105 000	100%

According to the Decree of Slovak government Nr. 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.

The members of the parent company's statutory bodies during the year ended 31 December 2020 were as follows:

Body	Function	Name
Board of Directors	Chairman	Ing. Jaroslav Vach, MBA from 17 April 2020
	Chairman	Ing. Miroslav Obert till 16 April 2020
	Vice Chairmen	Mgr. Martin Riegel from 17 April 2020
	Vice-Chairman	Ing. Miroslav Kolník till 16 April 2020
	Member	Ing. Michal Pokorný
	Member	Ing. Svetozár Krnáč from 17 April 2020 till 15 May 2020
	Member	Ing. Martin Malaník till 16 April 2020
	Member	Ing. Martin Golis till 16 April 2020
	Member	Ing. Emil Krondiak PhD. till 16 April 2020
Supervisory Board	Member	Ing. Vladimír Paľko till 16 April 2020
	Chairman	Ing. Miroslav Bartoš from 17 April 2020
	Chairman	Ing. Vladimír Burdan till 16 April 2020
	Vice-Chairman	Ing. Marcel Klimek from 15 May 2020
	Vice Chairman	Michal Sokoli from 27 February 2020
	Vice-Chairman	JUDr. Peter Pandý till 16 April 2020
	Member	Mgr. Marek Kaľavský from 17 April 2020
	Member	Ing. Róbert Király from 17 April 2020
	Member	Ing. Ľuboš Jančík, PhD. od 17. apríla 2020
	Member	Ing. Marcel Klimek from 17 April 2020 till 15 May 2020
	Member	Ing. Milan Jarás, PhD. from 27 November 2020
	Member	Ing. Dušan Chvíľa from 20 February 2020
	Member	JUDr. Eva Murinová from 20 February 2020
	Member	Ing. Marek Šimlašík from 20 February 2020
	Member	Michal Sokoli from 20 February 2020 till 26 February 2020
	Member	Ing. Ján Oráč till 19 February 2020
	Member	Ing. Vladimír Beňo till 19 February 2020
	Member	Ing. Peter Matejíček till 16 April 2020
	Member	Ing. Rastislav Januščák till 16 April 2020
	Member	JUDr. Ondrej Urban, MBA till 16 April 2020
Executive management	Member	Ing. Mikuláš Koščo till 16 April 2020
	Member	JUDr. Pavol Kollár till 16 April 2020
	Member	Ing. Kristián Jecko till 16 April 2020
	General Director	Ing. Jaroslav Vach, MBA from 21 April 2020
	General Director	Ing. Miroslav Obert till 20 April 2020
	Managing Director of Support for Operating	Mgr. Igor Gallo, MBA
	Managing Director of Operating	Mgr. Jana Ambrošová from 16 May 2020
	Managing Director of Operating	Ing. Svetozár Krnáč from 21 April 2020 till 15 May 2020
	Managing Director of Operating	Ing. Emil Krondiak, PhD. till 20 April 2020
	Managing Director of SED and Commerce	Ing. Michal Pokorný
	Managing Director of Economics	Ing. Jaroslav Vach, MBA nominated with the management from 21 April 2020
	Managing Director of Economics	Ing. Martin Malaník till 20. April 2020
	Managing Director of Development and Capital Investment and Procurement	Ing. Martin Riegel from 21 April 2020
	Managing Director of Development, Capital Investment and Procurement	Ing. Miroslav Kolník till 20 April 2020

Managing Director of Information and Communication Technologies	Ing. Martin Golis
Managing Director of Strategy and International Cooperation	Ing. Michal Pokorný nominated with the management from 21 April 2020
Managing Director of Strategy and International Cooperation	Ing. Vladimír Palko till 20 April 2020

The Group employed 591 personnel on average during 2020 (2019: 581), 11 of which were management (2019: 12).

Registered address and identification number of the parent company

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 policies

The principal accounting policies applied in the preparation of these Consolidated 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 reason for preparing the Consolidated Financial Statements:

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

The Accounting Act requires the Group to prepare Consolidated Financial Statements for the year ended 31 December 2020 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 2020.

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 derivative financial instruments that are valued at fair value as at the reporting date.

The Consolidated Financial Statements were prepared on accrual basis and under 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.

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

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

2.2. Changes in accounting policies

During the year ended 31 December 2020, the Group applied the following new and revised IFRS and IFRIC interpretations:

Additions to the conceptual framework

Effective for accounting periods beginning on or after 1 January 2020.

The conceptual framework sets out:

- Objective of IFRS-based accounting
- Qualitative characteristics of useful financial information
- Definition of reporting unit
- Definitions of assets, liabilities, equity, income and expense
- Criteria for the recognition of assets and liabilities in the accounting statements and/or the procedure of their derecognition
- Valuation bases and instructions on when and how to use them
- Concept and approach to the presentation and disclosure of financial information

Reasons for revising:

- Fill in gaps in the current version – new arrangement concerning presentation, disclosure and valuation, definition of reporting unit
- Update the current arrangement – definition of assets and liabilities
- Clarify the current arrangement – role of uncertainty in valuation

Additions to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (definition of Material)

Effective for accounting periods beginning on or after 1 January 2020.

These additions explain and unify the definition of significance in order to improve consistency when using this principle in individual IFRS standards.

Changes and additions to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

Effective from 1 January 2020. Delayed application is permitted. The additions deal with issues affecting financial reporting in the period before the IBOR reform; they are mandatory and apply to all hedging relations directly affected by uncertainties related to the IBOR reform. All companies with hedging affected by the IBOR reform, are required to comply with the following requirements:

- When assessing whether or not future cash flows are highly probable, the IBOR reform shall not change the interest rate reference value underlying the hedged cash flows. In case of any completed hedging relationships, the same assumption is used to determine whether it is expected that future cash flows will be hedged.
- Companies have to assess whether the economic relationship between the hedged item and the hedging instrument exists on the basis of assumptions that the interest rate reference value underlying the hedged item and the hedging instrument shall not change following the IBOR reform.
- Companies must not discontinue hedging relationships during the uncertainty period resulting from the IBOR reform solely due to the fact that the actual hedging results are not within the 80–125% range.
- Companies may apply any individually identifiable requirements only in the beginning of hedging relationship. A similar exception is also available for redesigned hedging items in hedging that are often redesigned, e.g. for macro hedging.

Amendment to IFRS 3 Business Combination

Effective for accounting periods beginning on or after 1 January 2020.

The additions narrow down the definition of enterprise and make it clearer. Furthermore, they allow for a simpler assessment whether or not an acquired set of activities and assets represents a set of assets or an enterprise. The Group does not expect that these additions, upon their initial application, shall have material impact on its financial accounts.

Amendment to IFRS 16 COVID19 Leases

The amendment is effective 1 June 2020

The goal of the Amendment is to make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

2.3. Consolidation principles

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

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

2.4. Investments

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

2.5. Foreign currency transaction and translation

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

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

(ii) Transaction and balances

Transactions in foreign currency are translated into the functional currency using the reference exchange rate 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) Cost

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

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

Property, plant and equipment as the date of establishment of the Group comprise assets that were acquired as a result of the separation of 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 (2019: 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:

	2020	2019
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 (Note 2.8).

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

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

2.7. Intangible assets

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

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

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

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

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

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

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

2.8. 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 a company at its fair value plus or minus (if the financial asset or financial liability is not valued at fair value through profit or loss) transaction costs attributable to acquisition of the financial asset or issuance of the financial liability.

If, however, the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an accounting entity applies the fair-value method and recognizes the difference between the fair value and the transaction price as a profit or loss.

If an accounting entity uses trade date accounting in relation to the asset that is subsequently valued at amortized cost, such an asset shall be initially recognized at its fair value at the date of the transaction.

Subsequent valuation:

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

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

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

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

Management determines the classification of its investments at initial recognition.

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

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

Loans and receivables

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

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

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

2.11. Leases

a) Leases – IFRS 16

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

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

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

i. Leased asset (Company as a lessee)

The 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 Company 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 Company is sufficiently certain that the prolongation shall be applied.

The right of use of the asset shall be amortized on a straight-line basis over the lease period, from the commencement of the lease until its termination. If the lease includes a transfer of title or purchase option, the right of use of the asset shall be amortized on a straight-line basis over the period of use of the asset. Amortization commences on the day of commencement of the lease. Assessment of any potential impairment of the right of use of the asset shall be carried out in a manner similar to the assessment of an impairment of a 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 Company. If contract conditions change (e.g. the lease period is modified on the basis of the prolongation or early termination of the contract, lease payment amount changes due to a change in index or rate used to determine the payment amount, assessment of probability of application of purchase option changes), a revaluation of the lease liability shall be subsequently carried out. Any subsequent revaluation of a liability from lease shall affect, among other things, the

valuation of the right of use of the asset. If it results in a negative value of the right of use of the asset, the residual impact shall be reported in relation to profit/loss (the value of the resulting right of use of the asset shall be reported as zero).

The 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 Company assumes that it is a new asset. If the asset value cannot be determined reliably, the optional derogation shall not be applied.

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

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

b) Leases – IAS 17 (comparable period)

i. Leased asset (Company as a lessee)

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

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

ii. Lease payments

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

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

2.12. Inventories

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

2.13. Trade and other receivables

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

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

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

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

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

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

2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other 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 (an laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

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

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

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

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

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

Grants and contributions are recognized at their nominal value where there is a reasonable certainty that the grant or contribution would be received and the Group would comply with all attached conditions. Grants and contributions relating to acquisition of property and equipment were accounted for by setting up the grant as deferred income, which was recognized as other income over the life of related depreciable asset in connection with the grant approved by EBRD for the Reconstruction – Structure 2, Part 2 an Structure 3 in Križovany, with the grant approved by EBRD for Lemešany – Košice – Moldava- Structure 4. The Group also has a grant approved by EBRD in the amount of EUR 76 million for Reconstruction of switching station 400/110 kV in Bystričany. This grant has been drawn partially in 2020.

2.18. Borrowings

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

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

2.19. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and

a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as an asset but only when the reimbursement is virtually certain.

If there is a onerous contract presented at the Group, the present obligation according to this contract is recognized and valued as a provision.

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

The amount recognized as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date, i.e. the amount that the Group would rationally pay to settle the obligation. The estimate is determined by the judgement of the management and the 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 recognized as interest expense.

2.20. Contingent liabilities

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

2.21. Trade payables

Trade 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

The Group has both defined benefit and defined contribution plans.

Pension plans

A defined plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the 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 (2019: EUR 150) yearly for employees on retirement working for the Group for at least three years;
- benefit is in the amount of EUR 550 when the employee reaches the age of 50 and 60 (2019: 500 EUR)

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

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

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

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

Defined contribution pension plans

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

The Group makes contributions to the government health, retirement benefit, accidental and guarantee insurance and unemployment schemes at the statutory rates in force during the year based on gross salary payments.

Throughout the year, the Group made contributions amounting to 35.2% (2019: 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% (2019: 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 to settle the liability and at least one of the following conditions is met:

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

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

2.23. Revenue recognition

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

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

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

The revenue is recognized when the respective service is rendered.

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

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

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

2.24. Dividend distribution

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

2.25. Hedging Accounting

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

Cash Flow Hedge

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

Fair Value Hedge

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

As at 31 December 2020, the Group classified all existing hedging relationships as fair value hedges. As at 31 December 2019, the Group did not account for any hedging relationships.

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

different times), difference in quantities or nominal values, credit or other risks that can affect the change in fair value of the hedged item or the hedging instrument.

Hedge Termination

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

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

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

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

2.26. Standards issued but not yet effective

The following new standards and interpretations have not yet become applicable as of 31 December 2020 and have not been used when preparing these financial statements. The Group does not expect these standards to have a material impact on its financial statements.

Standards and interpretations adopted by the European Union

Amendments to IFRS 4 Insurance contracts

The IASB has issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) on 25 June 2020. As a result, EFRAG has issued an endorsement advice letter relating to the Amendments.

The amendments are effective for annual periods beginning on 1 January 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 a IFRS 16 Interest rate benchmark reform

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

Standards and interpretations that have not yet been adopted by the European Union

IFRS 17 Insurance Contracts

Effective for accounting periods beginning on or after 1 January 2023; it should be applied prospectively.

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

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

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

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

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

The Amendments were issued on 23 January 2020, original effective for annual reporting periods beginning on or after 1 January 2022. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from those amendments. Classification of Liabilities as Current or Non-current is now effective for annual reporting periods beginning on or after 1 January 2023. The amendments clarify some IAS 1 requirements relating to materiality, order of the notes, subtotals, accounting policies and disaggregation.

Amendments to IFRS 3, IAS16, IAS 37, Annual improvements 2018-2020

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

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

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

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

The Amendments to IAS 1 and IAS 8 are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments were issued on 12. February 2021.

The amendments should:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements
- distinguish changes in accounting estimates from changes in accounting policies.

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

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

European Commission has decided to postpone their adoption for indefinite period. The amendments clarify that, in transactions with an affiliate or joint venture, any profit or loss is recognized to the extent and according to whether the sold or contributed asset represents an enterprise, as follows:

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

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

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

3 Financial Risk Management

3.1. Financial risk factors

The Group's activities are exposing it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, price risk), credit risk and liquidity risk. The Group's overall risk

management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's performance. The Group uses derivative financial instruments to mitigate certain risk exposures, if necessary.

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

(i) Market risk

(a) Foreign exchange risk

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

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

	Liabilities		Assets	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
GBP/CZK/USD and other	0	0	1	1

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

Based upon the sensitivity analysis of financial assets and liabilities recognized as at 31 December 2020 a 10 % strengthening/weakening, in the EUR against CZK and GBP would result in an increase/decrease in the Group's profit by EUR 0 thousand. The Group considers the risk is not significant as at reporting date.

(b) Price risk

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

(c) Operating risks – prices of services

The Group provides the electricity transmission of the Slovak Republic and directly associated activities. Moreover the Group carries out activities as organizer of spot electricity market.

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 2020 is the second year of regulatory period 2017 – 2022. During this regulatory period is used the determination of prices for access to the transmission system and electricity transmission based on the price cap and tariffs for losses and system services are determined on the basis of maximum permitted costs. The main part of cost for the providing system services are costs for support services, and at the different types of the support services sets maximum prices of purchased services or the maximum allowable cost. Part of the cost for the providing of system services is assured by payment of fixed prices for regulated electricity procured within the framework of the IGCC, 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 operation fee serves as a state instrument to support the production of electricity from renewable sources and coverage of expenses incurred in the economic interest (mining of Slovak coal to generate electricity). The collection and payment of tariffs for system operation is part of the central billing of charges, which is one of the activities carried out by the Group.

Within Czech, Slovak, Hungarian and Romanian electricity market interconnection the Group acts as shipping agent. Respective revenues and costs are formed on the basis of payments for electricity transmission through cross-connections within the direct links on electricity markets. The prices for this transmitted electricity, as well as other fees associated to cross-border electricity transmission are not regulated by URSO.

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) and revenues related to deviation of billing subjects.

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

(d) Cash flow interest rate risk

The Group repaid the last loan with a variable rate on 2019. In the period from 1 January 2020 to 31 December 2020 it has two outstanding long-term investment loans with fixed interest rates. For this reason the Group is not exposed to interest rate risk in consequence of long-term loans.

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

(ii) Credit risk

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

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

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

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

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

Maximum exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 1 648 thousand (Note 11).

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

Counterparty	Rating ²	Balance as at 31 December	
		2020	2019
Banks¹			
Všeobecná úverová banka, a.s.	A2	36 218	7 180
Tatra banka, a.s.	A3	152 334	97 514
Československá obchodná banka, a.s.	Baa1	999	10 006
Slovenská sporiteľňa, a.s.	A2	5 800	6 457
J & T Banka, a. s.	-	0	10 000
Unicredit Bank Czech Republic and Slovakia, a.s. pobočka zahraničnej banky	-	10	
Unicredit Bank Czech Republic and Slovakia, a.s.	-	2 268	
Poštová Banka, a. s.	-	998	10 018
Other	n/a	151	137
Total		198 778	141 292

¹ The amount of cash and short-term deposits at banks as at 31 December 2020 amounts to EUR 198 778 thousand (31 December 2019 EUR 141 292 thousand). As at 31 December 2020 cash and cash equivalents are at the Group's full disposal. Furthermore, the Group has agreed with those banks on credit lines on current accounts totalling EUR 133 550 thousand (31 December 2019: EUR 3 550 thousand), which were not utilized. The Group has bank borrowings as at 31 December 2020 of EUR 37 099 thousand (31 December 2019: EUR 47 303 thousand), and these credit lines were utilized.

² The Group uses the independent rating of Moody's and Standard & Poor's.

(iii) Liquidity risk

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

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

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

Expected cash flow is prepared as follows:

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

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

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 2020				
Bank loans	24 200	12 899	0	0
Finance lease	480	281	256	136
Trade and other payables excluding liabilities not falling under IFRS 7	153 146	0	0	0
Total	177 826	13 180	256	136

At 31 December 2019

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans	17 205	17 199	12 899	0
Finance lease	460	369	483	179
Trade and other payables excluding liabilities not falling under IFRS 7	158 844	0	0	0
Total	176 509	17 568	13 382	179

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2020				
Trade and other payables excluding liabilities not falling under IFRS 7	13 010	0	0	0
Total	13 010	0	0	0

At 31 December 2019

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables excluding liabilities not falling under IFRS 7	0	0	0	0
Total	0	0	0	0

Fair value of a hedging derivative does not differ from its accounting value as at 31 December 2020.

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

Sensitivity to Changes in Market Prices of Electricity

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

Effectivity of hedging is on the level of 100%.

3.2. Capital risk management

The parent company's objectives of managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The parent company's management manages shareholders capital reported under IFRS adopted by the European Union at 31 December 2020 in value EUR 751 102 thousand (31 December 2019: EUR 651 533 thousand).

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

	31 December 2020	31 December 2019
Total equity and liabilities	1 158 704	1 058 781
Equity (Note 13)	751 102	651 533
Equity to Total equity and liabilities ratio	65%	62%

The parent company's strategy was unchanged from 2019, i.e. to maintain Equity to Total liabilities and equity ratio above 35%, which is compliant with externally imposed capital requirements. During 2020 and 2019 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 Company on the basis of parameters such as interest rates, risk factors specific for the given country, individual customer creditworthiness and the risk connected with the financed project. On the basis of such assessment, adjustments are used in accounting to cover expected losses from such receivables. As at 31 December 2020 and 31 December 2019, accounting value of receivables, after the adjustment is deducted, does not significantly differ from the fair value of such receivables.
- The fair value of quoted instruments is based on bid prices as at the balance sheet date. Fair value of unquoted instruments, bank loans and other financial liabilities, financial leasing liabilities and other non-financial liabilities is estimated by discounting any future cash flows using a rate that is currently available for loans with similar conditions, credit risk and remaining maturity.
- Fair value of financial assets intended for a sale is determined on the basis of market price quoted on active market, if any such price is available.
- Value of derivatives is determined using valuation techniques and inputs that can be observed on the market, primarily in the form of commodity futures. Valuation techniques that are used most often include the so-called forward valuation model.

Hierarchy of Fair Values

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

Level 1: Quoted prices (non-adjusted) on active markets applicable to the same assets/liabilities.

Level 2: Other techniques, for which all the inputs that significantly affect the fair value can be observed on the market, either directly or indirectly.

Level 3: Techniques, for which the inputs that significantly affect the fair value are not based on observable market data.

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

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

Finančné oceňované hodnote	záväzky v reálnej	31. december 2020	Úroveň 1	Úroveň 2	Úroveň 3
Zabezpečovacie deriváty		13 010	0	13 010	0

4 Critical accounting estimates and judgements

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

(i) Regulated revenues

The Group provides the transmission of electricity through the transmission system of the Slovak Republic and directly related activities to the transmission system. Moreover the Group carries out activities of the organizer of short-term electricity market.

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 2020 is the second year of regulatory period 2017 – 2022. During this regulatory period is used the determination of prices for access to the transmission system and electricity transmission based on the price cap and tariffs for losses and system services are determined on the basis of maximum permitted costs. The main part of cost for the providing system services are costs for support services, and at the different types of the support services sets maximum prices of purchased services or the maximum allowable cost. Part of the cost for the providing of system services is assured by payment of fixed prices for regulated electricity procured within the framework of the IGCC, 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 main part of the Group's revenues consist 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, revenues from balancing energy acquired within the IGCC system, system services revenues and for the performance of activities of short-term electricity market). In addition to, the Group generates revenues related to cross border transmission of electricity (revenues from the clearing of international transfers - ITC mechanism, from auctions and revenues from electricity transmitted through cross border connections within the links to electricity markets - Market Coupling), , revenues for the regulation of electricity and revenues variations related to accounting entities, where the prices for the transmission are not determined by the Office.

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

(ii) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost

(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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

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 for electricity transmission. In the past, the Group valued assets at the historical acquisition costs. As at 31 December 2011 and 2016 the Group applied the revaluation model to fair value according to IAS 16 for property, plant and equipment, except for the classes of assets containing vehicles, inventory and artwork. Revaluation of property was made by an independent expert who used a net realizable value. In case of increase of the assets book value during revaluation, the analysis of the possible impairment was performed based on the determining value in use (present value of the current cash flows expecting from the use of property). The result of the revaluation was 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.

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

	2020	2019
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 2020, 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.

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 (CIP) (cost)	Total
At 1 January 2019						
Cost	16 014	583 985	250 214	81 470	58 146	989 829
Accumulated depreciation and impairment charges	0	-88 649	-61 482	-22 753	0	-172 884
Net book value	16 014	495 336	188 732	58 717	58 146	816 945
Year ended 31 December 2019						
Opening net book value	16 014	495 336	188 732	58 717	58 146	816 945
Additions	0	0	0	0	76 971	76 971
Transfers	8	14 652	1 104	27 209	-42 973	0
Disposals	-33	-51	-595	0	0	-679
Depreciation charges	0	-24 397	-16 355	-8 530	0	-49 282
Impairment charges	0	0	0	0	0	0
Closing net book value	15 989	485 540	172 886	77 396	92 144	843 955
At 31 December 2019 after revaluation						
Cost	15 989	592 934	248 325	108 041	92 144	1 057 433
Accumulated depreciation and impairment charges	0	-107 394	-75 439	-30 645	0	-213 478
Net book value	15 989	485 540	172 886	77 396	92 144	843 955
At 31 December 2019 in historical costs						
Costs	8 705	640 771	431 392	112 263	92 009	1 285 140
Accumulated depreciation and impairment charges	0	-236 558	-269 033	-34 678	0	-540 269
Net book value	8 705	404 213	162 359	77 585	92 009	744 871
Year ended 31 December 2020						
Opening net book value	15 989	485 540	172 886	77 396	92 144	843 955
Additions	0	0	0	0	83 114	83 114
Transfers	0	74 319	3 887	42 639	-120 845	0
Disposals	0	-297	-5	0	0	-302
Depreciation charges	0	-25 515	-15 941	-11 593	0	-53 049
Impairment charges	0	0	0	0	0	0
Closing net book value	15 989	534 047	160 827	108 442	54 413	873 718

	Land (revaluated)	Buildings, halls and construction (revaluated)	Machinery and equipment** (revaluated)	Vehicles and other assets *** (cost)	Capital work in progress including advances (CIP) (cost)	Total
At 31 December 2020						
after revaluation						
Cost	15 989	665 405	251 070	149 532	54 413	1 136 409
Accumulated depreciation and impairment charges	0	-131 358	-90 243	-41 090	0	-262 691
Net book value	15 989	534 047	160 827	108 442	54 413	873 718
At 31 December 2020						
in historical costs						
Costs	8 705	713 119	428 516	152 018	54 406	1 356 764
Accumulated depreciation and impairment charges	0	-251 554	-275 696	-43 467	0	-570 717
Net book value	8 705	461 565	152 820	108 551	54 406	786 047

** 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.

The Group updated the revaluation as at 1 January 2016. The revaluation resulted in increase of the accounting value of property, plant and equipment by EUR 20 876 thousand, increase of the deferred tax liability by EUR 4 593 thousand, increase of profits by EUR 130 thousand and increase of revaluation gains in other comprehensive income accumulated as a revaluation surplus within equity in the amount of EUR 16 154 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 2 255 thousand in 2016 compared to the previous accounting period.

As at 1 January 2016, 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 net realizable value. Net realizable values are based on current purchase prices at which assets could be acquired as new and the estimated residual values, which are based on current acquisition costs of the assets, useful life and age of existing assets (net realizable value less depreciation methodology).

As at 31 December 2020 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 2020.

As at 31 December 2020, the most significant items within property, plant and equipment represent: substations and administrative buildings in revalued net book value of EUR 421 258 thousand, in historical net book value of EUR 373 060 thousand (31 December 2019: revalued net book value of EUR 367 460 thousand, historical net book value of EUR 341 604 thousand); transmission lines at revalued net book value of EUR 373 921 thousand, in historical net book value of EUR 315 021 thousand (31 December 2019: revalued net book value of EUR 339 908 thousand, in historical net book value of EUR 273 036 thousand).

Non-current assets under construction consists mainly of EUR 1 987 thousand for the expansion of the 400kV Križovany substation (31 December 2019: EUR 179 thousand), EUR 1 997 thousand for a backup data centre in Podunajské Biskupice (31 December 2019: EUR 217 thousand), EUR 1 154 thousand for upgrade of equipment in RIS Horná Ždaňa (31 December 2019: EUR 120 thousand), EUR 3 221 thousand for implementation of security systems (31 December 2019: EUR 3 thousand), EUR 16 510 thousand for 2x400kV line ESt Rimavská Sobota – state border (31 December 2019: EUR 4 971 thousand), EUR 1 992 thousand for 2x400kV line Bystričany – Horná Ždaňa (31 December 2019: EUR 1 965 thousand), EUR 1 624 thousand for TR 400/110 kV Bystričany – T401 (31 December 2019: EUR 1 213 thousand), EUR 17 048 thousand for 2x400 kV line Veľký Meder – Hungarian border (31 December 2019: EUR 1 216 thousand), EUR 0 for 400 kV double line Bystričany – Križovany financed using a grant (31 December 2019: EUR 16 552 thousand), EUR 0 for 400kV Bystričany substation financed using a grant (31 December 2019: EUR 9 521 thousand), EUR 0 for remote control of ES Podunajské Biskupice (31 December 2019: EUR 12 243 thousand), EUR 0 for 2x400kV line Bystričany – Križovany (31 December 2019: EUR 7 839 thousand EUR), EUR 0 for remote control of ES Spišská Nová Ves (31 December 2019: EUR 2 266 thousand), EUR 0 for 400kV Bystričany substation (31 December 2019: EUR 1 027 thousand), EUR 0 for RIS SED Žilina upgrade and modernization (31 December 2019: EUR 14 928 thousand), EUR 0 for 400kV Križovany substation financed using a grant (31 December 2019: EUR 1 508 thousand), EUR 873 for 400kV Rimavská Sobota substation – expansion (31 December 2019: EUR 3 034 thousand). These assets are not available for use at the reporting date.

In 2020, borrowing costs are capitalized in accordance with Group accounting policies, borrowing costs are capitalized and therefore the Group capitalized interest amounting EUR 0 (31 December 2019: EUR 0 thousand) as a part of the acquisition cost of non-current assets. The effective interest rate related to capitalization as at 31 December 2020 amounted 1.26% p.a. (31 December 2019: 1.26% p.a.).

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

	Land, buildings and structures	Fleet, machinery and equipment	Total
As at 31 December 2020			
Cost	21 829	0	21 829
Accumulated depreciation	-4 037	0	-4 037
Net value as at 31 December 2020	17 792	0	17 792
As at 31 December 2019			
Historical acquisition cost	24 580	0	24 580
Accumulated depreciation historical	-7 320	0	-7 320
Historical net book value as at 31 December 2020	17 260	0	17 260
As at 31 December 2019			
Cost	22 337	10	22 347
Accumulated depreciation	-3 301	-8	-3 309
Net value as at 31 December 2019	19 036	2	19 038
As at 31 December 2019			
Historical acquisition cost	25 252	20	25 272
Accumulated depreciation historical	-6 901	-19	-6 920
Historical net book value as at 31 December 2018	18 351	1	18 352

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.

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 2020 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 insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Machines, tools and equipment, vehicles without car licence plates, transformers, RRB – radio relay point, cables	Damage or total loss (natural disaster)	613 424	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Elevated line	Damage or total loss (natural disaster)	731 368	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, 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 insurance a. s. Vienna Insurance, 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 insurance a. s. Vienna Insurance, 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 insurance a. s. Vienna Insurance, 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 insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)

Insured object	Type of insurance	Amount insured as at 31 Dec 2020 in ths. EUR	Name of the insurance company
Cash, valuables, stamps and vouchers, documentary securities deposited in the vaults and mailboxes	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	17	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Set of movable tangible fixed assets, cables, elevated power line	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	332	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, 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 insurance a. s. Vienna Insurance, 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 insurance a. s. Vienna Insurance, 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 insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Machinery, equipment and cables	Insurance of machinery and equipments (damage or destruction of machinery)	591 146	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Scheduled capital expenditures	Insurance of machinery and equipments (damage or destruction of machinery)	65 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Insurance of cybernetic risks		500	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)

<i>Insured object</i>	<i>Type of insurance</i>	<i>Amount insured as at 31 Dec 2020 in ths. EUR</i>	<i>Name of the insurance company</i>
Terrorism		10 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Spolupoisťovateľ: Kooperatíva poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)

6 Intangible assets

	Software and other intangible assets	Intangible assets not yet in use	Total
At 1 January 2019			
Cost	60 305	4 934	65 239
Accumulated amortisation	-52 240	0	-52 240
Net book value	8 065	4 934	12 999
Year ended 31 December 2019			
Opening net book amount	8 065	4 934	12 999
Additions	0	6 514	6 514
Transfers	8 784	-8 784	0
Disposals	0	0	0
Depreciation charges	-3 421	0	-3 421
Closing net book value	13 428	2 664	16 092
At 31 December 2019			
Cost	69 075	2 664	71 739
Accumulated amortisation	-55 647	0	-55 647
Net book value	13 428	2 664	16 092
Year ended 31 December 2020			
Opening net book amount	13 428	2 664	16 092
Additions	0	15 670	15 670
Transfers	16 443	-16 443	0
Disposals	0	0	0
Depreciation charges	-6 290	0	-6 290
Closing net book value	23 581	1 891	25 472
At 31 December 2020			
Cost	85 147	1 891	87 038
Depreciation charges	-61 566	0	-61 566
Net book value	23 581	1 891	25 472

The computer software consists mainly of software SAP, Damas Energy, ISZO and ISOT, ISOM, ISCF and RRM. Net book value of SAP is EUR 198 thousand (31 December 2019: EUR 326 thousand), remaining amortization period is 3 years. Net book value of Damas Energy is EUR 50 thousand (31 December 2019: EUR 199 thousand), remaining amortization period is 3 years. Net book value of ISZO and ISOT are EUR 552 thousand (31 December 2019: 942 thousand), remaining amortization period is 2 years.

Intangible assets not yet in use include mainly 942 thousand for the upgrade of IT software ISOT (31. december 2019: 0 EUR), EUR 249 thousand for improvement of RIS safety (31 December 2019: EUR 249 thousand), EUR 308 thousand for legislative upgrade of trading system (31 December 2019: EUR 0), EUR 197 thousand for a modification of the mTMF module (31 December 2019: EUR 12 thousand), EUR 0 for RIS SED Žilina upgrade and modernization (31 December 2019: EUR 1 071 thousand), EUR 0 for the second stage of implementation of an office information system (31 December 2019: EUR 357 thousand), EUR 0 for implementation of security systems (31 December 2019: EUR 447 thousand), EUR 0 for process digitization (31 December 2019: EUR 419 thousand).

Internally generated intangible assets are immaterial.

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

7 Shares and other investments

	2020	2019
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, ČEPS, a.s., Electro-Slovenija d.o.o., E.ON Netz GmbH, MAVIR Hungarian TSO Company Ltd., PSE-Operator S.A., SEPS and Vattenfall Europe Transmission GmbH established, 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. o. and Company's share on the capital was reduced to 11.11%.

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

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

New allocative platform was established on 1 September 2015. Following the merger until the end of 2015, both agencies operated in parallel to ensure the uninterrupted implementation of monthly and daily auctions on all relevant borders. All acts and activities are fully moved to Luxembourg in the first quarter of 2016. For the year 2020 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 14 transmission system operators from twelve 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 2020, data on equity and profit or loss is not yet available. The Group does not expect any impairment of the investment.

8 Assets representing the right of use

Group as lessee

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

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

	Land, buildings and structures	Machines and equipment	Total
As at 1 January 2020	196	1 238	1 434
Additions	5	257	262
Depreciation	-39	-446	-485
Disposals	0	-113	-113
As at 31 December 2020	162	936	1 098

	Land, buildings and structures	Machines and equipment	Total
As at 1 January 2019	-	-	-
Impact of IFRS 16	426	1 115	1 541
Additions	148	469	617
Depreciation	-27	-345	-372
Disposals	-351	-1	-352
As at 31 December 2019	196	1 238	1 434

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 2020	Financial assets at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	0	44 926	44 926
Receivables due from derivative financial instruments	0	1 948	1 948
Other receivables	0	1 033	1 033
Cash at bank and in hand	0	198 778	198 778
Short-term bank deposits	0	0	0
Total	0	246 685	246 685

As at 31 December 2020	Financial liabilities at fair value through profit and loss	Other financial liabilities-carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	0	97 122	97 122
Received guarantees	0	43 432	43 432
Liabilities due from derivative financial instruments	0	0	0
Payables due to employees	0	1 552	1 552
Social security	0	1 016	1 016
Other payables	0	12 592	12 592
Bank loans	0	38 252	38 252
Total	0	193 966	193 966

As at 31 December 2019	Financial assets at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	0	40 901	40 901
Receivables due from derivative financial instruments	0	0	0
Other receivables	0	907	907
Cash at bank and in hand	0	141 292	141 292
Short-term bank deposits	0	0	0
Total	0	183 100	183 100

As at 31 December 2019	Financial liabilities at fair value through profit and loss	Other financial liabilities-carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	0	91 653	91 653
Received guarantees	0	66 060	66 060
Liabilities due from derivative financial instruments	0	0	0
Payables due to employees	0	1 624	1 624
Social security	0	938	938
Other payables	0	1 131	1 131
Bank loans	0	48 794	48 794
Total	0	210 200	210 200

10 Inventories

	As at 31 December	
	2020	2019
Advance payments made for inventory	0	1 515
Materials and spare parts	1 396	1 049
	1 396	2 564

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	
	2020	2019
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	42 338	39 706
Past due but impaired trade receivables	0	0
Past due but not impaired trade receivables	1 495	99
Individually impaired trade receivables	1 093	1 096
Trade receivables (before provision for impairment)	44 926	40 901
Less: Provision for impairment of receivables	-1 648	-1 150
Trade receivables - net	43 278	39 751
VAT receivable	0	953
Claim on grant	0	0
Prepayments	6	8
Other receivables	1 033	907
Variable collateral from commodity futures	1 948	0
Prepaid expenses and accrued income	1 299	1 041
Other receivables - net	4 286	2 909
Total trade and other receivables	47 564	42 660

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

Long-term receivables include the amount of EUR 1 079 thousand related to the refinancing of costs of capital construction within the Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2019: EUR 1 079 thousand), the amount of EUR 3 500 thousand related to the refinancing of costs of capital construction within the Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2019: EUR 3 500 thousand), the amount of EUR 3 074 thousand related to the refinancing of costs of capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2019: EUR 3 074 thousand), and the amount of EUR 0 related to the refinancing of costs of capital construction within the Est Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2019: EUR 2 468 thousand).

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

	As at 31 December 2020	2019
Receivables within due date	42 338	39 706
Overdue receivables	2 588	1 195
Total	44 926	40 901

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

	As at 31 December 2020	2019
Slovenské elektrárne, a.s.	-648	335
Západoslovenská distribučná, a. s.	5 633	2 766
Západoslovenská energetika Energia, a. s.	6 507	6 378
Stredoslovenská energetika, a. s.	4 140	4 391
Stredoslovenská distribučná, a. s.	1 781	1 836
Východoslovenská energetika, a. s.	1 808	2 886
Východoslovenská distribučná, a. s.	1 181	1 154
ČEPS, a. s.	1 627	2 762
MAVIR	3 597	1 939
Other	16 712	15 259
Neither past due or impaired trade receivables	42 338	39 706

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

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

As at 31 December 2020 trade receivables of EUR 1 495 thousand (31 December 2019: EUR 99 thousand) were past due but not impaired. Their ageing analysis is as follows.

	As at 31 December 2020	2019
1 to 90 days	1495	44
91 to 180 days	0	55
Total past due but not impaired trade receivables	1 495	99

The balance of trading receivables as at the end of period includes overdue receivables of the accounting value of EUR 9 thousand (2019: EUR 44 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 555 thousand to cover overdue receivables amounting to EUR 1 486 thousand (2019: EUR 55 thousand) based on the expected loss from trading receivables not overdue as of 31 December 2020.

As at 31 December 2020, the Group recorded individually impaired trade receivables in the gross amount of EUR 1 093 thousand (2019: EUR 1 096 thousand). As at 31 December 2020 was created provision in the amount of EUR 1 093 thousand (2019: EUR 1 095 thousand).

The ageing of these receivables is as follows:

	As at 31 December 2020	2019
from 180 to 360 days	0	0
over 361 days	1 093	1 096
Total individually impaired receivables	1 093	1 096

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

	2020	2019
At the beginning of the year	1 150	1 099
Additional provision for receivables impairment	0	1
Additional provision for receivables according IFRS 9	500	50
Unused amounts released	0	0
Receivables written-off as uncollectible	-2	0
At the end of the year	1 648	1 150

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

12 Cash and cash equivalents

	As at 31 December 2020	2019
Cash at bank and in hand	177 778	111 292
Short-term bank deposits	21 000	30 000
	198 778	141 292

As at 31 December 2020 cash and cash equivalents were fully available for the Group's use. The Group has two bank accounts with deposited guarantees for deviations of daily market with electricity (31 December 2020: EUR 0 thousand, 31 December 2019: EUR 27 591 thousand) and daily market with electricity (31 December 2020: EUR 0 thousand, 31 December 2019: EUR 19 191 thousand).

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

	As at 31 December 2020	2019
Cash and bank balances and deposits with original maturities of less than three months	198 778	141 292
Cash and bank balances and deposits with original maturities of more than three months	0	0
	198 778	141 292

The carrying amounts of cash and cash equivalents as of 31 December 2020 are not substantially different from their fair value. The maximum exposure to credit risk is limited by the carrying value of cash and cash equivalents.

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

13 Shareholder's Equity

As at 31 December 2020, the registered capital consisted of: 105 bearer shares at a nominal value of EUR 1 000 000. The parent company has no subscribed capital that has not been entered in the Commercial Register. Legal reserve fund has attained the minimum amount of mandatory contribution under Commercial Code as at 31 December 2020.

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

Shares are associated with equal rights.

Legal reserve fund is obligatorily created from profit of the parent company in accordance with the Slovak Commercial Code. 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 21 407 thousand as at 31 December 2020 (as at 31 December 2019: EUR 21 395 thousand).

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

Other capital reserves comprise statutory fund of EUR 178 145 thousand (2019: EUR 178 103 thousand) and differences from revaluation of assets amounted to EUR 72 136 thousand (31 December 2019: EUR 81 312 thousand).

The statutory fund to finance future capital expenditures is used to accumulate internal funds of the parent company generated from profit dedicated to cover future capital expenditures. In 2020, the parent company contributed to this fund the amount of EUR 0 thousand and subsidiary the amount of EUR 42 thousand (31 December 2019: EUR 15 809 thousand). The rules for the use of funds allocated to the statutory fund for capital expenditures are governed by the general financing principles of the parent company in relation to capital expenditures, and by the acquisition guidelines. Funds on the statutory fund to finance capital expenditures are accumulated from amounts allocated to the statutory fund based on the decision of General Meeting.

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

	2020
At the start of the period	81 312
Revaluation surplus reclassified to retained earnings as at 31 December 2020	-11 829
Deferred tax on revaluation surplus as at 31 December 2020	2 484
Deferred tax related to changes in tax rates and special levy from profit in regulated industry	169
At the end of the period	72 136
	2019
At the start of the period	91 102
Revaluation surplus reclassified to retained earnings as at 31 December 2019	-12 504
Deferred tax on revaluation surplus as at 31 December 2019	2 626
Deferred tax related to changes in tax rates and special levy from profit in regulated industry	88
At the end of the period	81 312

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 16 June 2020 approved the Financial Statements of parent company for 2019. In 2020 were approved dividend for 2019 in the amount of EUR 0 (rounded) per share at the nominal value of EUR 1 000 000 (in 2019: EUR 476 190,48 rounded amount).

The profit accounting of the parent company for the year 2019 of EUR 69 302 thousand was distributed as follows:

	2019 profit distribution	2018 profit distribution
Dividends paid	0	50 000
Appropriation to the Statutory Fund	42	554
Appropriation to the Reserve Fund	12	75
Transfer to retained earnings	69 248	329
Total	69 302	50 958

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

Through its correction mechanism, Decree No. 18/2017 Coll. Enables to compensate a regulated entity in the T+2 period in case that it could not generate sufficient resources to cover its costs in T period due to low regulated prices. This means that the loss of the group, shall be compensated in 2022 through the correction mechanism pursuant to Decree 18/2017 Coll. The compensation shall be realized by taking into account the 2020 deficit in 2022 prices.

The group also considers the obligation of the Regulatory Office for Network Industries defined in Section 5b(9) of Act No. 309/2009 Coll.: "Costs incurred by the support clearing institution by providing support according to Section 3(1)(b) through (e) are eligible costs of the support clearing institution and the Office shall take them into account in price regulation proceedings so that the support clearing institution has access to the funds necessary to perform activities under this Act and does not incur unreasonable negative cash flow balance in the current calendar year."

The group also considers Section 17a of Act No. 309/2009 Coll.: „Ministry of Trade of SR may provide resources to the account of the support clearing institution (OKTE, a. s.) to cover costs incurred in support clearing activities by the clearing institution pursuant hereto. Resources mentioned in the preceding sentence shall be provided from the Ministry's chapter of the state budget." This provision allows the provision of a direct subsidy covering the loss incurred by OKTE, a. s.

Method used by the Ministry of Trade of SR when settling 2018 costs of generation of electricity from renewable sources and VÚKVET at the operators of regional distribution systems can be used as a leading case. In this case, a direct compensation of the deficit from the Ministry's chapter of the state budget was used."

14 Trade and other payables

	As at 31 December 2020	2019
Trade payables	97 122	91 653
Received guarantees	43 432	66 060
Payables due to employees	1 552	1 624
Social security	1 016	938
Accrued personnel expenses	3 911	3 670
Social fund	323	240
Other payables	12 592	1 131
Total	159 948	165 316

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

Liabilities include the amount of EUR 483 thousand relating to deliveries for investment shares not invoiced as of 31 December 2020 (31 December 2019: EUR 700 thousand).

No payables are secured by a lien or other collateral.

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

	As at 31 December 2020	2019
Payables not yet due	158 082	162 603
Overdue payables	1 866	2 713
Total	159 948	165 316

Social Fund

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

	2020	2019
Opening balance at 1 January	240	205
Creation	1 083	1 045
Usage	-1 000	-1 010
Closing balance at 31 December	323	240

15 Bank loans and finance lease liabilities

	As at 31 December	
	2020	2019
Non-current		
Long-term portion of bank loans (a)	12 899	30 098
	12 899	30 098
Current		
Short-term portion of bank loans (a)	24 200	17 205
	24 200	17 205

(a) Bank loans

The maturity of bank loans is as follows:

	As at 31 December	
Maturity	2020	2019
Short-term portion of bank loans	24 200	17 205
Long-term portion of bank loans		
1-5 years	12 899	30 098
over 5 years	0	0
Total	37 099	47 303

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

The Group has the following unoverdraft borrowing facilities:

	As at 31 December	
	2020	2019
Floating rate:		
expiring within one year	0	0
expiring beyond one year	3 550	3 550
Fixed rate		
expiring within one year	130 000	0
expiring beyond one year	0	0
Total	133 550	3 550

Loans from VÚB, a.s., Slovenská sporiteľňa, a.s. and Tatra banka, a.s. include certain financial covenants related to limits on debt ratios, interest coverage and debt to operating profit ratio 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:

	2020	2019
Bank borrowings	1.26%	1.26%

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(All amounts are in thousands Euros unless stated otherwise)

Structure of bank loans as at 31 December 2020 is as follows:

			31 December 2020	31 December 2019	Interest rate % p. a.	Maturity	Collateral	Part due in next 12 months	Part due after 12 months
Credit cards Tatra banka, a. s.	EUR	operating	1	6		January 2021	0	1	-
Tatra banka, a.s.	EUR	contocurrent	7 000	-		31.3.2022	0	7 000	-
Slovenská sporiteľňa, a. s.	EUR	Investment	17 323	27 222	1,30%	31.7.2022	0	9 899	7 424
Všeobecná úverová banka, a. s.	EUR	Investment	12 775	20 075	1,2% a 1,3% depends on tranche	18.9.2022	0	7 300	5 475
Total	X		37 099	47 303	x	x	x	24 200	12 899

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16 Finance lease liabilities

	As at December 2020	As at 31 December 2019
Long term		
Long term portion of finance lease	673	1 031
	<u>673</u>	<u>1 031</u>
Shortterm		
Short term portion of finance lease	480	460
	<u>480</u>	<u>460</u>

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

	Stav k 31. decembru 2020	2019
Less than one year	480	460
1 – 5 years	537	852
More than 5 years	136	179
Spolu	<u>1 153</u>	<u>1 491</u>

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17 Grants and deferred revenues

Deferred revenues include the following items:

	As at 31 December	
	2020	2019
Deferred revenues		
EBRD grant Križovany – long-term portion (a)	8 885	9 704
– short-term portion (a)	819	821
EBRD grant Lemešany – long-term portion (b)	29 748	31 376
– short-term portion (b)	1 628	1 628
EBRD grant Bystričany – long-term portion (c)	46 319	23 115
– short-term portion (c)	1 936	207
US Steel – long-term portion (d)	3 083	3 280
– short-term portion (d)	197	200
EU TEN-E – long-term portion (e)	660	688
– short-term portion (e)	29	29
E.On – long-term portion (f)	2 132	2 251
– short-term portion (f)	119	119
Slovenské elektrárne, a. s. – long-term portion (g)	2 524	2 716
– short-term portion (g)	192	192
EU TEN-E – long-term portion (h)	718	746
– short-term portion (h)	28	28
EU TEN-E – long-term portion (i)	1 763	1 829
– short-term portion (i)	67	67
EU TEN-E – long-term portion (j)	2 004	2 071
– short-term portion (j)	66	67
Západoslovenská distribučná, a. s. – long-term portion (k)	2 539	2 706
– short-term portion (k)	167	167
Východoslovenská distribučná, a. s. – long-term portion (l)	3 769	3 944
– short-term portion (l)	175	175
INEA Veľký Meder – long-term portion (m)	361	361
– short-term portion (m)	0	0
INEA Rimavská Sobota – long-term portion (n)	634	634
– short-term portion (n)	0	0
Západoslovenská distribučná, a. s. - Pod. Biskupice		
– long-term portion (o)	3 062	3 323
– short-term portion (o)	91	90
Západoslovenská distribučná, a. s. - Senica – long-term portion (p)	3 500	3 500
– short-term portion (p)	0	0
Fortischem, a. s. - Senica – long-term portion (q)	3 074	3 074
– short-term portion (q)	0	0
Derivative – long-term portion (r)	0	0
– short-term portion (r)	1 890	0
Others – long-term portion (s)	7 863	6 756
– short-term portion (s)	6 587	11 821
Total	136 629	117 685

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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 9 704 thousand (31 December 2019: EUR 10 525 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 31 376 thousand (31 December 2019: EUR 33 004 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 will be drawn till 2020.

The amount of EUR 48 255 thousand (31 December 2019: EUR 23 322 thousand) was recognized in deferred revenue related to the subsidy.

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

d)

Deferred revenues include an amount EUR 3 280 thousand (31 December 2019: EUR 3 480 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 689 thousand represents a co-finance provided to the parent company from an European Commission's program EÚ TEN-E (Trans – European Network) in the amount of 10% of the value of transmission lines EK-Moldava – SS Košice (31 December 2019: EUR 717 thousand).

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f)

Amount of EUR 2 251 thousand included in Deferred revenues is related to a 100 % co financing by company E.ON for a part of substation in Križovany, field 13 (31 December 2019: EUR 2 370 thousand).

g)

Amount of EUR 2 716 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 2019: EUR 2 908 thousand).

h)

Amount of EUR 746 thousand represents co-finance provided to Group from European Commission for the transmission line SS Košice – Lemešany (31 December 2019: EUR 774 thousand).

i)

Amount of EUR 1 830 thousand represents co-finance provided from European Commission for the meshing V 409 line to the new transformer station 400/110kV in Voľa electric station (31 December 2019: EUR 1 896 thousand).

j)

Amount of EUR 2 070 thousand represents co-finance provided to the parent company from European Commission for the transmission line 400 kV Gabčíkovo – Veľký Ďur (31 December 2019: EUR 2 138 thousand).

k)

Amount EUR 2 706 thousand is related to the refinancing of Západoslovenská distribučná, a.s. costs for enlargement of second transformer in the Stupava electric station (31 December 2019: EUR 2 873 thousand).

l)

Amount EUR 3 944 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 2019: EUR 4 119 thousand).

m)

Amount of EUR 361 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 2019: EUR 361 thousand).

n)

Amount of EUR 634 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 2019: EUR 634 thousand).

o)

The amount of EUR 3 153 thousand relates to the refinancing of costs of capital construction within the Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2019: EUR 3 413 thousand).

p)

The amount of EUR 3 500 thousand relates to the refinancing of costs of capital construction within the Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2019: EUR 3 500 thousand).

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q)

The amount of EUR 3 074 thousand relates to the refinancing of costs of capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2019: EUR 3 074 thousand).

r)

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

The sum of EUR 1 890 thousand represents hedging risk revaluation value in relation to commodity futures (as at 31 December 2019: EUR 0).

s)

In other deferred income is recognized then amount of EUR 231 thousand (31 December 2019: EUR 242 thousand), which relates to the joint procedure agreement for connection of company's En-Invest, a. s. facilities to the transmission system SR at the Moldava power station.

As other long-term deferred income the parent company is recorded an income in amount of EUR 5 844 thousand representing the proceeds of regulated tariffs, which does not belong to the parent company in 2020 according to regulatory accounting rules and procedures, but in 2022, when they will be realised (31 December 2019: EUR 4 016 thousand).

As other short-term deferred income the parent company is recorded an income in amount of EUR 4 016 thousand representing the proceeds of regulated tariffs, which does not belong to the parent company in 2019 according to regulatory accounting rules and procedures, but in 2021, when they will be realised (31 December 2019: EUR 9 943 thousand).

18 Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 21% (31 December 2019: 21%). As at 31 December 2020 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 2019: 6.5 %). This levy increased the tax rate for temporary differences, which will offset by the end of 2021 related to fixed assets only, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, not taking into consideration temporary differences.

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

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

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

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

	At 31 December 2018	Change recognized as (-) expenses/(+) revenues	Change of equity	At 31 December 2019
Positive revaluation of fixed assets	-25 294	2 626	88	-22 580
Negative revaluation of fixed assets	623	-92	0	531
Receivables	18	0	0	18
Non-current tangible and intangible assets	-43 085	-4 741	0	-47 826
IFRS 16	0	-1	19	18
Financial investments	-29	0	0	-29
Retirement benefit	1 997	67	264	2 328
Provisions	674	-123	0	551
Other	6 008	604	0	6 612
Total	-59 088	-1 660	371	-60 377

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19 Provisions for liabilities and charges

	Pension benefits and other long-term benefits (a)	Legal claims (b)	Others (c)	Total
At 1 January 2020	11 086	69	0	11 155
Creation of provisions	841	0	0	841
Reversals of provision to own equity	-1 409	0	0	-1 409
Provisions used	-749	-29	0	-778
Reversals of unused provision	0	0	0	0
At 31 December 2020	9 769	40	0	9 809

	As at 31 December	
Analysis of total provisions	2020	2019
Non-current	9 769	11 086
Current	40	69
Total	9 809	11 155

(a) Pension benefits and other long-term benefits

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

(i) Post employment benefits

	As at 31 December	
Analysis of total provisions	2020	2019
Present value of unfunded retirement obligations	9 546	10 885
Unrecognised actuarial gains/(losses) and portion of past service cost	0	0
Obligation in the Statement of Financial Position	9 546	10 885

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

	2020	2019
Analysis of current provisions		
Current service cost	732	894
Past service cost	0	0
Interest cost	65	63
Pension (credit) / cost, included in personnel costs	797	957

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Value recognized in Equity are as follows:

Analysis of total provision	2020	2019
Recognized actuarial gains/(losses)	-1 409	1 258
Total change recognized in equity	-1 409	1 258

Movements in the present value of defined benefit obligation are:

	2020	2019
Present value of unfunded retirement obligation at the beginning of the year	10 885	9 345
Current service cost	732	894
Past service cost	0	0
Interest cost	65	63
Benefits paid	-727	-675
Cancelled		
Actuarial (gains)/losses	-1 409	1 258
Present value of unfunded retirement obligations at the end of the year	9 546	10 885

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

	As at 31 December 2020	2019
Present value of unfunded obligations	223	201
Obligation in the Statement of Financial Position	223	201

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

	2020	2019
Current service cost	23	38
Cost of past service	4	18
Recognized actuarial gains/(losses)	16	0
Interest expense	1	1
Pension (credit) / cost included in personnel costs	44	57

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Value recognized in Equity are as follows:

Analysis of total provision	2020	2019
Recognized actuarial gains/(losses)	0	-1
Total change recognized in equity	0	-1

Movements in the present value of defined benefit obligation are:

	2020	2019
Present value of unfunded retirement obligations at beginning of the year	201	163
Current service cost	23	38
Past service cost	4	18
Interest cost	1	1
Benefits paid	-22	-18
Actuarial gains/(losses)	16	-1
Present value of unfunded retirement obligations at the end of the year	223	201

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

As at 31 December 2020

Percentage of employees, who will terminate their employment prior to retirement (fluctuation rate)	1,0 – 2,1% p.a., depending on the age
Expected salary increases	2,75% p. a.
Discount rate	0,70 % p. a. ; 1,11% p.a.

As at 31 December 2019

Percentage of employees, who will terminate their employment prior to retirement (fluctuation rate)	1.7 – 4.7% p.a., depending on the age
Expected salary increases	5,00% p. a. – 5,10% p.a.
Discount rate	0,40 % p. a. ; 0,63% p.a.

b) Provision for legal claims

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

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20 Revenues

Revenues include the following:

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

	2020	2019
Access to transmission grid	131 281	137 922
Covering losses	17 632	14 798
System operation	27	4 748
System services	137 194	144 473
Auctions	30 182	29 376
Deviations and regulated electricity	52 149	57 877
Shipping	36 781	0
CBT mechanism	10 166	7 631
MO profile	0	33 750
Electricity sales on the daily market	34 367	24 967
Settlement of differences	955	954
Fee for connection to the transmission system	1 061	1 226
Other regulated services	665	2 911
Total revenues from electricity transmission and transit, deviation settlement and organization of daily electricity market	452 460	460 633
Rental	737	746
Telecommunications services	89	153
Other revenues	22	50
Total other revenues	848	949
Total revenues	453 308	461 582

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

Revenues from rental comprise income from the rental of non-residential premises, electric masts for various types of transmitters and lease of power lines. Telecommunications services include the lease of fibre optic cables and management information system.

Together with the transmission operator in Czech Republic introduced the Group effective from 19 January 2012 a system against delivery of regulated energy in opposing directions through cross-border connections (further system IGCC). Since 2013, the system operator involved the Hungarian transmission system, too. Relevant revenues and expenses from volumes of electricity acquired within IGCC system and fix tariffs for these regulated electricity, which were set by URSO decision. the Group recognizes as the revenues from these activities under line Sales from merchandise respectively costs for merchandise sold. In 2020 were realized the transactions in total amount of EUR 3 797 thousand and related costs were in the amount of EUR 3 511 thousand (31 December 2019: transactions in the amount of EUR 2 796 thousand and related costs were in the amount of EUR 1 385 thousand). Revenues from negative prices from IGCC totalled to EUR 812 thousand and costs

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of negative prices from IGCC totalled to EUR 946 thousand (As at 31 December 2019: both costs and revenues amounted to EUR 0)

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

In 2020 were realized transactions in total amount of EUR 269 382 thousand and related costs were EUR 238 647 thousand (31 December 2019: transactions in amount of EUR 291 633 thousand and related costs were in the amount of EUR 317 139 thousand). According to IFRS 15, costs of implicit auctions of EUR 14 680 thousand and costs of collection for the benefit of a third party amounting to EUR 2 425 thousand, as such collection does not form a part of the transaction price according to IFRS 15, were deducted from these items as at 31 December 2020. Revenues related to the use of the OT profile amounting to EUR 23 072 thousand are also included in shipping. (as at 31 December 2019 costs associated with the implicit auctions amounting to EUR 22 824 thousand, as well as costs of collection for the benefit of a third party in the amount of EUR 7 972 thousand, were included in service costs, revenues related to the use of the OT profile in the amount of EUR 32 336 thousand EUR). Items related to shipping were reported in consumption of material and services as at 31. 12. 2019. Revenues from shipping with negative prices in the amount of EUR 2 312 thousand and costs of shipping with negative prices in the amount of EUR 2 233 thousand are also included in the shipping item (as at 31 December 2019: Revenues from shipping with negative prices in the amount of EUR 1 151 and costs of shipping with negative prices in the amount of EUR 798 thousand).

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21 Consumed materials and services

Consumed materials and services included the following:

	2020	2019
Sale of electricity on daily market	32 752	0
Consumption of material, energy and other non-storable items	0	23 966
Repair and maintenance	12 510	8 857
Travel expenses	6 609	10 757
Representation expenses	139	404
Rental	63	600
Communication lines outputs	526	411
Stations service	246	261
Protection and maintenance of area	2 140	2 299
Revisions, controls and security services	1 473	1 873
Technical advisory	591	599
Cleaning	330	198
Biological recultivation, ecological costs	318	318
Geodetic and engineering services	195	238
Experts examinations, analysis, experts opinion, certifications	28	146
Information technology services, advertisement	2 271	3 220
Expenses for support services	12 319	12 439
Expenses for system operation	130 021	133 767
Expenses for deviations	85 063	0
Expenses for cross-border assistance	34 425	37 647
Expenses for auctions	291	259
Expenses for regulation energy	6 632	13 975
Cross-boarder assistance expenses (CBT/ITC)	19	2
Settlement of differences	34 367	24 967
Audit of Financial Statements provided by auditor	65	65
Advisory services	751	611
Tax advisory	35	35
Other services provided by auditor	15	15
Usage of MO profile (ČEPS)	1 181	1 080
Demolation	971	1 091
Re - invoicing of shared costs	283	24
Other	1 511	1 416
Total	368 140	281 540

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

Except mentioned above, the Group recognizes revenues from sale of electricity and costs from purchased electricity on daily electricity market on net basis. In 2020 Group realized revenues from sale of electricity in the total amount of EUR 212 394 thousand (2019: EUR 248 682 thousand). Related costs were in the amount of EUR 245 146 thousand (2019: EUR 214 932 thousand). As at 31 December 2019, the item was part of revenues.

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According to IFRS 15, expenditures and revenues for system operation are reported on a net basis. In 2020, transaction totalling to EUR 520 038 thousand were carried out, the related costs totalled to EUR 134 071 thousand (31 December 2019: transactions totalling to EUR 588 220 thousand were reported in revenues and related costs amounting to EUR 583 472 thousand were reported in revenues). These items were decreased by compensation for the activities of the buyer in amount of EUR 471 030 thousand (as at 31 December 2019: in the amount of EUR 0).

22 Personnel costs

	2020	2019
Wages and salaries	22 850	22 323
Other personnel costs	2 805	2 401
Pension costs-definite contribution plan	9 347	8 176
Current service cost	755	932
Past service cost	4	18
Reported actuarial loss / (profit)	16	0
Interest cost related to pension and other employee benefits	66	64
Total	35 843	33 914

23 Other operating expenses

	2020	2019
Insurance costs	2 260	2 202
Taxes and other fees	227	182
Gifts	44	425
Creation of adjustment	500	51
Other operating expenses	627	579
Total	3 658	3 439

24 Other operating income

	2020	2019
Gain from sale of fixed assets	154	278
Gain from sale of material	4	18
Release of deferred revenues from grant	3 258	2 542
Contractual penalties	1 919	1 399
Insurance income	80	85
Other operating income (mainly insurance claims)	558	446
Total	5 973	4 768

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25 Finance expense net

	2020	2019
Interest income	46	90
Interest expense from borrowings	-572	-539
Interest expense according IFRS 16	-22	-27
Foreign exchange gains	0	0
Foreign exchange losses	-1	-5
Other financial expenses	-60	-30
Net financial expenses	-609	-511

26 Income tax expense

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

	Year ended 31 December	
	2020	2019
Profit/loss before tax	-7 808	95 039
Theoretical income tax related to current period at 21%	17 472	19 958
Other income not subject to tax (permanent)	-466	-1 524
Non-deductible expenses (permanent)	1 164	776
Increase of tax due to charges for regulated subjects	5 981	6 527
Deferred tax from temporary differences to which no Deferred tax has been accounted historically	0	0
Additional income tax	0	0
Deferred tax increase to 1 January due to increase of tax rate	-246	0
	23 905	25 737
Income tax expense for the period		
The tax charge for the period comprises:		
Deferred tax charge - expense/(income) (Note 18)	2 460	1 660
Deferred tax total	2 460	1 660
Special levy for regulated industry	5 981	6 527
Additional income tax	0	0
Current income tax expense	15 464	17 550
Income tax total	21 445	24 077
Total tax for period	23 905	25 737
Effective tax rate	-306,16%	27,08%

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Deferred tax is provided, using the balance sheet liability method, on temporary differences using the basic tax rate of 21% (31 December 2019: 21%). This tax rate has been increased as at 31 December 2020 by additional 4.4% for temporary differences in fixed assets because of special levy for regulated industry paid according to Act Nr. 235/2012 Coll. (31 December 2019: 6.5%). This levy increased the tax rate for temporary differences, which will offset by the end of 2021 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.

The transfer from theoretical to reported income tax cannot be exactly presented related to the presented loss. The Group's loss is affected by the loss of the daughter company, the parent company presents the profit and also accounts for the income tax into expenses (Note 13).

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 beneficitation 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. It has not yet been decided about the reopening of the proceedings, each of the dates has been repeatedly canceled because of the pandemic situation.

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 2020, the performance of which is scheduled only after 31 December 2020. The total obligation under the contracts amount to EUR 33 021 thousand (2019: EUR 82 858 thousand). The capital expenditure is related primarily to the changeover to the new type of substations, with the implementation of the following projects: 2x400 kV line from Rimavská Sobota

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station to Slovak-Hungarian border, 2x400 kV line from Veľký Meder to Slovak-Hungarian border, with a compensation for idling in ES Liptovská Mara, with a change of connection for Fortischem, a. s. in the transmission system in ES Bystričany, with a backup data centre in ES Považská Bystrica, with optimization by increasing security and availability of TIS protection, with expansion of the 400kV Križovany substation, with upgrade of the 220kV Sučany substation, with IRS equipment upgrade for 110 kV control in the substation of ES Horná Ždaňa and engineering and project activities for substations and lines

The Group approved its capital expenditure budget for 2021 in the amount of EUR 70 979 thousand (the 2020 capital expenditure budget: EUR 111 934 thousand). Capital expenditure is related primarily with a set of structures for the 400/110kV Bystričany transformer station – 2nd stage, with a compensation for idling in ES Liptovská Mara, with a set of structures in Gabčíkovo – Veľký Ďur – Rimavská Sobota – Hungarian border, with the 2x400 kV Križovany – Bystričany line, with replacement of conductors and insulation of the lines, with remote control in electrical stations, and ICT systems and trading systems

Investičné výdavky súvisia najmä so súborom stavieb Transformácia 400/110 kV Bystričany – 2. časť, s kompenzáciou jalového výkonu v ES Liptovská Mara, so súborom stavieb Gabčíkovo – Veľký Ďur – Rimavská Sobota – maďarská hranica, s vedením 2x400 kV Križovany – Bystričany, s výmenou vodičov a preizoláciou vedení, s diaľkovým riadením v elektrických staniciach, a ICT systémami a obchodnými systémami.

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

Predpokladá sa, že na financovanie týchto výdavkov sa použijú externé a interné zdroje financovania.

(b) Future operating lease receivables – Group as lessor

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 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.

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

	31 December 2020	31 December 2019
Due within 1 year	221	300
Due in 2 to 5 years	50	257
Due after 5 years	0	0
Total	271	557

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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 10 thousand (31 December 2019: EUR 10 thousand). The main items include the lease of telecommunications routes.

(c) Future operating lease commitments – Group as lessee

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 2020	31 December 2019
Due within 1 year	294	254
Due in 2 to 5 years	1 062	1 018
Due after 5 years	1 795	1 781
Total	3 151	3 053

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 383 thousand (31 December 2019: EUR 390 thousands).

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 2020 amounts to EUR 286 thousand (31 December 2019: year 2020: EUR 289 thousand). The basic component of the rent will be paid to lessee for the time of 20 years and operating component of the rent will be paid to lessor for the time of 50 years. The minimal lease payment includes the basic component of the rent in the amount of EUR 251 thousand annually (31 December 2019: EUR 254 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 2020 is EUR 136 493 thousand (as at 31 December 2019: EUR 122 835 thousand).

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30 Cash generated from operations

	Note	2020	2019
Profit/loss before income tax		-7 808	95 039
Adjustments for:			
Depreciation of property, plant and equipments	5	53 534	49 654
Depreciation of non-current intangible assets	6	6 290	3 421
Negative revaluation	5,6	0	0
Impairment charge for non-current assets	11	498	51
Changes in provisions for receivables	23	-154	-278
Changes in fair value of derivatives	25	548	476
(Gain) / loss from disposal of property, plant and equipment	19	-1 346	1 575
Interest income / expense net		136	-42
Change in provisions			
Changes in working capital:			
Inventories (gross)		1 169	-1 706
Trade and other receivables		-23 491	7 520
Trade and other payables, deferred revenues		-2 755	17 903
Cash generated from operations		26 621	173 613

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

	Note	2020	2019
Net book amount		34	212
Profit / (loss) on disposal of asset	21	154	278
Proceeds from disposal of asset		<u>188</u>	<u>490</u>

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 Company 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.

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

Západoslovenská distribučná, a. s., Západoslovenská energetika – Energia, a. s., Východoslovenská energetika, a. s., Východoslovenská distribučná, a.s. and Stredoslovenská distribučná, a. s. are 100% subsidiaries of these companies.

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

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

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

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

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

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As at 31 December 2019, 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 receivables	Trade and other payables
Slovenské elektrárne, a.s.	335	15	0	-30 733
Slovenské elektrárne-energetické služby, s.r.o.	208	0	0	-399
Západoslovenská distribučná, a.s.	2 766	0	0	-2 643
Západoslovenská energetika – Energia, a.s.	6 378	0	0	-2 291
ZSE Elektrárne, s. r. o.	22	0	0	-240
Východoslovenská energetika, a.s.	2 886	0	0	-1 136
Východoslovenská distribučná, a.s.	1 154	0	0	-2 297
Stredoslovenská energetika, a.s.	4 391	0	0	-5 585
Stredoslovenská distribučná, a.s.	1 836	0	0	-3 833
Tepláreň Košice, a. s.	120	0	0	-588
Žilinská teplárenská, a. s.	1	0	0	-114
Martinská teplárenská, a. s.	71	0	0	-373
Zvolenská teplárenská, a. s.	27	0	0	-377
Joint Allocation Office, S. A.	27	0	0	-1 925
Vodohospodárska výstavba, a. s.	168	0	0	-2 143
Slovenský plynárenský priemysel, a. s.	1 364	0	0	-6 392

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The income and expense items with joint venture, state-controlled entities and government bodies for the year ended 31 December 2019 were as follows:

	Sales of services	Purchase of services
Slovenské elektrárne, a.s.	-119 498	-82 273
Slovenské elektrárne-energetické služby, s. r. o.	33 107	-692
Západoslovenská energetika, a. s.	0	0
Západoslovenská distribučná, a.s.	-73 740	-420
Západoslovenská energetika – Energia, a.s.	222 000	-12 801
ZSE Elektrárne, s. r. o.	1 140	-1 077
Východoslovenská energetika, a.s.	115 990	-6 843
Východoslovenská energetika Holding, a.s.	0	0
Východoslovenská distribučná, a.s.	-99 092	-236
Stredoslovenská energetika, a.s.	174 313	-8 739
Stredoslovenská distribučná, a.s.	-170 490	-364
Tepláreň Košice, a. s.	1 361	-3 965
Žilinská teplárenská, a. s.	15	-438
Martinská teplárenská, a. s.	471	-1 078
Zvoľenská teplárenská, a. s.	518	-1 572
Joint Allocation Office, S. A.	29 137	-23 134
TSCNET, GmbH	0	-1 114
Slovenské elektrárne Predaj, s. r. o.	0	0
Vodohospodárska výstavba, a. s.	-24 332	-9 995
Bratislavská teplárenská, a. s.	0	0
Slovenský plynárenský priemysel, a. s.	43 557	-2 425

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

Key management personnel compensation

Salaries and bonuses paid to the parent company's management, directors and other members of top management for the year ended 31 December 2020 and 31 December 2019, are as follows:

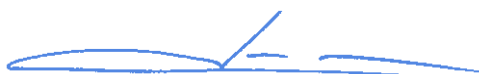
	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and short-term employee benefits	2 285	2 378
Total	2 285	2 378

Slovenská elektrizačná prenosová sústava, a.s.

*Notes to the Consolidated Financial Statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union
(all amounts are in thousands of Euros unless stated otherwise)*

32 Events after the reporting period


The Consolidated Financial Statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 4 March 2021.



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



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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