INDEPENDENT AUDITOR´S REPORT
(unofficial translation)

on the 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 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 Financial Statements

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of December 31, 2020, and its financial performance for the year then ended and its 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 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 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 Financial Statements

Management is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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 Annual Report

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

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

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

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

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

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

Bratislava, on February 15th, 2021

MANDAT AUDIT, s.r.o.
Námestie SNP 15, 811 01 Bratislava
SKAU licence nr. 278

Ing. Martin Dubai
Responsible auditor
SKAU licence nr. 1090

Slovenská komora audítorov
SKAU
Č. licencie 278
MANDAT AUDIT, s.r.o.

Index to the Financial Statements

Statement of Financial Position as at 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union
(All amounts are in Euros unless stated otherwise)

	Note	As at 31 December 2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	872 732 051	843 541 487
Intangible assets	6	17 780 385	8 944 833
Assets representing right of use	8	648 530	657 107
Other investment	7	135 278 315	5 278 315
Receivables	11	7 653 184	10 120 884
		1 034 092 465	868 542 626
Current assets			
Inventories	10	1 395 926	2 564 624
Trade and other receivables	11	38 737 028	28 739 197
Short – term financial assets		50 000 000	0
Cash and cash equivalents	12	27 702 028	71 694 993
Current income tax receivable		2 290 202	0
		120 125 184	102 998 814
Total assets		1 154 217 649	971 541 440
EQUITY			
Share capital and reserves			
Share capital	13	105 000 000	105 000 000
Legal reserve fund	13	21 000 000	21 000 000
Capital fund from shareholder contributions	13	130 000 000	0
Other reserves	13	175 405 425	175 405 425
Revaluation of financial investment		109 020	109 020
Actuarial gains/loss		-968 892	-2 081 650
Revaluation reserve	13	72 135 907	81 311 849
Retained earnings		336 228 466	267 577 789
Total equity		838 909 926	648 322 433
LIABILITIES			
Non-current liabilities			
Non-current bank loans	15	12 899 242	30 098 232
Non-current finance lease liabilities	16	497 637	509 762
Non-current portion of grants and other deferred revenues	17	121 614 135	100 405 139
Deferred tax liability	18	63 047 635	60 469 862
Non-current provisions for liabilities and charges	19	9 703 168	11 014 325
		207 761 817	202 497 320
Current liabilities			
Current bank loans	15	17 200 092	17 205 046
Current finance lease liabilities	16	197 753	196 003
Trade and other payables	14	78 611 601	85 335 343
Current portion of grants and other deferred revenue	17	11 496 295	13 810 239
Provisions for current liabilities and charges	19	40 165	68 761
Current income tax payable		0	4 106 295
		107 545 906	120 721 687
Total liabilities		315 307 723	323 219 007
Total equity and liabilities		1 154 217 649	971 541 440

The 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 15 February 2021 by the Board of Directors.

....	....
Ing. Peter Dovhun	Ing. Jaroslav Vach, MBA
Chairman of the Board of Directors	Member of the Board of Directors

	Note	Year ended 31 December 2020	2019
Revenues	20	353 632 825	365 564 670
Capitalized costs		984 884	1 168 536
Consumables and services	21	-182 753 754	-190 298 117
Personnel costs	22	-33 622 395	-31 796 844
Depreciation and amortization	5,6	-57 081 819	-50 659 322
Impairment of fixed assets	5	0	0
Other operating income	24	5 972 791	4 767 566
Other operating expense	23	-3 563 872	-3 358 744
Operating profit		**83 568 660**	**95 387 745**
Interest income	25	176 816	90 428
Interest expense	25	-516 275	-548 273
Other finance income/(expense)	25	-27 220	46 373
Finance cost, net		**-366 679**	**-411 472**
Profit before tax		83 201 981	94 976 273
Income tax expense	26	-23 896 279	-25 670 916
Profit for the year		**59 305 702**	**69 305 357**
Other comprehensive income			
Items that will not be reclassified:			
Retirement benefit – actuarial gains/loss		1 112 758	-993 030
Impact of IFRS		0	-69 163
Deferred tax from revaluation of property, plant and equipment		169 033	87 674
Total comprehensive income		**60 587 493**	**68 330 838**
Profit attributable to:			
Owners of the parent		59 305 702	69 305 357
Non-controlling interest		0	0
Profit for the year		**59 305 702**	**69 305 357**
Total comprehensive income attributable to:			
Owners of the parent		60 587 493	68 330 838
Non-controlling interest		0	0
Total comprehensive income for the period		**60 587 493**	**68 330 838**

	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	**105 000 000**	**21 000 000**	**0**	**160 150 795**	**109 020**	**-1 088 620**	**91 102 032**	**253 718 368**	**629 991 595**
Net profit for the year 2019	0	0	0	0	0	0	0	69 305 357	69 305 357
Other comprehensive income	**0**	**0**	**0**	**0**	0	-993 030	-9 790 183	9 808 694	-974 519
Total comprehensive income for the year 2019	**0**	**0**	0	**0**	**0**	**-993 030**	**-9 790 183**	**79 114 051**	**68 330 838**
Dividends paid (Note 13)	0	0	0	0	0	0	0	-50 000 000	-50 000 000
Profit appropriation to Legal Fund (Note 13)	0	0	0	0	0	0	0	0	0
Profit appropriation to Statutory (Note 13)	**0**	**0**	0	15 254 630	0	**0**	0	-15 254 630	**0**
Balance as at 31 December 2019	**105 000 000**	**21 000 000**	0	**175 405 425**	**109 020**	**-2 081 650**	**81 311 849**	**267 577 789**	**648 322 433**
Balance as at 1 January 2020	105 000 000	21 000 000	0	**175 405 425**	109 020	**-2 081 650**	81 311 849	**267 577 789**	**648 322 433**
Net profit for the year 2020	0	0	0	0	0	0	0	59 305 702	59 305 702
Other comprehensive income	**0**	**0**	**0**	**0**	0	1 112 758	-9 175 942	9 344 975	1 281 791
Total comprehensive income for the year 2020	**0**	**0**	0	**0**	**0**	**1 112 758**	**-9 175 942**	**68 650 677**	**60 587 493**
Dividends paid (Note 13)	0	0	0	0	0	0	0	0	0
Allocation to Capital Fund from shareholder contribution (Note 13)	0	0	130 000 000	0	0	0	0	0	130 000 000
Profit appropriation to Legal Fund (Note 13)	0	0	0	0	0	0	0	0	0
Profit appropriation to Statutory Fund (Note 13	**0**	**0**	0		**0**	**0**	**0**	**0**	**0**
Balance as at 31 December 2020	**105 000 000**	**21 000 000**	**130 000 000**	**175 405 425**	**109 020**	**-968 892**	**72 135 907**	**336 228 466**	**838 909 926**

	Note	Year ended 31 December 2020	2019
Cash flows from operating activities			
Cash generated from operations	29	108 034 619	155 471 629
Income tax paid		-27 841 766	-11 354 795
Interest received		185 808	80 558
Net cash generated from operating activities		80 378 661	144 197 392
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		-56 837 245	-78 467 909
Proceeds from the sale of property, plant and equipment and intangible assets	29	188 710	489 780
Purchase of financial assets	7	-130 000 000	0
Net cash used in investing activities		-186 648 535	-77 978 129
Cash flows from financing activities			
Proceeds / (repayment) of loans		-17 214 319	3 967 222
Interest paid		-529 633	-534 980
Income from subscribed shares and participations		0	0
Other income from loans		20 861	0
Short - term loan granted to a subsidiary		-50 000 000	0
Dividends received	25	0	75 795
Increase in equity	13	130 000 000	0
Dividends paid	13	0	-50 000 000
Net cash used in financing activities		62 276 909	-46 491 963
Net increase / (decrease) in cash and cash equivalents		**-43 992 965**	**19 727 300**
Cash and cash equivalents at the beginning of the year	12	71 694 993	51 967 693
Cash and cash equivalents at the end of the year	12	27 702 028	71 694 993

1 General Information

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

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

The Bohunice International Decommissioning Support Fund ("BIDSF") was established in relation to the 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 the power plan in Jaslovské Bohunice as a result of a decision of the Slovak Republic to do so. The Fund supports the reconstruction, improvement and modernization of the energy production, transmission and distribution sectors and increases their efficiency.

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

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

The structure of the Company´s shareholders as at 31 December 2020 was as follows:

	Absolute amount EUR	Ownership interest and voting rights %
Slovak Republic represented by Ministry of Finance	105 000 000	100%
Total	105 000 000	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 Company without compensation to the Slovak Republic, on behalf of which acts the Ministry of finance of the Slovak Republic. As a result of this, effective 2 October 2012, the Slovak Republic, on behalf of which acts the Ministry of finance of the Slovak Republic, became the sole shareholder, who owns 100% of shares of the Company as well as 100% of voting rights.

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

The members of the Company´s statutory bodies during the year ended 31 December 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
	Viche Chairman	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
	Member	Ing. Vladimír Palko till 16. April 2020
Supervisory Board	Chairman	Ing. Miroslav Bartoš from 17. April 2020
	Chairman	Ing. Vladimír Burdan till 16. April 2020
	Vice-Chairman	IIng. Marcel Klimek from 15. May 2020
	Vice Chairman	Michal Sokoli from 27. February 2020
	Vice-Chairman	JUDr. Peter Pandy 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. from 17. April 2020
	Member	Ing. Marcel Klimek from 17. April 2020 till 15. May 2020
	Member	Ing. Milan Jarás, PhD. from 27. novembra 2020
	Member	Ing. Dušan Chvíľa from 20. February 2020
	Member	JUDr. Eva Murínová from 20. February 2020
	Member	Ing. Marek Šimlaštík 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
	Member	Ing. Mikuláš Koščo till 16. April 2020
	Member	JUDr. Pavol Kollár till 16. April 2020
	Member	Ing. Kristián Jecko till 16. April 2020
Executive management	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 managment from 21. April 2020
	Managing Director of Economics	Ing. Martin Malaník till 20. April 2020
	Managing Director of Development Capital Investment and Procurement	Mgr. 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 managment from 21. April 2020
	Managing Director of Strategy and International Cooperation	Ing. Vladimír Palko till 20. April 2020

The Company employed 548 personnel on average during 2020 (2019: 546), 6 of which were management (2019: 8).

Registered address and identification number

Mlynské nivy 59/A
824 84 Bratislava
Slovak Republic

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

2 Summary of significant accounting policy

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

2.1. Basis for preparation

Legal reasons for preparing the Financial Statements:
The Company´s Financial Statements at 31 December 2020 have been prepared as ordinary Financial Statements under § 17 (6) of Slovak Act. No 431/2002 Coll. ("Accounting Act") for the accounting period from 1 January 2020 to 31 December 2020.

The Accounting Act requires the Company to prepare Financial Statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

These financial statements have been prepared in accordance with IFRS as adopted by the European Union. The Company applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), as amended by the European Union, which were effective as of 31 December 2020.

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

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

The Board of Directors may propose to the Company´s shareholders to amend the Financial Statements after their approval by the General Shareholders Meeting. According to § 16 (9 to 11) of the Accounting Act the reopening the entity´s accounting records after the Financial Statements are prepared and approved is prohibited; if after the Financial Statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entitles to restate comparative information in the accounting period in which relevant facts are identified.

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

The Financial Statements of the Company for the previous period were approved by the ordinary Annual General Meeting of the Company held on 16 June 2020.

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

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

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

2.2. Changes in the accounting policies

During the year ended 31 December 2020, the Company 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 Company 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. Investments

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

2.4. Foreign currency transactions and translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2.5. Property, plant and equipment

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

(i) 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

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

The most significant part of property, plant and equipment is represented by the network. The network mainly includes power lines, pylons and switching stations. Useful life of networks assets varies between 5 and 60 years (2019: between 5 and 60 years).

(ii) Revaluation of assets

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

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

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

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

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

	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.

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

Land and assets under construction are not depreciated.

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Company allocates the amount initially recognizes in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

An asset´s carrying amount is written down to its recoverable amount if the asset´s carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

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

2.6. Intangible assets

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

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

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

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

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

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

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

2.7. Impairment of non-financial assets

Assets that have an indefinite useful life and intangible assets not yet in use are not subject to amortization and are tested for impairment annually. Land, construction in progress and assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be higher as a recoverable amount. An impairment loss is recognized for the amount by which the 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at each reporting date.

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

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

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

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

2.9. Financial assets

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

A financial asset is valued at amortized cost when the following two conditions are met:
a) financial asset is held in a business model where there is intention to hold the financial asset in order to collect contractual cash flows; and
b) financial 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 Company derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Management determines the classification of its investments at initial recognition.

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

Loans and receivables

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

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

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

2.10. Leases

a) Leases – IFRS 16

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

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

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

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

i. Leased asset (Company as a lessee)

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

ii. Lease payments

Payment on the basis of the operating lease are reported in the profit and loss statement on the straight-line basis over the agreed lease period. 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.

2.11. Inventories

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

2.12. Trade and other receivables

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

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

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

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

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

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

2.13. Cash and cash equivalents

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

2.14. Share capital

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.

2.15. Current and deferred income tax

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

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Dividend income is not subject to income taxes in the Slovak Republic.

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

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

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

Grants and contributions are recognized at their nominal value where there is a reasonable certainty that the grant or contribution would be received and the Company would comply with all attached conditions. Grants and contributions relating to acquisition of property 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 Company also has a grant approved by EBRD in the amount of EUR 76 million for Reconstruction of switching station 400/110 kV in Bystričany and for transmission lines in Horná Ždaňa – Križovany. This grant has been drawn partially in 2020.

2.17. Borrowings

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

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

2.18. Provisions

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

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

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

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

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

2.19. Contingent liabilities

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

2.20. Trade payables

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

2.21. Employee benefits

The Company has both defined benefit and defined contribution plans.

Pension plans

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

Unfunded defined benefit pension plan

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

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

Number of year in service	
0 – 5 included	7
Over 6 – 10 included	9
Over 11 – 15 included	10
Over 16 – 20 included	11
Over 21	12

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

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

- compensation of electricity costs in amount of EUR 150 (2019: EUR 150) yearly for employees on retirement working for the Company 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 Company expect that the Company will continue to provide such benefits and, based on opinion of management, it is not probable that the Company would cease to provide such benefits in the future.

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

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

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

Defined contribution pension plans

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

The Company makes contributions to the government health, retirement benefit, accidental and guarantee insurance and unemployment schemes at the statutory rates in force during the year, based on gross salary payments.
During the year, the Company made contributions amounting to 35.2% (2020: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law for such schemes together with contributions by employees of a further 13.4% (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 Company makes contributions to the supplementary scheme of 6% of the total of monthly wages, excluding severance payment and payments at retirement.

Profit sharing and bonus plans

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

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

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

2.22. Revenue recognition

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

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

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

The revenue is recognized when the respective service is rendered.

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

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

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

2.23. Dividend distribution

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

2.24. Hedging Accounting

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

Cash Flow Hedge

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

Fair Value Hedge

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

As at 31 December 2020, the Company classified all existing hedging relationships as fair value hedges. As at 31 December 2019, the Company 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 company shall prospectively terminate accounting for hedge if the hedging instrument no more fulfils criteria for hedging operations (taking into account any changes of hedging ratio, if applicable). This include cases when the hedging instrument ceases to exist or is sold, cancelled or realized. Cumulated profit or loss reported previously in equity shall be reclassified and reported in the profit and loss statement for the period in which the hedged item affects the profit and loss statement. Hedging relationship, which keeps fulfilling the risk management objectives and other criteria for hedging operations, taking into account any changes of hedging ratio, may not be terminated.

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

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

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

2.25. Standards issued but not yet effective

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

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

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

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

3 Financial Risk Management

3.1. Financial risk factors

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

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

(i) Market risk

(a) Foreign exchange risk

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

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

	Liabilities		**Assets**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
GBP/CZK/USD and other	-56	0	1 136	1 157

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

Based upon the sensitivity analysis of financial assets and liabilities recognized as at 31 December 2020, a 10 % strengthening/weakening, in the EUR against CZK and GBP would result in an increase/decrease in the Company's profit by 98 EUR. Management considers the risk is not significant as at reporting date.

(b) Price risk

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

(c) Operating risks – prices of services

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

The year 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 Company 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.

Within Czech, Slovak, Hungarian and Romanian electricity market interconnection the Company acts as shipping agent. Relevant revenues and costs of Company are form payments for electricity transmitted through the cross-border links within the interconnection of electricity markets.

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

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

(d) Cash flow interest rate risk

The Company repaid the last loan with a variable rate on 3 December 2015. In the period from 1 January 2020 to 31 December 2020 it has two outstanding long-term investment loans with fixed interest rates. For this reason the Company is not exposed to interest rate risk in consequence of long-term loans.

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

(ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including outstanding receivables. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.
The Company has implemented individual 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 base on dates agreed in the contracts, i.e. 3 to 30 days.

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

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

Maximum exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 22 220 (Note 11). The Company created the impairment provision of EUR 555 000 for the expected loss on trade receivables that are not yet due after 31 December 2020 (31 December 2019: EUR 55 000).

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

		Balance as at 31 December	
Counterparty	**Rating**[2]	**2020**	**2019**
Banks [1]			
Všeobecná úverová banka, a.s.	A2	5 655 113	7 160 025
Tatra banka, a.s.	A3	11 823 029	27 924 974
Československá obchodná banka, a.s.	Baa1	998 998	10 006 386
Slovenská sporiteľňa, a.s.	A2	5 799 594	6 456 674
J & T Banka, a. s.	-	0	10 000 000
Poštová banka, a. s.	-	998 240	10 018 251
UniCredit Bank Czech Republic and Slovakia, a. s. branch of a foreign bank	-	9 528	0
UniCredit Bank Czech Republic and Slovakia, a. s.	-	2 268 428	0
Other	n/a	149 098	128 683
Total		**27 702 028**	**71 694 993**

[1] The amount of cash and short-term deposits at banks as at 31 December 2020 amounts to EUR 27 702 028 (31 December 2019: EUR 74 694 993). Furthermore, the Company has agreed with those banks on credit lines on current accounts totalling EUR 133 550 000 (31 December 2019: EUR 3 550 000), which were not utilized. The Company has bank borrowings as at 31 December 2020 of EUR 30 099 334 (31 December 2019: EUR 47 303 278), and these credit lines were utilized.
[2] The Company uses the independent rating of Moody's, Fitch Ratings and Standard & Poor's.

(iii) Liquidity risk

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

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

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

Expected cash flow is prepared as follows:

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

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

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

The table below analyses the Company's financial liabilities by relevant remaining maturity. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2020				
Bank loans	17 200 092	12 899 242	0	0
Finance lease	197 753	133 412	228 200	136 025
Trade and other payables excluding liabilities not falling under IFRS 7	72 169 480	0	0	0
Total	89 567 325	13 032 654	228 200	136 025
At 31 December 2019				
Bank loans	17 205 046	17 198 990	12 899 242	0
Finance lease	196 003	134 042	200 366	175 354
Trade and other payables excluding liabilities not falling under IFRS 7	79 194 898	0	0	0
Total	96 595 947	17 333 032	13 099 608	175 354

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 December 2020				
Short term financial liabilities – hedging derivative instruments	13 009 864	0	0	0
Total	13 009 864	0	0	0
As at 31 December 2019				
Short term financial liabilities – hedging derivative instruments	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 Company's exposure to commodity price change risks arises in purchasing electricity as a result of contracts tied to electricity prices quoted on exchange and can be quantified through risk factors. To mitigate the exposure to commodity price fluctuations, the Company uses commodity futures.
Managing processes related to commodity price change risk in the Company are designed so that the status and development of risks in time is monitored on ongoing basis and it is possible to determine whether the risk level observed for various areas (e.g. from the point of view of geography, organization,

etc.) is within the limits set out for acceptance of risk defined by the Company's top management. These operations are carried out in accordance with the concept of formal control rules, within which a strict risk limits were set. Compliance with these limits is verified by the departments that are independent on those Company sections that carry out the transactions, while trading positions are assessed through the Value-at-Risk indicator monitored on quarterly basis.

Electricity Commodity Derivative Sensitivity Analysis

Sensitivity to Changes in Fair Value of Electricity

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

Sensitivity to Changes in Market Prices of Electricity

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

Effectivity of hedging is on the level of 100%.

3.2. Capital risk management

The Company's objectives of managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's management manages shareholders´ capital reported under IFRS adopted by the European Union at 31 December 2020 in value EUR 838 909 926 (31 December 2019: EUR 648 322 433 EUR).

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio.

This ratio is calculated as follows:

	31 December 2020	31 December 2019
Total equity and liabilities	1 154 217 649	971 541 440
Equity (Note 13)	838 909 926	648 322 433
Equity to Total eq3uity and liabilities ratio	73%	67%

The Company's strategy was not changed against 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 Company complied with the externally imposed capital requirements (Note 15).

3.3. Fair value estimation

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

- Fair value of cash and short-term deposits, trading receivables, trading payables and other short-term liabilities 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.

Accounting value of trading receivables and payables, after a deduction by adjustments, is approximately equal to their fair value.

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

4 Critical accounting estimates and judgements

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

(i) Regulated revenues

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

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

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

(ii) Pension benefits

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

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

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

(iii) Revaluation of property, plant and equipment

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

The Company 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 Company in the future.

(iv) Impairment test

As at 31 December 2020, the Company performed a revaluation of the impairment losses for property, plant and equipment in accordance with IAS 36 on the basis of assessment of their future use, disposal or sale. The Company concluded that all assets used in the regulated activities relating to the transmission of electricity represent as a whole one cash generating unit. Due to the increase in the value of assets on its revaluation, an estimate of discounted future cash flows was also carried out based on currently valid regulation by URSO. Based on the analysis, the Company concluded that the assets used for regulated activities related to electricity transmission are not impaired.

5 Property, plant and equipment

	Land (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	16 014 107	583 984 883	250 212 968	77 296 515	58 145 414	985 653 887
Accumulated depreciation and impairment charges	0	-88 648 489	-61 482 283	-18 975 971	0	-169 106 743
Net book value	**16 014 107**	**495 336 394**	**188 730 685**	**58 320 544**	**58 145 414**	**816 547 144**
Year ended						
31 December 2019						
Opening net book value	16 014 107	495 336 394	188 730 685	58 320 544	58 145 414	816 547 144
Additions	0	0	0	0	76 577 834	76 577 834
Transfers	7 664	14 652 125	1 104 999	26 814 331	-42 579 119	0
Disposals	-32 356	-51 990	-595 217	0	0	-679 563
Depreciation charge		-24 397 007	-16 354 849	-8 152 072	0	-48 903 928
Impairment charge	0	0	0	0	0	0
Closing net book value	**15 989 415**	**485 539 522**	**172 885 618**	**76 982 803**	**92 144 129**	**843 541 487**
At 31 December 2019 after revaluation						
Cost	15 989 415	592 934 249	248 324 520	103 472 927	92 144 129	1 052 865 240
Accumulated depreciation and impairment charges	0	-107 394 727	-75 438 902	-26 490 124	0	-209 323 753
Net book value	**15 989 415**	**485 539 522**	**172 885 618**	**76 982 803**	**92 144 129**	**843 541 487**
At 31 December 2019 in historical costs						
Costs	8 705 215	640 771 117	431 392 464	107 695 027	92 009 218	1 280 573 041
Accumulated depreciation and impairment charges	0	-236 558 660	-269 032 992	-30 523 486	0	-536 115 138
Net book value	**8 705 215**	**404 212 457**	**162 359 472**	**77 171 541**	**92 009 218**	**744 457 903**
Year ended 31 December 2020						
Opening net book value	15 989 415	485 539 522	172 885 618	76 982 803	92 144 129	843 541 487
Additions	0	0	0	0	82 214 353	82 214 353
Transfers	0	74 318 966	3 887 227	41 738 852	-119 945 045	0
Disposals	-180	-296 952	-5 041	0	0	-302 173
Depreciation charge		-25 514 801	-15 941 267	-11 265 548	0	-52 721 616
Impairment charge	0	0	0	0	0	0
Net book value	**15 989 235**	**534 046 735**	**160 826 537**	**107 456 107**	**54 413 437**	**872 732 051**

	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						
Costs	15 989 235	665 404 758	251 070 120	144 062 998	54 413 437	1 130 940 548
Accumulated depreciation and impairment charges	0	-131 358 023	-90 243 583	-36 606 891	0	-258 208 497
Net book value	15 989 235	534 046 735	160 826 537	107 456 107	54 413 437	872 732 051
At 31 December 2020 in historical costs						
Costs	8 705 089	713 119 374	428 515 910	146 548 719	54 406 433	1 351 295 525
Accumulated depreciation and impairment charges	0	-251 554 406	-275 696 123	-38 983 671	0	-566 234 200
Net book value	**8 705 089**	**461 564 968**	**152 819 787**	**107 565 048**	**54 406 433**	**785 061 325**

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

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

The Company updated the revaluation as at 1 January 2016. The revaluation resulted in increase in the accounting value of property, plant and equipment by EUR 20 875 876, increase of deferred tax liability by EUR 4 592 693, increase of profit by EUR 129 552 and increase of revaluation gains in other comprehensive income accumulated as a revaluation surplus within equity in the amount of EUR 16 153 632 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 2 297 021 in 2016 compared to the previous accounting period.

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 421 257 616, in historical net book value of EUR 373 060 261 (31 December 2019: revalued net book value of EUR 367 459 707, historical net book value of EUR 341 604 084 EUR); transmission lines at revalued net book value of EUR 373 920 955 , in historical net book value of EUR 315 020 713 EUR (31 December 2019: revalued net book value of EUR 339 908 109 , in historical net book value of EUR 273 035 875 EUR).

As at 31 December 2020, the Company assessed all internal and external indicators. The Company did not find any indicators that would require that the impairment test be carried out on a group of assets as at 31 December 2020.

Non-current assets under construction consists mainly of EUR 1 987 316 for the expansion of the 400kV Križovany substation (31 December 2019: EUR 179 100), EUR 1 996 934 for a backup data centre in Podunajské Biskupice (31 December 2019: EUR 217 170), EUR 1 154 276 for upgrade of equipment in RIS Horná Ždaňa (31 December 2019: EUR 120 070), EUR 3 220 607 for implementation of security systems (31 December 2019: EUR 2 833), EUR 16 509 887 for 2x400kV line ESt Rimavská Sobota – state border (31 December 2019: EUR 4 970 580), EUR 1 991 901 for 2x400kV line Bystričany – Horná Ždaňa (31 December 2019: EUR 1 965 478), EUR 1 624 487 for TR 400/110 kV Bystričany – T401 (31 December 2019: EUR 1 212 798), EUR 17 048 470 for 2x400 kV line Veľký Meder – Hungarian border (31 December 2019: EUR 1 216 005), EUR 0 for 400 kV double line Bystričany – Križovany financed using a grant (31 December 2019: EUR 16 551 842), EUR 0 for 400kV Bystričany substation financed using a grant (31 December 2019: EUR 9 521 436 EUR), EUR 0 for remote control of ES Podunajské Biskupice (31 December 2019: EUR 12 242 703), EUR 0 for 2x400kV line Bystričany – Križovany (31 December 2019: EUR 7 839 368 EUR), EUR 0 for remote control of ES Spišská Nová Ves (31 December 2019: EUR 2 265 635), EUR 0 for 400kV Bystričany substation (31 December 2019: EUR 1 027 005), EUR 0 for RIS SED Žilina upgrade and modernization (31 December 2019: EUR 14 927 720), EUR 0 for 400kV Križovany substation financed using a grant (31 December 2019: EUR 1 507 579), EUR 873 for 400kV Rimavská Sobota substation – expansion (31 December 2019: EUR 3 033 939).These assets are not available for use at the reporting date.

In 2020, borrowing costs are capitalized in accordance with accounting policies of the Company, borrowing costs EUR 0 (2019: EUR 0) 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 Company as lessor under operating lease agreements:

	Land, buildings and structures	Plant, machinery and equipment	Total
As at 31 December 2020			
Cost	21 828 543	0	21 828 543
Accumulated depreciation	-4 036 607	0	-4 036 607
Net book value as at 31 December 2020	**17 791 936**	**0**	**17 791 936**
As at 31 December 2020			
Historical acquisition cost	24 579 933	0	24 579 933
Accumulated depreciation historical	-7 319 918	0	-7 319 918
Net book value as at 31 December 2020	**17 791 936**	**0**	**17 791 936**
As at 31 December 2019			
Cost	22 336 566	9 562	22 346 128
Accumulated depreciation	-3 300 832	-7 906	-3 308 738
Historical net book value as at 31 December 2019	**19 035 734**	**1 656**	**19 037 390**

As at 31 December 2019			
Historical acquisition cost	25 252 398	20 064	25 272 462
Accumulated depreciation historical	-6 901 778	-19 200	-6 920 978
Historical net book value as at 31 December 2019	**18 350 620**	**864**	18 351 484

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

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

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

The Company has insured its assets against the following risks:

Insured object	Type of insurance	Amount insured as at 31 Dec 2020	Name of the insurance company
Buildings, halls and constructions	Damage or total loss (natural disaster)	217 369 609	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Machines, tools and equipment, vehicles without car licence plates, transformers, RRB – radio relay point, cables	Damage or total loss (natural disaster)	613 423 693	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Elevated line	Damage or total loss (natural disaster)	731 367 633	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s
Office equipment	Damage or total loss (natural disaster)	1 774 773	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Inventory and other tangible assets	Damage or total loss (natural disaster)	1 331 080	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s
Scheduled capital expenditures, automatic coverage of new assets	Damage or total loss (natural disaster)	93 745 591	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s
Inventories	Damage or total loss (natural disaster)	1 500 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)

Insured object	Type of insurance	Amount insured as at 31 Dec 2020	Name of the insurance company
Cash, valuables, stamps and vouchers, documentary securities deposited in the vaults and mailboxes	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	16 597	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa 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	331 939	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	290 966	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	165 970	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	66 388	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)	591 145 794	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)	65 000 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)
Isurance of cybernetic risks		500 000	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	**Name of the insurance company**
Terrorism		10 000 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)

6 Intangible assets

	Software and other intangible assets	**Intangible assets not yet in use**	**Total**
At 1 January 2019			
Cost	44 280 602	3 725 385	48 005 987
Accumulated amortisation and impairment charges	-39 334 357	0	-39 334 357
Net book value	**4 946 245**	**3 725 385**	**8 671 630**
Year ended 31 December 2019			
Opening net book amount	4 946 245	3 725 385	8 671 630
Additions	0	1 845 106	1 845 106
Transfers	2 907 327	-2 907 327	0
Disposals	0	0	0
Amortisation charge	-1 571 903	0	-1 571 903
Closing net book value	**6 281 669**	**2 663 164**	**8 944 833**
At 31 December 2019			
Cost	47 173 927	2 663 164	49 837 091
Accumulated amortisation and impairment charges	-40 892 258	0	-40 892 258
Net book value	**6 281 669**	**2 663 164**	**8 944 833**
Year ended 31 December 2019			
Year ended 31 December 2020			
Opening net book amount	6 281 669	2 663 164	8 944 833
Additions	0	12 987 459	12 987 459
Transfers	14 703 094	-14 703 094	0
Disposals	0	0	0
Accumulated amortisation and impairment	-4 151 907	0	-4 151 907
Closing net book value	**16 832 856**	**947 529**	**17 780 385**
At 31 December 2020			
Cost	61 505 743	947 529	62 453 272
Accumulated amortisation and impairment charges	-44 672 887	0	-44 672 887
Net book value	**16 832 856**	**947 529**	**17 780 385**

The computer software consists mainly of software SAP, software for registry and Damas Energy. Net book value of SAP is EUR 197 730 EUR (31. december 2019: EUR 326 081), remaining amortization period is 3 year. Net book value of Damas Energy is EUR 49 688 (31 December 2019: EUR 198 945), remaining amortization period is 4 year.

Intangible assets not yet in use include EUR 248 500 for improvement of RIS safety (31 December 2019: EUR 248 500), EUR 307 824 for legislative upgrade of trading system (31 December 2019: EUR 0), EUR 197 232 for a modification of the mTMF module (31 December 2019: EUR 12 399), EUR 0 for RIS SED Žilina upgrade and modernization (31 December 2019: EUR 1 070 760), EUR 0 for the second stage of implementation of an office information system (31 December 2019: EUR 356 688), EUR 0 for implementation of security systems (31 December 2019: EUR 447 140), EUR 0 for process digitization (31 December 2019: EUR 418 702).

Internally generated intangible assets are immaterial.

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

7 Shares in subsidiaries and other investments

	2020	2019
At the begining of the year	**5 278 315**	**5 278 315**
Additions	130 000 000	0
Disposals	0	0
At the end of the year	135 278 315	5 278 315

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 estabilished in 2008, was founded by the auction office (CAO) based, Gute Anger 15, Freising, Germany in order to Central Auction Office (CAO) based in Gute Änger 15, Freising, Germany for the purpose of introducing regional coordinated management of network overloading. In 2013 Company´s share on the capital was 12.5 %. On 23 May 2014 was entered in the German Register a new parner - 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), Admie (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). Its main task is to conduct an annual, monthly and daily auctions of rights to transmit electricity across 29 borders in Europe and act as backup for the European Market Coupling.

New 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 Company does not expect that the investment is impaired.

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

TSCNET shareholders are also the organization's major customers. At present, the following 14 transmission system operators from eleven European countries are the organization's shareholders: 50Hertz (Germany), Amprion (Germany), APG (Austria), ČEPS (Czech Republic), ELES (Slovenia), HOPS (Croatia), MAVIR (Hungary), PSE (Poland), SEPS (Slovakia), Swissgrid (Switzerland), TenneT (Germany), TenneT (Netherlands), TransnetBW (Germany) and Transelectrica (Romania). For 2020, data on equity and profit or loss is not yet available. The Company does not expect any impairment of the investment.

On 11 August 2010 the Company OKTE, a.s. based in (Mlynské nivy 48, 824 84 Bratislava) has been incorporated in the Business Register. The only shareholder of the company is Slovenská elektrizačná prenosová sústava, a.s. The share is being made up of 4 644 registered share at a nominal value of EUR 1 000 and legal reserve fund in amount EUR 3 315. The company as the only shareholder the Company OKTE, a.s. decided on 23 December 2020 to create capital fund from contributions of shareholders in the amount of EUR 130 000 000 and this contribution was paid up as at 31 December 2020.

Equity of OKTE, a. s. is principally affected by the loss of EUR 90 946 198 which can be clearly 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 OKTE, a. s. 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. OKTE, a. s. 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 OKTE, a.s., 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.

OKTE, a. s. 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."

OKTE, a. s. 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."

Therefore, the Company has not created any adjustment for the investment in its subsidiary as at 31 December 2020.

8 Assets representing the right of use

Company as lessee

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

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

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

	Land, buildings and structures	Machines and equipment	Total
As at 1 January 2019	-	-	-
Impact of IFRS 16	**425 905**	**607 527**	**1 033 432**
Additions	147 581	12 471	160 052
Depreciation	-26 616	-156 875	-183 491
Disposals	-351 498	-1 388	-352 886
As at 31 December 2019	**195 372**	**461 735**	**657 107**

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	33 944 836	33 944 836
Other receivables	0	683 568	683 568
Variable collateral from commodity futures		1 948 423	1 948 423
Cash on bank accounts and cash in hand	0	27 702 028	27 702 028
Total	0	64 278 855	64 278 855

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

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	25 962 769	25 962 769
Other receivables	0	906 031	906 031
Cash on bank accounts and cash in hand	0	71 694 993	71 694 993
Total	0	**98 563 793**	**98 563 793**

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	56 626 417	56 626 417
Received guarantees	0	20 278 259	20 278 259
Payables due to employees	0	1 507 657	1 507 657
Social security	0	869 470	869 470
Other payables	0	2 290 222	2 290 222
Bank loans	0	48 009 043	48 009 043
Total	0	**129 581 068**	**129 581 068**

10 Inventories

	As at 31 December	
	2020	**2019**
Prepayments shipper	0	1 514 684
Materials and spare parts	1 395 926	1 049 940
	1 395 926	**2 564 624**

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

11 Trade and other receivables

	As at 31 December 2020	2019
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	32 427 653	25 838 619
Past due but not impaired trade receivables	1 494 744	99 483
Individually impaired receivables	22 439	24 667
Trade receivables (before provision for impairment)	**33 944 836**	**25 962 769**
Less: Provision for impairment of receivables	-577 220	-78 575
Trade receivables – net	**33 367 616**	**25 884 194**
VAT – receivable	0	0
Grant claims	0	0
Prepayments	1 505 785	1 005 137
Other receivables	683 568	906 031
Variable collateral from commodity futures	1 948 423	
Prepaid expenses and accrued income	1 231 636	943 835
Other receivables – net	**5 369 412**	**2 855 003**
Total trade and other receivables	**38 737 028**	**28 739 197**

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 1 948 423 represents a variable collateral from commodity futures (see also Notes 17, 3.1 and 3.3).

Long-term receivables include the amount of EUR 1 079 061 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 1 079 061), the amount of EUR 3 500 000 related to the refinancing of costs of capital construction within the Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2019: EUR 3 500 000), the amount of EUR 3 074 123 related to the refinancing of costs of capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2019: EUR 3 074 123) 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 2 467 700).

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	32 427 653	25 838 619
Overdue receivables	1 517 183	124 150
Total	**33 944 836**	**25 962 769**

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**
OKTE, a.s.	11 958 108	11 037 829
Slovenské elektrárne, a.s.	264 627	178 483
Západoslovenská distribučná, a .s.	5 632 995	2 766 135
Stredoslovenská energetika Distribúcia, a. s.	1 780 537	1 835 646
Východoslovenská distribučná, a. s.	1 181 344	1 153 947
ČEPS, a. s.	1 627 205	2 761 928
MAVIR	3 597 382	1 939 222
Others	6 385 455	4 165 429
Neither past due nor impaired trade receivables	**32 427 653**	**25 838 619**

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

As at 31 December 2020 trade receivables of EUR 1 494 744 EUR (31 December 2019: EUR 99 483) were past due but not impaired. Their ageing analysis is as follows:

	As at 31 December	
	2020	**2019**
1 to 90 days	1 494 431	44 364
91 to 180 days	313	55 119
Total past due but not impaired trade receivables	**1 494 744**	**99 483**

The balance of trading receivables as at the end of period includes overdue receivables of the accounting value of EUR 9 527 (2019: EUR 44 364) for which the Company has not created adjustments, as no significant changes in the credibility of debtors have occurred and therefore the receivables are still deemed recoverable. The company has created an adjustment of EUR 555 000 to cover overdue receivables amounting to EUR 1 485 217 (2019: EUR 55 119) based on the expected loss from trading receivables not overdue as of 31 December 2020 (2019: EUR 55 000).

The Company recorded no collateralized receivables.

As at 31 December 2020, trade receivables of EUR 22 439 (2019: EUR 24 667) were individually impaired. As at 31 December 2020, the Company recorded an impairment provision of EUR 22 220 (2019: EUR 23 575).

The ageing of these receivables is as follows:

	As at 31 December	
	2020	**2019**
181 to 360 days	0	0
Over 361 days	22 439	24 667
Total individually impaired receivables	**22 439**	**24 667**

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

	2020	**2019**
At the beginning of the year	78 575	28 043

Additional provision for receivables impairment	873	532
Additional provision for receivables impairment under IFRS 9	500 000	50 000
Release of unused provision	0	0
Receivables written –off during the year as uncollectible	-2 228	0
At the end of the year	577 220	78 575

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

12 Cash and cash equivalents

	As at 31 December	
	2020	2019
Cash at bank and in hand	27 702 028	41 694 993
Short-term bank deposits	0	30 000 000
	27 702 028	71 694 993

At 31 December 2020 cash and cash equivalents were fully available for the Company's use.

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

	As at 31 December	
	2020	2019
Cash and bank balances and deposits with original maturities of less than three months:	27 702 028	71 694 993
	27 702 028	71 694 993

The carrying amounts of cash and cash equivalents as at 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 Company has no subscribed capital that has not been entered in the Commercial Register. Shares are associated with equal rights. Legal reserve fund has attained the the minimum amount of mandatory contribution under Commercial Code as at 31 December 2020.

Legal reserve fund is obligatorily created from profit of the Company in accordance with the Slovak. According to the Commercial Code, the Company is obliged to create a legal reserve fund in the amount of 10% of the share capital at the time of the incorporation of the Company. This amount must be increased annually by at least 10 % from net profit, until the legal reserve fund achieves 20% of the share capital. Use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. Legal reserve fund amounted to EUR 21 000 000 as at 31 December 2020 (as at 31 December 2019: EUR 21 000 000).

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

Other capital reserves comprise statutory fund of EUR 175 405 425 to finance capital expenditure activities (2019: EUR 175 405 425) and differences from revaluation of assets amounted to EUR 72 135 907 (2019: EUR 81 311 849).

The statutory fund to finance future capital expenditures is used to accumulate internal funds of the Company allocated from profit dedicated to cover future capital expenditures. In 2020, the Company contributed to this fund the amount of EUR 0 (31 December 2019: 15 254 630). The rules for the use of funds allocated to the statutory fund for capital expenditures are governed by the general financing principles of the Company in relation to capital expenditures, and by the acquisition guidelines. Funds on the statutory fund to finance capital expenditures are accumulated from amounts allocated to the statutory fund based on the decision of General Meeting.

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

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

	2019
Opening amount	91 102 032
Revaluation surplus reclassified to retained earnings as at 31 December 2019	-12 503 616
Deferred tax on revaluation surplus as at 31 December 2019	2 625 759
Deferred tax related to special levy from business activities in regulated sectors	87 674
At the end of the period	**81 311 849**

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

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

The General Meeting held on 16 May 2020 approved the Financial Statements 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 for the year 2019 of EUR 69 305 357 was distributed as follows:

	2019 profit distribution	2018 profit distribution
Dividends	0	0
Appropriation to the Legal Fund	0	0
Appropriation to the Statutory Fund	0	0
Transfer to retained earnings	69 305 357	50 307 558
Total	**69 305 357**	**50 307 558**

In 2020, the Company paid dividends for 2019 in the amount of EUR 0 from retained earnings. As at 31 December 2020 retained earnings of the Company (including profit of the current accounting period and revaluation surplus reclassified to retained earnings) amounted to EUR 336 228 466 (31 December 2019: EUR 267 577 789).

As at the date of authorization of these Financial Statements for issue, the statutory body has not yet proposed the distribution of profit for 2020.

14 Trade and other payables

	As at 31 December	
	2020	**2019**
Trade payables	55 902 004	56 626 417
Received guarantees	14 368 049	20 278 259
Payables due to employees	1 416 945	1 507 657
Social security	931 120	869 470
Accrued personnel expenses	3 785 600	3 530 000
Social fund	308 456	233 318
Other payables	1 899 427	2 290 222
Total	**78 611 601**	**85 335 343**

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

Liabilities include the amount of EUR 482 544 EUR relating to deliveries for investment shares not invoiced as of 31 December 2020 (31. December 2019: EUR 700 245 EUR).

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	76 753 824	82 628 691
Overdue payables	1 857 777	2 706 652
Total	**78 611 601**	**85 335 343**

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	**233 318**	**192 407**
Appropriations expensed	1 027 135	974 717
Usage	-951 997	-933 806
Closing balance at 31 December	**308 456**	**233 318**

15 Bank loans

	As at 31 December 2020	2019
Non-current		
Long term portion of bank loans (a)	12 899 242	30 098 232
	12 899 242	30 098 232
Current		
Short term portion of bank loans (a)	17 200 092	17 205 046
	17 200 092	17 205 046

The maturity of bank loans is as follows:

Maturity	As at 31 December 2020	2019
Short term portion of bank loans	17 200 092	17 205 046
Long term portion of bank loans		
1 - 5 years	12 899 242	30 098 232
over 5 years	0	0
Total	30 099 334	47 303 278

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

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

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

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

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

	2020	2019
Bank borrowings	1,26%	1,26%

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

Bank/Creditor	Typ	Currency	Amount in EUR 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.	operating	EUR	1 102	6 056	-	January 2021	0	1 102	0
Slovenská sporiteľňa, a. s.	investment	EUR	17 323 232	27 222 222	1,30%	31. 7. 2022	0	9 898 990	7 424 242
Všeobecná úverová banka, a. s.	investment	EUR	12 775 000	20 075 000	1,20% a 1,30% based on tranche	18. 9. 2022	0	7 300 000	5 475 000
Total	X	X	**30 099 334**	**47 303 278**	X	X	X	**17 200 092**	**12 899 242**

16 Lease payables

	As at 31. December 2020	As at 31. December 2019
Long term		
Long term portion of lease	497 637	509 762
	497 637	**509 762**
Shortterm		
Short term portion of lease	197 753	196 003
	197 753	**196 003**

The maturity of lease payables is as follows:

	31. December 2020	31. December 2019
Less than one year	197 753	196 003
1 – 5 years	361 612	334 408
More than 5 years	136 025	175 354
Total	**695 390**	**705 765**

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)	8 885 588	9 704 098
– current portion (a)	818 530	820 527
EBRD grant Lemešany – long-term portion (b)	29 748 522	31 376 477
– current portion (b)	1 627 991	1 628 369
EBRD grant Bystričany – long-term portion (c)	46 319 141	23 114 694
– current portion (c)	1 936 121	206 904
US Steel – long-term portion (d)	3 083 184	3 280 457
– current portion (d)	197 285	199 926
EU TEN-E – long-term portion (e)	659 815	688 363
– current portion (e)	28 550	28 551
E.On – long-term portion (f)	2 132 215	2 251 168
– current portion (f)	118 958	118 963
Slovenské elektrárne, a. s. – long-term portion (g)	2 523 994	2 716 093
– current portion (g)	192 109	192 118
EU TEN-E – long-term portion (h)	717 667	745 670
– current portion (h)	28 003	28 004
EU TEN-E – long-term portion (i)	1 762 261	1 829 405

– current portion (i)	67 147	67 148
EU TEN-E – long-term portion (j)	2 004 080	2 070 655
– current portion (j)	66 585	66 593
Západoslovenská distribučná – long-term portion (k)	2 539 185	2 706 102
– current portion (k)	166 925	166 933
Východoslovenská distribučná – long-term portion (l)	3 769 353	3 944 182
– current portion (l)	174 857	175 433
INEA Veľký Meder – long-term portion (m)	360 756	360 756
– current portion (m)	0	0
INEA Rimavská Sobota – long-term portion (n)	633 575	633 575
– current portion (n)	0	0
Západoslovenská distribučná – Pod. Biskupice– long-term portion (o)	3 061 823	3 322 649
– current portion (o)	91 491	89 807
Západoslovenská distribučná – Senica – long-term portion (p)	3 500 000	3 500 000
– current portion (p)	0	0
Fortischem – long-term portion (q)	3 074 123	3 074 123
– current portion (q)	0	0
Commodity futures – short-term part (r)	1 890 201	0
Others – long-term portion (s)	6 838 853	5 086 672
– current portion (s)	4 091 542	10 020 963
Total	**133 110 430**	**114 215 378**

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

The amount of EUR 9 704 118 (31 December 2019: EUR 10 524 625) was recognized in deferred revenue related to the grant.

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

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

The amount of EUR 31 376 513 (31 December 2019: EUR 33 004 846) was recognized in deferred revenue related to the subsidy.

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

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

kV, for expansion substation in Horná Ždaňa and Križovany crossing the 400 kV Križovany - Bystričany and 400 kV Oslany - Horná Ždaňa. Grant funds were partly drawn in 2020.

The amount of EUR 48 255 262 (31 December 2019: EUR 23 321 598) was recognized in deferred revenue related to the subsidy.
At the reporting date, the Company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

d)
Deferred revenues include an amount EUR 3 280 469 (31 December 2019: EUR 3 480 383), related to investment in the substation in Košice, which remains in property of the Company, however, the company US Steel however, the company US Steel paid the half of the substation's acquisition costs.

e)
Amount of EUR 688 365 represents a co-finance provided to the Company from an European Commission's program EU TEN-E (Trans – European Network) in the amount of 10% of the value of transmission lines EK-Moldava – SS Košice (31 December 2019: EUR 716 914 EUR).

f)
Deferred revenue of EUR 2 251 173 included in deferred revenues is related to construction field 13 in ES Križovany that was 100 % financed by company E.On Trakovice (31 December 2019: EUR 2 370 131).

g)
Amount of EUR 2 716 103 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 2 908 211).

h)
Amount of EUR 745 670 represents co-finance provided to Company from European Commission for the transmission line SS Košice – Lemešany (31 December 2019: EUR 773 674).

i)
Amount of EUR 1 829 408 represents co-finance provided from European Commission for the meshing V 409 line to the new transformer station 400 / 110kV in electric station Voľa (31 December 2019: EUR 1 896 553).

j)
Amount of EUR 2 070 665 represents co-finance provided to Company from European Commission for the transmission line 400 kV Gabčíkovo – Veľký Ďur (31 December 2019: 2 137 248 EUR).

k)
Amount EUR 2 706 110 is related to the refinancing of Západoslovenská distribučná a.s. costs for enlargement the electric station in Stupava by second transformer (31 December 2019: EUR: 2 873 035).

l)
Amount EUR 3 944 210 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 4 119 615).

m)
Amount of EUR 360 756 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 360 756).

n)

Amount of EUR 633 575 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 633 575).

o)
The amount of EUR 3 153 314 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 3 412 456).

p)
The amount of EUR 3 500 000 relates to the refinancing of costs of capital construction within the Bystričany power station incurred by Západoslovenská distribučná, a. s. (31 December 2019: EUR 3 500 000).

q)
The amount of EUR 3 074 123 relates to the refinancing of costs of capital construction within the Est Senica power station incurred by Fortischem, a. s. (31 December 2019: EUR 3 074 123).

r)
The Company decided to trade at electricity exchange, namely EEX (European Energy Exchange). In 2020, the Company concluded future contracts at the exchange with the underlying commodity being electricity. Some of these contracts were settled during 2020, other will be settled in 2021. The objective of these transactions is to minimize or eliminate risk, therefore they represent hedging against a potential unfavourable change in the commodity price. Expected future electricity purchases by the Company are hedged (see also Notes 11, 3.1 and 3.3).
The sum of EUR 1 890 201 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 230 986 (31 December 2019: 242 104 EUR), which relates to the joint procedure agreement for connection of company´s En-Invest, a. s. facilitiest to the transmission system SR at the Moldava power station.

As other long-term deferred income the Company is recorded an income in amount of EUR 5 843 701 representing the proceeds of regulated tariffs, which does not belong to the Company in 2020 according to regulatory accounting rules and procedures, but in 2022, when they will be realised (31 December 2019: EUR : 4 015 560).

As other short-term deferred income the Company is recorded an income in amount of EUR 4 015 560 representing the proceeds of regulated tariffs, which does not belong to the Company in 2019 according to regulatory accounting rules and procedures, but in 2021, when they will be realised (31 December 2019: EUR 9 943 091).

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 decrease by additional 4,4% for temporary differences in fixed assets due to charges for regulated subjects based on act No. 235/2012 Z.z. (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, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, no taking into consideration temporary differences.

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

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

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

	At 31 December 2018	**(Change) (-) costs/ (+) benefits**	**Accounted to other parts of comprehensive results**	**At 31 December 2019**
Positive revaluation of fixed assets	-25 295 089	2 625 759	87 674	-22 581 656
Negative revaluation of fixed assets	623 521	-92 169	0	531 352
Receivables	0	0	0	0
Tangible and intangible assets	-43 086 271	-4 740 674	0	-47 826 945
IFRS 16	0	-8 167	18 385	10 218
Financial investment	-28 980	0	0	-28 980
Retirement benefit	1 982 679	66 360	263 970	2 313 009
Provisions	637 844	-128 634	0	509 210
Other	5 992 309	611 621	0	6 603 930
Total	**-59 173 987**	**-1 665 904**	**370 029**	**-60 469 862**

19 Provisions for liabilities and charges

	Pensions and other long-term benefits (a)	**Legal claims (b)**	**Others (c)**	**Total**
At 1 January 2020	**11 014 325**	**68 761**	**0**	**11 083 086**
Additional provisions	841 362	0	0	841 362
Dissolution of provision in equity	-1 408 554	0	0	-1 408 554
Provisions used	-743 965	-28 596	0	-772 561
Reversals of unused provision	0	0	0	0
At 31 December 2020	9 703 168	40 165	0	9 743 333

Analysis of total provisions	As at 31 December 2020	2019
Non - current	9 703 168	11 014 325
Current	40 165	68 761
Total	9 743 333	11 083 086

(a) Pension benefits and other long-term benefits

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

(i) Post employment benefits

	As at 31 December 2020	2019
Present value of unfunded retirement obligations	9 480 088	10 813 362
Unrecognized actuarial gains/(losses) and portion of past service costs	0	0
Obligation in the Statement of Financial Position	9 480 088	10 813 362

The amount recognized in the Income Statement are as follows:

	2020	2019
Current service cost	732 279	889 000
Past service cost	0	0
Interest cost	64 726	63 000
Pension (credit) / cost, included in personnel costs	797 005	952 000

Value recognized in Equity are as follows:

	2020	2019
Recognized actuarial gains/(losses)	-1 408 554	1 258 000
Total change recognized in equity	**-1 408 554**	**1 258 000**

Movements in the present value of defined benefit obligation are:

	2020	2019
Present value of unfunded retirement obligations at beginning of the year	10 813 362	9 278 362
Current service cost	732 279	889 000
Interest cost	64 726	63 000
Benefits paid	-721 725	-675 000
Past service cost	0	0
Cancelled	0	0
Actuarial gains/(losses)	-1 408 554	1 258 000
Present value of unfunded retirement obligations at the end of the year	**9 480 088**	**10 813 362**

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

	As at 31 December 2020	2019
Present value of unfunded obligations	223 080	200 963
Obligation in the Statement of Financial Position	**223 080**	**200 963**

The amounts recognized in the Income Statement are as follows:

	2020	2019
Current service cost	23 599	38 000
Recognized actuarial gains/loss	4 394	18 000
Reported actuarial gains / losses	15 616	0
Interest expense	748	1 000
Pension (credit)/cost, included in personnel costs	**44 357**	**57 000**

Value recognized in Equity are as follows:

	2020	2019
Recognized actuarial gains/(losses)	0	-1 000
Total change recognized in equity	**0**	**-1 000**

Movements in the present value of defined benefit obligation are:

	2020	2019
Present value of unfunded retirement obligations at beginning of the year	200 963	162 963
Current service cost	23 599	38 000
Past service cost	4 394	18 000
Interest cost	748	1 000
Benefits paid	-22 240	-18 000
Actuarial gains/losses	15 616	-1 000
Present value of unfunded retirement obligations at the end of the year	**223 080**	**200 963**

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

As at 31 December 2020

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

As at 31 December 2019

Percentage of employees, who will terminate their employment with SEPS prior to retirement (fluctuation rate)	1,7 – 4,7 % p. a., based on age
Expected salary increases	5,00 – 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 Company 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 Company's management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided.

20 Revenues

Revenues include the following:
Revenues from electricity transmission and electricity transit:

	2020	2019
Accesss to transmission grid	131 280 847	137 922 199
Fee for connection to the transmission system	954 647	954 313
Covering lossing	17 632 220	14 797 671
System operation	26 550	26 550
System services	137 193 391	144 472 821
Auctions	30 094 973	29 376 183
Deviations and regulation energy	12 818 708	8 511 586
CBT mechanism	10 166 349	7 631 102
Import and export	1 060 530	1 225 662
Profil OT		
Shipping	10 816 903	17 482 815
Other regulated revenues (mainly shipping and daily market)	738 950	2 245 247
Total revenues from electricity transmission and transit	**352 784 068**	**364 646 149**
Rental	737 776	751 767
Telecommunications services	88 728	153 188
Other revenues	22 253	13 566
Total other revenues	**848 757**	**918 521**
Total revenues	**353 632 825**	**365 564 670**

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

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

Since 11 September 2012 the Company 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 Company recognizes the revenues from these activities under line Sales from merchandise respectively Costs for merchandise sold.

In 2020 the Company realized transactions in total amount of EUR 299 612 873 and related costs were EUR 294 823 162 EUR (31 December 2019: transactions in amount of EUR 365 750 967 and related costs were in the amount of EUR 350 155 987). According to IFRS 15, costs related to implicit auctions in the amount of EUR 14 680 590 and also costs representing a collection for the benefit of a third party amounting to EUR 2 425 119, were deducted from these items as at 31 December 2020, as such collection does not form a part of the transaction price according to IFRS 15.Revenues related to the use of the OT profile amounting to EUR 23 072 373 are also included in shipping. (As at 31 December 2019, costs associated with the implicit auctions amounting to EUR 22 824 397, costs representing collection for the benefit of a third party in the amount of EUR 7 971 526; revenues related to the use of the OT profile in the amount of EUR 32 335 683 EUR). Revenues from shipping with negative prices in the amount of EUR 1 524 452 and costs of shipping with negative prices in the amount of EUR 1 463 924 are also included in the shipping item (as at 31 December 2019: Revenues from shipping with negative prices in the amount of EUR 838 703 and costs of shipping with negative prices in the amount of EUR 490 628).

Together with the operator of the Czech transmission network, the Company has introduced a system to avoid simultaneous supplies of balancing energy in opposite directions using cross-border connections (hereinafter the IGCC system). Since 2013, the operator of the Hungarian transmission system has also participated in the system. The respective revenues and costs result from the volume of the balancing energy acquired within the IGCC system and fixed prices for this balancing energy determined by a resolution adopted by the Office. The Company reports revenues from these activities as part of the "sale of goods" and the "costs of goods sold". The net result is reported in the "other regulated revenues" line (as of 31 December 2019, the line "other regulated revenues" was used). During 2020, transactions totalling to EUR 3 797 104 were carried out. Related costs amounted to EUR 3 511 166 (31 December 2019: transactions totalled to EUR 2 796 022 and the costs amounted to EUR 1 385 382). Revenues from negative prices from IGCC totalled to EUR 811 655 and costs of negative prices from IGCC totalled to EUR 946 262 (As at 31 December 2019: both costs and revenues amounted to EUR 0.)

21 Consumed materials and services

Consumed materials and services included the following:

	2020	2019
Material and energy consumption	19 655 265	16 515 430
Repair and maintenance	6 608 983	10 756 679
Travel expenses	138 006	394 358
Representation expenses	49 314	567 337
Rental	441 074	355 277
Communication services	219 624	220 734
Substations service	2 140 248	2 298 544
Protection and maintenance of area	1 473 165	1 873 296
Revisions, controls, security services	591 447	598 900
Technical advisory, technical support	329 910	198 007
Cleaning	318 443	318 384
Biological recultivations	194 868	237 932
Geodetic services	27 960	145 853
Experts examinations, analysis, experts opinions, certifications	2 131 359	3 112 800
Information technology services, advertisement	9 377 283	9 627 232
Expenses for ancillary services	130 020 570	133 766 690
Expenses for deviations	4 637 189	5 277 582
Expenses for auctions	291 334	258 715
Expenses for CBT/ITC	19 448	1 580
Audit of Financial Statements provided by auditor	40 000	40 000
Advisorory services	454 380	470 180
Tax advisory	34 800	35 160
Demolitions	971 358	1 091 146
Operating services TSCNET Services GmbH	1 181 100	1 080 200
Re - invoicing of shared costs	283 106	24 227
Other	1 123 520	1 031 874
Total	**182 753 754**	**190 298 117**

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

The Company's 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 Company.

22 Personnel costs

	2020	2019
Wages and salaries	21 323 622	20 847 940
Other personnel costs	2 676 115	2 291 700
Pension costs – defined contribution plans	8 781 296	7 648 204
Current service costs	755 878	927 000
Past service cost	4 394	18 000
Interest expense related to retirement and other employee benefits	65 474	64 000
Interest costs on pension and similar employee's benefits	15 616	0
Total	**33 622 395**	**31 796 844**

23 Other operating expenses

	2020	2019
Insurance costs	2 206 954	2 201 716
Provision for impairment	500 872	50 532
Taxes and other fees	227 232	182 005
Gifts	36 500	417 000
Other operating expense	592 314	507 491
Total	**3 563 872**	**3 358 744**

24 Other operating income

	2020	2019
Gain from sale of material	3 960	18 019
Profit from sold fixed assets	154 408	277 560
Release of deferred revenues from a grant from EBOR	3 258 108	2 541 502
Contractual penalties	1 919 387	1 399 286
Insurance	79 439	85 483
Excess material	42 282	156 649
Other operating income	515 207	289 067
Total	**5 972 791**	**4 767 566**

25 Finance expense, net

	2020	2019
Interest income	176 816	90 428
Interest expense from borrowings	-504 307	-530 412
Interest expense related to IFRS 16	-11 968	-17 861
Foreign Exchange gains	53	57
Foreign Exchange losses	-562	-5 135
Dividends	0	75 795
Other financial revenues	20 861	0
Other financial expense	-47 572	-24 344
Net finance expense	**-366 679**	**-411 472**

Other financial revenues represent revenues from liability provision from a short-term loan provided to a subsidiary in the amount of EUR 50 000 000.

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 before tax	83 201 981	94 976 273
Theoretical income tax related to current period at 21% (2019: 21%)	17 472 416	19 945 017
- Other income not subject to tax (permanent)	-466 242	-1 474 669
- Non-deductible expenses (permanent)	1 155 483	673 841
-Increase of tax due to charges for regulated subjects	5 980 823	6 526 727
-Deferred tax from temporary differences to which no deferred tax has been accounted historically	0	0
-Additional income tax	0	0
Changes in deferred taxes to 1 January due to change in tax rate	-246 201	0
	23 896 279	25 670 916
Income tax expense for the period		
The tax charge for the period comprises:		
- Deferred tax charge – expense/(income) (Note 18)	2 451 010	1 665 904
Deferred tax total	2 451 010	1 665 904
-Special levy for regulated subjects	5 980 823	6 526 727
-Additional income tax	0	0
- Current income tax expense	15 464 446	17 478 285
Income tax total	21 445 269	24 005 012
Total income tax expense for the period	23 896 279	25 670 916
Effective tax rate	28,72%	27,03%

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 for 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.

27 Contingencies

(a) Taxation

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

(b) Regulation and liberalization in energy industry

Regulatory framework for the electricity market in the Slovak Republic

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

Activities of the Company are subject to regulation by URSO.

(c) Litigation

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

The Company 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 33 021 227 (2019: EUR 82 857 537). 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 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 Company has approved a capital expenditure budget for 2021 in the amount of EUR 67 419 029 (2020 capex budget: EUR 108 783 873). 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

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

(b) Future operating lease commitments – Company as lessee

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

The Company has also applied an optional 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.

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

	31 December 2020	31 December 2019
Due within 1 year	171 370	257 052
Due in 2 to 5 years(inclusive)	19	171 384
Due after 5 years	168	173
Total	**171 557**	**428 609**

The Company has also entered into an operating lease for an unlimited period of time with a possibility of termination with a 3-month termination period. The annual lease payments amount to EUR 9 620 (31 December 2019: EUR 10 129). The main items include the lease of telecommunications routes.

c) Future operating lease commitments – Company as lessor

The Company leases out mainly transformation and optic fibre cables.

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

	31 December 2020	31 December 2019
Due within 1 year	293 970	254 464
Due in 2 to 5 years (inclusive)	1 061 631	1 017 854
Due after 5 years	1 795 225	1 781 245
Total	**3 150 826**	**3 053 563**

The Company has also entered into an operating lease for an unlimited period of time for which the annual lease payments amount to EUR 382 621 (31 December 2019: EUR 396 418).

The Company leases 2x110kV power lines ESt Lemešany - ES SS Košice from supporting point in Bukovec to supporting point in Lemešany in length of 18,678 km. Lease expires in 50 years, rent is calculated every year according to capital, investment and operating costs. Annual rent for 2021 as at 31 December 2020 amounts to EUR 286 177 (31 December 2019 for year 2020: EUR 289 286 EUR). The basic component of the rent will be paid to lessor for the time of 20 years and operating component of the rent will be paid to lessor for the time of 50 years. The minimal lease instalments include the basic component of the rent in amount of EUR 250 658 annually (31 December 2019: EUR 254 464).

29 Cash generated from operations

	Note	2020	2019
Profit before income tax		83 201 981	94 976 273
Adjustments for:			
Depreciation	5	52 929 912	49 087 419
Amortization	6	4 151 907	1 571 903
Impairment charge for non-current assets	5	0	0
Changes in provisions for receivables	11	498 645	50 532
(Gain) / loss on disposal of assets	24	-154 408	-277 560
Dividend income	25	0	-75 795
Income from short - term financial assets	25	-20 861	0
Interest income/expense, net	25	339 459	457 845
Net movements in provisions	19	-1 339 753	1 569 518
Changes in working capital:			
Inventories (gross)		1 168 698	-1 706 453
Trade and other receivables		-10 505 468	11 865 133
Trade and other payables, deferred revenues		-22 235 493	-2 047 186
Cash generated from operations		**108 034 619**	**155 471 629**

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

		Year ended 31 December	
	Note	2020	2019
Net book value		34 302	212 220
Profit/(loss) from sale of tangible fixed assets	24	154 408	277 560
Proceeds from disposal of tangible fixed assets		188 710	489 780

30 Related party transactions

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

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

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

Ministry of Economy of Slovak Republic, is the 51 % shareholder of Západoslovenská energetika, a. s., Východoslovenská energetika Holding, a. s. and Stredoslovenská energetika, a. s..

Západoslovenská distribučná, a.s., Západoslovenská energetika – Energia, a. s., ZSE Elektrárne,

s. r. o., Východoslovenská energetika, a. s., Východoslovenská distribučná, a. s. and Stredoslovenská distribučná, a. s. are 100% subsidiaries of these companies.

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

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

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

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

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

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

As at 31 December 2019, the outstanding balances with the subsidiary were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade receivables	Trade and other payables
OKTE, a. s.	12 037 829	0	0	-3 162 210

As at 31 December 2019, the outstanding balances with joint venture were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade receivables	Trade and other payables
Joint Allocation Office, S. A. Luxemburg	27 416	0	0	-1 913 023

As at 31 December 2019, the outstanding balances with the state-controlled entities and government bodies (other related parties) were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade receivables	Trade and other payables
Slovenské elektrárne, a.s.	178 483	14 786	0	-16 365 185
ZSE Elektrárne, a. s.	22 270	0	0	-205 674
Západoslovenská distribučná, a .s.	2 766 135	0	0	-228 708
Západoslovenská energetika – Energia, a.s.	0	0	0	-52 304
Východoslovenská distribučná, a. s.	1 153 947	0	0	-28 350
Stredoslovenská energetika, a.s.	0	0	0	-55
Stredoslovenská distribučná, a.s.	1 835 646	0	0	-61 788
Tepláreň Košice, a. s.	5 364	0	0	-386 313
Žilinská teplárenská, a. s.	585	0	0	-95 835
Martinská teplárenská, a. s.	482	0	0	-240 396
Zvolenská teplárenská, a. s.	1 728	0	0	-263 419
Vodohospodárska výstavba, a. s.	25 582	0	0	-845 123
Slovenský plynárenský priemysel, a. s.	0	0	0	-1 230

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

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

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

	Sale of services	Purchase of services
OKTE, a. s.	185 018 405	-13 024 888
Joint Allocation Office, S. A.	6 312 473	-285 020
TSCNET Services, GmbH	0	-1 113 866
Slovenské elektrárne, a.s.	6 560 704	-71 481 437
Západoslovenská distribučná, a. s.	59 702 155	-420 301
Západoslovenská energetika – Energia, a. s.	0	-411 072
ZSE Elektrárne, s. r. o.	1 140 370	-829 695
Východoslovenská distribučná, a. s.	26 166 539	-235 502
Stredoslovenská energetika, a. s.	0	-4 118
Stredoslovenská distribučná, a. s.	37 642 571	-364 484
Tepláreň Košice, a. s.	0	-2 961 079
Žilinská teplárenská, a. s.	0	-353 052
Martinská teplárenská, a. s.	0	-851 224
Zvolenská teplárenská, a. s.	0	-1 140 221
Východoslovenská energetika, a. s.	0	-703
Vodohospodárska výstavba, a. s.	1 399 869	-5 144 445
Slovenský plynárenský priemysel, a. s.	0	-31 464

Key management personnel compensation

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

	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and short term employee benefits	2 251 212	2 344 275
Total	**2 251 212**	**2 344 275**

31 Events after the reporting period

No events with a material impact on the true and fair presentation of facts subject to the accounting occurred after 31 December 2020.

The 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 15 February 2021.

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

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

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

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