Annual Report
as at 31 December 2022

ZSE Energia, a.s.

ZSE

Content

01 | Introduction of ZSE Energia, a.s.

Foreword by the Chairman of the Board of Directors

Juraj Krajcár, Chairman
of the Board of Directors ZSE Energia

The word ″rapid″ describes the year 2020 best. It was the year when we had to rapidly implement a huge number of laws and, as a last resort supplier we had to rapidly accept more than 150,000 customers. The energy markets were changing rapidly, and we had to respond even more rapidly. The beginning of the year gave as a little hope that after two years of the pandemic the situation will get back to normal, but the invasion of Ukraine brought even more uncertainty and unprecedented changes were seen on the energy markets.

Price of commodities went sharply up already in 2021. There were several reasons behind. One of them was the pandemic and resulting impacts of closing and recovering global economies. Shortage of electricity on the exchange was caused also by lower generation from renewables and parallel shutting down of nuclear power plants. The commodity mix for the electricity generation experienced the return of coal and gas became a key commodity that will lead us through from the old energy world to the new ″green″ world.

Obviously, the chaotic situation affected the functioning of individual market participants. Lack of free sources and insufficient liquidity resulted in extreme pressure on the financing of the commodities´ sourcing and accuracy of its planning. Not all companies were able to flexibly respond to the situation and were forced to leave the market.

At the beginning of the year, we had to swiftly accept around 150,000 customers into our portfolio and ensure that the process goes smoothly. We had to make heroic effort to ensure supplies to these customers as electricity had not been sourced for them.

Over the entire year we faced unprecedented price volatility on wholesale markets. It was extremely difficult to deal with these price changes and volumes within our customer portfolio. Only thanks to the fact that our company has comprehensive portfolio of services we were able to keep the standard functioning, eliminating impacts of bad market situation and ensuring services for our customers.

Nevertheless, even in this crisis situation we tried to foster non-commodity services. We significantly increased the number of charging points within the ZSE Drive network. The number of customers went up in the area of non-commodity services, confirming our strategy to be a partner to our customers in case of their needs related to business and households. Virtual battery is very popular too, since the customers can store extra energy in it and get it back when they need it. Great interest in photovoltaics was reported in all customer segments.

Photovoltaics is the solution of the future that can contribute to overcome both energy and environmental crisis. The current high interest in photovoltaics is understandable, because it is a good investment - if we consider the geopolitical situation and record-breaking prices of the commodities. On the other hand, customers themselves realise the need to support the solutions that contribute to sustainability of our natural sources.

Interest in the so called ″green solutions″ has been perceived by ZSE for several years. As a proof, we offer the Green Electricity product which has been used by more than 125,000 households since its launch. It was promoted just before the pandemic and enjoyed great popularity right from the start. Its popularity went up even further when the product was extended with the option of selecting a renewable source (hydro, solar, wind, biomass). Thanks to the Green Electricity product, ZSE gradually strengthened its position on the energy green solutions market.

We appreciate the approach of our customers and therefore we want to return a part of the proceeds from this product to the community through the ZSE Foundation. In 2022 we launched the pilot project of the Solar Roof programme as a part of which we will install photovoltaic panels on the roofs of schools and educational facilities. Within the pilot project, we selected eight facilities, then we announced the first year of the Solar Roof programme which quickly gained great popularity. In total, we selected 12 institutions where we will install photovoltaic panels in the total amount of up to EUR 200,000. Our company acknowledges that the development of renewable sources is a long-term activity, and we wish to continue in this programme in the upcoming years.

In the context of geopolitical development, transition to green energy will be more complicated, however, it is necessary if we consider the climate change. Likewise, we have to start preparing for it already now. In doing so, ZSE is engaged in the ELSEA project. A huge number of new facilities will be gradually connected to the system, of which a significant part generates unpredictability or a short-term load, thus producing pressure on the system and need for flexibility. Only the first phase of the project, which is in advanced progress, will enable to connect around 230MW of renewable sources to the system, saving up to 200,000 tonnes CO_2 per year.

Another very dynamic year is behind us, which forced us to respond rapidly to the changing conditions. Thanks to the professional approach of colleagues we managed, despite unforeseeable conditions, to ensure non-stop supply of our products and services while minimising negative impacts on our customers. I would like to thank for their approach. Also, I thank our business partners and customers who keep on being loyal to us.

Juraj Krajcár,
Chairman of the Board of Directors

Company Bodies

The structure of statutory and supervisory bodies of ZSE Energia, a.s. (hereinafter the "Company") in 2022 was as follows:

Statutory Body

Board of Directors	
As at 31 December 2022	
Chairman	Mgr. Juraj Krajcár (start of office on 30 March 2020)
Vice-Chairman	Ing. Miroslav Recký (start of office on 1 September 2020)
Members	Ing. Marián Suchý (start of office on 01 August 2021)
	PhDr. Michal Dubeň (start of office on 19 April 2021)
	Ing. Peter Pacek (start of office on 1 September 2020)

Supervisory Body

Supervisory Body	
As at 31 December 2022	
Chairman	Ing. Vladimír Poruban (start of office as a member on 20 November 2020, elected the Chairman on 17 December 2020)
Vice-Chairman	Mgr. Lucia Macaláková (start of office on 1 July 2019; elected the Vice-Chairman on 9 October 2019; end of office on 1 July 2022)
	Mgr. Lucia Macaláková (start of office on 1 July 2022; elected the Vice-Chairman on 28 September 2022)
Members	Mgr. Tomáš Pavlíček (start of office on 20 November 2020)
	Ing. Pavel Vrábik, PMP (start of office on 20 November 2020)
	Mgr. Jozef Kramec (start of office on 20 November 2020)
	JUDr. Soňa Tchirová (start of office on 20 November 2020)
	Ing. Andrea Schlettová (start of office on 29 November 2019; end of office on 6 December 2022)
	Jana Buranská (start of office on 7 December 2022)
	JUDr. Rastislav Hubač (start of office on 29 November 2019; end of office on 6 December 2022)
	Ing. Branislav Jurík (start of office 29 November 2019; end of office on 7 December 2022)
	Mgr. Branislav Kotrík (start of office on 7 December 2022)

The shareholders' structure as at 31 December 2022 was as follows:

Shareholders' Structure			
As at 31 December 2022	**Absolute amount in EUR**	**Equity share in the share capital**	**Voting rights**
Západoslovenská energetika, a.s.	6,638,784	100 %	100 %

Scope of Business

Information on the Company and Its Scope of Business

ZSE Energia, a.s. was established on 18 August 2006 and incorporated in the Commercial Register on 22 September 2006. The Company is registered with the Commercial Register of the Bratislava I District Court, Section: Sa, File No.: 3978/B. The Company started to perform its core activity (electricity supply) on 1 July 2007.

At the end of 2011, the Company launched the provision of gas supplies to large industrial companies and in April 2012 also to small and medium-sized companies and households.

The Company together with Západoslovenská energetika, a.s., Západoslovenská distribučná, a.s., ZSE Elektrárne, s.r.o., ZSE Energy Solutions, s.r.o., ZSE MVE, s.r.o., and ZSE Business Services, s.r.o. and ZSE Energetické služby, s. r. o. form the ZSE Group.

The Company also has the branch office in the Czech Republic.

The Company's Principal Scope of Business is electricity and gas supply.

The Company has no costs of research and development activities.

The Company did not acquire any of its own shares, temporaryinterim certificates, shares or interim certificates and shares of the parent entity.

Risks and Uncertainties

The core business activity of ZSE Energia, a.s. is electricity and gas supply to end consumers. In relation to energy supply business, ZSE Energia, a.s. is exposed to several risks – especially credit and price commodity risk.

Credit risk. Credit risk is related to the liquidity risk of the company's business partners, in particular the electricity and gas consumers. The Company has an internal credit risk assessment process, which involves assigning an individual credit rating to its customers based on a combination of independent financial information and their payment discipline. ZSE Energia, a.s. actively uses insurance of receivables, as an additional risk management tool.

Market risk. Market risk is caused by changes of market variables as a result of commodity market supply and demand development. It takes a form of energy price fluctuations and economic environment dynamics. Price fluctuations can have impact on the closing price of the open position of the Company. The Company applies a conservative approach to managing commodity business by maintaining a limited open position and through back-to-back commodity buying (at the moment of the sales volume contracting).

Significant events that occurred after the end of 2022 and require disclosure in the annual report

After the end of 2022, no events occurred that would have an impact on the financial statements for the year ended 31 December 2022.

Compliance Programme

The Company paid special attention to the development and implementation of "Compliance Programme", i.e. a set of processes focused on compliance with law and ethical conduct of employees of ZSE Group in all areas of the working life. The "Compliance Programme" has been gradually implemented in all subsidiaries of the ZSE Group, including ZSE Energia, a.s.

The main objective of "Compliance Programme" is to prevent, reveal and respond to conduct which could be considered in conflict with internal and applicable laws, with the possible result in the personal responsibility of the persons involved, the management of the Company or the Company as such (criminal liability of legal persons).

Code of Conduct

The essential document of the Compliance Programme is the Code of Conduct which defines responsible business principles to which companies of the ZSE Group are committed. At the same time, it is a binding guideline on the conduct of employees, contractors and all who cooperate with the companies of the ZSE Group.

The Code of Conduct is amended with supplementary binding internal regulations providing a deeper insight into the areas of compliance (e.g. AML, conflict of interests, criminal liability of legal persons, whistleblowing).

In order to increase ethical awareness of employees, the ZSE Group companies organise many educational activities, scope of which was defined depending on the tasks and responsibilities of individual participants.

In 2022, ZSE Group companies continued to offer new e-learning courses to employees within the Group. As of 2020, all employees must go through the Code of Conduct e-learning module at regular yearly intervals. In 2022, the training focused on ethical dilemmas and possibilities of reporting forbidden activities identified by employees during their work.

This educational activity of the ZSE Group was one way of our continued support of the so-called speak-up culture aiming to encourage the employees to openly deal with and escalate their concerns related to compliance with the rules. The training module used hypothetical situations to clearly depict circumstances which require the employees to take responsibility and contact the Compliance Manager.

Employees in units with no internet access participated in the training offline.

New employees went through the e-learning or in-person training about the Code of Conduct, where they were informed of the ZSE Group's compliance rules and whom to contact for consultation or reporting.

Moreover, all current and new ZSE Group leaders went through the "Leaders and integrity" e-learning, highlighting their indispensable role as paragons in the ZSE Group's culture of compliance with rules.

Compliance and notifications

The ZSE Group has established reporting channel through which employees may report the breach of internal or applicable laws. Employees are instructed in detail on the methods of notification, on their position in the investigation process, and if they are interested, they can also make the notification anonymous using internal notification channels. For the sake of completeness, as per the internal rules of the ZSE Group, third parties may also file a claim, which will also be subject to investigation in line with the internal rules of the ZSE Group.

Number of compliance-related claims in the ZSE Group in 2022

For the sake of transparency and clarity, we divide the claims to following categories:

Number of compliance-related claims

As at 31 December 2022	
Claims regarding business integrity, potential illegal activity, violation of legal regulations, corruption, antitrust rules, compliance with KYC rules and integrity of business partners, insider trading (GRI 205-3)	0
Frauds against ZSE Group companies, such as theft, embezzlement, other fraudulent behaviour	8
HR-related concerns claims, such conflict of interests, mobbing, bossing, sexual harassment, discrimination, etc.	4
Any other topics related to the Code of Conduct	3
TOTAL	15

Zero Tolerance for Corruption

In line with ten principles of the Global Compact under which the companies and firms seek to prevent corruption in all its forms, the ZSE Group engages in the fight of corruption and this commitment is expressed in the Zero Tolerance Plan for Corruption. This Plan is a part of the Code of Conduct and was developed based on the analysis of activities which are exposed to risks of corruption and unfair practices the most. The obligation is also reflected between the ZSE Group and its suppliers, as this is incorporated into the ZSE Group's Code of Conduct for Suppliers.

- **Giving and accepting gifts**

  Procedures for giving and accepting gifts are a part of anti-corruption measures included in the Code of Conduct. All gifts to be given, except for gifts within defined limits, must be approved and documented according to the defined procedures in the central register of gifts.

  The topic of anti-corruption behaviour, giving and accepting gifts or refreshments is regularly communicated through internal communication channels. The area of gifts and refreshments is also a topic of regular trainings, of both the new employees and as part of regular annual compliance and Code of Conduct trainings.

- **Contributions to political parties, charity and sponsorship gifts**

  Programmes for gifts and sponsorship are transparent. As a sponsor, the ZSE Group supports specific projects and initiatives in the areas such as education, environment protection, innovation and community development, if they meet the following criteria:
  - objectives are linked to the objectives and mission of the Company,
  - the funds have clearly defined purposes, and their use is properly and transparently documented and verifiable anytime.

  The ZSE Group does not finance political parties, their candidates or representatives, either in Slovakia or abroad, nor does sponsor meetings or assemblies whose the only or main purpose is political promotion.

- **Fight against money laundering and terrorist financing**
  In the fight on money laundering and terrorist financing, the ZSE Group proceeds in line with Slovak and European laws. The ZSE Group never excuses, facilitates or supports money laundering and terrorist financing which means that:
  - respects laws concerning money laundering and terrorist financing,
  - never engages in risk activities which could be focused on financing or support of criminal terrorist activities,
  - adopts measures and mechanisms of assessment of potential and current business partners.

Competition and anti-competitive practices

We, in the ZSE Group, are convinced that we can win and retain customers and build stable relationships with the stakeholders only if we act responsibly and fairly.

The ZSE Group is governed by the Rules on Competition and by no means tolerates prohibited agreements restricting competition (cartel agreements) or abuse of the dominant status. All employees of the ZSE Group Companies are under an obligation to act in compliance with the Competition Protection Rules, further detailed in the Code of Conduct.

Under internal rules of the ZSE Group, special attention is paid to observing the competition protection rules in contact with competitors. In contact with competitors, employees must ensure that they would not receive or provide any information which would lead to conclusions on the current or future behaviour of the ZSE Group or its competitors on the market.

Observance of national and internal laws is also immensely important for the ZSE Group. ZSE Group companies require the same from their business partners.

Control Know your counterpart (KYC)

The ZSE Group selects its business partners on the basis of professional and economic criteria. However, the Group also pays close attention to the aspect of environmental protection, respect for human rights, labour and other generally standards or anti-discrimination and anti-corruption policies. When selecting business partners, also international sanctions, as well as regulatory, legal or reputational risks capable of causing serious effects on the ZSE Group, are strictly reflected.

Internal control mechanism:
It is a continuous process which is performed by the **Board of Directors** through **managers** and **experts** of the Company, so that all stakeholders are provided with **reasonable guarantees** to achieve **strategic objectives** of the Company. For this purpose, the Company has established:

1. **Internal Control Mechanisms** have been implemented at the level of individual processes with the aim of identifying and preventing risks of fraud, corruption and unfair practices. The aim of the system of internal controls is prevention and timely identification of errors and incorrections which may occur as a result of intentional fraud and unintentional action or omission.

2. **Internal audit** is a set of independent, objective, assurance and consulting activities aimed at improving management and control processes, taking into account the internationally accepted auditing standards "International Standards for Professional Practice in Internal Auditing". The ZSE Group has established Internal Audit unit which permanently controls the system of implemented control mechanisms, identifies shortcomings and proposes action plans to improve internal control system and make them more efficient. The Chief Audit Officer is responsible for developing and implementing the Internal Audit Plan, which is based on a risk assessment, taking into account the Company's risk management framework as well as the level of risk management response to the various activities.

3. Part of the organisational structure of the ZSE Group is also the position of the **Compliance Manager**, whose role includes not only the responsibility for drafting and updating documentation related to the Business Compliance Programme, elaboration and updating of the Code of Ethics of the ZSE Group and carrying out activities related to the investigation of violation of the Code of Ethics.

Customer ombudsman

The customer ombudsman is very important for ZSE, given that he acts as an important line of communication between the company and its customers, and builds their trust. The energy market is very regulated and customers may have concerns regarding service level, invoicing or other areas they aren't very familiar with. The customer ombudsman serves as a contact point for customers, listens to their concerns and handles their requests. His role is essential in resolution of disputes, seeking satisfactory solutions in an adequate and unbiased manner.

The customer ombudsman deals with complaints in cooperation with ZSE Group colleagues and seeks the best solution for both parties. The ombudsman also helps the company observe regulation and industry standards.

Last year, the ZSE customer ombudsman handled 948 customer cases, which is in line with the long-term average.

Only a small part of cases (108) are official claims received by email. Cases can be primarily divided into two categories. The first includes basic help for a group of customers where it can be assumed that they need assistance. These can be e.g. hearing or vision impaired, physically handicapped or seniors of advanced age. Another group are customers who are not satisfied with the handling of their claim at an existing contact centre, or their case is more complex.

Approximately 1/6 of claims were classified as requests. These concern mostly help with filling out a form, submitting a request or completing documents. 1/3 of claims were classified as complaints. In such cases, the ombudsman enters the process if there was a misunderstanding and the standard process came to a halt. Most often there are complaints regarding the contract on connection or electricity meter failure. Recently, with the launch of photovoltaic panel installations and longer waiting times, the ombudsman has been receiving complaints related to this. The biggest part of the ombudsman's contacts with the customers – up to 1/2 – concerns consultations and/or advisory. The main reason is that the customers naturally don't know the process and often it is easier for them to come and have it explained to them in simple terms.

Moreover, the ombudsman helps identify and address systemic issues within the company and thus improve the overall customer experience. It is thanks to the customer ombudsman that ZSE manages to build better relations with the customers and gain their trust, which in the long term leads to improved loyalty and retention of the customer base.

Cyber-security

In the current digital world, technology and its use became part of the daily standard not only at work but also in private. With the increased use of internet and connected devices, the potential of cyber-security threats or data leaks increases. The energy sector and its infrastructure are an indispensable part of the economy. Digitisation of processes and smartification of devices creates pressure to implement robust cyber-security solutions. The stability of supply in the energy sector is closely connected with cyber-security. An attack on the infrastructure could interrupt electricity supply and even cause blackouts and have serious consequences for both individuals and companies.

To ensure the stability of electricity supply, proper protection of our systems and network is important. The company cooperates with government agencies and other major partners in sharing information on potential threats, and we monitor the best practices in security.

During the last year, we detected and averted more than 1,400 attacks on our server environment. In the most intense month, electronic mail monitoring systems identified and blocked up to 20,000 phishing emails. We use advanced SIEM (Security Information and Event Management) analytics to detect security events of highest complexity, arising from identification of non-standard behaviour and event correlations of known attacks. During the year, SIEM registered almost 10,000 security events.

In 2022, we implemented a network security solution which learns the patterns of normal network operation behaviour thanks to machine learning, and distinguishes standard and suspicious behaviour. The cyber security unit also segregated the critical part of the network where monitoring of data transfers takes place, as well as active use of firewall down to application level. The set rules thus enable communication with network elements exclusively from the authorised dispatch centre stations.

With a correct strategy and technology, the company can resist cybernetic attacks, eliminate adverse impacts of incidents and ensure uninterrupted electricity supply to our customers.

02 | Economy

Economy

Structure of Natural Gas Sources and Electricity and Use

Structure of Gas

as at 31 December	2022	share (%)	2021	share (%)
Volume of gas supplied (GWh)	2,757	100,%	3,524	100,%
of which: supplies to households (GWh)	1,458	53,%	1,632	46,%
of which: supplies excluding households (GWh)	1,299	47,%	1,892	54,%

Indicators

as at 31 December	2022	2021
Revenue from the sale of gas (thousand)*	278,084	179,773
Volume of gas supplied (GWh)	2,757	3,524
Volume of gas purchased/external sources (GWh)	2,757	3,524
Volume of gas generated/own sources (GWh)	0	0
Number of supply points	94,546	89,400
*based on a contract on combined gas supply		

Structure of Electricity Supplies

as at 31 December	2022	share (%)	2021	share (%)
Volume of electricity supplied including losses (GWh)	6,528	100 %	6,815	100 %
of which: supplies to households (GWh)	2,287	35 %	2,251	33 %
of which: supplies excluding households (GWh)	4,241	65 %	4,564	67 %

Indicators

as at 31 December	2022	2021
Revenue from the sale of electricity (EUR thousand)*	2,035,541	1,114,254
Volume of electricity supplied including losses (GWh)	6,528	6,815
Volume of electricity purchased/external sources (GWh)	6,528	6,815
Volume of electricity generated/own sources (GWh)	0	0
Number of supply points	1,016,350	1,002,782
* based on a contract on combined electricity supply		

Useful electricity supply (GWh)

2022	6,528
2021	6,815

Key Indicators

In 2022, ZSE Energia, a.s. generated a profit of EUR 47,855 thousand, with sales totalling EUR 2,330,378 thousand and expenses totalling EUR 2,269,781 thousand.

The Company's key figures according to the International Financial Reporting Standards as adopted by the European Union:

Key Figures as at 31 December		
EUR thousand	**2022**	**2021**
Non-current assets	24,623	18,157
Current assets	394,995	239,710
Total assets	**419,618**	**257,867**
Equity	75,785	45,970
Non-current liabilities	7,166	7,695
Current liabilities	336,667	204,202
Total equity and liabilities	**419,618**	**257,867**
Sales	2,330,378	1,302,883
EBIT (profit from operating activities)	**63,087**	**24,213**
EBITDA	65,010	25,517
Revenue	2,332,686	1,305,495
Expenses	2,269,781	1,281,440
Profit before tax	62,905	24,055
Net profit	**47,855**	**18,401**
Average number of employees	**289**	**276**

Distribution of Profit for 2021

The Company's sole shareholder acting in the authority of the General Meeting approved in its resolution dated 16 June 2022 the distribution of accounting profit for 2021 amounting to EUR 18,401 thousand and the distribution of dividends in the amount of EUR 18,149 thousand..

Trade Receivables and Trade Payables

Trade Receivables and Trade Payables		
EUR thousand	**2022**	**2021**
Trade and other receivables	355,830	234,506
of which: overdue	24,124	14,158
Trade and other payables	274,217	168,823
of which: overdue	-	9

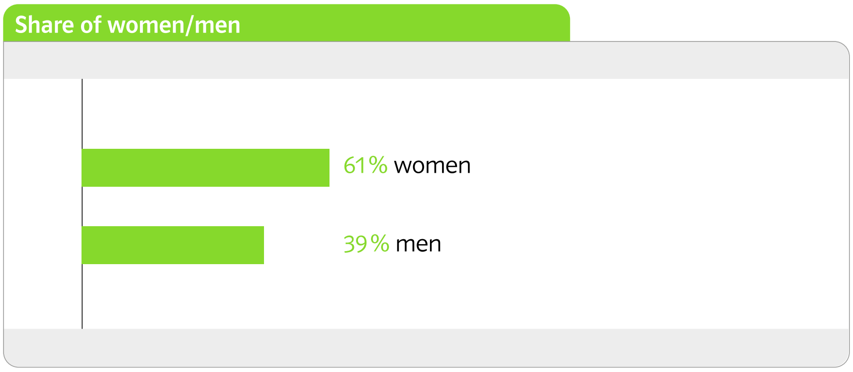
Proposal for 2022 Profit Distribution of ZSE Energia, a.s.

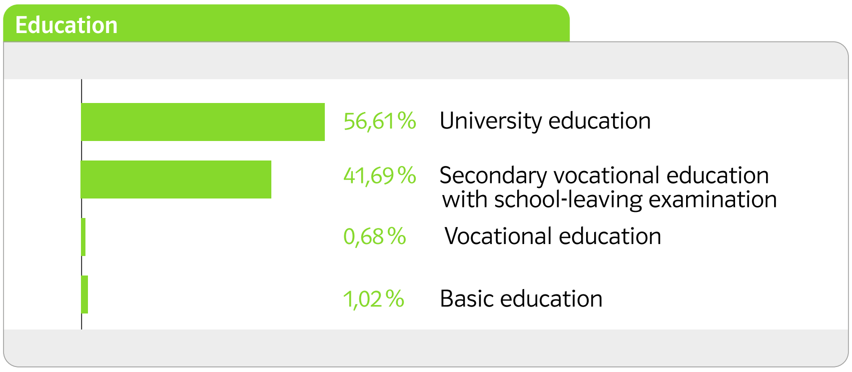
Proposal for 2022 Profit Distribution of ZSE Energia, a.s.	
submitted to the Board of Directors of ZSE Energia, a.s. on 28 March 2022	**EUR thousand**
Profit/loss for the year	47,855
Profit/loss to be distributed	47,855
Allotment to social fund	228
Dividends	47,627
Total distribution of profit	**47,855**

03 | Human resources

Ľudské zdroje

In 2022, ZSE Energia, a.s. had 289.42 employees on average (excl. members of the Board of Directors and Supervisory Board and employees who worked on the basis of the agreement on performance of work).
The average age of employee was 42.97 years.





Remuneration and employee benefits

In line with the commitments resulting from the Collective Agreement, the companies of the ZSE Group raised the wage, consisting of the basic and variable part, by 2% on average. From 1 July 2022, basic wage increased by EUR 30.

For the period from 1 January 2022 to 30 June 2022, employees received a one-time payment of EUR 180. Basic wage was re-evaluated from 1 July 2022 differentially by 1.14%. Employees were remunerated based on their performance which directly affected the sum of the variable part of the wage and extraordinary bonuses.

All employees of the ZSE Group received the contribution from the Social Fund for recovery of labour force. Above standard preventive medical check-ups were also provided to employees.

The employer continued in contributing to the supplementary pension savings scheme of employees in 2022 as well. Every employee was entitled to 5 days of holidays beyond the Labour Code.

Training and development of employees

Talent management:
In 2022, two new talent programmes were launched – Grow Hub – development of managerial potential, and Expert Lab – development of expert and innovation potential.

Other strategic programmes in 2022 were the Team Leader Academy (successor academy), ZSD Coordinator Management Skills Development Academy ("Working with people and leading them"), preparation of managers for the transition to new normal (hybrid working), senior management development in the VUCA worlds ("Our Future is now").

If needed, employees can take part in coaching lessons to develop their soft and hard skills.

As part of human resources, diversity and inclusion topics, the company keeps in mind the necessity of lifelong education not only in the area of hard skills but also with focus on attentiveness, positive thinking or body balance. (GRI 103-1/2/3).

Mental health/wellbeing support

In 2022, the company became part of the Coalition of Companies for Mental Health. As part of this cooperation, all employees could participate every month in an online professional discussion regarding mental health and wellbeing support.

04 | Occupational Health and Safety

Occupational Health and Safety

The company continuously monitors and evaluates the work-related risks and adopts measures to mitigate and prevent them. Considering the nature of works in energy business, observance of OHS rules is the top priority.

Newly hired employees received initial instruction as a distance training via MS Teams, as well as in person. In 2022, 23 instruction trainings took place for 150 employees in total. In 2022, OHS and HR pilot workshops were organised for the company managers. Instruction of suppliers and employees' representatives for safety took place using MS Teams. The company organised campaigns focused on OHS supported by internal communication. To increase the employees' OHS awareness, various articles and quizzes were published on the intranet. In the area of employee health protection, we organised webinars focused on wellbeing, mental health protection, carpal tunnel prevention workshops. Rehabilitation stays were offered to employees doing hazardous work. The company also ensures preventive medical checks for selected employees beyond the legal framework.

In 2022, the total of 76,490 EUR was invested for all ZSE Group companies into personal and protective work equipment and tools, obligatory training courses on occupational health and safety, and preventive medical check-ups.

The ZSE Group monitors TRIF comb., LTIF comb. and NMFR indicators of employees. In 2022, the TRIF comb. reached a value of 1.8, LTIF comb. was 1.0 and NMFR was 142.05. Four registered work accidents were reported in 2022, of which 2 were fatal accidents of our contractors. In 2022, employees of contractors worked 630,012 hours at the sites or facilities of the ZSE Group.

Within the recertification audit in 2022, the ZSE Group showed improvement of the established System of Integrated Management (SIM) and managed to keep international certificates ISO 9001, ISO 14001 and ISO 45 001. The re-certification agency identified SIM strengths and improvements and concluded that SIM is in line with the requirements of ISO 14001 and ISO 45 001 standards, applicable laws and achieves continuous improvement. The audit led to recommendations of the certification agency to continue with the certification.

05 | Environmental Protection

Environmental Protection

ZSE Energia, a.s. offers services supporting solutions to save natural resources and use renewable energy sources. For several years, it has been offering photovoltaic solutions also with Virtual Battery, intended for household customers who want not only to use electricity from renewable sources, but also to produce it themselves. Those customers who are not able to use such solution can use the Green Electricity service. Customers gain a green certificate guaranteeing that the electricity supplied to his home is 100% covered by renewable sources.

In terms of the protection of environment, the ZSE online account plays an important role. To activate it, the Company encouraged its customers to use e-invoice and e-payment and, and to set-up the bank account for receiving overpayments.

In 2022, more than 67,000 customers activated e-invoice, which means that more than 455,000 our customers use this form of invoice. More than 67,000 household consumers started paying pay non-cash last year, which means that there is no need to print out and send paper slips as it was before. In total, more than 592,000 households use electronic form of payment.
The on-line account is continuously innovated with new functionalities, moving the operations and customer requests to on-line environment as much as possible.

An important environmental aspect of the online account is the possibility of ordering services with no need of sending paper documents. Among other products focused on the increased energy efficiency is energy certificate, energy audit and full concept of measures relating to energy savings.

ZSE Energia, a.s. oversees the advisory service portal www.setri.sk which significantly contributes to the raising of environmental awareness. In 2022, we continued to add articles, videos and interviews with interesting personalities who are active in the areas such as renewable energy sources or e-mobility (Martin Pribila, low-energy houses designer, Drahomír Piok, vehicle expert, Samuel Kováčik, science promoter and others).

We intend to bring expertise and competences in green solutions to our customers too. A team of advisors for green solutions was enlarged within ZSE Centres. They advise the customers on how to correctly set the tariff and the contract, prolong the life-cycle of appliances and offer practical instructions on energy savings in households. They also advise on global solutions which require bigger investments, for example photovoltaics.

06 | Products and Services

Products and Services

Zelený balík

Klimatizácie pre domácnosti

ZSE Energia, a.s. offers its products and services under ZSE brand

ZSE Energia is a market leader in green solutions

Production of energy from traditional sources significantly affects the production of CO_2 in Europe. Every year the energy sector in the European Union produces up to 1.17 billion tons of emissions. The European Union states introduce green changes. One of them is the increase of share of renewable sources in the energy mix: to 20% in 2020 and to 32% in 2030.

This trend has been seen in the product portfolio of ZSE Energia, a.s. for many years. The interest of Slovak citizens and businesses in the topics such as global warming or environment protection has been rising in the past years. Care for climate, energy independence and responsibility are not only the question of the attractive trend but rather a necessity. Paradoxically, interest in green solutions and energy independence has gone up as a result of war in Ukraine. ZSE Energia, a.s. has been successfully building its position on the market with energy-related green solutions, either in households or businesses.

In fact, it is not only the latest trend. The Company has been offering the solutions using renewable energy sources such as photovoltaic panels or solar collectors since 2015, and it is a leader in this aspect for households. By launching the Green Electricity product for households in the beginning of 2020, ZSE Energia, a.s extended its portfolio in a way that all customers can use electricity produced from renewables. Even those customers who do not produce electricity. High interest in Green Electricity by households continued in 2022 too and more than 124,000 households used this product to the end of the year. It is an increase by 137,000 households only in 2022. Green electricity from Slovak solar power plants was the most in-demand product variant, and Green Electricity from Slovak water power plants reported great demand too.
The Green Electricity product was gradually in-demand by small firms too and hundreds of them were using this product at the end of the year.

ZSE Energia, a.s. has been supporting decarbonisation processes in the long-run, either in the industry, services, transport or in communities and municipalities. Therefore, in 2022 the Company continued in carrying out a long-term project within which a part of the funds collected from its customers for the Green Electricity service goes back to regions - cities, towns or communities.

ZSE Fotovolt

Klimatizácie pre firmy

The project has several benefits: First of all, the environment is protected because renewable energy is used. Secondly, the municipality saves money because a significant part of electricity is produced by the schools and social care facilities themselves. Finally, there is an educational aspect: pupils learn about this technology in physics, biology or environmental education, and the entire community positively perceives that the municipality of the self-governing region uses renewable energy sources.

Additional services and Value-added services

The most popular additional service in 2022 was **ZSE Asistuje Plus** (ZSE Assists Plus). It is a complete emergency service when the Company ensures removal of electricity, gas, water and heating breakdown within a two of hours. Customers do not pay for repairs of appliances (white and brown goods) including spare parts or a broken window. The number of individual payments per year is not limited and the payment limit is EUR 200 per repair. Approximately 128,000 satisfied customers used this service in 2022.

The **ZSE Zdravie** (ZSE Health) healthcare service was used in 2020 by more than 30,000 customers, includes a family doctor on the phone 24 hours a day and above-standard services in case of hospitalisation up to EUR 200. This service includes, for example, accommodation for a parent with a hospitalised child, payment for hospital stay, a service that will accompany patients to doctors and other.

The **ZSE IT Pomoc** (ZSE IT Assistance) service helps customers install software in computer via remote access, ensures telephone assistance for setting-up a cell phone or brown goods, or recovers data from a broken data carrier which a technician picks up directly from the customer. Benefits of ZSE Asistuje Plus, ZSE Zdravie and ZSE IT Pomoc services can be used in one package **ZSE Balík Domov** (ZSE Package Home).

Furthermore, our product portfolio includes **ZSE Balík Domov 2** (ZSE Package Home 2), which, in addition to ZSE Asistuje Plus, offers extended service of ZSE Zdravie plus. In addition to standard service ZSE Zdravie, this service includes a unique service Diagnose.me, i.e. the possibility of asking for a second medical opinion and consulting a diagnose with international medical experts.

More demanding customers could use **ZSE Balík Domov Komplet** (ZSE Package Home Complete) which is getting very popular now. It is a combination of ZSE Asistuje Plus, ZSE Zdravie Plus and ZSE IT Pomoc.

As part of the **ZSE Poistenie platieb** (ZSE Payments Insurance) service the customers get insurance of regular monthly payments in case of sick-leave, insurance of assistance services in case of rehabilitation, spa treatment or insurance in case of hospitalisation as a result of an injury. Almost 8,000 customers used this service to the end of the year.

Complete solutions for households

ZSE Fotovolt ZSE Fotovolt is an ideal solution when the customer wishes to produce electricity for its own consumption, save energy and be environmentally-friendly. The unique feature in 2022 was the guarantee of electricity produced from the photovoltaics by ZSE Energia, a.s., regardless of weather or placement of the photovoltaics. If the technology does not produce the expected volume of energy, ZSE Energia, a. s. will add the missing volume of energy in the settlement in the form of financial value. Almost all new customers using photovoltaics use Virtual Battery service too. This unique service is a storage facility where the customers temporarily store excess electricity and when they need it they will get it back from us. So far, we have installed more than 2,200 solar solutions, of which great majority is ZSE Fotovolt solution.

When the sale of air-conditioning systems was launched in 2018, it became the key pillar in the strategy of providing "global energy solutions".

The sales figures in 2022 were positively impacted by the post-pandemic recovery and very good weather, especially in April and May. The Company managed to install 1,775 air-conditioning systems in households, which is an increase by more than 600 pieces as compared to 2021. This figure even broke the record of 2019 (1,300 air-conditioning systems).

We also managed to further sell the ZSE Klima Bezstarosti (ZSE Klima Easy), which is a unique product as a part of which customers could get cutting-edge air-conditioning system including transport and installation only for EUR 1 per day, electricity for air-conditioning for free for a year, and lifetime service and extended warranty over the full length of service use. In practice it means that ZSE guarantees the functionality of the air-conditioning system over the entire time of its use, and if the system breaks down and cannot be repaired on the spot, it is immediately replaced for a new one.

Businesses

Electricity/Commodity Gas

The **E.Partner** (E.Partner) offer was designed for segment of regulated customers with the annual electricity consumption of up to 30 MWh at all supply points and unregulated customers with the annual electricity consumptions from 0 to 250 MWh or over 250 MWh, unless the customer has more than 50 supply points. With the E.Partner product the customer got a percentage discount on a current pricelist for 24 months with the repeated automatic prolongation.

Firma Výhoda plus is for unregulated customers with the valid contract with tariff products. Customers get significantly lower prices as compared to the current standard pricelist, depending on their consumption.

The Firma Komfort Plyn Plus (BusinessComfortGasPlus) product offers an attractive low price of the commodity not only for gas supply but also for complete multiple gas services, especially in comparison with prices offered by the dominant gas supplier on the gas market in Slovakia. The product is for unregulated consumers (businesses, entrepreneurs and institutions) with one or more supply points, where consumption at all supply points does not exceed 641,400 MWh in 12 consecutive calendar months and, at the same time, every supply point meets conditions of the "Retail" category.

Additional Services

Corporate customers could benefit from **SMART meters**. A manual meter-reading is not needed any longer because data are sent to the distribution company automatically via smart meters, recording the customer´s consumption. The customer has a detailed overview of his consumption over the day thanks to which he can optimise his energy costs, e.g. by shifting a part of consumption to a lower, cheaper tariff. A part of care by ZSE Energia, a.s. care for corporate customers were **advisory services**, e.g. correct setting of reserve capacity, maximum reserve capacity or adherence to power factor.

As far as big corporate customers are concerned, the Company provided many various solutions, such as compensation devices, energy audits and certificates, air-conditioning and cooling devices, e-vehicle charging stations and photovoltaics for businesses.

Complete solutions for businesses

In 2022, ZSE Energia, a.s. extended its portfolio of air-conditioning products to small businesses and installed up to 50 pieces of this product in this segment.

Last year, the Company reported significant rise in demand for installation of the local photovoltaic source. At the end of 2022, we installed and put into operation 14 local sources with a total installed capacity of 174 kWp, so a total of 274 kWp of installed local sources from ZSE are already in operation. There were another 24 sources in implementation (their installed power will be 2.965 kWp) and 53 sources in the process of project documentation production (their installed power will be 5,392 kWp).

ZSE Klima Dizajn

Online účet

Research and development

ZSE Energia, a.s. has been focusing on innovations in the log-run. Energy business will undergo one of the biggest transformations in the years to come. Data, algorithms and their processing forms will play a key role, if we want to win over the market forms and new players. Data and its processing by artificial intelligence forms and machine learning technologies are the overlaps between business of ZSE Energia, a.s. targets and science capacities of KInIT Institute which focuses on intelligent technology research. In 2021, ZSE Energia, a.s. launched the cooperation with this Institute, focusing on efficient use of data and innovations in the energy business.

Online account

Households / Businesses

In the end of 2022, the online account was used by more than 424,000 customers. By activating the supply point in the online account, the customer gets an overview of his consumption, payments and bills which he can immediately pay by the payment gateway. He can even activate e-invoice online, change his contact data, the amount of advance payment or payment methods, or set up the account for receiving overpayments. In the online account the customer can change gas supplier, change the owner of the supply point to other consumer. Security of all active operations by the customers is ensured through a text message sent to the customer´s telephone.

Corporate customers can use functionalities such as mass download of bills in the XML or XLS formats, possibility of creating their own views or filter bills by their own criteria. Another new functionality is a possibility of searching for a bill by its number or extended possibilities of filtering by date of creation, due date or payment method.

The online account has important environmental dimension since the customer does not get any papers to sign when he wishes to change or order something and all changes are made automatically and online.

07 | Corporate Social Responsibility

Corporate Social Responsibility

In the area of corporate responsibility, the aim of ZSE Group is to support education, community life and environmental protection.

Education

Elektrárňa Piešťany, former municipality power plant, is a renovated industrial site which started its operation in 1906 and is listed on the list if national cultural buildings. Since autumn 2016, this power plant building has been offering its premises to the project "Elektrárňa Piešťany - Centre of Creative Energy and Art" aimed at creating a unique centre for experience education in the area of science, technology and art. In a funny ways, students and visitors have an opportunity to get more information about electrical, magnetic, solar and hydro power interactive installations. Education for schools is offered by interactive expositions focusing on support of education and getting new knowledge in physics, environmental protection, sustainable development and natural sciences. In beginning of 2022, the realisation of the activities was still affected by restrictions related to the coronavirus pandemic. The team of Elektrárňa Piešťany used this time and developed interactive educational programmes available at www.elektrarnapriestany.sk. In 2022, the premises which have been unavailable for a long-time were renovated too. On the occasion of the 100th anniversary of ZSE, water tower and lightning conductor tower were reconstructed. These premises serve as a museum of the power plant and electrician job. Thanks to modern technologies, visitors can benefit from a walk through a generator hall or interactive elements to the educational programmes, such as rope-walking simulating work of electricians at height. ZSE Group improves education quality in Slovakia through the Exceptional Schools grant scheme. In 2022, the ZSE Foundation announced the fourth year of the programme. Again, the aim was to support teachers of elementary and high schools across the entire Slovakia. Those who have not lost, despite obstacles, courage to teach differently and inspire their pupils and students and colleagues, and who wish to actively contribute to the change to classes. A total sum of EUR 100,000 was distributed within the programme in 2022 to support 50 projects, on the occasion of the 100th anniversary of ZSE .

Furthermore, ZSE continued to develop the www.vynimocneskoly.sk website which offers educational material anytime during the academic year to explain or complement the missing curriculum. In the academic year 2022/2023, teachers wishing to develop their digital skills could again engage in the Learning Together Online project. The sum of EUR 24,180 was distributed, supporting 10 candidates and future creators of the content.

In 2022, the ZSE Foundation continued in the partnership with Indícia, not-for-profit organisation which has been focusing on education and inspiring teachers and managers at schools for 10 years. After long months, teachers from across the entire Slovakia were welcomed to the Elektrárňa Piešťany at the inspiring Schooling Restart conference. Experts in tuition and inspiring teachers supported by the Exceptional Schools scheme presented themselves at the conference.

Environmental protection

Environmental responsibility has been among the priorities of the ZSE Group in the long-run. For more than 20 years environmentalists and we have been jointly working on the harmony between the landscape and industry on this territory which is also a part of the distribution area of ZSE. Our cooperation with this organisation can be seen in many activities. The organisation focuses on research and protection of wild birds of prey and owls all over Slovakia. This organisation has systematically been dealing with the impact of overhead lines on avifauna for many years. In 2022, our cooperation continued within the 3DodZSE project, focusing on the protection and monitoring of raptors and owls. One of the activities is the installation of booths on middle voltage lines´ towers. As a part of the project, we also communicate with officers and foresters and cooperate with the public. Our partnership includes urgent actions in emergent situations which require treating of dangerous nesting which could result in tragic consequences.

Switching to Green is a new grant programme, aiming to contribute to mitigation of negative impact of the energy industry on climate change. Whereas a few years ago, together with our partner we taught children at schools how to separate waste, today we must address more difficult topics. The scheme support projects focusing on environmental education, renewables, protection of landscape features and ecotypes. The support was opened to educational programmes focusing on awareness about responsible approach to environment and way to apply it in a daily life, environmental projects interconnecting communities or projects supporting self-sufficiency. Instead of original sum of EUR 50,000, the ZSE Foundation supported 43 projects in the total amount of EUR 65,000.

The urgent climate crisis accompanied by the energy crisis was motivation to further actions. The commitment to environmental protection is developed by a new programme Solar Roofs. The programme was designed for schools and educational facilities, facilities offering social services, protected workshops and registered social enterprises which could apply for a free-of-charge installation of photovoltaic panels. In 2022, the first phase of the programme took place, as a part of which photovoltaic panels were installed in eight entities in West Slovakia. The ZSE Foundation announced the first open year of the programme, offering free-of-charge installation to selected entities in the total amount of EUR 70,000 and more.

Community development

Community-building topics and projects have long been in the centre of attention of the ZSE Group's employees. Engagement of many of them is one of the pillars of our corporate social responsibility activities. Effort and initiative of our colleagues make our surroundings and our society a better place. Through the Employees´ grant programme the ZSE Group supports volunteering activities of those employees who, besides their daily work and duties, are willing to be engaged in their community. In 2022, it was already the 6th year of the programme. Symbolically, on the occasion of the 100th anniversary of ZSE, the total sum distributed among 141 projects were increased to EUR 100,000.

The Making Regions Move grant scheme is a key programme to support innovative and inspiring people who bring change to the imminent environment. The programme supports, in particular, original projects of the communities or those that make the exceptionality of a specific region or its traditional customers or sights more visible. The 6th year of the programme enabled to get support for projects that help converge different cultures, strengthen intercultural dialogue and contribute to mutual understanding. The exceptional jubilee of ZSE was not omitted and the sum of EUR 200,000 was distributed among 144 projects.

Mutual aid connects us

The ZSE Foundation in cooperation with the Disabled Aid Association APPA has been supporting charity events already five years, bringing benefits to handicapped people in West Slovakia. Natural persons, informal groups of citizens and non-governmental organisations could apply for support in 2022 within the Energy for You scheme, with the aim of organising their own charity sport or cultural events or public collection in West Slovakia. The programme supported 10 charity events, enabling to collect more than EUR 23,000. This sum will be used for of physical rehabilitations, purchase of medical aids and drugs for selected members of the APPA club.

The sum of EUR 50,000 was earmarked for refugees from war-torn Ukraine. This sum was distributed among People in Need and Mareena organisations.

The civil organisation Mareena participated in activities carried out in the humanitarian centre in Gabčíkovo, with the aim of supporting protection and education of approximately 350 children who, mainly with their mothers, fled the war and found shelter in Slovakia.

Non-for-profit organisation "People in Need Slovak Republic" has been active in more than 25 countries across the world including Slovakia over its 20-year long existence. In addition to urgent interventions in crisis situations, it carries out development cooperation, watches human rights and contributes to global education. The organisation has been active in Ukraine since 2014.

Annex | Financial Statements and Independent Auditors' Report as at 31 December 2022

Contents

Statement of Financial Position

Statement of Financial Position

In thousands of EUR	Pozn.	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,295	92
Intangible assets	7	4,131	4,684
Investments	8	6,901	7,254
Right-of-use assets		6	6,
Trade and other receivables	10	1,712	2,230
Deferred income tax	15	5,578	3,891
Total non-current assets		**24,623**	**18,157**
Current assets			
Inventories	9	19,247	3,790
Trade and other receivables	10	355,830	234,506
Cash and cash equivalents	12	19,918	1,414
Total current assets		**239,710**	**239,710**
TOTAL ASSETS		**419,618**	**257,867**
EQUITY			
Share capital	13	6,639	6,639
Legal reserve fund	14	1,331	1,331
Other reserves		548	439
Retained earnings		67,267	37,561
TOTAL EQUITY		**75,785**	**45,970**
LIABILITIES			
Non-current liabilities			
Post-employment defined benefit obligations	16	730	846
Other long term employee benefits		260	290
Lease liabilities	8	6,176	6,559
Total non-current liabilities		**7,166**	**7,695**
Current liabilities			
Trade and other payables	19	274,217	168,823
Liabilities from cash pooling	11	49,289	24,766
Lease liabilities	8	849	827
Provisions for liabilities and charges	18	2,501	8,365
Current income tax liabilities		9,811	1,421
Total current liabilities		**336,667**	**204,202**
TOTAL LIABILITIES		**343,833**	**211,897**
TOTAL LIABILITIES AND EQUITY		**419,618**	**257,867**

These financial statements have been approved for issue by the Board of Directors on 28 March 2023.

Mgr. Juraj Krajcár
Chairman of the Board of Directors

Ing. Marián Suchý
Member of the Board of Directors

The accompanying Notes 1 to 30 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive

Statement of Profit or Loss and Other Comprehensive			
In thousands of EUR	**Pozn.**	**2022**	**2021**
Revenue from electricity and other revenue	20	**2,052,294**	**1,123,110**
Revenue from natural gas		**278,084**	**179,773**
Purchases of electricity and related fees	21	(1,943,943)	(1,085,458)
Natural gas purchased		(291,067)	(161,612)
Employee benefits	22	(14,245)	(12,943)
Other operating expenses	23	(17,471)	(19,139)
Depreciation of property, plant and equipment	6	(18)	(17))
Amortisation of intangible assets	7	(1,905)	(1,287)
Deprecation of right-of-use assets	8	(849)	(827)
Other operating income		2,207	2,613
Profit from operations		**63,087**	**24,213**
Finance income/(costs)			
Interest income		101	(1)
Interest and similar expense		(283)	(157)
Finance costs, net		**(182)**	**(158)**
Profit before tax		**62,905**	**24,055**
Income tax expense	15	(15,050)	(5,654)
Profit for the year		**47,855**	**18,401**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Actuarial remeasurements of post-employment defined benefit obligations	16	193	644
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	15	(84)	(135)
Total other comprehensive income / (loss) for the year		**109**	**509**
Total comprehensive income for the year		**47,964**	**18,910**

The accompanying Notes 1 to 30 are an integral part of these financial statements.

Statement of Changes in Equity

Statement of Changes in Equity

In thousands of EUR	Share capital	Legal reserve fund	Retained earnings	Total equity
Balance at 1 January 2021	**6,639**	**1,331**	**43,186**	**51,156**
Profit for the year	-	-	18,401	18,401
Other comprehensive loss for the year	-	-	509	509
Total comprehensive income for 2021	**-**	**-,**	**18,910**	**18,910**
Dividends declared and paid (Note 13)	-	-	(24,096)	(24,096)
Balance at 31 December 2021	**6,639**	**1,331**	**38,000**	**45,970**
Profit for the year	-	-	47,855	47,855
Other comprehensive loss for the year	-	-	109	109
Total comprehensive income for 2022	**-**	**-**	**47,964**	**47,964**
Dividends declared and paid (Note 13)	-	-	(18,149)	(18,149)
Balance at 31 December 2022	**6,639**	**1,331**	**67,815**	**75,785**

The accompanying Notes 1 to 30 are an integral part of these financial statements.

Statement of Cash Flows

Statement of Cash Flows			
In thousands of EUR	**Pozn.**	**2022**	**2021**
Cash flows from operating activities			
Profit before tax		62,905	24,055
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment		1,923	1,304
- Depreciation of right-of-use assets		849	827
- Contract assets - external dealers' commissions under IFRS 15		539	-954
- Deprecation of receivables		-	50
- Disposal of financial investments in subsidiaries		-	7
- Interest income		(101)	(1)
- Interest and similar expense		283	149
- Other items		19	-2
Cash generated from operations before changes in working capital		66,417	25,435
Changes in working capital:			
- Inventories		(15,457)	824
- Trade and other receivables		(121,345)	(78,009)
- Trade and other payables		105,302	(4,838)
- Provisions for liabilities and deferred income		(5,881)	8,520
Cash generated from operations before interest and taxes		**29,036**	**-48,068**
Interest income received		101	1
Income tax (paid) / refund received	28	(8,376)	(10,842)
Interest paid		(275)	(141)
Net cash from operating activities		**20,486**	**(59,050)**
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(7,499)	(1,213)
Proceeds from repayd loans		-	150
Net cash from investing activities		**(7,499)**	**(1,063)**
Cash flows from financing activities			
Dividends paid	13	(18,149)	(24,096)
Repayment of principal element of lease liabilities	27	(857)	(789)
Liabilities from cash pooling*		24,523	83,338
Net cash from financing activities		**5,517**	**58,453**
Net change in cash and cash equivalents		**18,504**	**(1,660)**
Cash and cash equivalents at the beginning of the year		1,414	3,074
Cash and cash equivalents at the end of the year	**12**	**19,918**	**1,414**

* In 2022, the Company's management decided to change the presentation of cash from cash pooling, refer to Note 2.

The accompanying Notes 1 to 30 are an integral part of these financial statements.

Notes to the Financial Statements – 31 December 2022

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2022 for ZSE Energia, a.s. (hereinafter the "Company" or "ZSE E").

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 18 August 2006. The Company was incorporated in the Commercial Register of the District Court Bratislava I on 22 September 2006.

Principal activity. The Company provides electricity supply services primarily in the Western Slovakia region. At the end of 2011, in addition to electricity, the Company's supply business commenced offering gas to large industrial customers and since April 2012 to SMEs and households.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 36 677 281 and its tax identification number (IČ DPH) is: SK2022249295.

Presentation currency. These financial statements are presented in Euro ("EUR"), rounded to thousands, unless otherwise stated. Negative amounts are presented in brackets.

Ownership structure. Západoslovenská energetika, a.s. owns 100% of the Company's shares. ZSE Energia, a.s. is included in the consolidated financial statements of Západoslovenská energetika, a.s. ("The Parent company").

The Parent company is jointly controlled by E.ON and the Slovak Republic as a result of a shareholders' agreement, which requires the parties to act together to direct the activities that significantly affect the returns of the Parent company. The Parent company's governance structure dictates that the Parent company Strategic plan shall be approved by representatives of both E.ON and the Slovak Republic. Further, any decisions by general meeting of shareholders must be made jointly by the existing shareholders, because a qualified two thirds majority of votes is required to pass any decision, while restrictions exist for transfer of shares to parties not under control of existing shareholders. Refer to Note 13.

List of members of the Company's Board of Directors and of the supervisory board is publicly available.

Number of employees. The Company employed 289 staff on average during 2022, of which 11 were management (2021: 276 employees on average, of which 12 were management). Number of employees at 31 December 2022 was 295 (31 December 2021: 284).

2 Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements have been prepared on accrual basis and under the going concern assumption. The transactions are recognised in the financial statements in the period to which they relate.

The Board of Directors may propose to the Company's shareholders to amend the financial statements until their approval by the general shareholders meeting. However, Article 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity's accounting records after the financial statements are approved by the general shareholders' meeting. 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 entities to restate comparative information in the reporting period in which the relevant facts are identified.

These financial statements have been prepared in addition to the consolidated financial statements of the Západoslovenská energetika, a.s. Group, with its registered address Čulenova 6, 811 09 Bratislava. The financial statements should be read in conjunction with the consolidated financial statements to obtain a complete understanding of the

Company's results of operations and financial position. These consolidated financial statements can be obtained from the Company at its registered address.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised 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. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or costs.

Right-of-use assets. The Company leases lands, administrative and technical buildings and motor vehicles. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Assets that represent right-of-use of the underlying leased assets are initially measured at the present value of the future lease payments.

Right-of-use assets are measured at cost at the commencement date of a lease, comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct (transaction) costs, and
- costs to restore the asset to the conditions required by lease agreements upon handover to the lessor at the end of the lease.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives.

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

Depreciation on the items of the right-of-use assets	Useful lives in years
Office buildings	2 - 15 years
Vehicles	2 - 5 years

Depreciation. Land and construction in progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives

Depreciation on other items of property, plant and equipment	Useful lives in years
Machinery and equipment	4 – 15 years

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Intangible assets. Intangible assets are initially measured at cost. Intangible assets are recognised 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 amortisation and any accumulated impairment losses.

Costs associated with maintaining computer software programs are recognised 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 recognised as intangible assets when the following criteria are met: (a) it is technically feasible to complete the software product so that it will be available for use; (b) management intends to complete the software product and use or sell it; (c) there is an ability to use or sell the software product; (d) it can be demonstrated how the software product will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (f) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised 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 recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

At the end of each reporting period management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, management reduces the carrying value to the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

Inventories. Inventories are stated at the lower of acquisition cost and net realisable value. Weighted average method is used for determination of cost of inventories. The cost of material includes purchase price and directly attributable acquisition costs, such as customs duties or transportation costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Trade receivables. Trade receivables are recognised initially at nominal value and subsequently measured at amortised cost using the effective interest method, net of allowance for expected credit losses ("ECL").

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against impairment losses within "other operating expenses".

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT, if this previously paid output VAT is not expected to be refunded by the authorities.

Commodity contracts at fair value through profit or loss ("FVTPL"). Commodity contracts at fair value through profit or loss represent commodity contracts concluded on foreign markets without intention to transport the commodity to Slovakia or in other way not being concluded for the entity's own use, sale or purchase requirements as well as those commodity contracts that the entity so designates in order to avoid significant accounting mismatch. These contracts have all three of the following characteristics: (a) the contract's value changes in response to the change in market price of commodity, which is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. These are EFET contracts that require physical delivery of the commodity. Revenue or expense related to the sale or purchase of the commodity, respectively, is recognised at the market price of the commodity at the time of delivery of the commodity to or from the counterparty.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition. All the entity's financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at amortised costs ("AC"), resulting in an immediate accounting loss.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets only in the amortised cost category. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at fair value through profit or loss ("FVTPL").

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected. The purpose of the business model of the Company is to hold the financial assets to collect cash flows.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

The Company holds only trade receivables, loans, cash pooling receivable, and cash and cash equivalents. The contractual cash flows of these financial assets represent only principal and interest payments that reflect the time value of money and, therefore, the Company measures them at amortised cost.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for receivables measured at AC and for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Receivables measured at AC are presented in the statement of financial position net of the allowance for ECL.

The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the amount of receivables turnover during the current period, revenue for the current period and the amount of receivables written off.

The amount of the loss allowance was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset was reduced using an allowance account, and the amount of the loss was expensed within "other operating expenses".

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

Financial assets - derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from these financial assets as well as substantially all the related risks and rewards to an unrelated third party.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any transaction costs incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any transaction costs incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities designated at FVTPL. The Company may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in other comprehensive income ("OCI"). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

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 amortised cost because they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest ("SPPI").

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the share issue.

Dividends. Dividends are recorded in equity in the period in which they are declared. The financial statements of the Company are the basis for profit distribution and other appropriations.

Legal reserve fund. The legal reserve fund is set up in accordance with the Commercial Code. Contributions to the legal reserve fund were made at 10% of the Company's profit for the year, up to 20% of the share capital. Such funds are not distributable and may only be used to increase share capital or to cover losses.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current income tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Current income tax also includes a special levy on profits in regulated industries at a rate of 4.356% per annum (2021: 4.356%). The basis for the special levy is calculated as profit before tax * (revenue from regulated activities/total revenue). The special levy for year 2022 is 3.833% (2021:4.356%). The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

Deferred income tax is recognised 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, 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 and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the respective reporting period and apply to the period when the related deferred income tax asset will be realised, or the deferred income tax liability will be settled.

The special levy on profits is chargeable on profits determined in accordance with Slovak GAAP and hence, a deferred tax in relation to special levy arises only where there is a temporary difference between Slovak GAAP and IFRS carrying values of assets and liabilities.

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

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

Post-employment and other long term employee benefits. The Company contributes to state and private defined contribution pension and social benefit plans under which the Company pays fixed contributions into a separate entity 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. The contributions are expensed when incurred.

As agreed with the trade unions, the Company also has (a) a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement, depending on the number of years worked for the Company and (b) an obligation to pay work and life anniversary long service bonuses. These obligations are recognised as liabilities estimated 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 high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

Actuarial remeasurements on post-employment benefits arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise, and are immediately reclassified to retained earnings in the statement of changes in equity. Actuarial remeasurements of the obligation to pay work and life anniversary long service bonuses are recognised in profit or loss for the year as employee benefits expense when incurred. Past service costs, if any, are expensed when incurred.

As explained in IAS 19, Employee Benefits, paragraph 133, the Company does not distinguish current and non-current portions of defined benefit obligations and presents the estimate as a whole within non-current liabilities.

Trade payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within less than one year, or within the entity's operating cycle. All other accounts payable are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Lease liabilities. Liabilities arising from a lease are initially measured on a basis of present value of future payments. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,

- amounts expected to be liability by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determinable, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of a value similar to the right-of-use asset in a similar economic environment with similar terms and conditions and collateral.

To determine the incremental borrowing rate, the Company:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received,
- uses a method adjusting risk-free interest rate by a credit risk margin, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Provisions / Contingent liabilities. Provisions are recognised 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 recognised for future operating losses. Where there are a 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 assessments of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognised as interest expense.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Contingent liabilities are not recognised in the financial statements as liabilities. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying the economic benefits is remote.

Onerous contract provision. The Company recognises provisions for onerous contracts based on the assumption that the future costs of purchasing commodities intended for delivery resulting from contractual obligations to deliver the commodity to customers, will exceed the economic benefits arising from these contracts. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with the contract.

Revenue recognition. Revenue is recognised, net of value-added tax, estimated returns, rebates and discounts. The Company recognises revenue when it is probable that future economic benefits will flow to the Company, and in the case of variable consideration when it is highly probable that the recognised revenue will not have to be reversed and when specific criteria will be met for each of the Company's activities as described below.

Revenue from sale and distribution of electricity. Revenue from the sale and distribution of electricity is recognised when the electricity is delivered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. The consumption of retail customers in the segment of small businesses was metered during December 2022. The consumption of retail customers in the households' segment is metered and billed on an annual basis and the Company split its household customer base to twelve billing cycles. The billing of electricity supplied in 2022 for all twelve billing cycles will be completed in December 2023. The Company uses the Enersim demand profile data for estimating the delivered but unbilled accrued revenue. Network losses are included in the cost of purchased electricity.

Revenue from the sale of electricity on the spot market and the settlement of variations in consumption and cross - border profile recharges represent sales of electricity purchased on the short-term market for regular customers due to short-term deviations in their consumption diagrams and fees paid by the regular customers for deviating from the planned consumption curve.

All these revenues realised on the spot market are recognised when the electricity is delivered, or the contract is fulfilled.

Revenue from sale of gas. Revenue from the sale of gas is recognised when the gas is delivered to the customer. Consumption to wholesale customers is metered and billed on a monthly basis. The consumption of retail customers in the households' segment is based on a twelve billing cycles using third party data.

Contract with customer. Standard IFRS 15 Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers:

- identify the contract(s) with a customer
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to each performance obligation
- recognise revenue when a performance obligation is satisfied

Sales of services. In the case of services where customer benefits from the service as it is being performed, revenue from the service is recognised in the reporting period in which the services are rendered, by reference to completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided.

Interest income. Interest income is recognised on an accrual basis using the effective interest method.

Contractual penalties. Contractual penalties are recognised when the cash payment is received, because contractual penalties relate to contracts with customers who intended to defraud the Group and as such are relatively difficult to collect.

Foreign currency translation. These financial statements are presented in thousands of EUR, which is the Company's presentation currency. The functional currency for the Company is EUR.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the presentation of the financial statements. The following prior reporting period data were amended to reflect the presentation in the current accounting period. These changes in presentation of comparatives had no impact on profit or loss nor on equity for the prior reporting period.

„In previous accounting periods, changes in cash from cash pooling were presented in the Separate Statement of Cash Flows in the section Cash generated from operatios before interest and taxes. In 2022, the Company's management decided

to change the presentation of cash from cash pooling, since, according to the Company's management, the following presentation reflects more appropriately the nature of the transactions:
- the annual net change in the cash pooling account, which has a positive balance (receivable) in the section Cash flows from investing activities within the Statement of Cash Flows and
- the annual net change in the cash pooling account, which has a negative balance (liability) in the section Cash flows from financing activities within the Statement of Cash Flows."

3 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2023, but did not have any material impact:

Amendments to IFRS 16, Leases - COVID-19-Related Rent Concessions beyond 30 June 2021 (Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorized for issue on 31 March 2021).

Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous contracts – Cost of fulfilling a Contract. (Effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted).

Amendment to IAS 16, Property, plant, and equipment – Proceeds before intended use. (Effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted)..

4 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for annual periods beginning on or after 1 January 2023, and which the Company has not early adopted:

a) New or amended Standards and Interpretations, as endorsed by the EU as at 10 November 2022, that are effective for annual periods beginning after 1 January 2022

IFRS 17 Insurance Contracts (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted. Endorsed for use in the EU, albeit with an optional exemption from applying the annual cohort requirement). IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

Amendments to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted). Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:
- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk

mitigation option and the use of the fair value transition approach

The Company has not identified contracts within the scope of IFRS 17, except for Fixed-fee service contracts where the company recognizes revenues in accordance with the requirements of IFRS 15. The Company is performing further assessment of the impact of IFRS 17 and its amendments on its financial statements however does not expect to be material.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies. The Company plans to apply the amendments from 1 January 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted). The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs. The Company plans to apply the amendments from 1 January 2023.

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted). The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company is currently assessing the impact of the amendments on its financial statements however does not expect any material impact on the financial statements.

b) New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2022, not yet endorsed by the EU as at 10 November 2022

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future).

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2024. On 31 October 2022 the IASB has issued an amendment deferring the effective date to 1 January 2024. Early application is permitted). The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Company's right to defer settlement at the end of the reporting period. The Company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Company plans to apply the amendments from 1 January 2024.

Amendments to IAS 1 Presentation of Financial Statements Non-Current Liabilities with Covenants (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted. Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments). Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early). The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt). The Company plans to apply the amendments from 1 January 2024.

Amendments to IFRS 16 Leases Lease Liability in a Sale and Leaseback (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted). Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:
- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements because it neither did recognize any sale-and-leaseback transactions in a past (since 2019) nor recognizes them at present. When this kind of lease transaction will occure in a future, the Company will account for it according to these amendments of IFRS 16.

The Company is currently assessing the impact of above stated and other IFRSs and IFRIC interpretations on its financial statements, however, does not expect any material impact on the Company.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

- Amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8, Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

ECL measurement of receivables. The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the ageing of receivables, loss rate for each ageing category, and the amount of receivables written off. The Company has considered the expected payment discipline for the next 12 months. Based on these indicators, it was decided that the expected loss allowance for trade receivables based on historical data is sufficient, as the development of the forward looking indicators corresponds to the development of previous periods, including the period since March 2020 that was impacted by the coronavirus situation. Possible developments of macroeconomic indicators do not have significant impact on expected credit losses from trade receivables.

Lease term. In determining the lease terms, the Company takes into account also verbal agreements between the parties relating to the automatic annual extension of the leased buildings. The lessor verbally agreed with us that we will be able to renew leases of office premises each year for up to 15 years at the market level rent at the time of each renewal. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.
For leases of offices, equipment and vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant residual value, the Company is typically reasonably certain to extend (or not terminate) the lease.

Otherwise, the Company considers other factors including historical lease term and the costs and business disruption required to replace the leased asset.

As at 31 December 2021, potential future cash outflows of EUR 0 thousands (31 December 2020: EUR 0 thousand) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. The estimated lease terms have not been revised during the current accounting period.

The Company has estimated that the guarantees of the residual value of the leased items are not significant.

Unbilled electricity. The unbilled revenue from delivery and distribution represents an accounting estimate based on estimated volume of delivered and distributed electricity expressed in MWh for low voltage network and estimated unit price that will be billed in the future. The Company uses customer information system Enersim to estimate the unbilled deliveries based on assumed customer demand profiles which as at 31 December 2022 amounted to 170,094 thousand EUR, (as at 31 December 2021 amounted to 125,097 thousand EUR). This accounting estimate is based on: (a) the estimated volume delivered and distributed to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period; (b) the consumption estimate utilising the time patterns of consumption of various customer profiles observed on a sample basis; (c) the estimated losses in the distribution network; and (d) the unit price in EUR/MWh, that will be applied to billing the electricity delivery and distribution.

Unbilled gas. The unbilled revenue from delivery and distribution represents an accounting estimate based on estimated volume of delivered and distributed gas expressed in MWh and estimated unit price that will be billed in the future. This accounting estimate is based on: (a) the estimated volume delivered and distributed to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period; (b) the consumption estimate utilising the time patterns of consumption of various customer profiles; (c) the unit price in EUR/MWh, that will be applied to billing the gas delivery and distribution.

The Company reported the following values of unbilled revenue for the distribution and supply of electricity and gas:

Unbilled revenue for the distribution and supply of electricity and gas	
In thousands of EUR	**31 December 2022**
Accrued receivables from distribution and supply of electricity as part of the item "Trade and other receivables"	19 251
Accrued receivables from distribution and supply of gas as part of the item "Trade and other receivables"	4 964
Accrued liabilities from distribution and supply of electricity as part of the item "Trade and other payables"	48 181
Accrued liabilities from distribution and supply of gas as part of the item „Trade and other payables"	15 275

Should the estimate of total network losses be lower by 0.1%, representing approximately 10,1 GWh of electricity (2021: 10,4 GWh), with other parameters unchanged, the revenues would deincrease by EUR 1,936 thousand (2021: EUR 484 thousand).

6 Property, Plant, Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

Property, Plant, Equipment			
In thousands of EUR	**Machinery and equipment and other assets for own use**	**Unfinished investments**	**Total**
Cost at 1 January 2021	167	18	**185**
Accumulated depreciation and impairment losses	(78)	-	**(78)**
Carrying amount at 1 January 2021	**89**	**18**	**107**
Additions		2	**2**
Transfers	2	(2)	**-**
Amortisation charge	(17)	-	**(17)**
Cost as at 31 December 2021	169	18	**187**
Accumulated depreciation including impairment losses	(95)	-	**(95)**
Carrying amount at 31 December 2021	**74**	**18**	**92**
Additions	-	6,239	**6,239**
Transfer from unfinished investments	25	(25)	**-**
Amortisation charge	(18)	-	**(18)**
Elimination	-	(18)	**(18)**
Cost as at 31 December 2022	194	6,214	**6,408**
Accumulated depreciation and impairment losses	(113)	-	**(113)**
Carrying amount at 31 December 2022	**81**	**6,214**	**6,295**

Long-term tangible assets are insured for damage caused by natural disasters up to EUR 170 thousand in the case of machines, tools, devices, accessories and other property (2021: EUR 169 thousand).

7 Intangible Assets

Movements in the carrying amount of intangible assets were as follows:

Intangible Assets			
In thousands of EUR	**Software and similar assets**	**Assets not yet available for use**	**Total**
Cost at 1 January 2021	11,496	2,140	**13,636**
Accumulated depreciation and impairment losses	(9,064)	-	**(9,064)**
Carrying amount at 1 January 2021	**2,432**	**2,140**	**4,572**
Additions		1,399	**1,399**
Transfers	292	(292)	**-**
Amortisation charge	(1,287)		**(1,287)**
Cost as at 31 December 2021	11,789	3,247	**15,036**
Accumulated depreciation including impairment losses	(10,352)	-	**(10,352)**
Carrying amount at 31 December 2021	**1,437**	**3,247**	**4,684**
Additions	-	1,352	**1,352**
Transfer from unfinished investments	2,783	(2,783)	**-**
Amortisation charge	(1,905)	-	**(1,905)**
Cost as at 31 December 2022	14,571	1,816	**16,387**
Accumulated depreciation and impairment losses	(12,256)	-	**(12,256)**
Carrying amount at 31 December 2022	**2,315**	**1,816**	**4,131**

8 Right-of-use Assets and Lease Liabilities

The Company leases various offices and equipment and vehicles. Rental contracts are typically made for fixed periods of 2 to 20 years (lease term is disclosed in more detail in Note 2) but may have extension options. As for assets where contract is concluded for an indefinite period, the useful life is determined based on assumed reasonably certain lease term.

Leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Company.

Movements in right-of-use assets:

Right-of-use assets						
	Year ended 31 December 2022			**Year ended 31 December 2021**		
In thousands of EUR	**Buildings**	**Vehicles**	**Total**	**Buildings**	**Vehicles**	**Total**
Carrying amount at 1 January	**6,929**	**325**	**7,254**	**6,870**	**201**	**7,071**
Additions	740	25	765	1,530	224	1,754
Disposals	(66)	(9)	(69)	(391)	(3)	(394)
Depreciation charge	(750)	(99)	(849)	(730)	(97)	(827)
Reduction in value	(188)	(12)	(200)	(350)	-	(350)
Carrying amount at 31 December	**6,671**	**230**	**6,901**	**6,929**	**325**	**7,254**

The Company recognised lease liabilities as follows:

Lease liabilities		
In thousands of EUR	**31 December 2022**	**31 December 2021**
Short-term lease liabilities	849	827
Long-term lease liabilities	6,176	6,559
Total lease liabilities	**7,025**	**7,386**

Interest expense on lease liabilities included in finance costs was EUR 83 thousand (2021: EUR 135 thousand).

Costs of short-term leases (included in other operating expenses) and leases of low-value assets that are not short-term leases (also included in other operating expenses):

Costs of short-term leases and leases of low-value assets		
In thousands of EUR	**2022**	**2021**
Expense relating to short-term leases	29	18
Expense relating to leases of low-value assets that are not shown above as short-term leases	111	94

The lease agreements do not impose any covenants other than the security interests on the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Total cash outflows for leases were as follows:

Total cash outflows for leases		
In thousands of EUR	**2022**	**2021**
Payments related to short - term leases	29	18
Payments related to the leasing of low value assets that are not short-term rents	111	94
Repayment of principal of lease obligations	857	789
Leased interest expense	83	135
Total lease payments	**1,080**	**1,036**

9 Inventories

Inventories		
In thousands of EUR	**2022**	**2021**
Natural gas	14,678	3,370
Materials and spare parts	1,571	231
Goods	2,998	189
Total inventories	**19,247**	**3,790**

Natural gas is held in an underground gas storage facility controlled by a related party under significant influence of the Slovak government.

10 Trade and Other Receivables

Trade and Other Receivables

In thousands of EUR	2022	2021
Contract assets – deferred external dealers sales commissions	1,712	2,230
Total non-current other receivables	**1,712**	**2,230**
Trade receivables	367,728	225,078
Less impairment provision for trade receivables	(14,144)	(13,822)
Current trade receivables, net	**353,584**	**211,256**
Commodity contracts at FVTPL	-	20,053
Contract assets – deferred external dealers sales commissions	1,435	1,456
Excise tax receivable	-	1,576
Prepayments	589	165
Other	222	-
Total current trade and other receivables	**355,830**	**234,506**

Movements in the impairment provision for current trade receivables are as follows:

Movements in the impairment provision for current trade receivables

In thousands of EUR	2022	2021
Provision for impairment as at 1 January	**13,822**	**12,058**
Impairment loss expense (Note 23)	704	2,679
Amounts written off during the year as uncollectible	(385)	(915)
Provision for impairment as at 31 December	**14,144**	**(13,822)**

More details of ECL in relation to current trade receivables as at the balance sheet date are as follows:

Podrobnosti o stave očakávaných strát vo vzťahu k krátkodobým pohľadávkam z obchodného styku k súvahovému dňu

	31 December 2022				31 December 2021			
In thousands of EUR	Loss rate	Gross carrying amount	(ECL)	Net carrying amount	Loss rate	Gross carrying amount	(ECL)	Net carrying amount
CurrentDue	1.08,%	343,604	3,710	339,894	1.30,%	210,920	2,739	208,181
Past due:								
1 to 30 days	3.17,%	12,507	396	12,111	6.72,%	2,634	177	2,457
31 to 60 days	17.77,%,	1,272	226	1,046	17.48,%	349	61	288
61 to 90 days	19.14,%	162	31	131	24.59,%	122	30	92
91 to 120 days	45.89,%	146	67	79	5.45,%	55	3	52
121 to 180 days	34.16,%	161	55	106	32.97,%	182	60	122
181 to 360 days	79.35,%	1,051	834	217	81.29,%	342	278	64
over 360 days	100.00,%	8,825	8,825	0	100.00,%	10,474	10,474	0
Total trade receivables		**367,728**	**14,144**	**353,584**		**225,078**	**13,822**	**211,256**

The movements in contract assets, which represent the deferred sales commissions, were as follows:

The movements in contract assets, which represent the deferred sales		
In thousands of EUR	**2022**	**2021**
As at 1 January	3,686	2,732
Additions	1,394	2,585
Amortization	(1,933)	(1,631)
Total contract assets as at 31 December	**3,147**	**3,686**

An amount of EUR 1,435 thousand (2021: EUR 1,456 thousand) will be amortised over the next year from the carrying amount of the contract asset and the rest has a residual amortisation period of up to 5 years.

Financial effect of collateral and credit enhancements of trade receivables as at 31 December:

Financial effect of collateral and credit enhancements of trade receivables				
	31 December 2022		**31 December 2021**	
In thousands of EUR	**Carrying amount**	**Insured amount**	**Carrying amount**	**Insured amount**
Trade receivables covered by:				
- insurance	111,426	111,426	37,297	37,297
- unsecured trade receivables	242,158	-	173,959	-
Trade receivables, net	**353,584**	**111,426**	**211,256**	**37,297**

The Company has a concentration of credit risk towards related parties of the Slovak government. Refer to Note 28.

11 Receivables and Liabilities from Cash Pooling

Receivables and Liabilities from Cash Pooling		
In thousands of EUR	**2022**	**2021**
Liabilities from cash pooling	49,289	24,766
Total liabilities from cash pooling	**49,289**	**24,766**

The Company has concluded with its Parent company cash pooling agreement. Based on this agreement the available cash is managed by the Parent company. In the case of additional financing needs the cash from cash pool is made available to the Company. The interest rate on receivable from cash pooling was 0,4% p.a. (2021: 0.4% p.a.).

Receivables from cash pooling are do not exhibit significant increase in credit risk compared to when they were originated. Credit rating of the Parent Company as at 31 December.2022 was A- by Standard and Poor's.

12 Cash and Cash Equivalents

Cash and Cash Equivalents		
In thousands of EUR	**2022**	**2021**
Current accounts with banks	19,918	1,414
Total cash and cash equivalents in the statement of financial position	**19,918**	**1,414**

The Company has a concentration of cash and cash equivalents balances towards five banks (2021: five banks).

The credit quality of cash and cash equivalents is as follows:

Credit quality of cash and cash equivalents		
In thousands of EUR	**2022**	**2021**
Items without significant increase in credit risk (stage 1)		
Credit rating Aa3 by Moody´s	1	1
Credit rating A2 by Moody´s	756	519
Credit rating Baa1 by Moody’s	19,161	394
Without rating	-	500
Total cash and cash equivalents	**19,918**	**1,414**

The Company did not account for the expected losses on cash and cash equivalents because, considering the probability of bankruptcy of bank institutions, the impact of such expected losses on the Company’s financial statements would be insignificant.

13 Share Capital

The Company’s registered share capital consists of 1 share with a nominal value of EUR 33,194 and 1 share at a nominal value of EUR 6,605,590 resulting in an overall amount of EUR 6,638,784. As at 31 December 2022 and 31 December 2021 all the issued shares were owned by Západoslovenská energetika, a.s. Each share carries voting right equal to its share in nominal value of share capital.

The general meeting of the Company’s shareholders approved the Company’s prior year financial statements and declared dividends of EUR 18,149 thousand (2021: dividends of EUR 24,096 thousand). Slovak legislation identifies distributable reserves as retained earnings reported in these financial statements of the Company.

Dividend per share represents EUR 91 thousand (2021: EUR 121 thousand) per share with the nominal value of EUR 33 thousand and EUR 18,058 thousand (2021: EUR 23,975 thousand) per share with the nominal value of EUR 6,606 thousand.

14 Legal Reserve Fund

The legal reserve fund represents appropriations of profits of the Company required by Slovak legislation. The Company is obliged to appropriate at least 10% of its profit until the legal reserve fund achieves at least 20% of the Company’s share capital. This fund is not distributable and exists only to cover future losses.

15 Income Taxes

Income tax expense comprises the following:

Income Taxes		
In thousands of EUR	**2022**	**2021**
Current tax at standard rate of 21% (2021: 21%)	14,550	6,880
Special levy on profits from regulated activities	2,216	620
Deferred tax	(1,716)	(1,846)
Income tax expense/(credit) for the year	**15,050**	**5,654**

In 2022, the applicable standard income tax rate was 21% (2021: 21%). The rate of special levy in 2021 is 4.356%.

The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

As a result, the income tax rate applicable to regulated activities is as follows::

Income tax rate applicable to regulated activities		
In thousands of EUR	**2022**	**2021**
Standard income tax rate for the year	21,000%	21,000 %
Special levy rate	4,356%	4,356 %
Effect of deductibility of special levy from standard rate*	(1.058)%	(1.058)%
Tax rate applicable on profits generated by regulated industry operations	**24,298 %**	**24,298 %**

* the effect is calculated as special levy rate in %*((1- income tax rate in %)/(1+ special levy rate in %) -1)

The Company includes activities taxed at the standard tax rate of 21% or at the 24.298 % rate applicable to regulated industry operations. The applicable tax rate of 23.045% (2021: 23.045%) is used in the below effective tax reconciliation and represents a weighted average of the tax rates for regulated and unregulated operations.

A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates is as follows:

A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates:		
In thousands of EUR	**2022**	**2021**
Profit before tax	**62,905**	**24,054**
Theoretical tax charge at applicable tax rate of 23.045% (2021: 23.045%)	14,496	5,543
Non-deductible expenses/(non-taxable income)		
– expenses not deductible for standard tax but deductible for special levy purposes	99	17
– other	455	94
Income tax expense for the year	**15,050**	**5,654**

The deferred taxes are expected to be recovered or settled after more than twelve months after the end of the reporting period because income tax returns are due annually, that is, the deferred tax outstanding as at 31 December 2022, that will become current tax in 2023, will be settled in 2024 upon filing the 2023 tax return. The corporate tax advance payments are calculated based on prior year taxes and are thus unrelated to deferred tax balances or the current tax expense expected for subsequent years.

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

Deferred taxes are attributable to the following temporary differences:

Odložené dane sa vzťahujú na nasledovné dočasné rozdiely		
In thousands of EUR	**2022**	**2021**
Differences between tax base and carrying value of property, plant and equipment	(28)	(28)
Post-employment defined benefit obligation	532	592
Other liabilities	2,620	3,693
Allowance for expected credit losses on trade receivables	3,115	811
Other	(661)	1,176
Total net deferred tax asset	**5,578**	**3,891**

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (29) thousand (2021: EUR (135) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

16 Post-Employment Defined Benefit Obligations

As agreed with the trade unions, the Company has a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement, depending on the number of years of service for the Company. The movements in the present value of defined benefit obligation are:

Post-Employment Defined Benefit Obligations

	2022	2021
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	**846**	**1,344**
Current service cost	61	147
Interest cost	8	8
Total expense (Note 22)	69	155
Actuarial remeasurements:		
- attributable to changes in financial assumptions	(181)	(20)
- attributable to changes in demographic assumptions	(12)	(624)
- attributable to experience adjustments	55	-
Total actuarial remeasurements recognised in other comprehensive income	(138)	(644)
Benefits paid during the year	(47)	(9)
Present value of unfunded post-employment defined benefit obligations at the end of the year	**730**	**846**

Základné poistno-matematické predpoklady boli nasledovné:

Základné poistno-matematické predpoklady

	2022	2021
Počet zamestnancov 31. decembru	295	284
Miera fluktuácie zamestnancov	4,57 % p.a.	4,58 % p.a.
Očakávaný nárast miezd v krátkodobom horizonte	5,14 % p.a.	2,00 % p.a.
Očakávaný nárast miezd v dlhodobom horizonte	4,00 % p.a	4,00 % p.a.
Diskontná sadzba	3,40 % p.a.	0,90 % p.a.

If the actual discount rate differed by 0.5% from the estimated discount rate, the value of the liability due to pension benefits would be by EUR 49 thousand lower or by EUR 51 thousend higher (2021: EUR 36 thousand lower or EUR 38 thousand higher).

17 Other Long Term Employee Benefits

The Company makes EUR 1,400 (2021: EUR 1,400) payment to each employee at the age of 50, subject to 5 years (2021: 5 year) service vesting condition. In addition, the Company pays regular long term work anniversary bonuses in general every 10 years in the amounts between EUR 400 to EUR 1,250 (2021: between EUR 400 to EUR 1,250).

The liability for other long-term employee benefits was estimated using the Projected Unit Credit Method.

18 Provisions for liabilities and charges

Provisions for liabilities and charges		
In thousands of EUR	**2022**	**2021**
Provisions as at 1 January	8,365	-
Additions recognised in profit or loss	2,501	8,365
The usel of provision	8,365	-
Total litigation provisions as at 31 December	**2,501**	**8,365**

Based on the decision of the Regulatory Office for Network Industries ("RONI"), the Company as the supplier of last resort ("SoLR") on a part of the defined territory of Západoslovenská distribučná, a.s., distribution system operator. As a result of unfavourable development of electricity and gas prices on commodity markets, as at 31 December 2021 the Company created a provision for onerous contracts in the amount of EUR 8,365, in relation to electricity and gas supply to the customers acquired within the SoLR mechanism. Such newly acquired customers are mainly household consumers. Since this segment is subject to regulated prices of electricity and gas and the Company did not have required volume of commodities sourced for these customers, the Company had to source it on the wholesale market for market prices which are higher than the prices approved by RONI for the household segment for 2021 and 2022.This provision for onerous contracts was used in 2022 against the losses incurred by the Group from the supply of commodities to these customers during 2022.

As at 31 December 2022, the Company created a provision for onerous contracts for the supply of electricity for 2023 in the amount of EUR 2,501 thousand. The loss from these customer contracts is related to the low liquidity and at the same time high price volatility of the commodity market when it was not possible to procure electricity for said contracts at the agreed price at the time of concluding contracts with customers.

19 Trade and Other Payables

Trade and Other Payables		
In thousands of EUR	**2022**	**2021**
Trade payables	168,514	84,530
Other accrued liabilities	12,278	12,097
Commodity contracts at FVTPL	-	17,501
Other financial liabilities	(692)	(24)
Total financial instruments within trade and other payables	**180,100**	**114,104**
Contract liabilities – electricity and natural gas	67,663	35,469
Employee benefits payable	561	513
Social security on employee benefits	613	440
Accrued staff costs	1,856	1,994
Advance payments	19,420	14,647
Value added tax payable	3,546	-
Other payables	244	190
Accrued expenses	50	1,130
Excise duty payable	164	336
Total trade and other payables	**274,217**	**168,823**

The Company had no overdue trade payables (2021: EUR 9 thousand).

Movements in contract liabilities to customers for electricity and gas not yet delivered were as follows:

Movements in contract liabilities to customers for electricity and gas not yet delivered		
In thousands of EUR	**2022**	**2021**
As at 1 January	35,469	42,949
Additions	67,663	35,469
Utilised to revenue in respect of prior year payments	(35,469)	(42,949)
As at 31 December	**67,663**	**35,469**

The aforementioned liabilities to customers are due within one year.

20 Revenue from Electricity and Other Revenue

Revenue from electricity comprises the following:

Revenue from electricity		
In thousands of EUR	**2022**	**2021**
Sales of electricity to industrial and other commercial customers	1,016,113	397,713
Sales of electricity to business customers produced by the ZSE group company	470,944	157,789
Sales of electricity to residential customers	189,285	141,225
Total sales of electricity	**1,676,342**	**696,727**
Distribution fees for electricity to industrial and other commercial customers	201,830	258,250
Distribution fees for electricity to residential customers	157,369	159,277
Total distribution fees	**359,199**	**417,527**
Other revenue	16,753	8,856
Total revenue from electricity and other revenue	**2,052,294**	**1,123,110**

Timing of revenue recognition is as follows:

Timing of revenue recognition		
In thousands of EUR	**2022**	**2021**
At a point in time	9,690	3,277
Over time	2,042,604	1,119,833
Total revenue	**2,052,294**	**1,123,110**

Slovakia has implemented the European Union electricity market directive, which resulted in a complete liberalisation of the market whereby all customers, including households, became eligible to buy electricity in the open market from 1 July 2007. However, price regulation applies to certain protected groups of customers.

21 Purchases of Electricity and Related Fees

The following amounts have been charged to purchases of electricity and related fees: :

Purchases of Electricity and Related Fees		
In thousands of EUR	**2022**	**2021**
Purchase of electricity from: Slovenské elektrárne ("SE")	173,329	117,492
Purchase of electricity from other producers and traders	491,361	260,005
Commodity contracts at FVTPL	-	70
Purchase of electricity on the spot market	911,089	287,051
Total electricity purchases	**1,575,779**	**664,618**
Electricity transmission fees, system access and ancillary service charges and renewable sources feed-in tariffs	359,391	417,714
Other	8,773	3,126
Total purchases of electricity and related fees	**1,943,943**	**1,085,458**

22 Employee Benefits

Zamestnanecké pôžitky		
In thousands of EUR	**2022**	**2021**
Wages and salaries	9,689	8,815
Defined contribution pension costs	1,637	1,405
Post-employment defined benefit plan expense (Note 16)	69	155
Other long-term employee benefit plans – current service and interest cost	30	34
Actuarial remeasurements of other long-term employee benefit plans	(20)	(1)
Other social levies and costs	2,840	2,535
Total employee benefits expense	**14,245**	**12,943**

23 Other Operating Expenses

Other Operating Expenses		
In thousands of EUR	**2022**	**2021**
Customers related services	4,717	4,703
Advertising	1,565	2,254
Information technology and software maintenance costs	2,900	3,062
Finance services	1,075	928
Short-term leases and low value assets leases	140	112
Advisory services	272	195
Statutory audit	43	58
Impairment loss on trade and other receivables (Note 10)	704	2,679
Personnel leasing and external dealers commissions	1,696	1,306
Other operating expenses	4,359	3,842
Total other operating expenses	**17,471**	**19,139**

24 Financial Risk Management

The Company's activities are exposing it to certain financial risks: market risks, credit risk and liquidity risk. The Company's principal financial instruments comprise trade receivables and payables, loans, receivables from cash pooling and cash and cash equivalents.

Foreign exchange risk. The Company operates in the domestic market, and its sales, purchases and financial instruments are denominated in EUR. Management does not consider foreign exchange risk as a significant exposure for the Company's operations as it has only an immaterial volume of transactions in currency other than EUR. A reasonably possible change in spot exchange rate of EUR against foreign currencies as at the end of the reporting period, would not have any impact on the Company's profit or loss for the year.

Equity price risk. The Company is not exposed to significant equity price risk because it does not have material financial investments in equities.

Interest rate risk. The Company does not have any significant interest rate risk exposure because all of its financial assets and liabilities, carry fixed interest rates. A reasonably possible change in market interest rates, such as Euribor, as at the end of the reporting period, would not have any impact on the Company's profit or loss for the year.

Commodity price risk. In year 2021, the Company designated and recognised certain commodity contracts as valued at FVTPL, in 2022, it did not have contracts valued in the FVTPL. In general, management is trying to balance the demand for electricity and gas with volumes in related purchase contracts. To manage market risk, the company has implemented a system of volume and financial limits for an open position in commodities that protects the Company from unexpected changes in market commodity prices in wholesale markets.

In year 2021, in the event of changes in commodity prices by ± 10%, profit and equity would change by ± EUR 99 thousand).

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Exposure to credit risk arises as a result of the Company's sales of energy and services on credit terms and other transactions with counterparties giving rise to financial assets. The exposure includes cash and cash equivalents, deposits with banks and financial institutions, loans, receivables from cash pooling, as well as exposures to wholesale and retail customers, including outstanding receivables and transactions made.

To determine the level of credit risk, the Company uses Expected credit loss ("ECL") measurement, which reflects the probability-weighted estimate of the present value of future expected credit losses. The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the ageing of receivables, loss rates for each ageing group and the amount of receivables written off. Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

As for the banks and financial institutions, the Company has relationships only with those that have a high independent rating assessment. Except as disclosed in Note 12, the Company does not have a significant concentration of credit risk mainly due to a large number of diverse customers.

The Company uses a system of reminders, which may culminate in a service disconnection, as the prevailing contract enforcement. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Company beyond the provisions already recorded. To reduce the risk of selected wholesalers, the Company uses insurance products. The credit quality of outstanding balances with banks is presented in Note 12 and credit quality information about trade receivables is included in Note 10.

To manage the credit risk of wholesale activities, the Group has implemented a system of conservative volume and financial credit limits that ensure diversification of credit risk across multiple wholesale partners.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company regularly monitors its liquidity position and uses cash pooling with the Parent company to optimise the use of cash balances within the ZSE Group. 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 20 days, on average.

Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Company and (b) expected future cash outflows securing operation of the Company and leading to settlement of all liabilities of the Company, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Company to make short-term bank deposits.

The table below analyses the Company's undiscounted amount of financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The maturity analysis is as follows at 31 December 2022:

The maturity analysis as at 31 December 2022

In thousands of EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Trade payables (Note 19)	167,113	1,401	-	-	-	**168,514**
Other accrued liabilities (Note 19)	6,076	124	6,078			**12,278**
Other financial liabilities (Note 19)	(692)	-	-	-	-	**(692)**
Lease liabilities, including future interest payments	78	156	702	3,760	3,208	**7,904**
Total future payments, including future principal and interest payments	**172,575**	**1,681**	**6,780**	**3,760**	**3,208**	**188,004**

The maturity analysis is as follows at 31 December 2021:

The maturity analysis is as follows at 31 December 2021						
In thousands of EUR	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Trade payables (Note 19)	83,581	949	-	-	-	**84,530**
Other accrued liabilities (Note 19)	6,834	842	21,922	-	-	**29,598**
Other financial liabilities (Note 19)	(24)	-	-	-	-	**(24)**
Lease liabilities, including future interest payments	77	154	693	3,696	3,736	**8,356**
Commodity contracts at FVTPL:						
- payments*	515	1,031	4,638	3,242	-	**9,426**
- receipts**	(651)	(1,302)	(5,859)	(622)	-	**(8,434)**
Total future payments, including future principal and interest payments	**90,323**	**1,674**	**21,394**	**6,316**	**3,736**	**123,452**

* The notional amounts payable include the gross pay leg of commodity contracts at FVTPL regardless whether they have positive or negative fair value, i.e. whether they are assets or liabilities. The related non-cash commodity inflow is not included in the analysis.

** The notional amounts receivable represents the gross receivable leg of commodity contracts at FVTPL that have negative fair value, i.e. are a financial liability. The related non-cash commodity outflow is not included in the above liquidity analysis.

25 Management of Capital

The Company's objectives when 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 manages capital reported under IFRS as adopted by the EU as equity amounting to EUR 75,785 thousand as at 31 December 2021 (31 December 2021: EUR 45,970 thousand).

When managing the capital, the Company's management focuses on maximising return on invested capital.

The Company is not subject to any externally imposed regulatory capital requirements.

26 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period:

Financial instruments carried at fair value. The fair value measurement of commodity contracts at FVTPL belongs to level 2 in the fair value hierarchy and the key input is the spot and forward electricity or natural gas price per MWh.

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

Assets and liabilities not measured at fair value

In thousands of EUR	31 December 2022 Level 2 fair value	31 December 2022 Carrying value	31 December 2021 Level 2 fair value	31 December 2021 Carrying value
Assets				
Trade receivables, net (Note 10)	353,584	353,584	211,256	211,256
Cash and cash equivalents (Note 12)	19,918	19,918	1,414	1,414
Total Assets	**373,502**	**373,502**	**212,670**	**212,670**
Liabilities				
Trade payables (Note 19)	168,514	168,514	84,530	84,530
Other accrued liabilities (Note 19)	12,278	12,278	12,097	12,097
Other financial liabilities (Note 19)	(692)	(692)	24,742	24,742
TOTAL LIABILITIES	**180,100**	**180,100**	**121,369**	**121,369**

Financial instruments are of a short-term nature and their fair value therefore approximates carrying value. The fair value of trade payables reflects Parent company guarantees (Note 28).

27 Movements in Liabilities from Financial Activities

The following table analyses movements in liabilities from financing activities for each of the periods presented:

Finančné záväzky a pohyby finančných záväzkov

In thousands of EUR	2022 Lease liabilities	2021 Lease liabilities
As at 1 January	**7,386**	**7,165**
Non-cash movements		
Recognition of lease liabilities at initial application of IFRS 16 as at 1 January 2021		
New leases	765	1,754
Interest expense	83	135
Termination of lease	(69)	(394)
Impairment lease	(200)	(350)
Payments		
Interest payments	(83)	(135)
Principal repaid (Note 8)	(857)	(789)
As at 31 December	**7,025**	**7,386**

28 Balances and Transactions with Related Parties

The primary related parties of the Company are its Parent company and its shareholders, which have joint control over the Parent company as explained in Notes 1 and 13: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel. The Company applies the exemption from disclosing transactions with the Slovak government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, purchases of electricity from an entity in which the Slovak government has a significant shareholding and other transactions presented below.

The related party transactions and outstanding balances were as follows for 2022:

Balances and Transactions with Related Parties

In thousands of EUR	Parent company	E.ON Group**	Slovak government *	Entities under common control of the Parent company	Subsidiaries	Total
Paid dividends	18,149	-	-	-	-	18,148
Sales	2,239	6,114	136,810	607,375	-	752,538
Purchases	3,988	8,710	1,060,208	588,111	-	1 661, 017
Receivables other than taxes	242	617	18,080	86,473	-	105,412
Payables other than taxes	56,132	354	37,068	64,520	-	158,074

* The Slovak government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak government.

** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

Income taxes are disclosed in the statement of financial position, statement of profit or loss and other comprehensive income, in the statement of cash flows and are also analysed in Note 15. Outstanding value added tax payable is presented in Note 19.

The income tax paid was as follows:

Income tax paid

In thousands of EUR	2022	2021
Current income tax expense at standard rate of 21% (2021: 21%) – refer to Note 15	(14,550)	(6,880)
Special levy on profits from regulated activities (Note 15)	(2,216)	(620)
Income tax refund receivable/(liability) at the beginning of the period	(1,421)	(4,763)
Income tax refund liability/(receivable) at the end of the reporting period	9,811	1,421
Income tax paid	**(8,376)**	**(10,842)**

The related party transactions and outstanding balances were as follows for 2021:

Balances and Transactions with Related Parties

In thousands of EUR	Parent company	E.ON Group**	Slovak government *	Entities under common control of the Parent company	Subsidiaries	Total
Paid dividends	24,096	-	-	-	-	24,096
Sales	1,143	5,040	55,211	175,369	-	236,763
Purchases	3,908	9,595	618,561	364,518	-	996,582
Receivables other than taxes	113	364	13,023	47,630	-	61,130
Payables other than taxes	32,256	820	24,390	43,687	-	101,153

* The Slovak government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak government.

** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

The Parent company issued financial guarantees of liabilities of the Company arising from its purchases as follows:

Financial guarantees of liabilities of the Company arising from its purchases

In thousands of EUR	31 December 2022		31 December 2021	
	Maximum guaranteed amount	Guaranteed liabilities at period end	Maximum guaranteed amount	Guaranteed liabilities at period end
Guarantees to suppliers	140,704	72,870	246,601	37,128
TOTAL	**140,704**	**72,870**	**246,601**	**37,128**

The tables with related party transactions above and on the previous page exclude individually immaterial transactions such as supplies of electricity to hospitals, schools, to the government ministries and many other government-controlled or otherwise government-related enterprises on normal commercial terms and conditions. Management did not identify other government related transactions that are collectively, but not individually, significant.

Key management personnel comprise (a) members of the Board of Directors, (b) members of the supervisory board and (c) divisional directors. Key management personnel remuneration comprised:

Key management personnel remuneration

In thousands of EUR	2022	2021
Board of Directors and other key management personnel		
Salaries and other short-term employee benefits	569	531
Defined contribution pension costs	96	85
Total remuneration of Board of Directors and other key management personnel	**665**	**616**
Supervisory board		
Salaries and other short-term employee benefits	107	81
Defined contribution pension costs	14	14
Total remuneration of supervisory board	**121**	**95**

29 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management's interpretation of the Company's business activities may not coincide with the interpretation of these activities by the tax authorities, but the extent of this risk cannot be reasonably quantified.

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator and an unquantifiable risk exists that, in the future, such matters may crystallise in an unfavourable manner for the Company.

Contractual obligations. As at 31 December 2022, the Company had outstanding contractual commitments for purchases of intangible assets of EUR 34,829 thousand (2021: EUR 700 thousand).

Financial contractual obligations of the Company under the electricity purchase contracts at 31 December 2022 amount to approximately EUR 761,191 thousand (2021: EUR 776,503 thousand), of which EUR 705,905 thousand (2021: EUR 702,470 thousand) is due within one year. Financial contractual obligations of the Company under the natural gas purchase contracts at 31 December 2022 amount to approximately EUR 231,313 thousand (2021: EUR 129,290 thousand), of which approximately EUR 196,552 thousand (2021: EUR 100,416 thousand) is due within one year.

Bank guarantees for purchase liabilities were issued in favor of the Comapny with the maximum amount of EUR 51,292 thousand (2021: EUR 50,375 thousand), where the actual amount of guaranteed liabilities at the balance sheet date is EUR 7,250thousand (2021: EUR 5,972 thousand).

30 Events after the End of the Reporting Period

After 31 December 2022, no other significant events have occurred that would require recognition or disclosure in these financial statements.

Management authorised these financial statements for issue on 28 March 2023

Mgr. Juraj Krajcár
Chairman of the Board of Directors

Ing. Marián Suchý
Member of the Board of Directors

Kompletnú výročnú správu nájdete tu.