Annual Report for 2022

Západoslovenská energetika, a.s.

ZSE

Content

01.	**Introduction of the Západoslovenská energetika, a.s. Group**	**4**
	Foreword by the Chairman of the Board of Directors	**5**
02.	**Market Development**	**20**
03.	**Economy**	**24**
04.	**Human Resources**	**28**
05.	**Occupational Health and Safety**	**34**
06.	**Environmental Protection and Sustainability**	**36**
07.	**Corporate Social Responsibility**	**50**

Annexes:

Individual Financial Statements and Independent Auditors' Report - 31 December 2022 **54**

Independent Auditors' Report and Consolidated Financial Statements - 31 December 2022 **104**

GRI Standards **162**

SDGS – Sustainable development goals **176**

01 | Introduction of the Západoslovenská energetika, a.s. Group

Markus Kaune, Chairman of the Board of Directors and CEO

Foreword by the Chairman of the Board of Directors

The year 2022 was again a year to remember; full of challenges, in which we all were to show the best of our quality, engagement and efforts. After the pandemic period, the number of Covid-19 cases decreased steadily at the beginning of the year. Yet we had been facing several dramatic developments - the turbulence in the energy market, ongoing legislative process related to EU legislation approximation in national law. Very important EU funded projects continued in spite of tough and turbulent macroeconomic and market development. And predominantly – the war.

The Group and the society

We hoped that the year 2022 will bring more stability and normality. Nobody could have even imagined that Russia would start an open war with its invasion in our neighbour country the Ukraine. After the initial shock, the global community responded swiftly and with substantial support and help. Our parent company E.ON also condemned the violent act and decided to donate EUR 1 million to humanitarian organizations helping refugees and those affected by the war. I am most proud that also ZSE activated immediately: employee collection campaign, transfer of diesel aggregates Directly to Ukraine, provision of shelter to mothers and children, together with financial donation were all organised very quickly.

This war had far-reaching consequences and not only geopolitical. Energy markets across Europe have been significantly impacted, experiencing unprecedented changes. The conflict arose at the time when the situation on the markets was already tight. Wholesale prices on the exchange rose sharply back in 2021 already. It concerned not only the price levels of electricity and gas, but the volatility was also historic. This was brought about by several factors, mainly by increasing energy demand resulting from a recovery of the economy globally and particularly across Europe after the pandemic.

The ZSE Group and its customers

The invasion followed by sanctions and uncertainty caused then turbulences on the energy market we have not seen before. It has had great impact on all our business activities - generation, distribution, sale and customer solutions. On one hand, we had to make our best efforts to stabilise these activities within the biggest business crisis. On the other hand, we had to calm our customers who similarly felt great uncertainty resulting from the imminent shortage of electricity and gas. In spite of many open questions that were being addressed during the process, since the beginning of the energy crises we have provided a safe haven to some 150 thousand customers whose original suppliers have left the market, by securing sufficient volumes of commodities and ensuring their uninterrupted supply.

The overall market uncertainty led to the great interest in energy self-sufficiency. Decentralised generation of electricity, that is power generated directly at the customer, is certainly one of the solutions. High prices of commodities motivate citizens and businesses to consider "green solutions". In 2022, we experienced great interest in photovoltaics or Heat pumps.

The market demand concerning PV solutions rose about 500% and along with that, also sales and installations of such solutions by ZSE Energia reached similar numbers (up to 600%). Moreover, with physical PV solutions comes also services connected with management of surplus of produced electricity. ZSE Energia recorded also 500% increase in contraction of Virtual battery – one of the best value-for-money products in this category on the market.

However, the accelerated transition of energy systems heading towards decentralisation required for considerable investments in the distribution system. So far, distribution systems have been built for completely different conditions. Trends such as decentralised generation, higher proportion of renewables or more interactions with customers, who are not only consumers, call for flexibility of the distribution system. That´s why we have been investing in its upgrade and expansion. Now, stronger than ever, we push of our grid – there is no alternative to making our grid smarter, if we want to cope efficiently with the higher number of connections and numerous interactions. We continue in investing within the international projects of common interest (PCI) ACON Smart Grids and Danube InGrid. The projects focus primarily on smart system development in Eastern Europe, enabling more extensive integration of decentralised electricity generation with the distribution system and high quality and reliability of supply. Moreover, cross-border cooperation improves a single energy market of the European Union, which currently has a significant contribution to the Europe´s stability.

New technologies will be needed for storage of such produced energy too. Battery storage is one of the flexible solutions. As a part of the ELSEA project, ZSE plans to build big battery system. The battery storage should increase the system´s capacity and mainly necessary flexibility to connect new sources.

Against the background of all these changes, the important regulatory framework for the next regulatory period was discussed. In our view, it must be predictable, reliable and stable – and thus providing the frame for required long-term infrastructure investments. These attributes are important to all our business activities. Despite the challenging situation, we are ready to continue to invest in the development of the energy transformation; even more, we are convinced, the investments need to be accelerated to make our energy system more resilient and to provide the required capacity and flexibility for much more distributed generation sources, but also for higher electricity consumption, as for e.g. heat pumps and electric vehicles; all this will reduce the dependence on fossil fuels, all this will contribute to further decarbonisation. Such investments in infrastructure, relevant over decades, require a framework that is reliable and predictable, and that enables us to invest. We cannot stagnate, we have to continue in our strategy leading towards the decentralisation and decarbonisation of the energy business – our energy system must be cleaner, less dependent on fossil fuels and more resilient.

The Group´s commitment to climate protection
is one of the biggest global threats and its impacts disproportionally burden the most vulnerable groups. The latest report of the Intergovernmental Panel on Climate Change (IPCC) 2022 warns that the situation now is in many aspects even worse than expected. According to the IPCC, current climate changes caused by human activity are widespread and rapidly accelerating, and without immediate reduction of greenhouse gases, global warming will exceed the limits of our influence.

There is nothing to wait for. We, in ZSE, are fully aware of our responsibility in energy business and we are determined to be a part of sustainable solutions. We decided to start in our own house, so to speak not only due to energy prices and energy shortages, but also in connection with climate issues and its solutions, the topic of energy saving opened in 2022. We have implemented several measures in our Group, the result of which is a 18% reduction in our own inhouse annual energy consumption and we will not stop here. Further reduction plans are in place.

I am glad that we all see our responsibility and wish to behave and conduct our business as sustainably as possible. The less demand for fossil fuels, the bigger Europe´s energy independence. Last year, the number of our customers that have opted for our purely "green electricity" (in SK we use the product brand Zelená elektrina) totalled 123 thousand. Moreover, well over 50% of our customers chose to receive paperless bills and more than three quarters of our customer base settle their bills via electronic payments – these achievements do not come naturally, on the contrary, they are the result of gradual and repeated effort exercised by our contact point colleagues. All of these figures underline that the path we have taken is positively upheld also by our clients. ZSE positions itself as the e-mobility development leader in Slovakia. Despite the ongoing lack of stimuli boosting the electronic vehicle utilisation growth matching average EU parameters, we have continued to grow. The number of public charging transactions in 2022 grew year-on-year by 104% totalling over 20,000.

ZSE is committed to reducing its greenhouse gas emissions reaching its ambitious climate strategy goals. Already this year we are including the sustainability report data into the annual report as a preparation for the EU Corporate Sustainability Reporting Directive (CSRD). Sustainability is not just another aspect of our business; our business must be sustainable itself. In 2022, we moved a big step ahead with the climate change combat. Nonetheless, the whole energy sector must continue to innovate and invest in new technologies to enable a rapid and comprehensive decarbonization and to ensure a sustainable future for the planet and its inhabitants. We invite you to join us on this journey towards a sustainable future.

Markus Kaune, Chairman of the Board of Directors and CEO

Profile and Structure of the Západoslovenská energetika, a.s. Group

The Západoslovenská energetika, a.s. Group (hereinafter the "ZSE Group") is a leading electricity group in Slovakia whose parent company is Západoslovenská energetika, a.s.

The ZSE Group comprises the parent company Západoslovenská energetika, a.s. and its subsidiaries: Západoslovenská distribučná, a.s., ZSE Energia, 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. a ZSE Energetické služby, s.r.o. Západoslovenská energetika, a.s. is also the sole founder of Nadácia ZSE (ZSE Foundation). ZSE Energia, a.s. has organisational unit in Czech Republic. The company Západoslovenská energetika, a.s. has no other organisational units abroad.

ZSE Group through ZSE Energetické služby, s.r.o. also acquired a 58% business share in EKOTERM, s.r.o., and 67% of shares in BK, a.s.
(GRI 2-2)

The parent company Západoslovenská energetika, a.s., Company ID: 35 823 551, with its seat at Čulenova 6, 816 47 Bratislava (hereinafter the "Company" or "ZSE"), was established on 15 October 2001 and incorporated in the Commercial Register on 1 November 2001. The Company is registered with the Commercial Register of the Bratislava I District Court, Section: Sa, File No.: 2852/B.

The mission of the ZSE Group is to carry out electricity and gas supplies and electricity distribution and to provide comprehensive energy-related services to all categories of customers – households, SMEs and strategic enterprises in the Slovak economy. Services are provided in the long-term and reliably, at affordable prices, in an environmentally-friendly manner and in accordance with the EU regulations. The ZSE Group provides services related to electricity distribution in the region of western Slovakia and electricity and gas supplies primarily in the region of western Slovakia. In addition to two small hydropower plants, the ZSE Group also has a steam-gas power plant near Malženice in western Slovakia with an installed capacity of 430 MW. Západoslovenská energetika, a.s. is also active in the field of electromobility.
(GRI 2-1; 2-6)

Certain aspects of the relationship between the ZSE Group and its customers with respect to electricity distribution, and electricity and gas supplies, including the pricing of services provided to certain groups of customers, are regulated by the Regulatory Office for Network Industries (RONI). Electricity distribution is subject to regulation, price or factual, to the largest extent.

The Company did not acquire any own shares, temporary certificates, any business shares or ownership interest, temporary certificates or business shares of the parent entity.

Company Bodies

The structure of statutory and supervisory bodies of the Company during the year 2022 was as follows:

Statutory Body

Board of Directors	
As at 31 December 2022	
Chairman	Markus Kaune (start of office on 1 September 2020)
Vice-Chairman	Ing. Ľuboš Majdán (start of office on 1 September 2020)
Members	Ing. Pavol Viskupič (start of office on 1 September 2020 and end of the office on 22 Octover 2022)
	Marian Rusko (start of office on 16 March 2020)
	Mgr. Juraj Krajcár (start of office on 6 December 2021)

Supervisory Body

Supervisory Body	
As at 31 December 2022	
Chairman	Mgr. Tomáš Galbavý (start of office as a Member on 20 November 2020 and as the Chairman on 14 December 2020)
Vice-Chairman	Johan Magnus Mörnstam (start of office on 1 June 2020 and as vice-chairman on 24 June 2020)
Members	Silvia Šmátralová (start of office on 19 December 2017 and end of the office on 22 Septemmber 2022)
	Silvia Šmátralová (start of the office on 23 Septeber 2022)
	Ing. Martin Mislovič (start of office on 19 December 2017 and end of the office on 22 September 2022)
	Ing. Martin Mislovič (start of the office on 23 September 2022)
	Ing. Juraj Nyulassy (start of the office on 19 December 2017 and end of the office on 22 September 2022)
	Ing. Juraj Nyulassy (start of the office on 23 September 2022)
	Ing. Eva Milučká (start of office on 5 December 2019)
	Mgr. Tomáš Popovič (start of office on 20 November 2020)
	Mgr. Lenka Jakubčová (start of office on 20 November 2020)
	Mgr. Daniel Kravec (start of office on 20 November 2020)

Audit Committee

The Audit Committee was established by a decision of the Company's General Meeting dated 12 December 2014. The Audit Committee has three members elected and dismissed by the Company's General Meeting.
In 2022, the Audit Committee of the Company had the following structure:

Audit Committee in 2022
Ing. Michal Kubinský (till 6 December 2021)
Mgr. Katarína Goldbergerová (from 6 December 2021 till 13 June 2022)
Ing. Boris Németh (from 24 September 2021)
Martin Dohnal (from 13 June 2022)

Shareholders' Structure

The shareholders' structure in Západoslovenská energetika, a.s. as at 31 December 2022 was as follows:

Shareholders' Structure As at 31 December 2022	Absolute amount in € thousand	Equity share in the share capital in %	Voting rights
Slovak Republic represented by the Ministry of Economy of the Slovak Republic	100,454	51%	51%
E.ON Slovensko, a.s.	76,818	39%	39%
E.ON Beteiligungen GmbH	19,697	10%	10%

(GRI 2-9)

Corporate Governance Declaration

The methods and principles of corporate governance are comprised in the Articles of Association of the Company. The Articles of Association are available in the Collection of Documents of the relevant court – District Court Bratislava I and on the website of the Company www.skupinazse.sk.

The Organisational Manual of the Company sets out the principles of the Company´s organisation and internal management of the Company and is the basic and supreme organisational and managing document on the top level in the Company except for the Articles of Association of the Company.

The corporate governance model of the Company includes also internal managing documents which contains orders of the Board of Directors, orders of a member of the Board of Directors, orders of the Chief Executive Officer, orders of a director of a division, directives, manuals and procedures.

Description of Key Internal Control and Risk Management Systems in relation Financial Statements

The Company has internal control and risk management system in place, relating financial statements. This system consists of various instruments, processes and activities which have been used in accounting and preparing the separate and consolidated financial statements (hereinafter jointly "financial statements") of the Company.

The activities within accounting and preparing financial statements are divided in individual functional steps. Automatic and manual controls are a part of every of these steps. The defined procedures ensure that all accounting transactions and preparation of the Company´s financial statements are recorded and processed in line with the accrual principle and documented in a complete, timely and precise manner.

The Company has introduced and has been using internal managing documentation which includes several directives and procedures. These documents focus mainly on the way of accounting in the Company, accounting procedures, signature rules, chart of accounts, account classification, inventory of assets and liabilities, activation and disposal of assets, impairment provisions, creation and use of reserves, preparation of financial statements, consolidation and calculation of direct and indirect taxes. Internal managing documentation is a binding document for all employees and represents the application of main accounting principles and accounting methods applied by the Company. In practice the Company follows the amendments to laws, new and amended accounting standards and other relevant documents that have impact on the accounting and financial statements and, if needed, updates internal managing documentation in a relevant way.

The Company has been using an accounting information system which contains pre-set automatic control mechanisms. Efficiency of these automatic controls within the accounting information system and other key applications is strengthened by other manual checks. Access rights and their extent are limited depending on the need and only for a specified group of employees.

The preparation of the Company´s financial statements require for further qualitative and quantitative indicators and other information. Furthermore, in order to assess the correctness of this information, procedures for the relevant organisational units to assess completeness of this information on a regular basis.

The elementary elements of the internal control and risk management system in relation to the financial statements are: approving, review procedures, segregation of duties, four-eye principle, master data and access rights management, and specific requirements for risk management in many key areas and processes such as accounting, financial reporting, communication, planning and controlling and risk management.

Internal controls are an integral part of the Company´s accounting procedures. Internal managing documentation defines uniform requirements for reporting and accounting procedures for the entire ZSE Group. Adhering to these rules give sufficient certainty to prevent errors or fraud which may cause material misstatement in the Company´s financial statements.

The Company´s organisational unit in charge of accounting and taxes carries out, among other things, implementation, administration and setting of accounting information systems and ensures compliance of accounting, financial statements and tax calculations with the Slovak and European laws. Within this unit, individual accounting transactions and financial statements of the Company are subject to review by managers.

The Company´s organisation structure includes Controlling. Unit Controlling processes create a part of internal control mechanism and risk management of the Company. Controlling ensures continuous control of accounting and financial statements.

The role and competences of Internal Audit, Audit Committee, Board of Directors, Supervisory Board and General Meeting of the Company in relation to internal control environment and risk management and to financial statements are presented below.

The organisational structure of the Company also includes the position of Compliance Manager and Department of Internal Audit whose roles are:

- assessment of adequacy and effectiveness of the system of internal supervision, financial, operational and information systems, corporate governance processes and the quality of tasks assigned and performed;

- identification and assessment of operational risks of the Company by using the adequate methodology;
- responsibility for planning and conducting audit of IT systems, their functionalities and equipment including diverse and global environment of information technologies, operation systems and applications;
- performance of audit of information systems and IT infrastructure safety;
- assessment of risk assessment and the conducting of investigations based on risk assessment;
- investigation of crucial suspicions of embezzlement and fraud within companies of the Group;
- responsibility for making and updating of the documentation with the Compliance Programme; as well as for monitoring and supervising compliance,
- updating of the Company Code of Conduct;
- performance of the activities relating to verification of the breach of the Company Code of Conduct;
- Implementation of methodological and training activities in the field of Compliance.

Results of their activities have been regularly assessed and proposals for improvements applied to individual areas of the governance of the Company. Efficiency of internal control and risk management systems in the Company have been also monitored by the Audit Committee of the Company.

Governance Methods and Bodies of the Company

The shareholders exercise their rights by means of the General Meeting in accordance with the regulation contained in the Commercial Code and the Articles of Association of the Company as follows:

General Meeting

1. The General Meeting is the supreme body of the Company. It shall take decisions on the issues relating to the activities of the Company which the Articles of Association, Commercial Code or a specific act place within its authority.

2. A shareholder may exercise its rights in the General Meeting in person or in representation under the written power of attorney.

3. The General Meeting shall be convened by the Board of Directors unless the Articles of Association or Commercial Code provide otherwise. The Board of Directors shall be obliged to convene an ordinary General Meeting within 2 months of the tax return submission. The Board of Directors shall be obliged to convene an extraordinary General Meeting especially due to reasons under Article XIII(3) of the Articles of Association. The Supervisory Board shall convene an extraordinary General Meeting due to reasons under Article XX(2) of the Articles of Association.

4. The Board of Directors shall convene the General Meeting by an invitation to the General Meeting that must be delivered to all shareholders in the form of a registered mail directly to the address specified in the list of shareholders at least 30 days prior the General Meeting. The invitation to the General Meeting must contain all formalities laid down by applicable laws including information that documents which will be discussed at the General Meeting will be available to shareholders for viewing in the seat of the Company no later than 3 calendar days prior to the meeting of the General Meeting. The invitation to the General Meeting with documents which will be discussed at the meeting shall be sent by the Board of Directors no later than 30 days prior to the General Meeting also to every member of the Supervisory Board to the address specified by him/her, or to the address specified as permanent residence in the Extract from the Companies´ Register of the Company.

5. The General Meeting is usually held in the Company´s seat, however, it may be organised in a different place too. The General Meeting is attended by the members of the Board of Directors, the Supervisory Board and/or other persons.

6. The number of votes of a shareholder is determined by the nominal value of their shares. One vote is attributed to every EUR 33.19.

7. The General Meeting shall take decisions with the two-thirds majority of votes of all the shareholders. Any decision made by the General Meeting on any alterations of the rights associated with a certain

type of the shares shall require the approval of two-thirds votes of shareholders. For this reason, the shareholders, being the owners of such shares, simultaneously, at first, shall vote for changes in the rights and then it is the General Meeting of all the shareholders. (GRI 2-10)

8. The General Meeting shall make decisions on the following corporate affairs:
   a. Change of the Articles of Association;
   b. Decisions concerning any increase and decrease in the share capital, empowering the Board of Directors to raise the capital stock in accordance with the Commercial Code and the issuance of bonds;
   c. Decisions concerning the revocation of the business entity by splitting, merging or transformation to a different form of business partnership or cooperative;
   d. Decisions concerning the revocation of the business entity by liquidation, appointment of the liquidator, setting the remuneration for the liquidator;
   e. Election and removal of members of the Supervisory Board, except for the members of the Supervisory Board elected and removed by employees;
   f. Election and removal of the members of the Board of Directors and designation of the Board Chairman and Vice-Chairman;
   g. Approval of ordinary, extraordinary or consolidated financial statements, decisions concerning profit distribution or loss coverage, including the fixing of directors' fees;
   h. Approval of the Annual Report;
   i. Approval of the rules of procedures of the Supervisory Board of the Company;
   j. Approval of the agreement on performance of responsibilities of board members and their rewarding based upon proposals made by the Board of Directors and the Supervisory Board;
   k. Decisions concerning the changes in rights attributed to the different types of shares;
   l. Decisions concerning the approval of the Company Transfer Agreement or the Partial Company Transfer Agreement;
   m. Decisions concerning the changes in the form of shares;
   n. Decisions concerning the approval of transfer of the Company assets, the market value of which exceeds 20% of the Company turnover in the immediate prior accounting period or the sale of which refers to 20% of Company employees;
   o. Decisions concerning the beginning or termination of trading with the Company stock at the stock exchange;
   p. Decisions concerning the emission of shares, options or other securities or financial instruments that provide the rights for shares or other equity stake in the Company, or right for their underwriting, or decisions allowing the Company to equity stakes in the Company;
   q. Approval of the share transfer in accordance with the Articles of Association;
   r. Appointment and removal of a decision-making person; i.e. auditor, managerial advisor;
   s. Approval of proposals rejected by the Supervisory Board in accordance with the Articles of Association;
   t. Decision concerning other matters that are subject to the performance of the General Meeting as stated by law or the Articles of Association;
   u. Pre- approval of the matters relating to Západoslovenská distribučná, a.s. and ZSE Energia, a.s. specified in more detail in the Articles of Association;
   v. Pre- approval with any changes/amendments/supplements in the Novation Agreement, whose full wording was approved by the General Meeting on 30 May 2014;
   w. Election and removal of members of the Audit Committee of the Company, approval of the agreement on performance of individual functions by Audit Committee members and their remuneration and approval of the negotiation order for the Audit Committee of the Company. (GRI 2-12)

Rights and Duties of Shareholders

1. A Company shareholder may be Slovak or foreign legal or natural person.
2. By making the entry of the Company or of an increase in the share capital in the Companies Register a share underwriter shall obtain the rights of a shareholder as a partner of the joint stock company corresponding to the shares underwritten.
3. Fundamental rights of a shareholder shall include the right to participate in Company´s management activities, in profit sharing and liquidation balance following the dissolution of the Company with liquidation. The right to participate in corporate governance shall be exercised by shareholders through their participation and voting at the General Meeting.
4. The rights and obligations of the shareholders are defined in detail in the Articles of Association and the Commercial Code.

The Board of Directors

1. The Board of Directors is a statutory body of the Company. It shall act on behalf of the Company in relation to the third persons. The Board shall control the corporate activities and take decisions in all the matters associated with the Company unless applicable laws or the Articles of Association place them within the authority of other bodies of the Company.

2. The Board of the Company consists of five (5) members. The members of the Board of Directors are elected and removed by the General Meeting, with Chairman and Vice-Chairman of the Board of Directors being appointed. The term of office of the members of the Board of Directors shall be four (4) years; the term of office is renewable. Any member of the Board of Directors shall have the right to give up his/her position; however, he/she shall be obliged to report such act to the Board of Directors and Supervisory Board in writing. A member of the Board of Directors of the Company mustn´t be a member of the Board of Directors of the subsidiary Západoslovenská distribučná, a.s. The performance of the office of the member of the Board of Directors may not be delegated.

3. If the number of members of the Board of Directors is not less than half, the Board of Directors shall have the right to appoint alternates until the time of the nearest General Meeting of the Company. The Board of Directors has a quorum if the absolute majority of its members are present at the meeting. The Board of Directors shall adopt resolutions by absolute majority of votes of the members present at the meeting. Neither Chairman nor Vice-Chairman shall have the casting vote in case of a tie. The members of the Supervisory Board may vote by this form of communication or by a written declaration if they are not present in person at a venue where the majority of members are gathered, whereas such venue shall be considered as a venue of the meeting. The resolutions of the Board of Directors may be adopted, in addition to meetings of the Board of Directors, by members of the Board of Directors, out of the meeting of the Board of Directors ("per rollam decision").

4. E.ON, a shareholder of the Company, shall be obliged to exercise all its rights in order to make sure that the Board of Directors of the Company will not adopt any resolution if not a single member nominated by the Ministry of Economy of the Slovak Republic (only the "Ministry") as a shareholder of the Company is present at the relevant meeting. If a member nominated by the Ministry is absent from two consecutive, regularly convened meetings of the Board of Directors, the above stated shall not apply to the second of these meetings.

Structure and activities of the Board of Directors

In 2022, the Board of Directors of the Company had the following structure:

Board of Directors of the Company in 2022

Chairman of the Board of Directors:	Markus Kaune
Vice-chairman of the Board of Directors:	Ing. Ľuboš Majdán
Members of the Board of Directors:	Ing. Pavol Viskupič (till 21 October 2022)
	Mgr. Juraj Krajcár
	Marian Rusko

The activities of the Board of Directors were performed in line with the Articles of Association and Commercial Code; in 2022 the Board of Directors held meetings regularly and in line with Articles of Association, and in line with Article XVIII(7) of the Articles of Association the Board of Directors adopted several resolutions, out of the meeting of the Board of Directors ("per rollam decisions") in 2022.

Supervisory Board

1. The Supervisory Board is the supervisory body of the Company which oversees the activities of the Board of Directors and business activities of the Company. Resolutions and duties charged with the Board of Directors by the Supervisory Board were performed, and regularly reviewed and assessed at the meetings of the Supervisory Board. The activities of the Supervisory Board are explained in detail in Article XX of the Articles of Association.

2. The Supervisory Board of the Company has nine (9) members. Two thirds of members of the Supervisory Board shall be elected and removed by the General Meeting of the Company and one third by the Company's employees. The term of office of the members of the Supervisory Board shall be three (3) years. The term of office is renewable. The Chairman and Vice-chairman of the Supervisory Board of the Company shall be elected and removed by the members of the Supervisory Board; the persons concerned shall also vote. The office of the Chairman and Vice-chairman of the Supervisory Board shall commence on the day of their election and end upon their removal by the Supervisory Board. Neither Chairman nor Vice-Chairman shall have the casting vote in case of a tie. Performance of the office of the member of the Supervisory Board of the Company may not be delegated.

3. The meeting of the Supervisory Board of the Company shall be convened by a written invitation sent to every member of the Supervisory Board to the address specified by him/her or to the address of the seat of the Company no later than 15 days prior to every meeting. The invitation must include date, time, venue and the agenda of the meeting.

4. The Supervisory Board has a quorum if the absolute majority of its members are present at the meeting. The Supervisory Board shall adopt resolutions by absolute majority of votes of all members of the Supervisory Board. The members of the Supervisory Board may participate in the meetings of the Supervisory Board in any form of communication during which all participants hear one another. The members of the Supervisory Board may vote by this form of communication or by a written declaration if they are not present in person at a venue where the majority of members are gathered, whereas such venue shall be considered as a venue of the meeting. The resolutions of the Supervisory Board may be adopted, in addition to meetings of the Supervisory Board, by members of the Supervisory Board out of the meeting of the Supervisory Board ("per rollam decision").

5. The Slovak Republic, a shareholder of the Company, shall be obliged to exercise all its rights in order to make sure that the Supervisory Board of the Company will not adopt any resolution if not a single member nominated by E.ON is present at the relevant meeting. If a member of the Supervisory Board of the Company nominated by E.ON Slovensko, a.s. is absent from two consecutive, regularly convened meetings of the Supervisory Board, the above stated shall not apply to the second of these meetings.

In 2022, the Supervisory Board of the Company held regular meetings in line with the Articles of Association. The Supervisory Board of the Company in accordance with Article XXII. Point 8 of the Articles of Association, adopted in 2022 a decision out of the meeting ("per rollam decision").

Audit Committee

1. Without prejudice to responsibilities of the members of the Board of Directors and the Supervisory Board of the Company, the Audit Committee is a body of the Company in charge of the following activities:
   a) monitors the drawing-up of the financial statements (separate and consolidated) and compliance with special regulations;
   b) monitors the efficiency of internal audits and risk management systems in the Company;
   c) monitors the audit of the separate and consolidated financial statements;
   d) verifies and oversees the independence of the auditor, in particular services provided by the auditor under the special regulation;
   e) recommends the auditor for the Company;
   f) sets him/her deadlines for presenting a declaration on honour on his/her independence.

The Audit Committee has three (3) members elected and removed by the General Meeting on a proposal from the Board of Directors or shareholders of the Company. (GRI 2-18)

Information pursuant to Section 20(7) of the Act No 431/2002 Z. z. on Accounting as amended:

The share capital of the Company of EUR 196,969,174.86 is composed of 5,934,594 pieces of booked ordinary shares of the nominal value of EUR 33.19 per share. Shares are not publicly traded. The whole amount of share capital of the Company was issued and paid in full. The Company has no subscribed share capital which would not be listed in the Companies Register. The transferability of the Company's shares is limited to pre-emptive rights of shareholders in cases that do not fall under the permitted transfers.

b) The Company´s bonds are freely transferrable.
c) The following companies own qualified share in the share capital: (at least 10 % share):
    - Slovak Republic represented by the Ministry of Economy of the Slovak Republic - 51% share in the share capital of the Company;
    - E.ON Slovensko, a.s. - 39% share in the share capital of the Company;
    - E.ON Beteiligungen GmbH - 10% share in the share capital of the Company.
d) There are no persons exercising special control rights among the owners of the bonds.
e) The Articles of Association do not contain any provisions on restrictions of voting rights.
f) The Company is not familiar with any agreements among the owners of the bonds of the Company that might lead to any restrictions regarding the transferability of the bonds or restriction of voting rights.
g) The rules governing the appointment and removal of the members of the Board of Directors as a statutory body of the Company and changes to the Articles of Association:
Members of the Board of Directors as a statutory body of the Company shall be elected and removed by the General Meeting of the Company. The General Meeting may anytime remove any member of the Board of Directors of the Company. The General Meeting shall also appoint the Chairman or Vice-Chairman of the Board of Directors of the Company. The term of office of the members of the Board of Directors of the Company shall be four (4) years.
The General Meeting shall make decisions concerning the amendment of the Articles of Association by two thirds majority of votes of all shareholders. The full wording of the proposed amendments of the Articles of Association shall be available to shareholders for viewing at the Company´s seat within a period of time required for the convocation of the General Meeting, as stated in the Articles of Association. A Notarial Deed must be established about the resolution of the General Meeting to amend the Articles of Association. If the General Meeting adopts a resolution the consequence of which will be the amendment of the Articles of Association such resolution shall be considered the amendment of the Articles of Association provided that it was adopted in a manner which is by law or the Articles of Association required for the adoption of the resolution about the amendment of the Articles of Association. Following such amendment the Board of Directors shall be obliged to make without undue delay the full wording of the Articles of Association for the completeness and correctness shall be fully responsible.
h) Powers of the statutory body – the Board of Directors – are presented in the Commercial Code and the Articles of Association.
The Company´s Board of Directors shall exercise the right to act on behalf of the Company, represent the Company in relation to the third persons. The Board shall govern the activities performed by the Company and take decisions in all the relevant matters unless applicable laws or Articles of Association place them within the authority of other bodies of the Company.

The Company´s Board of Directors is mainly in charge of the following:
(i) Performing the business management of the Company and ensuring all its operational and organisational matters;
(ii) Exercising the employment rights and duties;
(iii) Convening the General Meeting;
(iv) Outlining the Strategy Plan of the Company and submitting the plan for approval to the Supervisory Board of the Company;
(v) Implementing the resolutions of the General Meeting;
(vi) Ensuring the prescribed accounting and other records, accounting books and other documents relevant for the Company;
(vii) Submitting for approval of the General Meeting:
    - Proposals for amendments of the Articles of Association;
    - Proposals for increasing and decreasing the share capital and issue of bonds;
    - Ordinary, extraordinary and consolidated financial statements, proposal for profit distribution, including the setting of the size and manner of the paying out of the bonuses, in case of the loss recognised, proposal for its settlement;
    - Proposal for dissolving the Company or alteration of its legal form;
    - Proposal of the remuneration for performing the function of a board member;
    - proposals related to the decisions concerning the matters of Západoslovenská distribučná, a.s. and ZSE Energia, a.s. where the relevant decision taken by the General Meeting of Západoslovenská distribučná, a.s. or the General Meeting of ZSE Energia, a.s. shall require the prior approval of the General Meeting of the Company to be made in accordance with relevant provisions of the applicable Articles of Association of the Company.

The Company´s Board shall have no right to make decision on the issue of shares or share re-acquisition.
i) The Company has no agreements concluded that are binding to amend its conditions in relation to a potential offer for takeover.
j) There are no agreements on reimbursement concluded between the Company and the body members, once

their service term comes to an end. Reimbursement to Company´s employees whose employment contract is terminated is subject to the Labour Code, collective agreement and in-house employment directives.

The Company does not apply special diversity policy in relation to the members of bodies of the Company because their diversity is ensured indirectly through diversity in the structure of shareholders of the Company (state shareholder and non-state shareholders) who propose candidates for the positions of the members of the Board of Directors and Supervisory Board of the Company elected by the General Meeting (candidates for the positions of the members elected by employees are proposed by employees and diversity is ensured indirectly through diversity in the composition of employees who propose candidates and elect such members of the Supervisory Board). No discrimination is allowed in the Company. In proposing candidates for the members of the Board of Directors and Supervisory Board and selecting broader management of the Company, mainly education, competence, experience skills are taken into account.

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 Západoslovenská energetika, 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 in the ZSE Group in 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.
(GRI 3-3 Anti-corruption)

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.
(GRI 205-2)

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.
(GRI 415-1)

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.
(GRI 3-3 Anti-competitive behavior)

Know your counterpart control (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 | Market developments

Market developments

The European context of energy and our strategy

In 2022, extraordinary events which marked the previous year continued, and in many ways escalated, despite the gradual decline of the global pandemic.

The primary factor was the culmination of inflation due to global post-covid stimulus, exacerbated by the war in Ukraine. The first open war conflict in Europe since WWII had an immediate impact especially on the energy sector, as the Russian party uses natural gas as a leverage in the conflict, and due to sanctions, other important energy commodities like coal and oil are affected as well. The inflation primarily caused by high commodity prices is out of direct reach of central banks and the effect of increasing interest rates.
The Russia-Ukraine conflict amplified the skyrocketing gas prices, which through the fuel effect logic pushed electricity prices to new historic maximums. The warm beginning of the year was a welcome surprise but the cold spring in combination with low reserves in gas storage tanks intensified concerns about the upcoming winter season. From European perspective, the conflict lead to the preparation for and gradual disconnection from Russian gas supplies and implementation of a temporarily obligation to push gas into underground storage tanks. Escalation of reducing Russian natural gas supply to Europe in order to disrupt the process of filling the storage tanks culminated in summer. Although they did not manage to disrupt the process, it was at the cost of highest gas prices in history, reaching up to 300 EUR/MWh.

In 2022, the effect of the long-planned outage of conventional electricity generation sources (nuclear power and coal) manifested in full, topped by unplanned outages in the nuclear park of France (lowest availability in history) and the huge deficit in electricity generation from water in all main European hydro systems – Nordic, Alps and Balkan. In our environment, unexpected technical problems affected the combined cycle power plant Malženice. The aftermath of high consumption and steep slump on the generation side lead to an intense imbalance on the electricity market, beyond the gas market issues. For a long time, 2023 electricity prices reached several thousand euros per MWh, and in the short-term even 1,000 €/MWh.

High energy prices in Europe and concerns of heavy recession and destruction of the industry lead to political consequences in the form of price regulation (in Slovak environment, the memorandum between the state and Slovenské elektrárne on reduced price for the household segment, followed by price caps for other segments in the selected period and taxation of extraordinary profit). Price volatility and problems with financial liquidity necessary to ensure business positions affected even the largest energy companies, including electricity producers. Some systemic energy companies in Germany had to be taken over by the state to prevent a negative domino effect. The energy sector became part of state security policy and the topic of supply security became a priority.

Fulfilment of the storage tank obligation in autumn, gradual but slow improvement of generation in French nuclear power plants, temporary reintroduction of coal sources into production and good weather caused a gradual decrease of prices. The end of the year was marked by a major effect of consumption saving in both electricity and gas, in industry as well as in the household segment, which, in terms of time, is the most efficient way of mitigating the market imbalance and a precondition for managing the decisive winter season at the beginning of 2023.

Expectations 2023

2023 will be characterised by the transition processes launched in 2021, therefore we expect that it will be an extraordinary year in many areas. In the period of supply, we have to cope with higher credit risk of business counterparties caused by the market situation and extremely material weather risk - especially for suppliers to regulated segments.

In Slovakia, the primary energy legislation is being updated, with respect to the fourth package.

Risks and Uncertainties

ZSE Group will continue to be in charge of developing new projects and innovative solutions that will reflect the strategic direction of the ZSE Group facing the challenges resulting from the macro-economic and market changes.

ZSE Energia, a.s.:

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 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 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).

Západoslovenská distribučná, a.s.:

The core business activity of Západoslovenská distribučná, a.s. is electricity distribution. The company is exposed to operational risks, which are related to the distribution system operation and management. It includes failures, unplanned supply disruptions and compliance with applicable laws. The main tool for eliminating these risks is ensuring of the continuous distribution network renewal as well as insurance of unplanned circumstances.

During the normal course of business, various claims against the Company Západoslovenská distribučná, a.s. may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator.

Západoslovenská distribučná, a.s. is exposed also to credit risk. Due to the monopoly position of the company, the contractual relationship with the customer is strictly regulated. The company actively uses insurance of receivables, as an additional risk management tool.

ZSE Elektrárne, s.r.o.

The main area of operation of ZSE Elektrárne, s.r.o. is the production of electricity.

The biggest risk for the power plant and its economic stability is unplanned short-term power plant outages due to possible failures at the power plant equipment, which means large costs for the deviation caused in the system Slovenská elektrizačná prenosová sústava, a.s. However, these risks are minimised by regular planned and preventive maintenance of all power plant equipment. The power plant is commercially insured against a long-term outage.
The principle of preventive maintenance of power plant equipment continues to apply, where the main tool is diagnostics and early detection of possible machine failure.

ZSE Elektrárne, s.r.o. sees the conflict in Ukraine as a potential threat to its future economic activities, as its core business is inextricably linked to gas supplies.

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

After 31 December 2022, no other significant events have occurred that would require recognition or disclosure in this annual report.

03 | Economy

Economy

Selected Data from the Separate Financial Statements

In 2022, the parent company Západoslovenská energetika, a.s. generated a profit of EUR 72,861 thousand and incurred costs totaling EUR 45,192 thousand from continuing and discontinued operations.

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

Key Figures as at 31 December

€ thousand	2022	2021
Non-current assets	657,257	966,944
Current assets	476,117	87,912
Total assets	**1,133,374**	**1,054,856**
Equity	357,593	372,562
Non-current liabilities	323,375	634,461
Current liabilities	452,406	47,833
Total equity and liabilities	**1,133,374**	**1,054,856**
Continuing operations:		
Revenues	17,552	16,571
EBIT (profit from operations)	**72,406**	**91,218**
EBITDA	75,365	95,299
Total income	118,053	134,596
Total expenses	44,537	42,908
Profit before tax	73,516	91,688
Profit for the year from continuing operations	**72,861**	**90,490**
Profit for the year from discontinued operations	-	-
Profit for the year	**72,861**	**90,490**
Total other comprehensive income for the year	89	381
Total comprehensive income for the year	**72,950**	**90,871**
Total comprehensive income for the year from continuing operations	72,950	90,871
Capital expenditures	3,666	2,205
Average number of employees	178	171

Distribution of the 2021 Profit

The General Meeting of Západoslovenská energetika, a.s. held on 20 June 2022 approved the proposal for the distribution of the 2021 profit of EUR 90,490 thousand. In December 2022 the Company's shareholders were paid dividends from the 2021 profit in the total amount of EUR 87,919 thousand. Also, the amount of EUR 226 thousand from the 2021 profit was designated as a contribution to the social fund from profit and EUR 2,345 thousand as allocation to retained earnings. In 2022, the dividend per share amounted to EUR 14.81 (2021: EUR 15.10 per share).

Decision on the 2022 Profit Distribution

At its meeting on 30 March 2023 the Board of Directors of Západoslovenská energetika, a.s., acknowledged and recommended to the Supervisory Board of Západoslovenská energetika, a.s. to discuss the following proposal for the distribution of the Company's profit for 2022:

Proposal for Distribution of ZSE's 2022 Profit

Submitted to the Board of Directors of ZSE on 30 March 2023	€ thousand
Result for the year	72,861
Contribution to the social fund	134
Dividends	72,727
Total distribution of profit	72,861

Selected Data from the Consolidated Financial Statements

In 2022, the ZSE Group generated a profit of EUR 131,228 thousand and incurred costs totaling EUR 1,922,151 thousand.

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

Key figures about the ZSE Group as at 31 December

€ thousand	2022	2021
Non-current assets	1,184,692	1,170,199
Current assets	490,717	255,372
Total assets	**1,675,409**	**1,425,571**
Equity	313,225	269,440
Non-current liabilities	539,845	830,220
Current liabilities	822,339	325,911
Total equity and liabilities	**1,675,409**	**1,425,571**
Revenue from sales	1,990,790	1,341,136
EBIT (profit from operations)	**191,978**	**184,171**
EBITDA	259,580	247,130
Total income	2,053,379	1,372,201
Total expenses	1,878,944	1,205,375
Profit before tax	174,435	166,826
Profit for the year	**131,228**	**135,577**
Other comprehensive income for the year	1,066	4,030
Total comprehensive income for the year	**132,294**	**139,607**
Average number of employees	**2,151**	**2,115**

Structure of Electricity Sources and Use of electricity

Structure of Electricity Distribution

In GWh	As at 31 December 2022	Share (%)	As at 31 December 2021	Share (%)
Wholesale	5,567	58	5,760	58
Retail – businesses	1,353	14	1,348	14
Retail – households	2,716	28	2,783	28

Structure of Electricity Supplies

In GWh	As at 31 December 2022	Share (%)	As at 31 December 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

Useful electricity supply (GWh)	
Year	Total
2022	6,528
2021	6,815

Distributed electricity (GWh)			
Year	Total	Of which: wholesale	Of which: retail
2022	9,636	5,567	4,069
2021	9,891	5,760	4,131

Information on sales in monetary and GWh terms from electricity distribution:

Indicators of Západoslovenská distribučná, a.s.		
As at 31 December	2022	2021
Volume of electricity distributed (GWh)	9,636	9,891
Revenues from electricity distribution (EUR thousand)	448,983	374,582
Number of supply points	1,208,656	1,195,500

Information on sales in monetary and GWh terms from electricity supply to customers:

Indicators of ZSE Energia, a.s		
As at 31 December	2022	2021
Volume of electricity sold (GWh)	6,528	6,815
Revenue from the sale of electricity (EUR thousand)*	2,035,541	1,114,254
Volume of electricity purchased (GWh)	6,528	6,815
Number of supply points	1,016,350	1,002,782

Information on sales in monetary terms for the ZSE Group:

Indicators of the ZSE Group		
As at 31 December	2022	2021
Volume of electricity sold (GWh)	6,528	6,815
Volume of electricity distributed (GWh)	9,636	9,891
Revenue from the sale and distribution of electricity (EUR thousand)*	1,658,720	1,139,700
Volume of electricity purchased (GWh)	6,528	6,815
Volume of electricity generated (GWh)	258	2,447

Information on sales in monetary terms from gas supply to customers:

Indicators of ZSE Energia, a.s		
As at 31 December	2022	2021
Revenue from the sale of gas (EUR thousand)*	278,084	179,773
Volume of gas supplied (GWh)	2,757	3,524
Number of supply points	94,546	89,400

*Revenue include distribution charges from distribution system operators outside the ZSE Group

04 | Human Resources

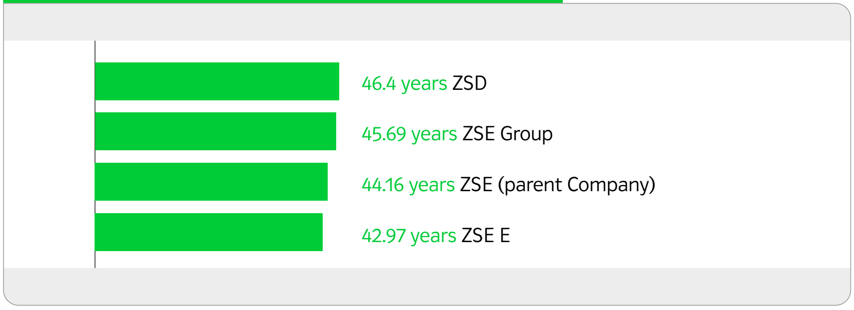
Human Resources

In 2022, the ZSE Group employed 2151 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).

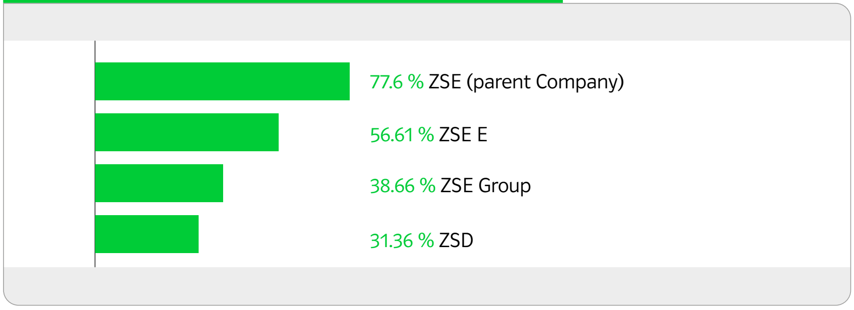
Number of employees in individual companies

	Number of employees
ZSE	**178.29**
ZSEE	**289.42**
ZSD	**1,517.57**
ZSE MVE	**6**
ZSE BS	**0.48**
ZSE Elektrárne	**33.43**

Average age of employees

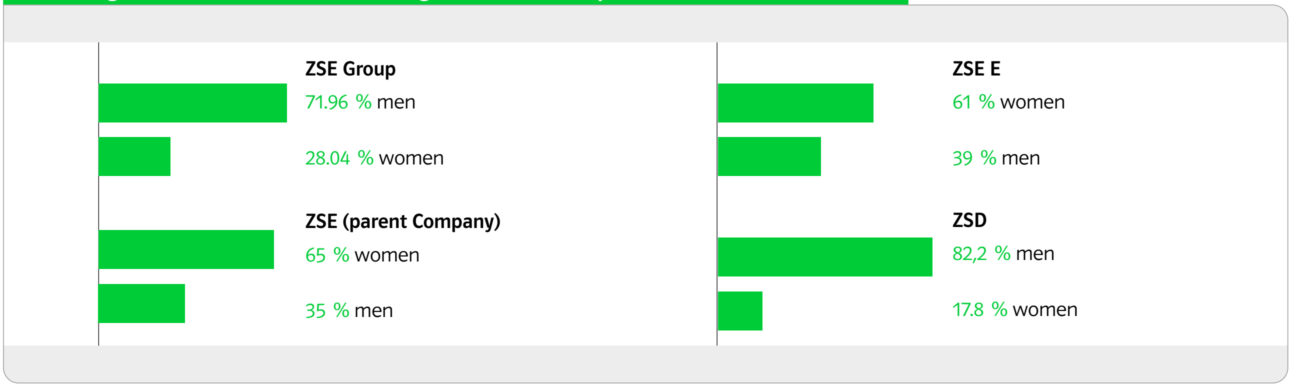


University education



(GRI 405-1)

Percentage of men and women working in the ZSE Group



Dividing of employees

gender	permanent	temporary	total	permanent	temporary	total
women	503	72	**575**	87%	13%	**100%**
men	1,364	112	**1,476**	92%	8%	**100%**
Total	**1,867**	**184**	**2,051**	**91%**	**9%**	**100%**

Region	permanent	temporary	total	permanent	temporary	total
Bratislava region	941	114	**1,055**	89%	11%	**100%**
Nitra region	491	42	**533**	92%	8%	**100%**
Prešov region	1	-	**1**	100%	0%	**100%**
Trenčín region	126	10	**136**	93%	7%	**100%**
Trnava region	308	18	**326**	94%	6%	**100%**
Total	**1,867**	**184**	**2051**	**91%**	**9%**	**100%**

Región	temporary men	perma-nent men	temporary women	perma-nent women	total	temporary men	perma-nent men	temporary women	perma-nent women	total
Bratislava region	61	587	53	354	**1,055**	6%	56%	5%	34%	**100%**
Nitra region	27	393	15	98	**533**	5%	74%	3%	18%	**100%**
Prešov region	-	1	-	-	**1**	0%	100%	0%	0%	**100%**
Trenčín region	7	113	3	13	**136**	5%	83%	2%	10%	**100%**
Trnava region	17	270	1	38	**326**	5%	83%	0%	12%	**100%**
Total	**112**	**1,364**	**72**	**503**	**2,051**	**5%**	**67%**	**4%**	**25%**	**100%**

gender	Full time	Part-time	total	Full time	Part-time	total
women	563	12	**575**	98%	2%	**100%**
men	1,457	19	**1,476**	99%	1%	**100%**
Total	**2,020**	**31**	**2,051**	**98%**	**2%**	**100%**

Region	Full time	Part-time	total	Full time	Part-time	total
Bratislava region	1,026	29	**1,055**	97%	3%	**100%**
Nitra region	531	2	**533**	100%	0%	**100%**
Prešov region	1	-	**1**	100%	0%	**100%**
Trenčin region	136	-	**136**	100%	0%	**100%**
Trnava region	326	-	**326**	100%	0%	**100%**
Total	**2,020**	**31**	**2,051**	**98%**	**2%**	**100%**

Región	Men Full time	Men part-time	women Full time	women part-time	total
Bratislava region	631	17	**395**	12	**1,055**
Nitra region	418	2	**113**	-	**533**
Prešov region	1	-	**-**	-	**1**
Trenčín region	120	-	**16**	-	**136**
Trnava region	287	-	**39**	-	**326**
Total	**1,457**	**19**	**563**	**12**	**2,051**

(GRI2: 2-7; 2-8)

Recruitment	external recruitment	internal recruitment	total	external recruitment	internal recruitment	total
women	59	6	**65**	91%	9%	**100%**
men	119	76	**195**	61%	39%	**100%**
Total	**178**	**82**	**260**	**68%**	**32%**	**100%**

Exit	voluntary exit	involuntary exit	total	voluntary exit	involuntary exit	total
women	29	40	**69**	42%	58%	**100%**
men	52	85	**137**	38%	62%	**100%**
Total	**81**	**125**	**206**	**39%**	**61%**	**100%**

(GRI 401-1)

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.

Remuneration and employee benefits		
Remuneration share (average base salary and bonuses)	**men**	**women**
Senior management (without Board members)	1.00	0.96
Middle management	1.00	0.89
Lower management	1.00	0.87
Customer center employee	1.00	1.06
Contact center employee	1.00	1.04
Overall ratio	**1.00**	**0.98**

(GRI 405-2)

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 404-2).

Training and development of employees		
education	**average cost of an employee training (€)**	**average length of an employee training (hours)**
ZSE Group	346	26

(GRI 404-1)

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.

Cooperation with schools and students:
The ZSE Group offers lots of programmes to form a diverse and inclusive society. We have cooperated with technical middle schools through Dual education programmes for several years now. In 2022, 30 students joined the dual education programmes. Students from technical middle schools have the option to become young employees thanks to the Power programme where ZSE experts impart their valuable experience and technical skills to the future generations of ZSE colleagues. In 2022, 20 electrical engineering school graduates were accepted to the Power programme, which enables continuous development of the graduates and their further career advancement to permanent positions.

ZSD is a partner of the Duke of Edinburgh's International Award – we cooperate to develop talents and the participants mentor the students. The programme is designed so that our colleagues teaching energy subjects have the possibility to expand their mentoring skills.
(GRI 404-2)

05 | 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. (GRI 3-3 Occupational Health and Safety)

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. (GRI 403-5) To increase the employees' OHS awareness, various articles and quizzes were published on the intranet. (GRI 403-4)

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 EUR 870,482 was invested for all ZSE Group companies, of which it was EUR 8,711 for ZSE into personal and protective work equipment and tools, obligatory training courses on occupational health and safety, and preventive medical check-ups. (GRI 403-3; 403-6; 403-7)

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. (GRI 403-9; 403-10)

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. (GRI 403-1)

06 | Environmental Protection and Sustainability

Environmental Protection and Sustainability

Environment

In 2022, the ZSE Group continued with the long-term and sustainable care for the environment, bird protection, as well as protection of water, soil and air. At the end of October 2022, 3EC certification company carried out a recertification audit of the system of integrated management (SIM) in all three companies. The audit found no discrepancies and all three companies, i.e. ZSE, ZSD and ZSEE once again retained the Environmental Management System certification (ISO 14001) and OHS Management System (ISO 45001). ZSEE retained also the Quality Management System certification (ISO 9001). Many strengths and improvements were identified, as well as opportunities for improvement. The certification company came to the conclusion that SIM is efficiently processed and improved and recommends continuing with the certification. Within the ZSE Group, external auditors highlighted for example these strengths:

- management leadership,
- preventive and proactive approach to OHS and protection of the environment,
- exemplarily managed processes of the audited worksites,
- improved efficiency of the contractor management process,
- effectively maintained system of integrated management,
- digitisation,
- carbon footprint reduction and others.

We have been minimising negative impacts of electricity distribution on bird populations for over 30 years. In 2022, ZSD continued the international cooperation in LIFE Eurokite and LIFE Danube Free Sky projects. The main goal of LIFE Eurokite is to identify spatial use of biotopes of selected species using telemetric technology and quantity the key reasons for raptor deaths in the EU. Since the beginning of the project, protective elements were installed on 480 support poles in the special protection area of Záhorské Pomoravie to prevent electrocution on power line poles. As part of LIFE Danube Free Sky, protective elements have been installed on 409 support poles so far in the special protection area of Lehnice. (GRI 102-12; 102-16)

Even outside the international LIFE projects, bird protection is one of the company's main areas of environmental focus. As a company, we methodically focus particularly on special protection areas with lots of nesting biotopes, and main migration corridors. In 2022, the company continued installing nesting plates for kestrels on medium voltage power lines. Since the project launch, 100 nesting booths have been installed, with 380 fledglings successfully flying out of them. In 2022, 20 nesting booths were installed on 110 kV power lines for the rare saker falcon. Creating nesting opportunities for raptors is one of compensation measures contributing to increasing biological diversity in the country. Bird flight deflectors were installed in the areas where bird deaths were discovered due to collisions with power lines. Such collisions occur mostly in winter months when swans and other waterfowls stay in numerous flocks near bodies of water. In 2022, 3.7 km of power lines were equipped with warning elements. The company installed electric protections on over 1,000 support poles in 2022. ZSD has focused on stork nest relocations for many years. In 2022, we found suitable locations for stork nests in 5 municipalities. As part of nest relocations, the original nesting base on the power line is secured with barriers. For the first time, in cooperation with ornithologists, we ringed young storks in the nests on our support poles.

In 2022, a pilot project was launched with innovative maintenance under overhead lines in a manner that's more considerate towards nature, which will increase biodiversity, nesting and feeding opportunities, as well as resilience of original populations. Bio-corridor creation will restore natural character of areas under power lines and improve conditions for the return and reproduction of fauna and flora of European importance. One example is the protected area of Pečniansky les where this change will restore meadow and shrub dwelling populations beneficial for the growth of endangered species of Orchidaceae included in the list of species of European importance. The change of approach will eliminate invasive flora and the corridor will regain natural character, creating new migration opportunities and improving water regime to serve as water retention and biotope for amphibians.

In addition to bird protection, special attention is paid to monitoring and management of environmental aspects in order to ensure effective risk management and incident prevention.

Here are 2022 data:

- Waste monitoring: strongly dependant on reconstructions and repair types, whereas we try to recover as much waste as possible. The total volume of operational waste is 25,637 tonnes. Materials handled in a special way:
- PCB for which we ensure ecological liquidation,
- asbestos – liquidation through an authorised company. The authorised company stabilises dismantled asbestos and puts it in a landfill. (GRI 3-3: Waste)
- Water monitoring: quality of water discharged to watercourses, quality of water taken from own wells and from water surface in relation to Malženice power plant's cooling system, quality of drinking water in administrative buildings, emergency tanks tightness tests and camera monitoring of sewage system in order to verify tightness and prevent a leak of hazardous substances to ground water.
  - Water consumption in the ZSE Group (m^3): drinking water: 38,295
  - Discharged water in the ZSE Group (m^3): wastewater: 32,928
  - Collected rainwater in the ZSE Group (m^3): 2,836
  - Water taken from own wells (m^3): 557
  - Water taken from the river for the operation of Malženice (m^3) – water for cooling: 375 598
- Relocating overhead lines underground including ACON and INGRID projects 36.056 km
- Mitigating negative impacts on the environment: Reconstruction of 2 substations with replacement of old technology ensured mitigation of negative impacts on the environment in line with the 2022 Environmental Management System Plan. New electric station facilities are built considering all legal and internal regulation requirements in order to minimise negative impacts on the environment. In Podunajské Biskupice, Piešťany, Dubnica, Ostredky, Bošáca, PP Levice and Topoľčany substations, devices containing hazardous substances were replaces with new ones in order to ensure better water protection. In Sládkovičovo substation, technical and operational measures were taken to decrease noise level. Replacement of power transformers is standardly done with low-noise ones in order to decrease noise level around our facilities in line with the limits.
- Invasive woody plants monitoring: in all facilities, regular monitoring of the appearance of invasive woody plants took place, as well as their follow-up elimination. Additionally, documents related to pruning and logging of trees interfering with power lines were published on the company website for landowners, as well as arborist standard of caring for trees near public technical infrastructure.
- SF_6 monitoring: We monitor all devices containing SF_6.
  - Total SF_6 volume = 16 683,72 kg (380 388,77 CO_2e tonnes under IPCC AR4, 392 067,37 CO_2e tonnes under IPCC AR5)
  - Leaks represented 9.15 kg (208.62 CO_2e tonnes under IPCC AR4, 215.03 CO_2e tonnes under IPCC AR5).
  - Fluorinated greenhouse gases: air conditioning and fixed fire suppression systems (R410A, R407C, R22, HFC227)
  - Total volume represented 4 441,93 CO_2e tonnes; reported leak from air conditioning was 40.8 t CO_2e equivalent.
- Education and training of employees and increasing awareness: trainings for 133 suppliers and 1 workshop about environmental conditions for performing activities in ZSE Group facilities and 12 trainings for groups of newly hired employees,
- Ambient noise measurement in electric station facilities.
- Costs for constructions, repairs, ecological operation including waste disposal in the ZSE Group in 2022 were EUR 4,130 thousand.

Sustainability

Climate change is one of the most pressing issues facing the world today. According to the United Nations Climate Change, „the global average temperature has already risen by about 1.1 degrees Celsius (2 degrees Fahrenheit) since the preindustrial era, with temperatures continuing to rise at an alarming rate." This warming trend is causing several consequences, including more frequent and severe heatwaves, storms, and natural disasters, as well as rising sea levels that threaten coastal communities and ecosystems. These changes are also having a significant impact on animals and people, as many species struggle to adapt to their changing environments and extreme weather events can displace or harm communities.

The latest Intergovernmental Panel on Climate Change Report highlights the urgent need for action to reduce greenhouse gas emissions and mitigate the worst impacts of climate change. Companies play a key role in this effort through the implementation of Environmental, Social, and Governance (ESG) strategies that prioritize sustainability and reduce their carbon footprint. (GRI 3-3: Climate adaptation, resilience, and transition)

ZSE ESG strategy

Západoslovenská energetika, a.s. has committed to achieving climate neutrality by 2050. To achieve this goal, the company has set ambitious targets for reducing its greenhouse gas (GHG) emissions. Specifically, the company aims to reduce its Scope 1 and Scope 2 GHG emissions by 75% by 2030 and 100% by 2040. In addition, the company aims to reduce its Scope 3 GHG emissions by 50% by 2030 and 100% by 2050. These targets align with the European Green Deal and the Paris Agreement. By meeting these targets, Západoslovenská energetika, a.s. is demonstrating its commitment to sustainability and its willingness to take action to protect the environment. Additionally, the company has published its ESG strategy in December 2022 on the public website, where more details can be found regarding the roadmap of this journey. ESG strategy is a part of the 14 ESG policies package which can be found on the website. (GRI 2: 2-23). In Q2 2022 the company also received its first ESG risk rating from the ESG rating agency Sustainalytics with the result medium risk, scoring as the 52nd best out of 297 companies within the Electric Utilities subindustry. The report is published on ZSE website. In 2023, the company will undergo its second ESG risk rating. Based on the first rating, ZSE has run a series of workshops with the relevant business units across the ZSE group to fill in the identified gaps. This exercise resulted in the above mentioned detailed ESG strategy. The business units will continue in ESG coordinated work as part of ESG steering with dedicated budget and implementation plans. (GRI 2-22).

ZSE emission balance

The ZSE Group compiles its emission balance sheet according to the Greenhouse Gas (GHG) Protocol. The summary includes all the relevant emission data available for 2022. At the time of compiling the emission balance, some updated emission factors are not available, therefore they are based on the factors for 2021 or earlier. (GRI 3-3: GHG emissions)

ZSE emission balance

ZSE Group emission balance in tonnes of CO_2 equivalent (t CO_2e)		**2020**	**2021**	**2022**	**21 vs 20**	**22 vs 21**
Scope 1	Electricity generation[1]	629,492	847,883	93,259	+35%	-89%
	Fuel combustion[2]	296	285	246	-4%	-14%
	Own vehicles[3]	1,270	1,380	1,330	9%	-4%
	Fugitive emissions[4]	539	321	256	-40%	-20%
Scope 2	Power consumption in own properties [5]	1,727	1,545	1,248	-11%	-19%
	Distribution system operation losses[6]	117,065	97,457	85,673	-17%	-12%
Scope 3	Electricity sold to end-customers[7]	1,126,418	908,670	876,502	-19%	-4%
	Natural gas sold to end-customer[8]	593,717	709,387	567,406	19%	-20%
	Leased vehicles[9]	2,382	2,461	2,524	3%	3%
	Employees business trips (flights)[10]	14.4	4.7	32.9	-67%	596%
Total		**2,472,920**	**2,569,395**	**1,628,477**	**+4%**	**-37%**

(GRI 305-1; 305-2; 305-3; 305-5)

1. The ZSE Group owns two small hydropower plants and one steam-gas power plant. The significant drop in 2022 was due to regular maintenance and subsequent failure of one part of the generator in the steam-gas power plant, the shutdown of which continued from March until the end of 2022.
2. We produce heat from natural gas. The drop in production was even more significant –16%, but the increased emission factor of natural gas according to SPP-D resulted in the overall -14% decrease.
3. The consumption of own vehicles with an internal combustion engine was 7hl of gasoline and 452 hl of diesel. The consumption of own electric vehicles is measured only when charging in the ZSE Drive network which amounted to 4,4 MWh.
4. Fugitive emissions are leaks of SF_6 gas (9,2 kg in 2022) and refrigerant R407C from air conditioners (40,8 tCO_2e in 2022).
5. The item represents the purchase of heat and electricity consumption. While the purchase of heat decreased year on year from 2,43 to 1,65 GWh in 2022, the own consumption of electricity remained the same at 3,85 GWh.
6. Physical losses from electricity distribution. This is an expert estimate, as exact data are not yet available.
7. In 2022 we sold less electricity (6 528 GWh) compared to previous years, primarily in the non-house segment.

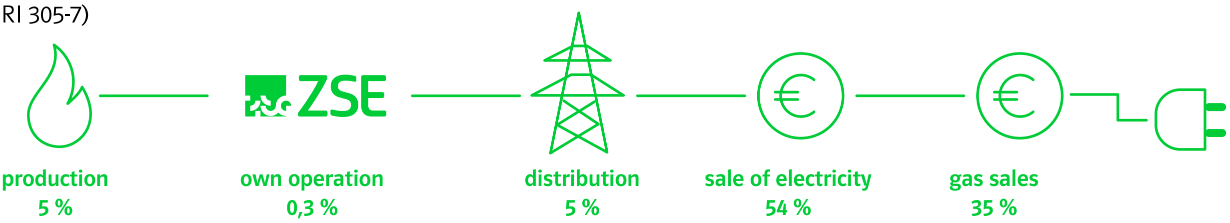
Electricity sold to end-customers in mil. tonnes CO_2e	2020	2021	2022
Market based	1.13	0.91	0.88
Location base	1.35	1.16	1.12

8. Regarding natural gas, we delivered a smaller volume than in 2021. We recorded a decrease, both in the household segment (-10%) as well as outside households. (-30%).
9. The consumption of leased vehicles with an internal combustion engine was 255 hl of gasoline and 723 hl of diesel. The consumption of leased electric vehicles is measured only when charging in the ZSE Drive network, which amounted to 37 MWh.
10. Compared to the previous year, both the number of flight business trips (from 10 to 49) as well as transported persons (from 18 to 77) increased. (GRI 302-1)

While conducting business activities, the ZSE Group also emits other pollutants. These are primarily activities related to the combustion of natural gas in boiler rooms, diesel generators and in the power plant with a combined steam gas cycle. (GRI 3-3: Air emissions)

Pollution source (tonnes)	2020	2021	2022	21 vs 20	22 vs 21
Solid pollutants (SP)(kg/year)	24.5	33.0	3.6	35%	-89%
SO_2 (kg/year)	2.9	4.0	0.4	36%	-89%
NO_x (kg/year)	171.8	215.2	23.5	25%	-89%
CO (kg/year)	128.9	44.1	25.7	-66%	-42%
Organic gases and fumes expressed as total organic carbon (TOC) (kg/year)	7.1	9.0	1.1	27%	-88%

(GRI 305-7)



Corporate Sustainability Reporting Directive (CSRD)

The European Commission presented the CSRD proposal on 21 April 2021 as part of the European Green Deal and the Sustainable Finance Agenda. On 28 November 2022, the Council of the EU gave its final approval to the CSRD. Information on sustainability matters will be required to publish by companies which will increase transparency, accountability and smooth the transition to sustainable economy. The CSRD strengthens the existing rules on non-financial reporting introduced in the Accounting Directive by the 2014 non-financial reporting directive (NFRD). The CSRD introduces more detailed reporting requirements and ensures that large companies and listed SMEs are required to report on sustainability matters such as environmental rights, social rights, human rights and governance factors. The application date of the directive concerning ZSE is the given: „reporting in 2025 on the financial year 2024 since the company is already subject to the NFRD." ZSE is trying its best efforts to be prepared for this reporting, hence the sustainability information is already a part of this annual report and in compliance with the Global Reporting Initiative (GRI) 2021 criteria, on which basis the European Sustainability Reporting Standards (ESRS) under the EU CSRD are partially created.

Global Reporting Initiative Sustainability Reporting Standards (GRI SRS) 2021

GRI SRS 2021 is a set of standards for sustainability reporting. The GRI SRS provides a common framework that organizations can use to report on their economic, environmental, and social performance. The 2021 version of the GRI SRS includes updates and improvements to the previous version, with a focus on increasing the relevance and usefulness of sustainability reports for stakeholders. The GRI SRS is widely used by organizations around the world and is considered the most comprehensive and widely used standard for sustainability reporting. By using the GRI SRS, organizations demonstrate their commitment to sustainability and transparency, and provide stakeholders with important information about their performance and impacts.

Where GRI requirements are not linked to specific section of this report, the table includes additional information. Some of the GRI standards explanations consist of both: a linkage to a report section as well as accompanying information within the specific column. The methodology of the GRI analysis is described in GRI 3-1: Process to determine material topics.

In accordance with regulation (EU) 2020/852 of the EP and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and related delegated acts (hereafter referred to as „EU Taxonomy" or „EU Regulation 2020/852"). Group's management considers following economic activities of the Group as eligible in accordance with Commission Delegated Act (EU) 2021/2139:

- 4.9. Transmission and distribution of electricity - within subsidiary Západoslovenská distribučná, a.s.
- 4.5. Electricity generation from hydropower - within subsidiary ZSE MVE, s.r.o
- 4.10 Storage of electricity - in a new construction project within the subsidiary ZSE Energia, a.s.
- 6.15. Infrastructure enabling road transport and public transport within service line „e-mobility"
- 7.3 Installation, maintenance and repair of energy efficiency equipment - services in the construction and maintenance of energy-efficient heating systems provided by the subsidiary Ekoterm, s.r.o.
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) within service line „e-mobility".
- 7.6 Installation, maintenance and repair of renewable energy technologies - construction, repair and maintenance of photovoltaic devices
- 8.1 Data processing, hosting and related activities - IT services and data center management.

Since 2022, the Group is obliged to publish information on economic activities that are consider as environmentally sustainable.

Business activities are „environmentally sustainable" if

- significantly contribute to mitigating climate change and adapting to climate change,
- do not cause any significant damage (DNSH) in achieving EU environmental goals and
- observe minimum security and human rights (minimum guarantees, minimum protection).

The proportion of economic activities that are environmentally sustainable and activities eligible under the EU taxonomy on the Group's total consolidated turnover, its consolidated capital and operating expenses for the year 2022 are reported in the tables below. When calculating the indicators, the Group assigned individual items to economic activities so that they were counted only once, primarily through data from segmental analyses. Intra-group transactions were excluded.

Reporting of capital expenditure on environmentally sustainable economic activities within the framework of the EU taxonomy

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute CapEx (EUR)**	**Proportion of CapEx (%)**	**Climate Change Miti-gation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosys-tems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Electricity generation from hydropower	4.5.	4	0.00%	100%					
Transmission and distribution of electricity	4.9.	96,046	80.85%	100%					
Infrastructure enabling low-carbon road transport and public transport	6.15.	172	0.14%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	1,421	1.20%	100%					
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**97,643**	**82.19%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Storage of electricity	4.10	26	0.02%						
Data processing, hosting and related activities	8.1	142	0.12%						
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		168	0.14%						
Total (A.1. + A.2)		97,811	82.34%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CapEx of Taxonomy-non-eligible activities (B)		20,985	17.66%						
Total (A+B)		**118,796**	**100.00%**						

Reporting of capital expenditure on environmentally sustainable economic activities within the framework of the EU taxonomy

	DNSH criteria									
Economic activties	**Climate Change Mitiga-tion (Y/N)**	**Climate Change Adapta-tion (Y/N)**	**Water marine resources (Y/N)**	**Circular Econo-my (Y/N)**	**Pollution (Y/N)**	**Biodiver-sity and ecosys-tems (Y/N)**	**Mini-mum safe-guards (Y/N)**	**Taxonomy--aligned proportion of CapEx year 2022 (%)**	**Taxonomy--aligned proportion of CapEx year 2021 (%)***	**Category (enabling activity) (E)**	**Category (transi-tional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)											
Electricity generation from hydropower	Y	Y	Y				Y	0.00%		E	
Transmission and distribution of electricity	Y	Y					Y	80.85%		E	
Infrastructure enabling low-carbon road transport and public transport	Y	Y	Y	Y	Y	Y	Y	0.14%		E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	1.20%		E	
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)											
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Storage of electricity											
Data processing, hosting and related activities											
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)											
Total (A.1. + A.2)											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
CapEx of Taxonomy-non-eligible activities (B)											
Total (A+B)											

Reporting of operating expenses for environmentally sustainable economic activities within the EU taxonomy

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute OpEx (EUR)**	**Proportion of OpEx (%)**	**Climate Change Miti-gation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosys-tems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Electricity generation from hydropower	4.5.	187	0.20%	100%					
Transmission and distribution of electricity	4.9.	39,905	42.87%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	450	0.48%	100%					
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**40,542**	**43.56%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Storage of electricity	4.10.	89	0.10%						
Data processing, hosting and related activities	8.1.	3,912	4.20%						
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		4,001	4.30%						
Total (A.1. + A.2)		**44,543**	**47.86%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OpEx of Taxonomy-non-eligible activities (B)		48,534	52.14%						
Total (A+B)		**93,077**	**100.00%**						

Reporting of operating expenses for environmentally sustainable economic activities within the EU taxonomy

	DNSH criteria										
Economic activties	**Climate Change Mitiga-tion (Y/N)**	**Climate Change Adapta-tion (Y/N)**	**Water marine resources (Y/N)**	**Circular Economy (Y/N)**	**Pollution (Y/N)**	**Biodiver-sity and ecosys-tems (Y/N)**	**Minimum safe-guards (Y/N)**	**Taxonomy--aligned proportion of OpEx year 2022 (%)**	**Taxonomy--aligned proportion of OpEx year 2021 (%)***	**Category (enabling activity) (E)**	**Category (transi-tional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)											
Electricity generation from hydropower	Y	Y	Y				Y	0.20%		E	
Transmission and distribution of electricity	Y	Y					Y	42.87%		E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	0.48%		E	
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)											
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Storage of electricity											
Data processing, hosting and related activities											
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)											
Total (A.1. + A.2)											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
OpEx of Taxonomy-non-eligible activities (B)											
Total (A+B)											

Reporting of income from environmentally sustainable economic activities within the EU taxonomy

				Substantial Contribution criteria					
Economic activties	**Codes**	**Absolute turnover (EUR)**	**Proportion of turnover (%)**	**Climate Change Mitigation (%)**	**Climate Change Adaptation (%)**	**Water marine resources (%)**	**Circular Economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmental sustainable activities (Taxonomy aligned)									
Transmission and distribution of electricity	4.9.	463,084	23.26%	100%					
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	1,474	0.07%	100%					
Installation, maintenance and repair of renewable energy technologies	7.6.	6,091	0.31%	100%					
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1.)		**470,649**	**23,64%**	**100%**					
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)									
Installation, maintenance and repair of energy efficiency equipment	7.3.	409	0.02%						
Installation, maintenance and repair of renewable energy technologies	7.6	604	0.03%						
Turnover of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		1,013	0.05%						
Total (A.1. + A.2)		**471,662**	**23.69%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Turnover of Taxonomy-non-eligible activities (B)		1,519,128	73.31%						
Total (A+B)		**1,990,790**	**100%**						

Reporting of income from environmentally sustainable economic activities within the EU taxonomy

	DNSH criteria									
Economic activties	**Climate Change Mitigation (Y/N)**	**Climate Change Adaptation (Y/N)**	**Water marine resources (Y/N)**	**Circular Economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystems (Y/N)**	**Minimum safeguards (Y/N)**	**Taxonomy-aligned proportion of turnover year 2022 (%)**	**Taxonomy-aligned proportion of turnover year 2021 (%)***	**Category (enabling activity) (E)**	**Category (transitional activity) (T)**
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmental sustainable activities (Taxonomy aligned)											
Transmission and distribution of electricity	Y	Y					Y	23.26%		E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Y	Y					Y	0.07%		E	
Installation, maintenance and repair of renewable energy technologies	Y	Y					Y	0.31%		E	
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1.)											
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)											
Installation, maintenance and repair of energy efficiency equipment											
Installation, maintenance and repair of renewable energy technologies											
Turnover of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)											
Total (A.1. + A.2)											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
Turnover of Taxonomy-non-eligible activities (B)											
Total (A+B)											

Green Financing Framework

Publication of ZSE Sustainability reports since 2020, the ESG rating and clear ESG strategy has enabled ZSE to be able to put together its Green Financing Framework (GFF). The Second party opinion (SPO) conducted by ISS has confirmed ZSE's GFF (as of November 25, 2022) alignment with International Capital Market Association's (ICMA) Green Bond Principles (as of June 2021 with June 2022 Appendix 1) and Loan Management Association (LMA) Green Loan Principles (as of February 2021). The SPO acknowledged clarity of reasoning for ZSE GFF instruments and compliance of the project categories with sustainability objectives. Moreover, the ISS confirmed positive contribution of the ZSE project categories with the UN SDGs and alignment with the EU taxonomy on the best effort basis.

UN SDGs

The Sustainable Development Goals (SDGs) are a set of 17 global goals adopted by the United Nations in 2015 as a blueprint for a better and more sustainable future. The SDGs address a range of interconnected issues, including poverty, inequality, climate change, environmental degradation, and peace and justice. The goals are designed to be universal, meaning that they apply to all countries and all people, and they are intended to be integrated and indivisible, meaning that progress on one goal can have positive impacts on other goals. While progress has been made on some of the SDGs, there is still much work to be done to achieve the full realization of all the goals by the target date of 2030. In the table „SDGs - Sustainable Development Goals, at the end of this document, you can find the correlation between the ZSE GRI material topics and UN SDGs (GRI 3-2)

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.
(GRI 3-3: Economic impacts; GRI 3-3: Local communities, GRI 413-1; GRI 413-2)

Annex | Separate Financial Statements 31 december 2022

Content

INDEPENDENT AUDITOR'S REPORT – online version

Separate Financial Statements

Separate Statement of Financial Position	56
Separate Statement of Profit or Loss and Other Comprehensive Income	57
Separate Statement of Changes in Equity	58
Separate Statement of Cash Flows	59

Notes to the Separate Financial Statements

1	Introduction	60
2	Significant Accounting Policies	60
3	Adoption of New or Revised Standards and Interpretations	71
4	New Accounting Pronouncements	71
5	Critical Accounting Estimates and Judgements in Applying Accounting Policies	74
6	Property, Plant and Equipment	76
7	Intangible Assets	77
8	Investment Properties	78
9	Right-of-use Assets and Lease Liabilities	79
10	Investments in Subsidiaries and Joint Venture	80
11	Finance Lease Receivables	81
12	Loans Provided to Subsidiary	81
13	Inventories	82
14	Trade and Other Receivables	82
15	Cash and Cash Equivalents	84
16	Share Capital	84
17	Legal Reserve Fund	84
18	Issued Bonds	84
19	Income Taxes	85
20	Post-Employment Defined Benefit Obligations	86
21	Other Long Term Employee Benefits	87
22	Trade and Other Payables	87
23	Receivables and Liabilities from Cash Pooling	88
24	Borrowings	89
25	Revenues from Contracts with Customers	89
26	Raw Materials, Energy and Other Consumption	90
27	Employee Benefits	90
28	Other Operating Expenses	90
29	Dividend Income	91
30	Other Operating Income	91
31	Interest and Similar Expenses	91
32	Interest Income Calculated Using the Effective Interest Method	91
33	Segment Reporting	92
34	Financial Risk Management	95
35	Management of Capital	97
36	Reconciliation of Movements in Liabilities from Financing Activities	98
37	Offsetting Financial Assets and Financial Liabilities	99
38	Fair Value Disclosures	100
39	Presentation of Financial Instruments by Measurement Category	101
40	Contingencies and Commitments	101
41	Balances and Transactions with Related Parties	101
42	Events after the End of the Reporting Period	103

Separate Statement of Financial Position

Separate Statement of Financial Position			
In thousands of EUR	**Note**	**31 December 2022**	**31 December 2021**
ASSETS			
Non-current assets			
Property, plant and equipment	6	28,313	27,588
Intangible assets	7	1,246	1,134
Investment properties	8	15,989	16,957
Right-of-use assets	9	3,143	2,730
Investments in subsidiaries and joint venture	10	292,663	292,664
Finance lease receivables	11	3,023	1,321
Trade and other receivables	14	743	770
Loans provided to subsidiary	12	311,913	623,473
Deferred income tax receivables	19	224	307
Total non-current assets		**657,257**	**966,944**
Current assets			
Investments in subsidiaries and joint venture	10	-	564
Inventories	13	1,137	943
Accrued interest on loans provided to subsidiary	12	320,447	8,534
Trade and other receivables	14	4,122	8,556
Current income tax refund receivable	19	359	-
Finance lease receivables	11	619	257
Receivables from cash pooling	23	128,208	60,636
Cash and cash equivalents	15	21,225	8,422
Total current assets		**476,117**	**87,912**
TOTAL ASSETS		**1,133,374**	**1,054,856**
EQUITY			
Share capital	16	196,969	196,969
Legal reserve fund	17	39,421	39,421
Retained earnings		121,203	136,172
TOTAL EQUITY		**357,593**	**372,562**
LIABILITIES			
Non-current liabilities			
Issued bonds	18	313,696	628,267
Lease liabilities	9	5,747	3,982
Trade and other payables	22	3,213	1,410
Post-employment defined benefit obligations	20	550	613
Other long term employee benefits	21	169	189
Total non-current liabilities		**323,375**	**634,461**
Current liabilities			
Issued bonds and accrued interest on issued bonds	18	321,904	6,881
Borrowings	24	119,465	21,430
Lease liabilities	9	1,160	1,054
Trade and other payables	22	9,643	9,970
Current income tax liability	19	-	1,271
Liabilities from cash pooling	23	234	7,227
Total current liabilities		**452,406**	**47,833**
TOTAL LIABILITIES		**775,781**	**682,294**
TOTAL LIABILITIES AND EQUITY		**1,133,374**	**1,054,856**

These separate financial statements have been approved for issue by the Board of Directors on 30 March 2023.

Markus Kaune
Chairman of the Board of Directors and CEO

Juraj Krajcár
Member of the Board of Directors

The accompanying notes 1 to 42 are an integral part of these separate financial statements.

Separate Statement of Profit or Loss and Other Comprehensive Income

Separate Statement of Profit or Loss and Other Comprehensive Income			
In thousands of EUR	**Pozn.**	**2022**	**2021**
Revenues from contracts with customers	**25**	**17,552**	**16,571**
Raw material, energy and other consumption	26	(3,392)	(1,856)
Employee benefits	27	(10,298)	(9,474)
Depreciation of property, plant and equipment and investment properties	6, 8	(2,151)	(3,437)
Amortisation of intangible assets	7	(267)	(199)
Depreciation of right-of-use assets	9	(541)	(445)
Other operating expenses	28	(8,779)	(8,449)
Other operating income	30	8,200	11,174
Dividend income	29	71,743	87,049
Income from subleases		184	119
Own work capitalised		155	165
Operating profit		**72,406**	**91,218**
Finance income / (costs)			
Interest income calculated using the effective interest method	32	20,219	19,518
Interest costs and similar expense	31	(19,109)	(19,048)
Finance income, net		**1,110**	**470**
Profit before tax		**73,516**	**91,688**
Income tax expense	19	(655)	(1,198)
Profit for the year		**72,861**	**90,490**
Other comprehensive loss			
Items that will not be subsequently reclassified to profit or loss			
Actuarial remeasurements of post-employment defined benefit obligations	20	113	483
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	19	(24)	(102)
Total other comprehensive income / loss for the year		**89**	**381**
Total comprehensive income for the year		**72,950**	**90,871**

The accompanying notes 1 to 42 are an integral part of these separate financial statements.

Separate Statement of Changes in Equity

Separate Statement of Changes in Equity

In thousands of EUR	Share capital	Legal reserve fund	Retained earnings	Total equity
Balance at 1 January 2021	**196,969**	**39,421**	**134,903**	**371,293**
Profit for the year	-	-	90,490	**90,490**
Other comprehensive loss for the year	-	-	381	**381**
Total comprehensive income for 2021	**-**	**-**	**90,871**	**90,871**
Dividends declared and paid (Note 16)	-	-	(89,602)	**(89,602)**
Balance at 31 December 2021	**196,969**	**39,421**	**136,172**	**372,562**
Profit for the year	-	-	72,861	**72,861**
Other comprehensive loss for the year	-	-	89	**89**
Total comprehensive income for 2022	**-**	**-**	**72,950**	**72,950**
Dividends declared and paid (Note 16)	-	-	(87,919)	**(87,919)**
Balance at 31 December 2022	**196,969**	**39,421**	**121,203**	**357,593**

The accompanying notes 1 to 42 are an integral part of these separate financial statements.

Separate Statement of Cash Flows

Separate Statement of Cash Flows			
In thousands of EUR	**Note**	**2022**	**2021**
Cash flows from operating activities			
Profit before tax		73,516	91,688
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment and investment properties	6, 8	2,308	3,280
- Loss / (gain) on disposal of property, plant and equipment	6	(95)	(1,736)
- Amortisation of intangible assets	7	267	199
- Impairment of property, plant and equipment and investment properties	6, 8	(157)	157
- Depreciation of right-of-use assets	9	541	445
- Amortization of govermment grant deferred income		(294)	(231)
- Loss on liquidation of subsidiary		49	-
- Interest income		(20,219)	(19,341)
- Interest and similar expense		18,809	18,699
- Dividend income	29	(71,743)	(87,049)
- ECL allowance for loan provided to subsidiary		(290)	(365)
- Other non-cash items		503	23
Cash generated from operations before changes in working capital		3,195	5,769
Changes in working capital:			
- Inventories		(194)	(160)
- Trade and other receivables		4,177	(5,199)
- Trade and other payables		(164)	1,647
- Lease liabilities		(184)	(118)
- Provisions for liabilities and charges		23	43
Cash (used in)/generated from operations before interest and taxes		**6,853**	**1,982**
Interest income received		20,219	19,341
Interest expense paid		(18,351)	(18,241)
Income tax refund/ (paid)	41	(2,226)	(523)
Net cash (used in)/from operating activities		**6,495**	**2,559**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(3,666)	(2,205)
Dividend income received	29	71,743	87,049
Receipts from finance lease receivables		803	366
Cash received as a result of government grant		2,396	8
Proceeds from sale of property, plant and equipment and intangible assets	6	155	6,205
Liabilities from cash pooling*	23	(74,628)	(91,113)
Proceeds from decrease of financial investments in subsidiaries		515	-
Net cash from investing activities		**(2,682)**	**310**
Cash flows from financing activities			
Dividends paid	16	(87,919)	(89,602)
Repayment of principal of lease liabilities	36	(1,126)	(1,015)
Borrowings	24	98,035	21,430
Net cash used in financing activities		**8,990**	**(69,187)**
Net change in cash and cash equivalents		**12,803**	**(66,318)**
Cash and cash equivalents at the beginning of the year		8,422	74,740
Cash and cash equivalents at the end of the year	**15**	**21,225**	**8,422**

*In 2022, the Company´s management decided to change the presentation of cash pooling, refer to Note 2.
The accompanying notes 1 to 42 are an integral part of these separate financial statements.

Notes to the Separate Financial Statements – 31 December 2022

1 Introduction

These separate 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 Západoslovenská energetika, a.s. (hereinafter "The Company" or "ZSE").

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 15 October 2001. The Company was incorporated in the Commercial Register of the District Court Bratislava I on 1 November 2001.

Principal activity. The Company provides supporting services for its subsidiaries and other related parties as accounting, controlling and general administration services, as well as in area of finance services, planning and HR services.

The Company's principal subsidiaries are as follows: Západoslovenská distribučná, a.s. which operates electricity distribution network in Western Slovakia, ZSE Energia, a.s. which supplies electricity and gas to its retail and wholesale customers, ZSE Energy Solutions, s.r.o. which is in engineering business, ZSE MVE, s. r. o. which operates two small hydroelectric power plants, ZSE Business Services, s. r. o. which is a trading company, ZSE Development, s.r.o. v likvidácii (Liquidation of the company at 30 April 2022) and ZSE Energetiské služby, s.r.o. which are companies providing services, ZSE Elektrárne, s.r.o., which operates gas fired steam turbine power plant. All of the subsidiaries are incorporated in the Slovak Republic and are wholly owned by the Company.

On 30 July 2020, E.ON and the Slovak Republic represented by the Ministry of Economy of the Slovak Republic, as the shareholders of the Group, signed a Memorandum of Understanding (the "Memorandum"). Under this arrangement, E.ON is committed to sell 100% of the shares in ZSE Elektrárne, s.r.o. from 24 August 2020 for a period of the following 3 years, should the Slovak Republic decide to purchase them. Transfer of the shares in ZSE Elektrárne, s.r.o., if any, would be executed, under this Memorandum, for a fair market value and under usual market conditions.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 35 823 551 and its tax identification number (IČ DPH) is: SK2020285256.

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

Ownership structure. Ministry of Economy of the Slovak Republic owns 51% of the Company's shares, E.ON Slovensko, a.s. owns 39% and E.ON Beteiligungen GmbH owns 10% of the Company's shares at 31 December 2022 and 31 December 2021. The Company is jointly controlled by E.ON and the Slovak government as a result of a shareholders' agreement, which requires the parties to act jointly together to direct the activities that significantly affect the returns of the reporting entity. Refer to Note 16.

List of members of the Company's board of directors and of the supervisory board is publicly available from the Commercial Register operated by the Ministry of Justice of the Slovak Republic at www.orsr.sk.

Number of employees. The Company employed 178 staff on average during 2022, of which 8 were management (2021: 171 employees on average, of which 8 were management). Number of employees at 31 December 2022 was 183 (31 December 2021: 177).

2 Významné postupy účtovania

Basis of preparation. These separate 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 separate financial statements are set out below.

These policies have been consistently applied to all the periods presented. The financial statements have been prepared on accrual basis and under the going concern assumption. The transactions are recognized 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 separate financial statements until their approval by the general shareholders meeting. However, § 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 separate financial statements have been prepared in addition to the consolidated financial statements of the Západoslovenská energetika, a.s. Group. The separate 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.

Subsidiaries and joint ventures. Subsidiaries are those investees, including structured entities, that the Company controls because the Company (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive voting rights, including substantive potential voting rights, are considered when assessing whether the Company has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Company may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Company assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Company from controlling an investee.

Joint ventures are those entities in which the Company shares control of the operations with its joint venture partners and where it has rights to a share of their net assets.

Investments in subsidiaries and joint ventures are carried at cost in these separate financial statements. The cost is represented by the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the subsidiaries and joint ventures at the time of their acquisition. Impairment losses are recognized using an allowance account. Allowances are recognized to write down the investment to present value of estimated expected future cash flows.

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 are 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.

Investment property. Investment property represents the building premises (and related part of the land on which the building stands), which is leased out to subsidiaries. Investment property is carried at cost less accumulated depreciation, calculated using straight line method to depreciate the asset to its residual value, based on estimated useful life of 30 to 50 years, similar to buildings held for own use.

Right-of-use assets. The Company leases, energy buildings and equipment and 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 where the Company is a lessee, Company 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:

Estimated useful lives

	Useful lives in years
Office buildings	4-10 years
Energy buildings and equipment	10 years
Vehicles	2-5 years

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Company's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

Discontinued operations. A discontinued operation is a component of the Company that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Revenues, expenses and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

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:

Estimated useful lives

	Useful lives in years
Office buildings and halls	30 – 50 years
Building sites	40 years
Machinery	4 – 20 years
Fixtures, fittings and equipment	4 – 30 years
Vehicles	4 – 15 years
Other non-current tangible assets	4 – 30 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.

Loans provided. Loans provided are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Inventories. Inventories are stated at the lower of acquisition cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less cost of completion and 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 the allowance for 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".

Finance lease receivables. Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable at amount equal to the net investment in the lease. At the commencement date, the measurement of net investment in the lease includes the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives payable,
- 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 receivable by the Company under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Finance lease receivables are initially recognised at commencement of lease term, using a discount rate implicit in the lease to measure net investment in the lease.
The difference between the gross receivable and
the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Credit loss allowance is recognised using a simplified approach at lifetime ECL. The ECL is determined in the same way as for trade receivables. The ECL is recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Operating lease income. Where the Company is a lessor in a lease which does not transfer substantially all the risks and rewards incidental to ownership to the lessee (operating lease), the operating lease payments are recognised on a straight line basis as other operating income.

Lease liabilities. Liabilities arising from a lease are initially measured on a the basis of present value of future payments. Lease liabilities include the net present value of the following lease payments:

- 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 payable 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 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 contract 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.

To optimise lease costs during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases. The Company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically the expected residual value at lease commencement date is equal to or higher than the guaranteed amount, and so the Company does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed, and adjusted if appropriate, to reflect actual residual values achieved on comparable assets and expectations about future prices.

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.

Receivables from cash pooling. These receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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 separate 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 cost ("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 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 provided to subsidiary, cash and cash equivalents and receivables from cash pooling. The contractual cash flows of these assets represent principal and interest payments that reflect the time value of money and therefore the Company measures them at amortised cost. In addition, the Company applies expected loss model to credit risk from contract assets and finance lease receivables.

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 – allowance for expected credit losses ("ECL"). The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC, contract assets, finance lease receivables and issued financial guarantees. The Company measures ECL and recognises ECL allowances for losses on financial assets, contract assets and finance lease receivables and ECL provisions for issued financial guarantees 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, contract assets and finance lease receivables 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 a matrix approach for the calculation of lifetime expected loss on trade receivables that takes into account the ageing of the receivables, loss rate for each ageing category of the receivables and the amount of receivables written off. Given that almost all receivables are due from group companies, the Company has considered the expected payment discipline for the next 12 months. On the basis of these indicators, it was decided that the creation of provisions for trade receivables based on historical data is sufficient, as the development of forward looking indicators corresponds to the development in previous periods. Receivables from third parties are insignificant.

The amount of the loss allowance is 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 receivables 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 OCI and is not subsequently reclassified to profit or loss. 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 separate 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.

Issued bonds, loans and other borrowings. Issued bonds, loans and other borrowings are recognised initially at fair value, net of transaction costs incurred. Issued bonds, loans and other borrowings are carried at amortised cost using the effective interest method. The liabilities are classified as current liabilities unless the Company has an unconditiional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Liabilities from cash pooling. These liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Income taxes. Income taxes have been provided for in the separate 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 separate financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within other operating expenses.

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.

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 utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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 separate 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.

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 as liabilities in the separate financial statements. They are disclosed in the notes to the separate financial statements, unless the possibility of an outflow of resources embodying the economic benefits is remote.

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 recognized revenue will not have to be reversed and when specific criteria will be met for each of the Company's activities as described below.

The Company provides supporting services to its subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. such as accounting, controlling and general administration services. These services are provided also to the other subsidiaries ZSE Energy Solutions, s.r.o., ZSE Business Services, s. r. o., ZSE Elektrárne, s.r.o., and ZSE MVE, s. r. o. and to the shareholder E.ON Slovensko, a.s.

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

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

Revenue from contracts with customers. 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.

Financial guarantees. Financial guarantees require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised as a liability at fair value and a corresponding receivable for the future fees due from the debtor with excess, if any, increasing the cost of investment (as a contribution in kind in substance) in the subsidiary whose obligations are guaranteed. This liability is then amortised to other operating income on a straight line basis over the life of the guarantee. At the end of each reporting period, the liabilities for the issued guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected credit loss model and (ii) the remaining unamortised balance of the amount of the liability recognised at initial recognition. In addition, an ECL loss allowance is recognised in profit or loss for fees receivable that are recognised in the statement of financial position as an asset.

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

Segment information. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Segment result is measured in accordance with accounting policies that are consistent with those applied by the Company in preparing its separate statement of profit or loss and other comprehensive income.

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 2022, 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 2023. 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 2023. 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

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.

Expected credit losses ("ECL"). IFRS 9, Financial Instruments, requires recognition of a loss allowance to reflect probability of a possible default of receivables and loans. The allowance thus does not represent single most likely estimate of future developments but considers possible alternative development scenarios.

Trade receivables. The Company applies a simplified approach to trade receivables under IFRS 9, ie it 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.

Loans provided to the subsidiary. The Company recognized a credit risk allowance for loans provided to its subsidiary (Note 12). All loans are in stage 1 as there was no increase of credit risk as these are not past due. These loans do not exhibit signs of any significant increase in credit risk since their origination and thus belong to stage 1 according to IFRS 9. When recognizing the twelve months credit risk allowance, the Company considers that the borrower's business are regulated electricity distribution services, while the regulated prices are regularly revised with an objective to provide adequate capital return. The credit loss allowance is based on market level interest rate derived from market yield on traded bonds that the Company issued with the objective to finance these loans and on an assumption that substantially all credit margin above interbank interest rates is attributable to credit risk.

ECL allowance for receivables from cash pooling due from the subsidiaries and related issued guarantees. The Company also recognised an allowance for receivables from cash pooling due from the subsidiaries ZSE Elektrárne, s.r.o., Západoslovenská distribučná, a.s. a ZSE Energia, a.s. (Note 23). The Company calculates ECL based on internal rating model of subsidiaries that is derived from risk rating of Západoslovenská energetika, a.s. and after considering various qualitative criteria the ECL for particular entity is adjusted. The estimate of this allowance is based on cost of debt of 0.98% p.a. (2021:3.59% p.a.), that is part of the market data derived weighted average cost of capital („WACC") that was used by

The Company also estimated the amount of the provision for guarantees of ZSE Elektrárne's liabilities to its suppliers (Note 41) based on the difference between this cost of debt and the Company's market interest rate as a guarantor, which should reflect the value of credit risk enhancement from the guarantee holder's perspective.

Lease extension and termination options. 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. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).
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.

The Company considers also other factors including historical lease term and the costs and business disruption required to replace the leased asset. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

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 term was not revised during the current reporting period.

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

Control over ZSE Elektrárne, s.r.o. On 30 July 2020, E.ON and the Slovak Republic represented by the Ministry of Economy of the Slovak Republic, as the shareholders of the Group, signed a Memorandum of Understanding (the "Memorandum"). Under this arrangement, E.ON is committed to sell 100% of the shares in ZSE Elektrárne, s.r.o. from 24 August 2020 for a period of the following 3 years, should the Slovak Republic decide to purchase them. Transfer of the shares in ZSE Elektrárne, s.r.o., if any, would be executed, under this Memorandum, for a fair market value and under usual market conditions.

The Company's management considered that the Company still has control over ZSE Elektrárne, s.r.o., because its view is that the Memorandum is non-binding, it was signed by E.ON and not by Západoslovenská energetika, a.s. and it is therefore not directly enforceable against the Company and its governing bodies. In view of the three-year commitment to sell, management considers that the sale of the investment in ZSE Elektrárne, s.r.o. is not highly probable within one year and this investment was therefore not reclassified to current assets as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Management also did not have to recognise any deferred tax on this investment as the carrying amount of the investment would also be a tax deductible expense against any proceeds from disposal in the event of a sale and there is therefore no temporary difference for which deferred tax would have to be recognised.

6 Property, Plant and Equipment

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

Movements in the carrying amount of property, plant and equipment

In thousands of EUR	Land	Buildings	Equip-ment, vehicles and other assets	Equip-ment, vehicles and other assets leased to third parties	Capital work in progress	Total
Cost at 1 January 2021	1,476	22,688	14,067	21,265	4,574	64,070
Accumulated depreciation and impairment losses	-	(7,844)	(8,496)	(16,778)	-	(33,118)
Carrying amount at 1 January 2021	**1,476**	**14,844**	**5,571**	**4,487**	**4,574**	**30,952**
Transfer to investment property	146	816	-	-	-	962
Additions	-	-	-	-	2,092	2,092
Transfers	-	1,244	1,789	41	(3,074)	-
Depreciation charge	-	(670)	(990)	(649)	-	(2,309)
Disposals	(39)	(176)	(1)	(3,879)	(14)	(4,109)
Cost at 31 December 2021	1,583	24,707	15,700	-	3,578	45,568
Accumulated depreciation and impairment losses	-	(8,649)	(9,331)	-	-	(17,980)
Carrying amount at 31 December 2021	**1,583**	**16,058**	**6,369**	**-**	**3,578**	**27,588**
Transfer to investment property	(1)	51	-	-	-	50
Additions	-	-	-	-	2,829	2,829
Transfers	-	434	1,314	-	(1,748)	-
Depreciation charge	-	(630)	(1,022)	-	-	(1,652)
Disposals	-	(1)	-	-	(501)	(502)
Cost at 31 December 2022	1,582	25,224	16,967	-	4,158	47,931
Accumulated depreciation and impairment losses	-	(9,312)	(10,306)	-	-	(19,618)
Carrying amount at 31 December 2022	**1,582**	**15,912**	**6,661**	**-**	**4,158**	**28,313**

The Company holds insurance against damages caused by natural disasters up to EUR 261,218 thousand for buildings and up to amount of EUR 27,769 thousand for equipment, fixtures, fittings and other assets (2021: EUR 277,381 thousand and EUR 29,675 thousand).

The proceeds from disposal of property, plant and equipment were as follows:

The proceeds from disposal of property, plant and equipment

In thousands of EUR	2022	2021
Net book value of assets disposed of	561	4,483
(Loss) / gain on disposal of property, plant and equipment	95	1,736
Other	(501)	(14)
Proceeds from disposals	**155**	**6,205**

7 Intangible Assets

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

Movements in the carrying amount of intangible assets

In thousands of EUR	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2021	27,113	649	27,762
Accumulated amortisation and impairment losses	(26,744)	-	(26,744)
Carrying amount at 1 January 2021	**369**	**649**	**1,018**
Additions	-	315	315
Transfers	478	(478)	-
Amortisation charge	(199)	-	(199)
Cost at 31 December 2021	27,435	486	27,921
Accumulated amortisation and impairment losses	(26,787)	-	(26,787)
Carrying amount at 31 December 2021	**648**	**486**	**1,134**

Movements in the carrying amount of intangible assets

In thousands of EUR	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2022	27,435	486	27,921
Accumulated amortisation and impairment losses	(26,787)	-	(26,787)
Carrying amount at 1 January 2022	**648**	**486**	**1,134**
Additions	-	379	379
Transfers	322	(322)	-
Amortisation charge	(267)	-	(267)
Cost at 31 December 2022	27,757	543	28,300
Accumulated amortisation and impairment losses	(27,054)	-	(27,054)
Carrying amount at 31 December 2022	**703**	**543**	**1,246**

8 Investment Properties

The Company leases out part of its administrative and operational buildings as well as subleases office premises primarily to its subsidiaries. Movements in the carrying amount of the investment properties, including properties held under lease agreements were as follows:

Movements in the carrying amount of the investment properties, including properties held under lease agreements

In thousands of EUR	2022 Investment properties owned by Company	2022 Right-of-use property that was subleased	2022 Total	2021 Investment properties owned by Company	2021 Right-of-use property that was subleased	2021 Total
Cost at 1 January	25,646	694	26,340	27,414	2,225	29,639
Accumulated depreciation and impairment losses	(9,329)	(54)	(9,383)	(9,390)	(943)	(10,333)
Carrying amount at 1 January	**16,317**	**640**	**16,957**	**18,024**	**1,282**	**19,306**
Transfer from property, plant and equipment to investment property	(50)	-	(50)	(962)	-	(962)
Transfer from investment property to finance lease receivables	-	(640)	(640)	-	-	-
Additions	280	-	280	405	-	405
Depreciation charge and impairment	(499)	-	(499)	(776)	(352)	(1,128)
Disposals	(59)	-	(59)	(374)	(214)	(588)
Reduction in value	-	-	-	-	(76)	(76)
Cost at 31 December	25,563	-	25,563	25,646	694	26,340
Accumulated depreciation and impairment losses	(9,574)	-	(9,574)	(9,329)	(54)	(9,383)
Carrying amount at 31 December	**15,989**	**-**	**15,989**	**16,317**	**640**	**16,957**

The Company's management estimates that fair value of the investment properties at the balance sheet date is not materially different from their carrying amount.

The Company has verbally agreed with its lessees Západoslovenská distribučná, a.s. and ZSE Energia, a.s., that it will allow them to annually renew the office leases at the then prevailing market level rent for up to 15 years. These leases were classified as operating leases.

Rental income of investment properties is presented in Note 30. Direct operating expenses of investment properties were EUR 3,699 thousand (2021: EUR 3,242 thousand) and these are recharged to the lessees in the lease.

The future rental income from investment properties for the lease term with consideration of the above verbal agreement is receivable as follows:

The future rental income from investment properties for the lease term with consideration of the above verbal agreement is receivable

In thousands of EUR	2022	2021
Due during:		
- year 1	6,603	6,181
- year 2	6,366	6,128
- year 3	6,366	6,128
- year 4	6,366	6,128
- year 5	6,366	5,971
- periods after year 5	38,130	39,486
Total future investment properties operating lease payments receivable	**70,197**	**70,022**

9 Right-of-use Assets and Lease Liabilities

The Company leases energy buildings and equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options as described below.

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 and Lease Liabilities

In thousands of EUR	Energy buildings and equipment	Vehicles	Total
Carrying amount at 1 January 2021	**2,923**	**121**	**3,044**
Additions	-	136	**136**
Disposals	-	(5)	**(5)**
Depreciation charge	(370)	(75)	**(445)**
Carrying amount at 31 December 2021	**2,553**	**177**	**2,730**
Additions	906	60	**966**
Disposals	-	(1)	**(1)**
Depreciation charge	(460)	(81)	**(541)**
Impairment	-	(12)	**(12)**
Carrying amount at 31 December 2022	**2,999**	**143**	**3,142**

The Company recognised lease liabilities as follows:

The Company recognised lease liabilities

In thousands of EUR	2022	2021
Short-term lease liabilities	1,160	1,054
Long-term lease liabilities	5,747	3,982
Total lease liabilities	**6,907**	**5,036**

Interest expense on lease liabilities is presented in Note 31.

Expenses relating to short-term leases and to leases of low-value assets other than short-term leases:

Expenses relating to short-term leases and to leases of low-value assets other than short-term leases

In thousands of EUR	2022	2021
Expense relating to short-term leases	16	2
Expense relating to leases of low-value assets that are not as short-term leases	33	94

Total cash outflows for leases were as follows:

Total cash outflows for leases		
In thousands of EUR	**2022**	**2021**
Short-term lease payments	16	2
Payments for leases of low-value assets other than short-term leases	33	94
Repayment of principal of lease liabilities	1,126	1,015
Interest from leasing paid	118	114
Total cash outflows for leases	**1,293**	**1,225**

The lease agreements do not provide for any collateral other than legal title to the leased assets held by the lessor. Leased assets may not be used as collateral for other borrowings.

As at 31 December 2022, potential future cash outflows of EUR 0 thousand (2021: 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).

10 Investments in Subsidiaries and Joint Venture

Investments in Subsidiaries and Joint Venture		
In thousands of EUR	**2022**	**2021**
Total non-current investments at 1 January	**292,664**	**293,228**
Disposals	-	(564)
Other	(1)	-
Total non-current investments at 31 December	**292,663**	**292,664**
Total current investments at 1 January	**564**	**-**
Additions	-	564
Disposals	(564)	-
Total current investments at 31 December	**-**	**564**

Investments in Subsidiaries and Joint Venture				
In thousands of EUR	**%***	**Activities**	**2022**	**2021**
Západoslovenská distribučná, a.s.	100	Distribution of electricity	276,684	276,684
ZSE Energia, a.s.	100	Trade in electricity / gas	6,725	6,725
ZSE Energy Solutions, s.r.o.	100	Engineering	200	200
ZSE MVE, s. r. o.	11.3**	Electricity production	1	1
ZSE Development, s.r.o. v likvidácii	100	Services	-	564
ZSE Business Services, s. r. o.	100	Trading activities	5	5
ZSE Elektrárne, s.r.o.	100	Electricity production	8,486	8,486
ZSE Energetické služby, s.r.o.	100	Services	5	5
Total investments in subsidiaries			**292, 106**	**292,670**
Energotel, a.s.	20	Telecommunication services	525	525
Total investments in joint ventures			**525**	**525**
Other investments			32	33
Total investments in subsidiaries and joint venture			**292,663**	**293,228**

* Ownership interest and voting rights held.
** The Company directly owns only 11.3% in ZSE MVE, s. r. o. but owns in total 100% of this company because its subsidiary ZSE Energia, a.s. holds the remaining 88.7% in ZSE MVE, s. r. o. Therefore, ZSE MVE, s. r. o. was classified as subsidiary in these separate financial statements.

On June 24, 2021, the Ordinary General Meeting of Západoslovenská energetika, a.s. approved the entry of ZSE Development, s.r.o. to liquidation. It entered into liquidation by registering the liquidator in the Commercial Register on August 2021. Due to this fact, the Company reported the investments in the subsidiary ZSE Development, s.r.o. v likvidácii as short-term as at the balance date at 31 December 2021. The liquidation of the company ended at 30 April 2022.

11 Finance Lease Receivables

The maturity analysis of the finance lease receivable is as follows:

Finance Lease Receivables

In thousands of EUR	2022	2021
Due during		
- the 1st year	661	279
- the 2nd year	661	279
- the 3rd year	661	279
- the 4th year	609	279
- the 5th year	546	166
Later than 5 years	816	454
Total undiscounted finance lease payments receivable	**3,954**	**1,736**
Unearned finance income	(312)	(158)
Finance lease receivable	**3,642**	**1,578**

The finance lease receivables are not collateralised by the leased assets in case of the counterparty's default. The receivables are from subsidiaries and since the ECL allowance for the risk of possible default is insignificant, it was not accounted for.

12 Loans Provided to Subsidiary

An overview of loans provided to subsidiary is as follows:

Loans Provided to Subsidiary

In thousands of EUR	2022	2021
Loan 1 provided to Západoslovenská distribučná, a.s. - principal	315,000	315,000
Loan 2 provided to Západoslovenská distribučná, a.s. - principal	-	315,000
Allowance for possible impairment of the long term loan (ECL)	(3,087)	(6,527)
Total loans provided to subsidiary – non-current	**311,913**	**623,473**
Loan 2 provided to Západoslovenská distribučná, a.s. - principal	315,000	-
Accrued interest on loans provided to subsidiary due within one year	8,534	8,534
Allowance for possible impairment of the long term loan (ECL)	(3,087)	-
Total loans provided to subsidiary – current	**320,447**	**8,534**
Total loans provided to subsidiary	**632,360**	**632,007**

The movements in ECL allowance for loans provided to the subsidiary and in the gross amount of loans were as follows:

The movements in ECL allowance for loans provided to the subsidiary and in the gross amount of loans		
In thousands of EUR	**Credit loss allowance**	**Gross carrying amount**
At 1 January 2021	**6,527**	**630,000**
Reassessment of ECL during the reporting period	-	-
At 31 December 2021	**6,527**	**630,000**
Reassessment of ECL during the reporting period	(353)	-
At 31 December 2022	**6,174**	**630,000**

Refer to Note 5 for methods assumptions used in estimating the ECL allowance.

Loan 1 has maturity on 2 March 2028 and carries interest rate of 2.00% p.a. Loan 2 is due on 1 October 2023 and carries interest rate of 4.14% p.a. As the loans are due from a related party without any significant increase in risk of default since their origination, the loans expected loss allowance was calculated on a 12-month basis.

In 2023, the Company will extend the maturity of the short-term Loan 2 in accordance with the contractual terms of bank loans intended for bond refinancing.

13 Inventories

The inventory items included material, spare parts and goods and are shown net of provision for slow-moving materials and spare parts of EUR 0 thousand (2021: EUR 0 thousand). The cost of inventories recognized as expense and included in 'Raw materials, energy and other consumption' is disclosed in Note 26.

14 Trade and Other Receivables

Trade and Other Receivables		
In thousands of EUR	**2022**	**2021**
Trade receivables	743	770
Less allowance for possible impairment of trade receivables	-	-
Total non-current trade and other receivables, net	**743**	**770**
Trade receivables	3,264	8,170
Less allowance for possible impairment of trade receivables	(137)	(114)
Current trade receivables, net	**3,127**	**8,056**
Prepayments	995	500
Total current trade and other receivables	**4,122**	**8,556**

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

Movements in the impairment allowance for current trade receivables

In thousands of EUR	2022	2021
Allowance for impairment at 1 January	**114**	**92**
Impairment loss expense	32	26
Amounts written off during the year as uncollectible	(9)	(4)
Allowance for impairment at 31 December	**137**	**114**

Impairment allowance for receivables is calculated based on ageing analysis of individual current receivables.

The Company has a concentration of credit risk towards its subsidiaries and other related parties. Refer to Note 41.

The percentage of expected losses for each category of receivables was determined in the model on the basis of the expected settlement, which is based on the ageing analysis for the previous periods, taking into account the probability of repayment in subsequent periods.

The credit loss allowance for trade and other receivables is presented below:

The credit loss allowance for trade and other receivables

	31 December 2022				31 december 2021			
In thousands of EUR	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Non-current	0.00%	743	-	743	0.00%	770	-	770
Total non-current trade receivables		**743**	**-**	**743**		**770**	**-**	**770**
Current	0.00%	3,045	-	3,045	0.00%	7,976	-	7,976
Past due:								
- less than 30 days overdue	3.77%	53	2	51	5.71%	70	4	66
- 31 to 60 days overdue	23.08%	13	3	10	20.00%	5	1	4
- 61 to 90 days overdue	50.00%	6	3	3	66.67%	3	2	1
- 91 to 120 days overdue	62.50%	8	5	3	62.50%	8	5	3
- 121 to 180 days overdue	60.00%	10	6	4	50.00%	2	1	1
- 181 to 360 days overdue	63.33%	30	19	11	64.29%	14	9	5
- over 360 days overdue	100.00%	99	99	-	100.00%	92	92	-
Total current trade receivables		**3,264**	**137**	**3,127**		**8,170**	**114**	**8,056**
Total trade receivables		**4,007**	**137**	**3,870**		**8,940**	**114**	**8,826**

15 Cash and Cash Equivalents

Cash and Cash Equivalents		
In thousands of EUR	**2022**	**2021**
Current accounts with banks	21,225	8,422
Total cash and cash equivalents in the statement of financial position	**21,225**	**8,422**

The Company has a concentration of cash and cash equivalents balances towards 4 banks (2021: 4 banks).

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

The 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	16	17
Credit rating A2 by Moody's	21,209	8,405
Total cash and cash equivalents	**21,225**	**8,422**

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.

16 Share Capital

The Company issued and has outstanding 5,934,594 ordinary shares (2021: 5,934,594 shares) with a par value of EUR 33.19 each. All issued shares are fully paid in.

The Company is jointly controlled by E.ON and the Slovak government as a result of a shareholders' agreement, which requires the parties to act jointly to direct the activities that significantly affect the returns of the reporting entity. The entity's governance structure dictates that the entity's strategic plan be approved by representatives of both E.ON and the Slovak government. 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 contractual restrictions exist for transfer of shares to parties not under control of existing shareholders.

The general meeting of the Company's shareholders approved the Company's prior year separate financial statements and declared dividends of EUR 87,919 thousand or EUR 14.81 per share (2021: dividends of EUR 89,602 thousand or EUR 15.10 per share). Slovak legislation identifies distributable reserves as retained earnings reported in these separate financial statements of the Company.

17 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 to cover future losses.

18 Issued Bonds

The issued bonds (ISIN: XS0979598462) of EUR 315,000 thousand are due on 14 October 2023 and carry a coupon of 4.00% p.a. The series two of issued bonds (ISIN: XS1782806357) of EUR 315,000 thousand are due on 2 March 2028 and carry a coupon of 1.75% p.a. The bonds are traded on the Irish Stock Exchange, Dublin.

Amortised cost carrying value of the bonds is as follows:

Amortised cost carrying value of the bonds		
In thousands of EUR	**2022**	**2021**
Issued bonds – non-current principal and deferred transaction costs	313,695	628,267
Issued bonds – current principal, accrued interest payable within one year and deferred transaction costs	321,904	6,881
Total carrying value of the bonds	**635,600**	**635,148**

Considering the current situation on the capital markets, the Company has decided to refinance bonds with a nominal value of EUR 315,000 thousand due in October 2023 through bank loans. As at the date these separate financial statements were authorized for issue, the Company concluded loan agreements with ČSOB and UniCredit Bank in the total amount of EUR 237,500 thousand.

19 Income Taxes

Income tax expense comprises the following:

Income tax expense comprises		
In thousands of EUR	**2022**	**2021**
Current tax at standard rate of 21% (2021: 21%)	596	1,767
Current tax for the previous period	-	76
Deferred tax	59	(645)
Total income tax expense	**655**	**1,198**

In 2022, the applicable standard income tax rate was 21% (2021: 21%). 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	**73,516**	**91,688**
Theoretical tax charge at applicable tax rate of 21% (2021: 21%)	15,438	19,254
Non-deductible expenses / (non-taxable income) for which deferred tax was not recognised		
- dividend income not subject to tax	(15,174)	(18,280)
- expenses not deductible for tax purposes	381	267
Impact of income tax for the previous period	-	76
Other	10	(119)
Income tax expense for the period	**655**	**1,198**

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 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:

Deferred taxes		
In thousands of EUR	**2022**	**2021**
Differences between tax base and carrying value of property, plant and equipment	(2,165)	(2,026)
Post-employment defined benefit obligation and other long term and short term employee benefits	376	377
Other liabilities	351	343
Provision for impairment of trade receivables and loans	1,543	1,604
Other	119	9
Total net deferred tax assets, net	**224**	**307**

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (24) thousand (2021: EUR (102) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

The Company has not recorded a deferred tax liability in respect of investments in subsidiaries because (a) the tax is applicable to future profits and thus temporary differences, if any, may only arise in the future, and (b) the tax is not applicable to dividends from Slovak subsidiaries, associates and joint ventures.

In addition, the Company is able to control the timing of the reversal of such temporary differences in respect of subsidiaries and does not intend to reverse them in the foreseeable future, e.g. through sale or taxable dividend income from subsidiaries.

20 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 numbers of years worked for the Company. The movements in the present value of defined benefit obligation are:

The movements in the present value of defined benefit obligation		
In thousands of EUR	**2022**	**2021**
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	**613**	**1,049**
Current service cost	44	105
Interest cost	6	6
Total expense (Note 27)	**50**	**111**
Actuarial remeasurements:		
- attributable to changes in financial assumptions	(133)	(15)
- attributable to changes in demographic assumptions	(9)	-
- attributable to experience adjustments	29	(468)
Total actuarial remeasurements recognised in other comprehensive income	**(113)**	**(483)**
Benefits paid during the year	-	(64)
Present value of unfunded post-employment defined benefit obligations at the end of the year	**550**	**613**

The principal actuarial assumptions were as follows:

The principal actuarial assumptions	2022	2021
Number of employees at 31 December	183	177
Staff turnover	4.57%	4.58%
Expected salary increases short-term	5.14%	2.00%
Expected salary increases long-term	4.00%	4.00%
Discount rate	3.40%	0.90%

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 35 thousand lower or by EUR 37 thousend higher (2021: EUR 27 thousand lower or EUR 29 thousand higher).

21 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 year continuous service (2021: 5 years) vesting condition. In addition, the Company pays regular long term work anniversary bonuses in general every 10 years in 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.

22 Trade and Other Payable

Trade and Other Payable In thousands of EUR	2022	2021
Other payables from grants	3,213	1,410
Total non-current trade and other payables	**3,213**	**1,410**
Trade payables	3,464	3,596
Other accrued liabilities	1,563	1,179
Other financial liabilities	-	41
Total current financial instruments within trade and other payables	**5,027**	**4,816**
Employee benefits payable	418	348
Social security on employee benefits	409	276
Accrued staff costs	1,264	1,190
Advance payments	42	-
Value added tax payable	361	1,197
Liabilities of issued guarantees	1,526	1,629
Other payables	596	514
Total current trade and other payables	**9,643**	**9,970**

The Company had overdue trade payables of EUR 31 thousand (2021: EUR 13 thousand).

23 Receivables and Liabilities from Cash Pooling

Receivables and Liabilities from Cash Pooling

In thousands of EUR	2022	2021
Receivables from subsidiaries		
Západoslovenská distribučná, a.s	62,619	-
ZSE Energia, a.s.	49,289	24,766
ZSE MVE, s. r. o.	952	920
ZSE Business Services, s. r. o.	3,567	-
ZSE Elektrárne, s.r.o.	7,909	30,975
ZSE Energetické služby, s.r.o.	5,047	5,087
Total receivables from cash pooling gross	129,383	61,748
ECL allowance for possible impairment of receivables from cash pooling	(1,175)	(1,112)
Total receivables from cash pooling	**128,208**	**60,636**
Liabilities to subsidiaries		
ZSE Energy Solutions, s.r.o.	234	179
ZSE Development, s.r.o. v likvidácii	-	514
Západoslovenská distribučná, a.s.	-	6,479
ZSE Business Services, s. r. o.	-	55
Total liabilities from cash pooling	**234**	**7,227**

The Company has concluded with its subsidiaries a cash pooling agreement. Based on this agreement the available cash is managed by the Company. In case of additional financing needs the cash from the cash pool of the Company is made available to subsidiaries. The interest rate on receivables from cash pooling in 2022 was (STR+0.4% p.a.), at least 0.4% p.a. (2021: 0.4% p.a.). The interest rate on cash pooling liabilities in 2022 was 0.00% p.a. for Tatra banka and VÚB banka the interest rate was STR - 0.1% p.a. from 3 January 2022 and STR - 0.2% p.a. from 12 October 2022 (2021: 0.00% p.a. for both banks).

The Company recognised ECL allowance for receivable from cash pooling due from the subsidiary ZSE Elektrárne, s.r.o. of EUR 78 thousand (31 December 2021: EUR 1,112 thousand), Západoslovenská distribučná, a.s. of EUR 614 thousand and ZSE Energia, a.s. of EUR 483 thousand. The Company assessed other cash pooling receivables as due on demand; the counterparties are subsidiaries with sufficient assets. ECL on other receivables on cashpool is not material. Subsidiaries do not have an external credit rating and the Company does not consider the receivables due from the subsidiaries to have significant increase in credit risk since origination (stage 1). Refer also to Note 5.

Movements in the credit loss allowance for receivables from cash pooling and in the gross carrying value was follows:

Movements in the credit loss allowance for receivables from cash pooling and in the gross carrying value

In thousands of EUR	Credit loss allowance	Gross carrying amount
At 1 January 2021	**1,477**	**42,830**
ECL allowance change due to cash pooling receivables movement	(365)	18,918
At 31 December 2021	**1,112**	**61,748**
New receivables from cash pooling	1,097	90,701
ECL allowance change due to cash pooling receivables movement	(1,034)	(23,066)
At 31 December 2022	**1,175**	**129,383**

24 Borrowings

Borrowings		
In thousands of EUR	**2022**	**2021**
Revolving loan	19,981	21,430
Overdraft loan	99,484	-
Total borrowings	**119,465**	**21,430**

Additional informations on the Company's borrowings as at 31 December 2022 are presented in the following:

Additional informations on the Company's borrowings

Creditor	Credit withdrawal	Credit line	Interest rate in % p.a.	Date of validity of the credit line	Collateral
Tatra banka – revolving loan	-	55,000	1M Euribor+0,5%	31.10.2023	-
Slovenská sporiteľňa - revolving loan	19,981	50,000	STR+0,65%	15.12.2025	-
UniCredit Bank - overdraft loan	49,975	50,000	1M Euribor+0,0%	30.4.2023	-
ČSOB - overdraft loan	49,509	50,000	0,0%	31.5.2023	-
Spolu	**119,465**	**205,000**	**-**	**-**	**-**

As at 31 December 2022, the Company has agreements with banks about revolving credit facilities amounting to EUR 105,000 thousand (2021: EUR 75,000 thousand) and overdraft credit facilities amounting EUR 100,000 thousand (2021: EUR 0 thousand). As at 31 December 2022 the Company has drawn EUR 119,465 thousand from these facilities (2021: EUR 21,430 thousand). In 2023, the Company will extend the maturity of short-term bank loans due in 2023 to long-term.

All the Company's borrowings are denominated in EUR. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. There is no property, plant and equipment or other assets pledged as collateral for the borrowings.

Analysis of the Company's borrowings movements during the accounting period is reported Note 36

25 Revenues from Contracts with Customers

Revenues comprise the following:

Revenues from Contracts with Customers		
In thousands of EUR	**2022**	**2021**
Services provided to subsidiaries, joint venture and to the shareholder	15,237	15,256
Other revenues	2,315	1,315
Total revenues from contracts with customers *	**17,552**	**16,571**

* The revenues shown in the table above are included in segment other in the segment reporting (Note 33)

Revenue recognition pattern is as follows:

Revenue recognition pattern		
In thousands of EUR	**2022**	**2021**
At a point in time	1,327	516
Over time	16,225	16,055
Total revenues from contracts with customers	**17,552**	**16,571**

26 Raw Materials, Energy and Other Consumption

The following amounts have been charged to consumption of material, energy and other consumption:

Raw Materials, Energy and Other Consumption

In thousands of EUR	2022	2021
Energy consumption	1,918	1,061
Purchases of electricity for resale	1,047	526
Consumption of other materials and spare parts	427	269
Total raw materials, energy and other consumption	**3,392**	**1,856**

27 Employee Benefits

Employee Benefits

In thousands of EUR	2022	2021
Wages and salaries	6,609	6,042
Defined contribution pension costs	1,131	1,017
Post-employment defined benefit plan expense (Note 20)	50	111
Other long-term employee benefit plans - current service and interest cost	20	22
Actuarial remeasurements of other long-term employee benefit plans	(26)	-
Other social costs	2,514	2,282
Total employee benefits expense	**10,298**	**9,474**

28 Other Operating Expenses

Other Operating Expenses

In thousands of EUR	2022	2021
Information technology and software maintenance costs	752	874
Repairs and maintenance costs	484	699
Postal and telecommunication services	26	14
Security services	1,401	1,353
Advertising and marketing services	606	541
Facility management expenses	714	719
Project management expenses	89	309
Travel expenses	97	41
Gifts	78	173
Insurance	119	120
Advisory services	913	527
Statutory audit	131	153
Non-audit services provided by the audit firm	7	-
Central services	530	503
Call center services	90	60
Metrology	96	80
Communication services	588	582
Other operating expenses	775	377
Property and motor vehicle tax	191	198
Impairment loss expenses on loans provided, trade receivables and receivable from cash pooling	(258)	(339)
Expenses relating to short-term leases	16	2
Expenses relating to leases of low-value assets	33	94
Other purchased services	1,321	1,369
Total other operating expenses	**8,779**	**8,449**

The KPMG network provided to the Company non-audit services in the amount of EUR 7 thousand (2021: EUR 0 thousand) in 2022. In 2022, these services represented training services. The services were approved by the Audit Committee of the Company.

29 Dividend Income

Dividend Income

In thousands of EUR	2022	2021
Západoslovenská distribučná, a.s.	53,272	62,777
ZSE Energia, a.s.	18,148	24,096
Energotel, a.s.	323	176
Total dividend income	**71,743**	**87,049**

30 Other Operating Income

Other Operating Income

In thousands of EUR	2022	2021
Operating lease income from investment properties (Note 8)	2,369	2,623
Operating lease income – related services	3,306	3,602
Operating lease income from other assets (Note 6)	793	1,648
(Loss) / gain on disposal of property, plant and equipment	95	1,736
Income from fees for guarantees issued for subsidiaries	1,066	844
Grants	308	235
Other	263	486
Total other operating income	**8,200**	**11,174**

31 Interest and Similar Expenses

Interest and Similar Expenses

In thousands of EUR	2022	2021
Interest expense on bonds	18,113	18,113
Amortisation of bonds transaction costs and similar expenses	598	596
Interest expense on lease liability	118	114
Other interest expense	126	20
Other finance costs	154	205
Total interest and similar expenses	**19,109**	**19,048**

32 Interest Income Calculated Using the Effective Interest Method

Interest Income Calculated Using the Effective Interest Method

In thousands of EUR	2022	2021
Interest income from loans due from Západoslovenská distribučná, a.s.	19,341	19,341
Other interest income	878	177
Total interest revenue calculated using the effective interest method	**20,219**	**19,518**

33 Segment Reporting

The operating segments are those used by the Board of Directors to manage the business of the Company and its subsidiaries (together the "Group"), allocate resources and make strategic decisions. The segments are therefore reported for the Group as a whole; management does not review component financial information of the Company standing alone. The Group identifies its segments according to the nature of products and services provided by each segment. The Group's operating segments are (i) electricity distribution, (ii) electricity and gas supply and (iii) other activities as described below. The Group's activities are concentrated in Slovakia.

The main indicators used by the Board of Directors in their decision making are earnings before interest, taxes, depreciation and amortization (EBITDA), earnings before interest and taxes (EBIT) and capital expenditures. The Board of Directors separately monitor the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance. Segment income and costs are measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income. The Group does not analyse assets and liabilities by operating segments. The types of products and services from which each reportable operating segment derives its operating results are:

Electricity distribution. Distribution of electricity using the distribution networks in Western Slovakia. The distribution business is regulated and the Group is required to provide access to its network to third parties on terms approved by Regulatory Office for Network Industries "RONI".

Electricity and gas supply. Supply of electricity and gas to wholesale and retail customers in Slovakia and supply of electricity to wholesale customers in abroad. This business is open to competition by other suppliers. Pricing for certain classes of customers of the segment is regulated by RONI.

As a result of regulation of the distribution business and partial regulation of the supply business approximately 87% (2021: 78%) of the Group's EBITDA and 84% of the Group's EBIT (2021: 75%) were generated from sales to customers who are subject to the price regulation.

Electricity production. Electricity production in gas fired steam turbine power plant.

Other. Segment 'Other' includes activities provided by the Company together with its subsidiaries ZSE Energy Solutions, s.r.o., ZSE MVE, s. r. o. , ZSE Business Services, s. r. o., ZSE Energetické služby, s.r.o., EKOTERM, s.r.o. and BK a.s. Board of Directors does not assess activities and results of the Company separately but within segment Other. Segment Other provides mainly headquarter type functions, as central services, accounting, controlling, HR and other services, to both supply and distribution businesses.

The segment realizes also electricity production in two small hydroelectric plants, trading activities and generates also some external revenues from projecting and engineering activities in investment construction and in heat management for third parties. Reportable segment information for 2022 is as follows:

Reportable segment information for 2022

In thousands of EUR	Distribution	Supply	Production	Other	Eliminations / consolidation adjustments	Total Group
Revenue from external customers	241,418	1,726,068	660	22,644	-	**1,990,790**
Inter-segment revenues	224,241	604,310	308,596	24,968	(1,162,115)	-
Total segment revenues	465,659	2,330,378	309,256	47,612	(1,162,115)	**1,990,790**
Purchases of electricity, natural gas for electricity production and related fees	(195,423)	(1,943,943)	(324,060)	(27,119)	1,143,259	**(1,347,286)**
Purchases of natural gas for sale	-	(291,067)	-	(99)	104	**(291,062)**
Employee benefits expense	(64,372)	(14,245)	(1,686)	(14,154)	-	**(94,457)**
Other operating expenses	(47,432)	(17,471)	(7,751)	(9,527)	21,281	**(60,900)**
Dividend income	-	-	-	71,825	(71,502)	**323**
Other operating income	5,859	2,207	32,725	8,369	(8,461)	**40,699**
Income from subleases	-	-	-	184	(184)	**-**
Own work capitalized	20,392	-	-	155	926	**21,473**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**184,683**	**65,859**	**8,484**	**77,246**	**(76,692)**	**259,580**
Depreciation of property, plant and equipment and investment properties	(69,141)	(18)	(3,817)	(2,444)	18,156	**(57,264)**
Amortisation of intangible assets	(4,495)	(1,905)	(34)	(283)	(346)	**(7,063)**
Depreciation of right-of-use Assets	(7,023)	(849)	-	(649)	5,246	**(3,275)**
Earnings before interest and taxes (EBIT)	**104,024**	**63,087**	**4,633**	**73,870**	**(53,636)**	**191,978**
Capital expenditures	**104,600**	**7,591**	**2,073**	**3,850**	**(7,695)**	**110,419**

Reportable segment information for 2021 is as follows:

Reportable segment information for 2021

In thousands of EUR	Distribution	Supply	Production	Other	Eliminations / consolidation adjustments	Total Group
Revenue from external customers	173,874	1,153,248	1,162	12,852	-	**1,341,136**
Inter-segment revenues	202,237	149,635	157,832	19,680	(529,384)	**-**
Total segment revenues	376,111	1,302,883	158,994	32,532	(529,384)	**1,341,136**
Purchases of electricity, natural gas for electricity production and related fees	(116,821)	(1,085,458)	(114,086)	(13,232)	511,018	**(818,579)**
Purchases of natural gas for sale	-	(161,612)	-	-	76	**(161,536)**
Employee benefits expense	(59,543)	(12,943)	(1,484)	(12,203)	2	**(86,171)**
Other operating expenses	(47,410)	(19,139)	(4,207)	(9,523)	21,496	**(58,783)**
Dividend income	-	-	-	87,049	(86,873)	**176**
Other operating income	4,999	2,613	12	11,532	(8,914)	**10,242**
Income from subleases	-	-	-	119	(119)	**-**
Own work capitalized	19,773	-	-	165	707	**20,645**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**177,109**	**26,344**	**39,229**	**96,439**	**(91,991)**	**247,130**
Depreciation of property, plant and equipment and investment properties	(67,175)	(17)	(934)	(3,625)	17,046	**(54,705)**
Amortisation of intangible assets	(3,457)	(1,287)	(20)	(199)	(215)	**(5,178)**
Depreciation of right-of-use Assets	(7,306)	(827)	-	(498)	(5,555)	**(3,076)**
Earnings before interest and taxes (EBIT)	**99,171**	**24,213**	**38,275**	**92,117**	**(69,605)**	**184,171**
Capital expenditures	**120,225**	**1,399**	**3,966**	**3,083**	**(2,558)**	**126,115**

The total segment items are measured using the entity's accounting policies for its external reporting and hence, the only reconciling item from segment information to the Company's amounts under IFRS as adopted by the EU are eliminations of effects of consolidating subsidiaries.

Reconciliation of EBIT for all segments to the Company's profit before tax is as follows:

Reconciliation of EBIT for all segments to the Company's profit before tax

In thousands of EUR	2022	2021
Total EBIT for all operating segments	**191,978**	**184,171**
Interest income of the Group	94	2
Interest and similar expense of the Group	(17,637)	(17,347)
Elimination of impact of consolidation of subsidiaries	(100,919)	(75,138)
Profit before tax of the Company	**73,516**	**91,688**

The other income and expense line items for the 'Total Group' reported above would reconcile to the Company's statement of profit or loss and other comprehensive income items after elimination of impact of consolidating the Company's subsidiaries and equity accounting for its joint venture.

Reconciliation of capital expenditures for all operating segments to Company's payments for purchases of property, plant and equipment and intangible assets is as follows:

Reconciliation of capital expenditures for all operating segments to Company's payments for purchases of property, plant and equipment and intangible assets

In thousands of EUR	2022	2021
Total capital expenditures for all operating segments	**110,419**	**126,115**
Carbon dioxide emissions quota purchases	4,399	26,859
Assets acquired but not paid for	(32,263)	(30,398)
Payments for assets acquired in prior periods	27,496	27,307
First time consolidation of BK, a.s. – payment for assets acquired within acquisition of a subsidiary	-	(11,793)
Elimination of impact of consolidation of subsidiaries	(106,385)	(135,885)
Payments for purchases of property, plant and equipment and intangible assets	**3,666**	**2,205**

At 31 December 2022 the property, plant and equipment ("PP&E") of the electricity distribution segment represents 92% of the total Group´s PP&E (2021: 93%).

Entity wide information. Revenue is analysed in Note 25. Substantially all of the Company's revenues are from customers in the Slovak Republic and all of the Company's property, plant and equipment and intangible assets are located in the Slovak Republic.

34 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, cash and cash equivalents, issued bonds, loans provided to subsidiary, receivables and payables from cash pooling, and short-term bank deposits and borrowings.

Foreign exchange risk. The Company operates mainly in the domestic market, and most of its sales, purchases and short-term deposits 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 carried at fair value.

Interest rate risk. The Company does not have any significant interest rate risk exposure because all of its financial assets and liabilities, including issued bonds 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. The Company is not exposed to significant commodity price risk because it does not have material commodity contracts.

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 services on credit terms and other transactions with counterparties giving rise to financial assets. From 1 July 2007 after legal unbundling, the subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. are the main customers of the Company. The Company's maximum exposure to credit risk at the end of the reporting period is represented by the carrying value of cash and cash equivalents (Note 15), receivables from cash pooling (Note 23), loans provided to subsidiary (Note 12), finance lease receivables (Note 11), the amount guaranteed of subsidiaries' liabilities (Note 41) and borowings (Note 24).

As for the banks and financial institutions, the Company has relationships only with those that have a high independent rating assessment.

The credit quality of outstanding balances with banks is presented in Note 15 and credit quality information about trade receivables is included in Note 14. Refer to Note 5 for information about ECL estimate and thus also credit quality of loans to subsidiary and issued financial guarantees.

As at 31 December 2022 and 2021, there is a significant concentration of credit risk with respect of receivables of the Company towards Západoslovenská distribučná, a.s. and ZSE Energia, a.s. The Company manages this exposure through cash-pooling agreements. 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. As the Company provides supporting services for its subsidiaries and other related parties; currently there is no significant impact from increased overdue receivables.

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. In addition, the Company relies on liquidity of financial markets and its ability to refinance its outstanding bonds in the medium term.
The Company regularly monitors its liquidity position and uses cash pooling with subsidiaries to optimize the use of cash balances within the Company. 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 60 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 is as follows 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						
Issued bonds – principal due	-	-	315,000	-	315,000	**630,000**
Issued bonds – future interest payments	-	5,513	12,600	22,050	5,512	**45,675**
Borrowings (Note 24)	119,465	-	-	-	-	**119,465**
Lease liabilities (including future interest payments)	104	208	936	4,976	1,161	**7,385**
Trade payables (Note 22)	1,838	1,597	29	-	-	**3,464**
Other accrued liabilities (Note 22)	1,198	79	286	-	-	**1,563**
Other financial liabilities (Note 22)	-	-	-	-	-	**-**
Liabilities from cash pooling (Note 23)	234	-	-	-	-	**234**
Issued guarantees (Note 41)	280,704	-	-	-	-	**280,704**
Total future payments, including future principal and interest payments	**403,543**	**7,397**	**328,851**	**27,026**	**321,673**	**1,088,490**

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						
Issued bonds – principal due	-	-	-	315,000	315,000	**630,000**
Issued bonds – future interest payments	-	5,513	12,600	34,650	11,025	**63,788**
Borrowings (Note 24)	21,430	-	-	-	-	**21,430**
Lease liabilities (including future interest payments)	83	166	748	3,988	413	**5,398**
Trade payables (Note 22)	2,103	1,493	-	-	-	**3,596**
Other accrued liabilities (Note 22)	590	185	404	-	-	**1,179**
Other financial liabilities (Note 22)	41	-	-	-	-	**41**
Liabilities from cash pooling (Note 23)	7,227	-	-	-	-	**7,227**
Issued guarantees (Note 41)	246,601	-	-	-	-	**246,601**
Total future payments, including future principal and interest payments	**278,075**	**7,357**	**13,752**	**353,638**	**326,438**	**979,260**

35 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 357,593 thousand at 31 December 2022 (2021: EUR 372,562 thousand). In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

In managing the capital, the Company's management focuses on maximizing return on invested capital. The Company is not subject to any externally imposed regulatory capital requirements.

36 Reconciliation of Movements in Liabilities from Financing Activities

The table below presents an analysis of debt and the movements in the debt for each of the periods presented:

Reconciliation of Movements in Liabilities from Financing Activities

In thousands of EUR	Issued bonds	Borrowings	Lease liabilities	Total
At 1 January 2022	**635,148**	**21,430**	**5,036**	**661,614**
Non-cash movements				
New leases	-	-	3,046	3,046
Interest expense	18,113	88	118	18,319
Amortisation of bonds transaction costs	452	-	-	452
Other	-	-	(49)	(49)
Cash payments				
Interest expense paid	(18,113)	(88)	(118)	(18,319)
Increase in bank loans	-	119,465	-	119,465
Bank loans paid	-	(21,430)	-	(21,430)
Lease principal repayments	-	-	(1,126)	(1,126)
At 31 December 2022	**635,600**	**119,465**	**6,907**	**761,972**

Reconciliation of Movements in Liabilities from Financing Activities

In thousands of EUR	Issued bonds	Borrowings	Lease liabilities	Total
At 1 January 2021	**634,696**	**-**	**6,179**	**640,875**
Non-cash movements				
Disposals of leases	-	-	(32)	(32)
Interest expense	18,113	14	114	18,241
Amortisation of bonds transaction costs	452	-	-	452
Other	-	-	(96)	(96)
Cash payments				
Interest expense paid	(18,113)	(14)	(114)	(18,241)
Borrowings received	-	21,430	-	21,430
Lease principal repayments	-	-	(1,015)	(1,015)
At 31 December 2021	**635,148**	**21,430**	**5,036**	**661,614**

37 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

Offsetting Financial Assets and Financial Liabilities

In thousands of EUR	Gross amounts before offsetting in the state-ment of financial position (a)	Gross amounts set off in the state-ment of financial position (b)	Net amount after offsetting in the state-ment of financial position (c) = (a) - (b)	Amounts not set off in the statement of financial position: Financial instruments (d)	Amounts not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c) - (d) - (e)
ASSETS						
Loans provided to subsidiary	632,360	-	632,360	-	-	632,360
Receivables from cash pooling	128,208	-	128,208	234	-	127,974
TOTAL ASSETS SUBJECT TO POSSIBLE OFFSETTING AND SIMILAR ARRANGEMENT	**760,568**	**-**	**760,568**	**234**	**-**	**760,334**
LIABILITIES						
Liabilities from cash pooling	234	-	234	234	-	-
TOTAL LIABILITIES SUBJECT TO POSSIBLE OFFSETTING, AND SIMILAR ARRANGEMENT	**234**	**-**	**234**	**234**	**-**	**-**

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2021:

Offsetting Financial Assets and Financial Liabilities

In thousands of EUR	Gross amounts before offsetting in the state-ment of financial position (a)	Gross amounts set off in the state-ment of financial position (b)	Net amount after offsetting in the state-ment of financial position (c) = (a) - (b)	Amounts not set off in the statement of financial position: Financial instruments (d)	Amounts not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c) - (d) - (e)
ASSETS						
Loans provided to subsidiary	632,007	-	632,007	6,479	-	625,528
Receivables from cash pooling	60,636	-	60,636	748	-	59,888
TOTAL ASSETS SUBJECT TO POSSIBLE OFFSETTING AND SIMILAR ARRANGEMENT	**692,643**	**-**	**692,643**	**7,227**	**-**	**685,416**
LIABILITIES						
Liabilities from cash pooling	7,227	-	7,227	7,227	-	-
TOTAL LIABILITIES SUBJECT TO POSSIBLE OFFSETTING, AND SIMILAR ARRANGEMENT	**7,227**	**-**	**7,227**	**7,227**	**-**	**-**

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Company has master netting arrangements; applicable legislation allows an entity to unilaterally set off receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty.

38 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.

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:

Fair Value Disclosures

	31 december 2022			31 december 2021		
In thousands of EUR	**Level 1 fair value**	**Level 2 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Carrying value**
ASSETS						
Loans provided to subsidiary including accrued interest (Note 12)	-	568,178	632,360	-	679,530	632,007
Trade receivables, net (Note 14)	-	3,870	3,870	-	8,826	8,826
Finance lease receivable (Note 11)	-	3,642	3,642	-	1,578	1,578
Receivables from cash pooling (Note 23)	-	128,208	128,208	-	60,636	60,636
Cash and cash equivalents (Note 15)	-	21,225	21,225	-	8,422	8,422
TOTAL ASSETS		**725,123**	**789,305**	**-**	**758,992**	**711,469**
LIABILITIES						
Issued bonds (Note 18)	563,076	-	635,600	673,251	-	635,148
Borrowings (Note 24)	-	119,465	119,465	-	21,430	21,430
Trade payables (Note 22)	-	3,464	3,464	-	3,596	3,596
Other accrued liabilities (Note 22)	-	1,563	1,563	-	1,179	1,179
Other financial liabilities (Note 22)	-	-	-	-	41	41
Issued financial guarantees (Note 41)	-	1,100	1,526	-	1,404	1,629
Liabilities from cash pooling (Note 23)	-	234	234	-	7,227	7,227
TOTAL LIABILITIES	**563,076**	**125,826**	**761,852**	**673,251**	**34,877**	**670,250**

The fair value of lease liabilities is not disclosed in accordance with paragraph 29 of IFRS 7.

The fair value of loans provided to subsidiary (Note 12) was estimated based on the price of the related issued bonds traded on the financial markets.

The fair value of issued bonds was determined at the quoted market price of the bonds (Note 18).
The fair values of other financial assets and liabilities approximate their carrying amounts.

39 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category. All financial assets and liabilities of the Company are measured at amortized cost ("AC"). Lease liabilities were measured and disclosed according to IFRS 16, *Leases*.

40 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. The fiscal years from 2018 to 2022 remain open to tax inspection, however, for transfer pricing issues of cross-border transactions, earlier periods are also subject to tax inspection.

Capital expenditure commitments. At 31 December 2022, the Company had outstanding contractual commitments for purchases of property, plant and equipment of EUR 10,525 thousand (2021: EUR 11,141 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 800 thousand (2021: EUR 602 thousand).

41 Balances and Transactions with Related Parties

The primary related parties of the Company are (a) its shareholders which have joint control over the Company as explained in Notes 1 and 16: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel and (c) its subsidiaries and joint venture. 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, other purchases 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	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak govern-ment*	Subsi-diaries (Note 10)	Joint venture (Note 10)
Revenue, finance and other operating income	12	160	57	18	43,545	824
Dividend income	-	-	-	-	71,420	323
Purchases and expenses	-	-	387	125	5,050	20
Receivables other than taxes	-	-	60	21	773,406	77
Liabilities other than taxes	-	-	282	16	4,837	11
Dividends declared and paid	44,839	34,288	8,792	-	-	-

* 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 19. Outstanding value added tax payable is presented in Note 22. Property and motor vehicle taxes are disclosed in Note 28.

Information on loans provided to the subsidiary is presented in Note 12. Information on receivables and liabilities from cash pooling is presented in Note 23.

The Company´s revenues related mainly to supporting services provided to subsidiaries. The services sold to the subsidiaries and to the shareholder are provided based on service level agreements concluded for indefinite time period with a termination notice of 3 months.

Rental income and future rent payments receivable presented in Note 8 are due from subsidiaries.

The income tax paid was as follows:

The income tax paid

In thousands of EUR	2022	2021
Current income tax expense at standard rate of 21% (2021: 21%) – refer to Note 19	(596)	(1,843)
Current income tax refund (liability) / receivable at the beginning of the period	(1,271)	49
Curent income tax refund (receivable) / liability at the end of the reporting period	(359)	1,271
Income tax refund / (paid)	**(2,226)**	**(523)**

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

The related party transactions and outstanding balances for 2021

In thousands of EUR	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak govern-ment*	Subsi-diaries (Note 10)	Joint venture (Note 10)
Revenue, finance and other operating income	9	158	13	20	46,918	1,012
Dividend income	-	-	-	-	86,873	176
Purchases and expenses	-	-	1,095	120	3,741	6
Receivables other than taxes	-	-	29	23	708,175	98
Liabilities other than taxes	-	-	586	19	11,469	4
Dividends declared and paid	45,697	34,945	8,960	-	-	-

* 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 Company issued financial guarantees of liabilities of subsidiaries arising from their purchases as follows:

The Company issued financial guarantees of liabilities of subsidiaries arising from their purchases

In thousands of EUR	31 december 2022			31 december 2021		
	Maximum guaranteed amount	Guaranteed liabilities at period end	Carrying value / provision*	Maximum guaranteed amount	Guaranteed liabilities at period end	Carrying value / provision*
ZSE Energia, a.s.	140,704	72,870	1,107	106,601	37,128	650
ZSE Elektrárne, s.r.o.	140,000	2,035	419	140,000	19,384	979
TOTAL	**280,704**	**74,905**	**1,526**	**246,601**	**56,512**	**1,629**

* Included within 'Liabilities other than taxes' in the above tables presenting related party transactions and outstanding balances.

The tables with related party transactions above and on the previous page exclude individually immaterial government related transactions such as with 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 comprises (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 comprised

In thousands of EUR	2022	2021
Board of directors and other key management personnel		
Salaries and other short-term employee benefits	462	592
Defined contribution pension costs	68	81
Total remuneration of board of directors and other key management personnel	**530**	**673**
Supervisory board		
Salaries and other short-term employee benefits	153	139
Defined contribution pension costs	25	23
Total remuneration of supervisory board	**178**	**162**

42 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 separate financial statements.

Management authorised these financial statements for issue on 30 March 2023:

Markus Kaune
Chairman of the Board of Directors and CEO

Juraj Krajcár
Member of the Board of Directors

Annex | Consolidated Financial Statements 31 december 2022

Content

INDEPENDENT AUDITOR'S REPORT – online version

Consolidated Statement of Financial Position	106
Consolidated Statement of Profit or Loss and Other Comprehensive Income	107
Consolidated Statement of Changes in Equity	108
Consolidated Statement of Cash Flows	109

Notes to the Consolidated Financial Statements

1	Introduction	110
2	Significant Accounting Policies	111
3	Adoption of New or Amended Standards and Interpretations	123
4	New Accounting Pronouncements	123
5	Critical Accounting Estimates and Judgements in Applying Accounting Policies	125
6	Property, Plant and Equipment	128
7	Intangible Assets	130
8	Investment Properties	131
9	Right-of-use Assets and Lease Liabilities	132
10	Equity Method Investments	133
11	Inventories	133
12	Trade and Other Receivables	133
13	Cash and Cash Equivalents	136
14	Share Capital	136
15	Legal Reserve Fund	137
16	Issued Bonds	137
17	Borrowings	137
18	Income Taxes	139
19	Post-Employment Defined Benefit Obligations	141
20	Other Long Term Employee Benefits	142
21	Provisions for Liabilities and Charges	142
22	Contract Liabilities from Connection Fees and Customer Contributions	143
23	Trade and Other Payables	145
24	Revenue from Electricity and Other Related Revenue and Revenue from Natural Gas	145
25	Purchases of Electricity, Natural Gas for Electricity Production and Related Fees	146
26	Employee Benefits	147
27	Other Operating Expenses	147
28	Other Operating Income	148
29	Interest and Similar Expense	148
30	Segment Reporting	148
31	Business Combinations	151
32	Non-Controlling Interest	152
33	Financial Risk Management	152
34	Management of Capital	155
35	Movements in Liabilities from Financial Activities	156
36	Fair Value Disclosures	156
37	Presentation of Financial Instruments by Measurement Category	157
38	Contingencies and Commitments	158
39	Balances and Transactions with Related Parties	158
40	Events after the End of the Reporting Period	160

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position

In thousands of EUR	Pozn.	31 december 2022	31 december 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,084,899	1,037,593
Intangible assets	7	47,502	79,896
Investment properties	8	1,189	1,409
Right-of-use assets	9	24,007	23,911
Equity method investments	10	558	558
Deferred income tax assets	18	24,006	24,006
Trade and other receivables	12	2,399	2,693
Other non-current assets		132	133
Total non-current assets		**1,184,692**	**1,170,199**
Current assets			
Inventories	11	26,142	7,251
Trade and other receivables	12	416,399	236,770
Cash and cash equivalents	13	48,176	10,787
Other current assets		-	564
Total current assets		**490,717**	**255,372**
TOTAL ASSETS		**1,675,409**	**1,425,571**
EQUITY			
Share capital	14	196,969	196,969
Legal reserve fund	15	39,421	39,421
Retained earnings		74,857	30,938
Total equity attributable to owners of the parent company		311,247	267,328
Non-controlling interests	31,32	1,978	2,112
TOTAL EQUITY		**313,225**	**269,440**
LIABILITIES			
Non-current liabilities			
Issued bonds	16	313,696	628,267
Borrowings	17	5,722	-
Lease liabilities	9	20,490	21,116
Deferred income tax liabilities	18	53,639	48,019
Trade and other payables	23	20,049	8,861
Post-employment defined benefit obligations	19	7,714	9,018
Other long-term employee benefits	20	1,954	2,249
Contract liabilities from connection fees and customer contributions	22	116,581	112,690
Total non-current liabilities		**539,845**	**830,220**
Current liabilities			
Issued bonds and accrued interest on issued bonds	16	321,904	6,881
Borrowings	17	123,717	22,566
Lease liabilities	9	3,952	3,236
Trade and other payables	23	300,870	210,533
Current income tax liabilities		8,559	3,262
Provisions for liabilities and charges	21	54,676	71,202
Contract liabilities from connection fees and customer contributions	22	8,661	8,231
Total current liabilities		**822,339**	**325,911**
TOTAL LIABILITIES		**1,362,184**	**1,156,131**
TOTAL LIABILITIES AND EQUITY		**1,675,409**	**1,425,571**

Consolidated financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and approved for issue by the Board of Directors on 30 March 2023.

Markus Kaune
Chairman of the Board of Directors and CEO

Mgr. Juraj Krajcár
Member of the Board of Directors

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Profit or Loss and Other Comprehensive Income			
In thousands of EUR	**Pozn.**	**2022**	**2021**
Revenue from electricity and other related revenue	**24**	**1,649,584**	**1,161,439**
Revenue from natural gas	**24**	**277,980**	**179,697**
Revenue from compensation of network losses deficit	**24**	**63,226**	**-**
Purchases of electricity, natural gas for electricity production and related fees	25	(1,347,286)	(818,579)
Natural gas purchased for sale		(291,062)	(161,536)
Employee benefits	26	(94,457)	(86,171)
Depreciation of property, plant and equipment and investment properties	6, 8	(57,264)	(54,705)
Amortization of intangible assets	7	(7,063)	(5,178)
Depreciation of right-of-use assets	9	(3,275)	(3,076)
Other operating expenses	27	(60,900)	(58,783)
Share of profit of equity method investments	10	323	176
Other operating income	28	40,699	10,242
Own work capitalised		21,473	20,645
Profit from operations		**191,978**	**184,171**
Finance income / (costs)			
Interest income calculated using the effective interest method		94	2
Interest and similar expense	29	(17,637)	(17,347)
Finance costs, net		**(17,543)**	**(17,345)**
Profit before tax		**174,435**	**166,826**
Income tax expense	18	(43,207)	(31,249)
Profit for the year		**131,228**	**135,577**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Actuarial remeasurements of post-employment defined benefit obligations	19	1,350	4,572
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	18	(284)	(542)
Total other comprehensive income for the year		**1,066**	**4,030**
Total comprehensive income for the year		**132,294**	**139,607**
Profit / (loss) for the year is attributable to:			
- owners of the parent company		131,127	135,709
- non-controlling interest	31, 32	101	(132)
Total comprehensive income / (loss) for the year is attributable to:			
- owners of the parent company		132,193	139,739
- non-controlling interest	31, 32	101	(132)

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

In thousands of EUR	Attributable to owners of the parent company					
	Share capital	Legal reserve fund	Retained earnings / (accumulated deficit)	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	**196,969**	**39,421**	**(19,199)**	**217,191**	**217**	**217,408**
Profit for the year	-	-	135,709	**135,709**	**(132)**	**135,577**
Other comprehensive income for the year	-	-	4,030	**4,030**	**-**	**4,030**
Total comprehensive income for 2021	**-**	**-**	**139,739**	**139,739**	**(132)**	**139,607**
Dividends declared and paid (Note 14)	-	-	(89,602)	**(89,602)**	**-**	**(89,602)**
Acquisition of a subsidiary (Note 1, 31)	-	-	-	**-**	**2,027**	**2,027**
Balance at 31 December 2021	**196,969**	**39,421**	**30,938**	**267,328**	**2,112**	**269,440**
Profit for the year	-	-	131,127	131,127	101	**131,228**
Other comprehensive income for the year	-	-	1,066	1,066	-	**1,066**
Total comprehensive income for 2022	**-**	**-**	**132,193**	**132,193**	**101**	**132,294**
Dividends declared and paid (Note 14)	-	-	(87,919)	(87,919)	(60)	**(87,979)**
Other	-	-	(355)	(355)	(175)	**(530)**
Balance at 31 December 2022	**196,969**	**39,421**	**74,857**	**311,247**	**1,978**	**313,225**

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows			
In thousands of EUR	**Pozn.**	**2022**	**2021**
Cash flows from operating activities			
Profit before tax		174,435	166,826
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment and investment properties	6, 8	57,264	54,705
- Depreciation of right-of-use assets	9	3,275	3,076
- (Gain) / loss on disposal of property, plant and equipment and intangible assets	6, 28	(22,673)	(2,073)
- Charge for carbon dioxide emissions to be settled by quotas	21	5,864	19,787
- Amortisation of government grants deferred income	28	(742)	(667)
- Amortisation of intangible assets	7	7,063	5,178
- Interest income calculated using the effective interest method		(94)	(2)
- Interest and similar expense		17,335	16,980
- Contract assets – deferred sales commissions		539	(954)
- Share of profit of equity method investees		(323)	(176)
- Other non-cash items		841	165
Cash generated from operations before changes in working capital		242,784	262,845
Changes in working capital:			
- Inventories		(18,891)	181
- Trade and other receivables		(180,158)	(67,939)
- Trade and other payables		83,786	(9,827)
- Provisions and contract liabilities		2,600	13,174
Cash generated from operations before interest and taxes		**130,121**	**198,434**
Interest income received		94	2
Interest expense paid		(16,801)	(16,451)
Income tax paid	39	(33,104)	(42,526)
Net cash from operating activities		**80,310**	**139,459**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(105,652)	(111,231)
Purchase of emission quotas	7	(4,399)	(26,859)
Dividend income received from equity method investees		323	176
Proceeds from sale of property, plant and equipment and intangible assets	6	40,009	2,746
Grants received		13,154	2,905
Acquisition of a subsidiary, net of cash acquired	1, 31	-	(4,345)
Income from the liquidation of a financial investment		515	-
Net cash used in investing activities		**(56,050)**	**(136,608)**
Cash flows from financing activities			
Dividends paid	14	(87,979)	(89,602)
Repayment of loans provided		-	150
Borrowings received / (repaid)	17, 35	106,873	20,056
Repayment of principal of lease liabilities	9	(5,847)	(5,308)
Net cash used in financing activities		**13,047**	**(74,704)**
Net change in cash and cash equivalents		**37,307**	**(71,853)**
Cash and cash equivalents at the beginning of the year		10,787	82,640
Cash and cash equivalents at the end of the year	13	**48,094**	**10,787**

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements – 31 December 2022

1 Introduction

These consolidated 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 Západoslovenská energetika, a.s. (hereinafter "The Company" or "ZSE") and its subsidiaries (the "Group").

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 15 October 2001. The Company was incorporated in the Commercial Register of the District Court Bratislava I on 1 November 2001.

Principal activity. The Group provides electricity distribution and supply services primarily in the Western Slovakia region. At the end of 2011, the Group's supply business commenced offering gas to large industrial customers and since April 2012 to SMEs and households in addition to electricity. The Group also operates two small hydroelectric power plants and the combined cycle gas turbine ("CCGT") power plant and is engaged in some ancillary activities such as small-scale electricity network construction and maintenance related projects and heat management, electrical installations and facility management services for third parties.

The Regulatory Office for Network Industries ("RONI") regulates certain aspects of the Group's relationships with its customers, including the pricing of electricity and gas and services provided to certain classes of the Group's customers.

The Group's principal subsidiaries are as follows: Západoslovenská distribučná, a.s. which operates electricity distribution network in Western Slovakia, ZSE Energia, a.s. which supplies electricity and gas to its retail and wholesale customers, ZSE Energy Solutions, s.r.o. which is in engineering business, ZSE MVE, s. r. o. which operates two small hydroelectric power plants, ZSE Business Services, s. r. o. which is a trading company, ZSE Energetické služby, s. r. o. which is holding company for energy services companies, EKOTERM, s.r.o. and BK, a.s. (Note 31 and 32) are companies which provide services and ZSE Elektrárne, s.r.o. (Note 5) which operates CCGT power plant. All the subsidiaries are incorporated in the Slovak Republic.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 35 823 551 and its tax identification number (IČ DPH) is: SK2020285256. Presentation currency. These consolidated financial statements are presented in Euro ("EUR"), rounded to thousands, unless otherwise stated. Negative amounts are presented in brackets.

Ownership structure. Ministry of Economy of the Slovak Republic owns 51% of the Company's shares, E.ON Slovensko, a.s. owns 39% and E.ON Beteiligungen GmbH owns 10% of the Company's shares at 31 December 2022 and 31 December 2021. The Company is jointly controlled by E.ON SE and the Slovak Government as a result of a shareholders agreement, which requires the parties to act jointly together to direct the activities that significantly affect the returns of the reporting entity. Refer to Note 14. These consolidated financial statements are available directly at the seat of the Company.

List of members of the Company's board of directors and of the supervisory board is publicly available from the Commercial Register operated by the Ministry of Justice of the Slovak Republic at www.orsr.sk.

Number of employees. The Group employed 2,151 staff on average during 2022, of which 49 were management (2021: 2,115 employees on average, of which 50 were management). Number of employees of the Group at 31 December 2022 was 2,182 (31 December 2021: 2,166 employees).

2 Significant Accounting Policies

Basis of preparation. These consolidated 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 consolidated financial statements have been prepared on accrual basis and under the going concern assumption. The transactions are recognized in the consolidated financial statements in the period to which they relate.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3).

The Board of Directors may propose to the Company's shareholders to amend the consolidated financial statements until their approval by the general shareholders meeting. However, § 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.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated upon consolidation; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

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 Group 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 are 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 expenses.

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Revenues, expenses and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

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:

Useful lives in years

	in years
Electricity distribution network buildings	30 – 50 years
Office buildings	30 – 50 years
Power lines	15 – 40 years
Switching stations	4 – 20 years
Other network equipment	4 – 20 years
Vehicles	4 – 15 years

The residual value of an asset is the estimated amount that the Group 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.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest rate is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units ("CGU"), or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Goodwill was recognised in the consolidated financial statements of the Group as a result of the business combination – acquisition of the subsidiary BK, a.s. in 2021 (Note 31). The amount of goodwill represents the difference between fair value of the subsidiary's business and fair value of identifiable assets and liabilities that belong to the subsidiary.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets other than goodwill. 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 Group, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

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 Group 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.

The Group releases carbon dioxide emissions into the air when it generates electricity. The related emission quotas are not obtained free of charge by the Group, but the Group purchases them from third parties at market prices. The Group initially recognizes the purchased emission quotas as intangible assets. Purchased emission quotas are measured upon their acquisition and also subsequently at cost. Emission quotas are not amortised. The disposal of emission quotas represents the transfer of the emission quotas to the National registry of emission quotas in an amount equal to the product of the verified volume of released emissions for the previous reporting period and the purchase price of the respective emission quotas, that Group designated to be transferred.

At the end of each reporting period, the Group recognises a provision for the released emissions equal to a product of known volume of the emissions released in the current reporting period and the cost of the respective emission quotas. If the Group does not have sufficient emission quotas as of the end of the reporting period that it will have to transfer, the Group uses an estimated amount required to purchase the absent emission quotas to measure the provision for the shortfall in emission quotas and measures it at the market price of emission quotas at the end of the reporting period. 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.

Right-of-use assets. The Group leases land, office buildings, energy buildings and equipment and vehicles. Contracts may contain both lease and non-lease components. The Group 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 where the Group is a lessee, Group 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 on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

Useful lives in years

	in years
Land	9 – 87 years
Office buildings	2 – 20 years
Energy buildings and equipment	5 – 20 years
Vehicles	2 – 6 years

Loans provided. Loans provided are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, net of allowance for ECL.

Inventories. Inventories are stated at the lower of acquisition cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less cost of completion and 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 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".

Operating lease income. Where the Group is a lessor in a lease which does not transfer substantially all the risks and rewards incidental to ownership to the lessee (operating lease), the operating lease payments are recognised on a straight line basis as other operating income.

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 consolidated 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 Group other 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") and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group'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 Group manages the assets in order to generate cash flows – whether the Group'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 disclosed in statement of profit or loss and other comprehensive income 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 Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group 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. Business model used by the Group is intended to hold financial assets until maturity and to collect contractual 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 Group 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 Group 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 Group performs the SPPI test for its financial assets.

The Group's financial assets represent only trade and other receivables and cash and cash equivalents. The nature of financial assets is short-term, and the contractual cash flows represent principal and interest payments that take into account the time value of money and therefore the Group recognizes these in amortized cost. In addition, the Group applies expected loss model to credit risk from contract assets.

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 Group 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 expected credit losses ("ECL"). The Group assesses, on a forward-looking basis, the ECL for receivables measured at AC and for contract assets. The Group 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 consolidated statement of financial position net of the allowance for ECL. The Group applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss for trade receivables a provision matrix that takes into account the ageing of the receivables, loss rate for each ageing category of the receivables 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 Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred to another party the rights to the cash flows from the financial assets as well as substantially all the related risks and rewards.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for 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 Group 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 Group 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. 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.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

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 separate 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.

Issued bonds, loans and other borrowings. Issued bonds, loans and other borrowings are recognised initially at fair value, net of transaction costs incurred. Issued bonds, loans and other borrowings are carried at amortized cost using the effective interest method. The liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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, 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 payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group 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 Group's operations. The majority of extension and termination options are exercisable only by the Group 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 Group, the Group's incremental borrowing rate is used, being the rate that the Group 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 contract terms and conditions and collateral.
To determine the incremental borrowing rate, the Group:

- 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 Group 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.

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement date is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed, and adjusted if appropriate, to reflect actual residual values achieved on comparable assets and expectations about future prices.

Income taxes. Income taxes have been provided for in the consolidated 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 consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within other operating expenses.

Current income tax also includes a special levy on profits in regulated industries. The basis for the special levy is calculated as profit before tax * (revenues from regulated activities/total revenues). The special levy rate of 4.356% p.a. applies from 2021. 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. Such deferred taxes arose for the first time in 2016 when the Slovak parliament enacted a law making the levy applicable indefinitely as explained above.

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 utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.
The Group offsets deferred tax assets and deferred tax liabilities where the Group 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 Group contributes to state and private defined contribution pension and social benefit plans under which the Group 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 Group 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 Group 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 Group does not distinguish current and non-current portions of defined benefit obligations and presents the estimate as a whole within non-current liabilities.

Contract liabilities from connection fees and customer contributions. Over time, the Group received fees or contributions for the construction of the electricity distribution network, in particular for the new municipal connections and networks. The Group's customers contributed towards the cost of their connection.

Customer contributions are recognised at their fair value where there is a reasonable assurance that the contribution will be received. Customer connection fees and contributions relating to the acquisition of property, plant and equipment are deferred and subsequently recognised as other operating income over the life of acquired depreciable asset.

Grants and contributions. Grants and other similar contributions are recognised at their fair value where there is reasonable assurance that the grant or contribution will be received, and the Group will comply with all attached conditions. Grants and similar contributions relating to the purchase of property, plant and equipment are accounted as deferred income and subsequently recognised in other operating income on a straight line basis over the expected lives of the related assets. Grants relating to costs are deferred and recognised in other operating income over the period necessary to match them with the costs that they are intended to compensate. Grants relating to past costs are recognised in profit or loss when it is reasonably certain that the grant will be received.

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.

Provisions / contingent liabilities. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not 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 Group 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 as liabilities in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying the economic benefits is remote.

Provisions for onerous contracts. The Group recognizes 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.

Provisions for onerous contracts are 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 Group recognises any impairment loss on the assets associated with the contract.

Revenue recognition. 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.

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

Connection fees. The Group receives a contribution from their customers to connect them to the electricity network – connection fees. Revenue from such contributions is recognised as contract liability and is released to profit or loss over the useful life of the related assets (approximately over 20 years).

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.

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

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 Group's presentation currency. The functional currency of all entities within the Group 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.

Segment information. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Segment result is measured in accordance with accounting policies that are consistent with those applied by the Group in preparing its consolidated statement of profit or loss and other comprehensive income.

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.

The impact of changes on the consolidated financial statements of the Group for the prior reporting period was as follows:

The impact of changes on the consolidated financial statements of the Group for the prior reporting period

In thousands of EUR	31 December 2021
Increase in item "Contract liabilities from connection fees and customer contributions"	11,225
Total increase in item "Non-current liabilities"	**11,225**
Decrease in item "Trade and other payables"	(11,225)
Total decrease in item "Current liabilities"	**(11,225)**
Total increase/(decrease) in item "Total liabilities"	**-**

3 Adoption of New or Amended Standards and Interpretations

The following amended standards became effective for the Group from 1 January 2022, 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 Group 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 Group 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 Group is performing further assessment of the impact of IFRS 17 and its amendments on its consolidated 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 Group 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 Group 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 decommissioning liabilities. For leases and decommissioning 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 Group is currently assessing the impact of the amendments on its consolidated financial statements however does not expect any material impact on the consolidated 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 Group is currently assessing the impact of the amendments on its consolidated 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 Group 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 Group 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 Group does not expect that the amendments, when initially applied, could have a material impact on its consolidated 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 occur in a future, the Group will account for it according to these amendments of IFRS 16.

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

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group 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.

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 Group uses a software application Enersim to estimate the unbilled deliveries based on assumed customer demand profiles and which amounted to EUR 176,883 thousand at 31 December 2022 (2021: EUR 131,084 thousand). 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.

The Group accrued the following balance sheet amounts of unbilled revenue from distribution and delivery of electricity:

The Group accrued the following balance sheet amounts of unbilled revenue from distribution and delivery of electricity

In thousands of EUR	31 december 2022	31 december 2021
Accrued receivables from distribution and delivery of electricity as part of item „Trade and other receivables"	20,165	16,898
Accrued liabilities from distribution and delivery of electricity as part of item „Trade and other payables"	48,181	30,694

Should the estimate of total network losses be lower by 0.1%, representing approximately 10 GWh of electricity (2021: 10 GWh), with other parameters unchanged, the revenues for commodity and distribution services would increase by EUR 1,306 thousand (2021: EUR 1,079 thousand).

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; and
(c) the unit price in EUR/MWh, that will be applied to billing the gas delivery and distribution.

The Group accrued the following balance sheet amounts of unbilled revenue from distribution and delivery of gas:

The Group accrued the following balance sheet amounts of unbilled revenue from distribution and delivery of gas:

In thousands of EUR	31 december 2022	31 december 2021
Accrued receivables from distribution and delivery of gas as part of item „Trade and other receivables"	4,964	944
Accrued liabilities from distribution and delivery of gas as part of item „Trade and other payables"	15,275	4,220

Estimated useful life of electricity distribution network. The estimation of the useful lives of network assets is a matter of judgment based on past experience with similar items. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical obsolescence, if any.

If the estimated useful life of network assets had been shorter by 10% than management's estimates at 31 December 2022, the Group would have recognised an additional depreciation of network assets of EUR 5,395 thousand (2021: EUR 5,105 thousand).

ECL measurement of receivables. The Group applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss for trade receivables a provision matrix that takes into account the ageing of receivables, loss rate for each ageing category, and the amount of receivables written off. The Group 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. Possible developments of macroeconomic indicators do not have significant impact on expected credit losses from trade receivables.

Lease extension and termination options. 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. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land, buildings, energy equipment and vehicles, the following factors are normally the most relevant:
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant residual value, the Group is typically reasonably certain to extend (or not terminate) the lease.

The Group also considers other factors including historical lease term and the costs and business disruption required to replace the leased asset. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

At 31 December 2022, potential future cash outflows of EUR 0 thousand (undiscounted) (2021: EUR 0 thousand) 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 really exercised (or not exercised) or the Group 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 term was not revised during the current accounting period.

The Group estimated that residual value guarantees of the leased assets are not significant.

Control over ZSE Elektrárne, s.r.o. On 30 July 2020, E.ON and the Slovak Republic represented by the Ministry of Economy of the Slovak Republic, as the shareholders of the Group, signed a Memorandum of Understanding (the "Memorandum"). Under this arrangement, E.ON is committed to sell 100% of the shares in ZSE Elektrárne, s.r.o. from 24 August 2020 for a period of the following 3 years, should the Slovak Republic decide to purchase them. Transfer of the shares in ZSE Elektrárne, s.r.o., if any, would be executed, under this Memorandum, for a fair market value and under usual market conditions.

The Group's management considered that the Group still has control over ZSE Elektrárne, s.r.o., because its view is that the Memorandum is non-binding, it was signed by E.ON and not by Západoslovenská energetika, a.s. and it is therefore not directly enforceable against the Group and its governing bodies. In view of the three-year commitment to sell, management considers that the sale of ZSE Elektrárne, s.r.o. is not highly probable within one year and thus the related assets and liabilities were not reclassified to current items as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Management also did not recognise deferred tax on investments in ZSE Elektrárne, s.r.o.. The difference between the carrying amount of ZSE Elektrárne, s.r.o.'s net assets and the amount deductible against sales proceeds is EUR 63,047 thousand (2021: EUR 58,633 thousand). In the opinion of management, the sale of ZSE Elektrárne, s.r.o. and thus the possible deferred tax will not be realized in the foreseeable future and, therefore, the deferred tax on this temporary difference cannot be recognized in accordance with the guidance in paragraph 39 of IAS 12, Income Taxes.

Deferred income tax asset recognition. Management applied judgement and recognised deferred tax asset of EUR 14,474 thousand (2021: EUR 16,052 thousand) in respect of deductible temporary differences between carrying value and tax base of CCGT power plant in Malženice, based on projections of future taxable profits over periods covered by forward market commodity prices. Commodity pricing forecasts and forecasting uncertainties related to later subsequent periods do not provide sufficient convincing evidence to support recognition of further potential deferred tax asset of up to EUR 49 955 thousand (2021: EUR 49,268 thousand) in respect of the remainder of the deductible temporary differences related to this power plant.

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows during 2022:

Movements in the carrying amount of property, plant and equipment

In thousands of EUR	Land	Network buildings	Power lines	Switching stations and network equip-ment	CCGT power plant	Other assets - for own use*	Other assets - leased to other parties	Capital work in progress	Total
Cost at 1 January 2022	24,734	144,051	820,249	478,561	32,446	121,945	24,349	117,982	**1,764,317**
Accumulated depreciation and impairment losses	-	(60,527)	(307,778)	(259,977)	(6,373)	(73,492)	(18,577)	-	**(726,724)**
Carrying amount at 1 January 2022	24,734	83,524	512,471	218,584	26,073	48,453	5,772	117,982	**1,037,593**
Additions	-	-	-	-	-	-	-	100,565	**100,565**
Capitalised borrowing costs**	-	-	-	-	-	-	-	1,769	**1,769**
Transfers	2,954	16,438	54,816	31,667	-	6,320	75	(112,270)	-
Depreciation charge	-	(3,953)	(20,983)	(23,619)	(1,870)	(6,173)	(626)	-	**(57,224)**
Disposals	(12)	(60)	-	(17)	-	(21)	-	(547)	**(657)**
Termination of the lease by the purchase of an asset	-	102	2,468	103	-	-	-	-	**2,673**
Transfer from investment properties to property, plant and equipment	14	-	-	-	-	166	-	-	**180**
Cost at 31 December 2022	**27,690**	**160,284**	**874,555**	**504,119**	**32,446**	**127,888**	**24,413**	**107,499**	**1,858,894**
Accumulated depreciation and impairment losses	**-**	**(64,233)**	**(325,783)**	**(277,401)**	**(8,243)**	**(79,143)**	**(19,192)**	**-**	**(773,995)**
Carrying amount at 31 December 2022	**27,690**	**96,051**	**548,772**	**226,718**	**24,203**	**48,745**	**5,221**	**107,499**	**1,084,899**

* Other assets for own use comprise machinery, non-network and administrative buildings, vehicles and other assets.
** Capitalisation rate of borrowing costs was approximately 3.07% p.a. for 2022 (2021: 3.07% p.a.).

In relation with the received bank guarantees, the Group pledged as collateral an administrative building with a carrying amount of EUR 3,807 thousand and a related land with a carrying amount of EUR 486 thousand in favour of the bank.

Movements in the carrying amount of property, plant and equipment were as follows during 2021:

Movements in the carrying amount of property, plant and equipment

In thousands of EUR	Land	Network buildings	Power lines	Switching stations and network equip-ment	CCGT power plant	Other assets - for own use*	Other assets - leased to other parties	Capital work in progress	Total
Cost at 1 January 2021	23,672	139,040	783,067	444,704	32,446	104,058	24,088	111,646	**1,662,721**
Accumulated depreciation and impairment losses	-	(69,001)	(301,143)	(238,674)	(4,502)	(58,396)	(17,822)	-	**(689,538)**
Carrying amount at 1 January 2021	23,672	70,039	481,924	206,030	27,944	45,662	6,266	111,646	**973,183**
Additions	-	-	-	-	-	-	-	112 759	**112 759**
Capitalised borrowing costs**	-	-	-	-	-	-	-	2 111	**2 111**
Transfers	260	17,124	48,410	35,433	-	6,997	304	(108,528)	**-**
Depreciation charge	-	(3,704)	(19,217)	(22,965)	(1,871)	(6,123)	(798)	-	**(54,678)**
Disposals	(115)	(36)	-	(53)	-	(473)	-	(72)	**(749)**
Termination of the lease by the purchase of an asset	-	101	1,354	139	-	-	-	-	**1,594**
First time consolidation of BK, a.s. (Note 31)	917	-	-	-	-	2,390	-	66	**3,373**
Cost at 31 December 2021	**24,734**	**144,051**	**820,249**	**478,561**	**32,446**	**121,945**	**24,349**	**117,982**	**1,764,317**
Accumulated depreciation and impairment losses	**-**	**(60,527)**	**(307,778)**	**(259,977)**	**(6,373)**	**(73,492)**	**(18,577)**	**-**	**(726,724)**
Carrying amount at 31 December 2021	**24,734**	**83,524**	**512,471**	**218,584**	**26,073**	**48,453**	**5,772**	**117,982**	**1,037,593**

* Other assets for own use comprise machinery, non-network and administrative buildings, vehicles and other assets.
** Capitalisation rate of borrowing costs was approximately 3.07% p.a. for 2021.

In management's judgement the electricity distribution network does not fall in the scope of IFRIC 12, Service Concession Arrangements, and it is thus not presented as an intangible asset because (a) the Group is able to sell or pledge the infrastructure assets and (b) the arrangement with the regulator and the Slovak Government is not the typical 'build-operate-transfer' concession, but rather a privatisation, which the Information Note 2 to IFRIC 12 indicates falls in the scope of IAS 16, Property, plant and equipment. The Group did not pledge any property, plant or equipment as collateral for its borrowings or other financial liabilities at the end of the current and comparative reporting period.

The proceeds from disposal of property, plant and equipment and intangible assets were as follows:

The proceeds from disposal of property, plant and equipment and intangible assets

In thousands of EUR	2022	2021
Net book value of disposals	657	749
Net book value of emission quotas sold	17,227	-
Transfer of emission quotas to National registry of emission quotas	19,792	16,945
Usage of provision for CO_2e emissions	(19,792)	(16,945)
Gain/(Loss) on sale of property, plant and equipment and intangible assets (Note 28)	22,673	2,073
Other	(548)	(76)
Proceeds from disposals	**40,009**	**2,746**

The Group holds insurance against damages caused by natural disasters up to EUR 728,536 thousand for buildings and up to amount of EUR 1,027,222 thousand for machinery, equipment, fixtures, fittings and other assets (2021: EUR 734,304 thousand and 1,011,785 thousand, respectively).

Rental income from the property, plant and equipment leased to other parties, mainly represented by optical lines and related technology, is presented in Note 28. Future rental income from non-cancellable leases is due as follows:

Future rental income from non-cancellable leases

In thousands of EUR	2022	2021
Due:		
- within 1 year	191	209
Total future rental payments to be received	**191**	**209**

7 Intangible Assets

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

Movements in the carrying amount of intangible assets

In thousands of EUR	Carbon dioxide emission quotas	Goodwill	Valuable rights	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2021	41,536	-	8,224	62,389	8,861	**121,010**
Accumulated amortisation and impairment losses	-	-	(5,865)	(54,095)	-	**(59,960)**
Carrying amount at 1 January 2021	**41,536**	**-**	**2,359**	**8,294**	**8,861**	**61,050**
Additions	26,859	-	-	-	7,126	**33,985**
Transfers	-	-	653	7,549	(8,202)	**-**
Amortisation charge	-	-	(1,034)	(4,144)	-	**(5,178)**
Disposals	(16,945)	-	-	-	-	**(16,945)**
First time consolidation of BK, a.s. (Note 31)	-	1,139	5,795	30	20	**6,984**
Cost at 31 December 2021	51,450	1,139	14,625	69,724	7,805	**144,743**
Accumulated amortisation and impairment losses	-	-	(6,852)	(57,995)	-	**(64,847)**
Carrying amount at 31 December 2021	**51,450**	**1,139**	**7,773**	**11,729**	**7,805**	**79,896**
Additions	4,399	-	-	-	7,289	**11,688**
Transfers	-	-	187	7,080	(7,267)	**-**
Amortisation charge	-	-	(1,182)	(5,881)	-	**(7,063)**
Disposals	(37,019)	-	-	-	-	**(37,019)**
Cost at 31 December 2022	18,830	1,139	14,902	76,786	7,827	**119,484**
Accumulated amortisation and impairment losses	-	-	(8,124)	(63,858)	-	**(71,982)**
Carrying amount at 31 December 2022	**18,830**	**1,139**	**6,778**	**12,928**	**7,827**	**47,502**

Assets not yet available for use primarily include software upgrades and improvements to the functionality of customer, financial, security and other in-house information systems.

8 Investment Properties

The Group leases out part of its land and administrative and operational premises under operating leases to third parties.

Movements in the carrying amount of the investment properties were as follows:

Movements in the carrying amount of the investment properties

		2022			2021	
In thousands of EUR	**Land**	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Cost at 1 January	143	1,293	1,436	-	-	-
Accumulated depreciation and impairment losses	-	(27)	(27)	-	-	-
Carrying amount at 1 January	**143**	**1,266**	**1,409**	**-**	**-**	**-**
First time consolidation of BK, a.s. (Note 31)	-	-	-	143	1,293	**1,436**
Transfer from investment properties to property, plant and equipment	(14)	(166)	(180)	-	-	**-**
Additions	-	-	-	-	-	**-**
Depreciation charge	-	(40)	(40)	-	(27)	**(27)**
Disposals	-	-	-	-	-	**-**
Cost at 31 December	129	1,124	1,253	143	1,293	**1,436**
Accumulated depreciation and impairment losses	-	(64)	(64)	-	(27)	**(27)**
Carrying amount at 31 December	**129**	**1,060**	**1,189**	**143**	**1,266**	**1,409**

The Group's management estimates that fair value of the investment properties at the balance sheet date is not materially different from their carrying amount.

Rental income from investment properties leased to third parties is presented in Note 28. The future minimum lease payments receivable under operating leases of investment properties are as follows:

The future minimum lease payments receivable under operating leases of investment properties

In thousands of EUR	**2022**	**2021**
Due during:		
- year 1	85	93
- year 2	81	80
- year 3	27	80
- year 4	-	80
Total undiscounted operating lease payments receivable at 31 December	**193**	**333**

9 Right-of-use Assets and Lease Liabilities

The Group leases various land, office buildings, energy buildings and equipment and vehicles. Rental contracts are usually made for fixed periods of 2 to 20 years (rental periods are presented in Note 2) but may have extension options. For assets, where the contract is concluded for indefinite period, the useful life was determined based on estimated lease term.

Leases are recognised as a right-of-use assets and a corresponding lease liability from the date when the leased asset becomes available for use by the Group. Movements of right-of-use assets are as follows:

Movements of right-of-use assets

In thousands of EUR	Land	Office buildings	Energy buildings and equipment	Vehicles	Total
Carrying value at 1 January 2021	**369**	**7,342**	**12,701**	**3,818**	**24,230**
Additions	-	322	3,383	2,539	**6,244**
Disposals	-	(537)	(1,572)	(47)	**(2,156)**
Depreciation charge	(10)	(897)	(668)	(1,501)	**(3,076)**
Reduction in value	-	(994)	-	-	**(994)**
Termination of the lease by the purchase of an asset (Note 6)	-	-	(1,594)	-	**(1,594)**
First time consolidation of BK, a.s. (Note 31)	-	1,257	-	-	**1,257**
Carrying value at 31 December 2021	**359**	**6,493**	**12,250**	**4,809**	**23,911**
Additions	-	2,270	2,420	1,853	**6,543**
Disposals	-	-	-	(26)	**(26)**
Depreciation charge	(16)	(902)	(655)	(1,702)	**(3,275)**
Reduction in value	-	(235)	(162)	(76)	**(473)**
Termination of the lease by the purchase of an asset (Note 6)	-	-	(2,673)	-	**(2,673)**
Carrying value at 31 December 2022	**343**	**7,626**	**11,180**	**4,858**	**24,007**

The Group recognised lease liabilities as follows:

The Group recognised lease liabilities

In thousands of EUR	31 December 2022	31 December 2022
Short-term lease liabilities	3,952	3,236
Long-term lease liabilities	20,490	21,116
Total lease liabilities	**24,442**	**24,352**

Interest expense on lease liabilities included in interest and similar expense for 2022 was EUR 297 thousand (2021: EUR 404 thousand).

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

Expenses relating to short-term leases and to leases of low-value assets that are not short-term leases

In thousands of EUR	2022	2021
Expense relating to short-term leases	235	231
Expense relating to leases of low-value assets that are not shown above as short-term leases	805	886

Total cash outflows for leases were as follows:

Total cash outflows for leases		
In thousands of EUR	**2022**	**2021**
Short-term lease payments	235	231
Payments for leases of low-value assets other than short-term leases	805	886
Repayment of principal of lease liabilities	5,847	5,308
Interest expense on lease liabilities paid	297	404
Total cash outflows for leases	**7,184**	**6,829**

The lease agreements do not impose any covenants. Ownership title to the leased assets is held by the lessors. Leased assets may not be used as collateral for the Group's other borrowings.

10 Equity Method Investments

Equity Method Investments		
In thousands of EUR	**2022**	**2021**
Energotel, a.s. - 20% investment in joint venture	525	525
SPX, s.r.o.	33	33
Total equity method investments	**558**	**558**

11 Inventories

Inventories		
In thousands of EUR	**2022**	**2021**
Natural gas	14,677	3,370
Materials and spare parts	6,990	3,350
Work-in-progress	42	217
Merchandise	3,074	314
Land held for sale	1,359	-
Total inventories	**26,142**	**7,251**

The inventory items are shown net of provision for slow-moving materials and spare parts of EUR 89 thousand (2021: EUR 74 thousand) and merchandise of EUR 30 thousand (2021: EUR 30 thousand). Natural gas is held in an underground gas storage facility controlled by a related party under significant influence of the Slovak Government.

12 Trade and Other Receivables

Trade and Other Receivables		
In thousands of EUR	**2022**	**2021**
Trade receivables	742	501
Less impairment provision for trade receivables	(55)	(38)
Non-current trade receivables, net	**687**	**463**
Contract assets - dealers commission costs	1,712	2,230
Total non-current trade and other receivables	**2,399**	**2,693**
Trade receivables	427,662	231,887
Less impairment provision for trade receivables	(20,127)	(19,507)
Current trade receivables, net	**407,535**	**212,380**
Commodity contracts at FVTPL	-	20,053
Contract assets - dealers commission costs	1,435	1,456
Prepayments	7,052	2,578
Other	377	303
Total current trade and other receivables	**416,399**	**236,770**

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

Movements in the impairment provision for trade receivables

In thousands of EUR	2022			2021		
	For non-current receivables	For current receivables	Total	For non-current receivables	For current receivables	Total
Provision for impairment at 1 January	**38**	**19,507**	**19,545**	**-**	**17,246**	**17,246**
Impairment loss expense (Note 27)	17	1,702	1,719	12	3,841	3,853
Amounts written off during the year as uncollectible	-	(1,082)	(1,082)	-	(1,839)	(1,839)
First time consolidation of BK, a.s. (Note 31)	-	-	-	26	259	285
Provision for impairment at 31 December	**55**	**20,127**	**20,182**	**38**	**19,507**	**19,545**

The Group has a concentration of credit risk towards related parties of the Slovak Government. Refer to Note 39.

More details of ECL in relation to trade receivables at the balance sheet date:

More details of ECL in relation to trade receivables at the balance sheet date

	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**
Non-current trade receivables:								
Not past due	7.41%	742	55	687	7.58%	501	38	463
Total non-current trade receivables		**742**	**55**	**687**		**501**	**38**	**463**
Current trade receivables:								
Not past due	0.94%	396,230	3,710	392,520	1.30%	211,154	2,739	208,415
Past due:								
- 1 to 30 days	3.27%	12,922	422	12,500	9.47%	3,008	285	2,723
- 31 to 60 days	16.27%	1,567	255	1,312	31.19%	513	160	353
- 61 to 90 days	15.83%	259	41	218	23.61%	144	34	110
- 91 to 120 days	42.54%	181	77	104	12.33%	73	9	64
- 121 to 180 days	28.38%	222	63	159	34.30%	207	71	136
- 181 to 360 days	71.29%	1,240	884	356	71.09%	467	332	135
- over 360 days	97.57%	15,041	14,675	366	97.28%	16,321	15,877	444
Total current trade receivables		**427,662**	**20,127**	**407,535**		**231,887**	**19,507**	**212,380**
Total trade receivables		**428,404**	**20,182**	**408,222**		**232,388**	**19,545**	**212,843**

Movements in contract assets, which represents the deferred sales commissions, are as follows:

Movements in contract assets, which represents the deferred sales commissions

In thousands of EUR	**2022**	**2021**
At 1 January	**3,686**	**2,732**
Additions	1,394	2,585
Amortization	(1,933)	(1,631)
Total contract assets at 31 December	**3,147**	**3,686**

Out of the carrying value of contract assets, EUR 1,435 thousand (2021: EUR 1,456 thousand) will be amortized over the next year and the rest has a remaining amortization period of up to 5 years. The impairment allowance calculated based on the expected loss rate for the above asset was immaterial.

Financial effect of collateral and other credit enhancements on current trade receivables is presented as follows:

Financial effect of collateral and other credit enhancements on current trade receivables is presented

In thousands of EUR	31 december 2022		31 december 2021	
	Carrying value	Insured value	Carrying value	Insured value
Trade receivables under credit insurance	126,188	126,188	44,608	44,608
Trade receivables not secured	281,347	-	167,772	-
Current trade receivables, net	**407,535**	**126,188**	**212,380**	**44,608**

Non-current trade receivables are not under credit insurance.

13 Cash and Cash Equivalents

Cash and Cash Equivalents

In thousands of EUR	2022	2021
Cash on hand	10	12
Current accounts with banks	48,166	10,775
Short-term bank deposits	-	-
Total cash and cash equivalents in the statement of financial position	**48,176**	**10,787**
Less restricted cash balances	(82)	-
Total cash and cash equivalents in the statement of cash flows	**48,094**	**10,787**

The Group 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:

The credit quality of cash and cash equivalents

In thousands of EUR	2022	2021
Neither past due nor impaired		
Credit rating Aa3 by Moody's	17	18
Credit rating A2 by Moody's	28,682	9,396
Credit rating Baa1 by Moody's	19,467	861
Unrated	10	512
Total cash and cash equivalents	**48,176**	**10,787**

The Group 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 Group's financial statements would be insignificant.

14 Share Capital

The Company issued and has outstanding 5,934,594 ordinary shares (2021: 5,934,594 shares) with a par value of EUR 33.19 each. All issued shares are fully paid in.

The Company is jointly controlled by E.ON and the Slovak Government as a result of a shareholders agreement, which requires the parties to act jointly to direct the activities that significantly affect the returns of the reporting entity. The entity's governance structure dictates that the entity's strategic plan be approved by representatives of both E.ON and the Slovak Government. 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 contractual restrictions exist for transfer of shares to parties not under control of existing shareholders.

The general meeting of the Company's shareholders approved the Company's prior year separate financial statements and declared dividends of EUR 87,919 thousand or EUR 14.81 per share (2021: dividends of EUR 89,602 thousand or EUR 15.10 per share). Slovak legislation identifies distributable reserves as retained earnings reported in the separate financial statements of the Company which amount to EUR 121,203 thousand (2021: EUR 136,172 thousand).

15 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 to cover future losses.

16 Issued Bonds

The issued bonds (ISIN: XS0979598462) of EUR 315,000 thousand are due on 14 October 2023 and carry a coupon of 4.00% p.a. The series two of issued bonds (ISIN: XS1782806357) of EUR 315,000 thousand are due on 2 March 2028 and carry a coupon of 1.75% p.a. The bonds are traded on the Irish Stock Exchange, Dublin.

Amortized cost carrying value of the bonds is as follows:

Amortized cost carrying value of the bonds

In thousands of EUR	2022	2021
Issued bonds – non-current principal and deferred transaction costs	313,696	628,267
Issued bonds – current principal, accrued interest payable within one year and deferred transaction costs	321,904	6,881
Total carrying value of the bonds	**635,600**	**635,148**

Considering the current situation on the capital markets, the Group decided to refinance bonds with a nominal value of EUR 315,000 thousand due in October 2023 through bank loans. As at the date these consolidated financial statements were authorized for issue, the Group concluded loan agreements with ČSOB and UniCredit Bank in the total amount of EUR 237,500 thousand.

17 Borrowings

Borrowings

In thousands of EUR	2022	2021
Bank loans	222	-
Other borrowings	5,500	-
Total non-current borrowings	**5,722**	**-**
Bank loans	123,717	22,566
Total current borrowings	**123,717**	**22,566**
Total borrowings	**129,439**	**22,566**

The Group's borrowings and their structure are as follows:

Borrowings		
In thousands of EUR	**2022**	**2021**
Tatra banka	-	21,430
Slovenská sporiteľňa	19,981	-
Total revolving loans	**19,981**	**21,430**
Tatra banka	3,685	-
Slovenská sporiteľňa	567	500
UniCredit Bank	49,975	636
ČSOB	49,509	-
Total bank overdrafts	**103,736**	**1,136**
Slovenská sporiteľňa	222	-
Total standard bank loans	**222**	**-**
National Development Fund II., a.s.*	5,500	-
Total other borrowings	**5,500**	**-**
Total borrowings	**129,439**	**22,566**

* National Development Fund II., a.s. is a subsidiary of Slovak Investment Holding, a. s., which as a subsidiary belongs to Slovak Guarantee and Development Bank, a. s. The Group uses these borrowings to refinance of energy solutions projects, where the maturity of the receivables of the Group's customers within these projects is continuous and over a longer period of time.

Further information on the Group's borrowings at 31 December 2022 is presented in the following table:

Borrowings					
Veriteľ	**Čerpanie úveru**	**Úverový rámec**	**Úroková sadzba v % p.a.**	**Dátum platnosti úverového rámca**	**Ručenie**
Tatra banka – revolving loan	-	55,000	1M Euribor+0.5%	31.10.2023	-
Slovenská sporiteľňa – revolving loan	19,981	50,000	€STR+0.65%	15.12.2025	-
Tatra banka – bank overdraft	3,685	4,000	1M Euribor+0.75% up to EUR 3 mil. resp. +0.95% over EUR 3 mil.	notice period 3 months	Pledge on receivables
Slovenská sporiteľňa – bank overdraft	567	3,100	1M Euribor+1.25%	31.12.2024	Pledge on receivables, promissory note
UniCredit Bank – bank overdraft	49,975	50,000	1M Euribor+0.0%	30.4.2023	-
ČSOB – bank overdraft	49,509	50,000	0.0%	31.5.2023	-
Slovenská sporiteľňa – bank loan	222	3,500	3M Euribor+1.25%	31.12.2029	Pledge on receivables
National Development Fund II., a.s. – borrowing	3,500	5,000	EUR 20Y IRS+1.1%	30.9.2042	Pledge on receivables
National Development Fund II., a.s. – borrowing	2,000	3,000	EUR 10Y	30.9.2032	Záložné právo na pohľadávky
Total	**129,439**	**223,600**			

The Group plans to extend the maturity of the credit line for those current borrowings, where the maturity date of their credit line expires in 2023.

As at 31 December 2021, the Group had agreements with banks about revolving credit facilities amounting to EUR 75,000 thousand and overdraft credit facilities amounting to EUR 4,650 thousand.

All the Group's borrowings are denominated in EUR. The fair value of non-current borrowings is not materially different from their carrying amounts, as the interest rates on those borrowings are close to current market interest rates. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

At 31 December 2022, the Group has complied with all the covenants that it is obliged to fulfill according to the provisions of the borrowing agreements.

For an analysis of movements of the Group's borrowings for each of the accounting periods presented, refer to Note 35.

18 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%)	32,622	27,751
Special levy on profits from regulated activities	5,779	5,581
Deferred tax	4,806	(2,083)
Income tax expense / (credit) for the year	**43,207**	**31,249**

In 2022, the applicable standard income tax rate was 21% (2021: 21%). From 2017 new methodology for calculating of the special levy applies, where the basis for the special levy is calculated as profit before tax per Slovak GAAP x (revenues from regulated activities/total revenues). The special levy rate of 4.356% p.a. applies from 2021. 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:

As a result, the 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 % x ((1- income tax rate in %)/(1+ special levy rate in%)-1)

The Group includes activities or subsidiaries taxed at the standard tax rate of 21% or at the 24.298% rate (2021: 24.298%) applicable to regulated industry operations. The applicable tax rate of 22.664% (2021: 22.522%) is used in the below effective tax reconciliation and represents a weighted average of the tax rates for regulated and unregulated industries. The applicable tax rate changed compared to prior year due to changes in the mix of profits from regulated and unregulated industry operations (2021: due to changes in the special levy rate and in the mix of profits from regulated and unregulated industry 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	**174,435**	**166,826**
Theoretical tax charge at applicable tax rate of 22.664% (2021: 22.522%)	39,534	37,573
Non-deductible expenses /(non-taxable income) for which deferred tax was not recognised		
- income from equity method investees not subject to standard tax	(68)	(37)
- expenses not deductible for standard tax but deductible for special levy purposes	1,078	505
Impact of change in unrecognised deferred tax asset from deductible temporary differences (Note 5)	1,578	(7,676)
Other	1,085	884
Income tax expense for the reporting period	**43,207**	**31,249**

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 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 not offset among different entities of the Group because the Group is not considered a single taxable entity for tax purposes.

Deferred taxes are attributable to the following temporary differences:

Deferred taxes are attributable to the following temporary differences		
In thousands of EUR	**2022**	**2021**
Differences between tax base and carrying value of property, plant and equipment, including deferred tax arising from special levy	65,696	60,243
Post-employment defined benefit obligation and other long-term and short-term employee benefits	(2,855)	(3,632)
Other liabilities	(9,986)	(9,537)
Allowance for credit losses on trade receivables	1,229	1,546
Other	(445)	(601)
Total net deferred tax liability	**53,639**	**48,019**

Tax rate applied to a regulated activity		
In thousands of EUR	**2022**	**2021**
Differences between tax base and carrying value of property, plant and equipment, including deferred tax arising from special levy	15,306	17,087
Post-employment defined benefit obligation and other long-term and short-term employee benefits	924	985
Other liabilities	3,432	4,144
Allowance for credit losses on trade receivables	4,673	2,573
Other	(329)	(783)
Total net deferred tax asset	**24,006**	**24,006**

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (284) thousand (2021: EUR (542) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

The Group has not recorded a deferred tax liability in respect of investments in subsidiaries because (a) the tax is applicable to future profits and thus temporary differences, if any, may only arise in the future, and (b) the tax is not applicable to dividends from Slovak subsidiaries, associates and joint ventures of the Group.

In addition, the Group is able to control the timing of the reversal of such temporary differences in respect of subsidiaries and does not intend to reverse them in the foreseeable future, e.g. through sale or taxable dividend income from subsidiaries.

19 Post-Employment Defined Benefit Obligations

As agreed with the trade unions, the Group 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 worked for the Group. The movements in the present value of defined benefit obligation are:

The movements in the present value of defined benefit obligation

	2022	2021
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	**9,018**	**13,043**
Current service cost	630	886
Interest cost	82	77
Past service costs due to changes in the defined benefit plan rules	-	-
Total expense (Note 26)	712	963
Actuarial remeasurements:		
- attributable to changes in financial assumptions	(1,298)	(165)
- attributable to changes in demographic assumptions	(100)	(624)
- attributable to experience adjustments	49	(3,783)
Total actuarial remeasurements recognised in other comprehensive income	(1,349)	(4,572)
Benefits paid during the year	(667)	(416)
Present value of unfunded post-employment defined benefit obligations at the end of the year	**7,714**	**9,018**

The principal actuarial assumptions were as follows:

The principal actuarial assumptions

	2022	2021
Number of employees at 31 December	2,182	2,166
Staff turnover	4.57% p.a.	4.58% p.a.
Expected salary increases short-term	5.14% p.a.	2.00% p.a.
Expected salary increases long-term	4.00% p.a.	4.00% p.a.
Discount rate	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 398 thousand lower or by EUR 412 thousand higher (2021: EUR 140 thousand lower or EUR 519 thousand higher).

20 Other Long Term Employee Benefits

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

21 Provisions for Liabilities and Charges

Provisions for Liabilities and Charges

In thousands of EUR	2022	2021
Provisions for legal proceedings	44,496	43,050
Provisions for onerous contracts	4,321	8,365
Provisions for released CO_2 emissions	5,859	19,787
Krátkodobé rezervy na ostatné záväzky a náklady spolu	**54 676**	**71 202**

At 31 December 2022 and 2021, the Group has recognized a current provision for known and quantifiable risks relating to disputes against the Group, that represent the best possible estimate of amounts that are more likely than not to be paid. Actual amounts to settle the provision, if any settlement will be required, depend on a number of different conditions and circumstances that may occur in the future and the outcome of which is uncertain and therefore the amount of the provision may change in the future. Refer also to Note 38.

Movements in provisions for liabilities and charges are as follows:

Movements in provisions for liabilities and charges

In thousands of EUR	2022				2021			
	Provisions for legal proceedings	Provisions for onerous contracts	Provisions for CO_2e emissions	Total provisions	Provisions for legal proceedings	Provisions for onerous contracts	Provisions for CO_2e emissions	Total provisions
At 1 January	43,050	8,365	19,787	**71,202**	29,739	-	**16,949**	**46,688**
Additions recognized in profit or loss	6,771	4,321	5,864	**16,956**	13,968	8,365	**19,787**	**42,120**
Usage of provision	-	(8,365)	(19,792)	**(28,157)**	-	-	**(16,945)**	**(16,945)**
Reversal of provision	(5,326)	-	-	**(5,326)**	(657)	-	**(4)**	**(661)**
Other	1	-	-	**1**	-	-	-	-
At 31 December	**44,496**	**4,321**	**5,859**	**54,676**	**43,050**	**8,365**	**19,787**	**71,202**

As a matter of prudence and based on assessment of the internal risk arising from disputes over tariff for electricity producers' access to the distribution system, the Group regularly reassess the amount of the provision created for potential legal proceedings. In 2022, the Group reversed the created provision for legal proceedings in amount of EUR 5,326 thousand due to sentences in favour of the Group becoming valid and certain actions being withdrawn by the claimants. In 2021, the Group created an additional provision for legal proceedings for the non-expired portion of payments for the years 2017 and 2018 amounted to EUR 10,089 thousand, which have not yet been covered by the provision. Refer also to Note 38.

Of the above-mentioned provisions for legal proceedings, in 2022 the amount of EUR 5,326 thousand (2021: EUR 9,432 thousand) was recognised as an increase (2021: decrease) of revenue.

Based on the decision of the Regulatory Office for Network Industries ("RONI"), ZSE Energia, a.s. supplies electricity 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, at 31 December 2021 the Group created a provision for onerous contracts in amount of EUR 8,365 thousand, in relation to electricity and gas supply to the customers acquired within the SoLR mechanism. Such newly acquired customers were mainly household consumers. Since this segment is subject to regulated prices of electricity and gas and the Group did not have required volume of commodities sourced for these customers, the Group had to source it on the wholesale market for market prices which were 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 Group 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.

The Group sold less than 10% of the 2023 generation capacity of its CCGT power plant Malženice on the forward market. At the same time, as at 31 December 2022, the operation of the power plant was still interrupted due to technical complications until the first half of February 2023, when the power plant was recommissioned into commercial operation. For the Group to fulfil its obligations from concluded contracts for the supply of electricity generated at the power plant, it will have to source electricity for the period of 2023 that it cannot generate at the power plant. For said period, the Group sourced natural gas and emission quotas, which, however, will not be used in the generation of electricity and we will be able to sell them. Considering the price outlook for 2023 at the balance sheet date and due to the implementation of the aforementioned transactions, the Group would incur a theoretical loss of EUR 1,821 thousand, which the Group management decided to recognise in 2022 as a provision for onerous contracts. The actual amount of the loss will depend on the daily market prices of electricity in the first quarter of 2023.

22 Contract Liabilities from Connection Fees and Customer Contributions

The Group has the following liabilities arising from contract with customers:

The Group has the following liabilities arising from contract with customers

In thousands of EUR	2022	2021
Non-current		
Contract liabilities - customer contributions	31,366	32,482
Contract liabilities - connection fees	85,215	80,208
Total non-current contract liabilities	**116,581**	**112,690**

The Group has the following liabilities arising from contract with customers

In thousands of EUR	2022	2021
Current		
Contract liabilities - customer contributions	2,293	2,259
Contract liabilities - connection fees	6,368	5,972
Total current contract liabilities	**8,661**	**8,231**

Customer contributions are paid primarily for capital expenditures made on behalf of customers and include access network assets transferred to the Group by its customers free of charge. The contributions are non-refundable and are recognised as other operating income over the useful lives of the related assets. Connection fees are paid by customers to connect them to the electricity network. The fees are recognised as contract liabilities and are released to revenues over the useful lives of related assets of approximately 20 years.

Movements in contract liabilities to customers from connection fees and customer contributions are as follows:

Movements in contract liabilities to customers from connection fees and customer contributions

In thousands of EUR	Non-current			Current		
	Customer contributions	Connection fees	Total	Customer contributions	Connection fees	Total
At 1 January 2021	32,636	76,397	**109,033**	2,233	5,621	**7,854**
Additions	2,105	9,783	**11,888**	-	-	**-**
Transfers	(2,259)	(5,972)	**(8,231)**	2,259	5,972	**8,231**
Recognized in revenue	-	-	**-**	(2,233)	(5,621)	**(7,854)**
At 31 December 2021	**32,482**	**80,208**	**112 690**	**2,259**	**5,972**	**8,231**
Additions	1,177	11,375	**12,552**	-	-	**-**
Transfers	(2,293)	(6,368)	**(8,661)**	2,293	6,368	**8,661**
Recognized in revenue	-	-	**-**	(2,259)	(5,972)	**(8,231)**
At 31 December 2022	**31,366**	**85,215**	**116,581**	**2,293**	**6,368**	**8,661**

The maturity analysis of contract liabilities to customers is as follows:

The maturity analysis of contract liabilities to customers

In thousands of EUR	As at 31 December 2022			K 31. decembru 2021		
	Customer contributions	Connection fees	Total	Customer contributions	Connection fees	Total
At 31 December due						
Current:						
Less than 12 months	2,293	6,368	**8,661**	2,259	5,972	**8,231**
Non-current:						
From 12 months to 5 years	9,220	27,929	**37,149**	9,101	26,446	**35,547**
Over 5 years	22,146	57,286	**79,432**	23,381	53,762	**77,143**
Total non-current	**31,366**	**85,215**	**116,581**	**32,482**	**80,208**	**112,690**
Total at 31 December	**33,659**	**91,583**	**125,242**	**34,741**	**86,180**	**120,921**

23 Trade and Other Payables

Trade and Other Payables

In thousands of EUR	2022	2021
Trade payables	266	263
Other financial liabilities	-	571
Total financial instruments within non-current trade and other payables	**266**	**834**
Grants	19,783	8,027
Total non-current trade and other payables	**20,049**	**8,861**
Trade payables	150,504	93,751
Other accrued liabilities	11,765	10,350
Commodity contracts at FVTPL	-	17,501
Other financial liabilities	4,461	6,047
Total financial instruments within current trade and other payables	**166,730**	**127,649**
Contract liabilities – electricity and natural gas and related distribution fees	67,611	35,331
Employee benefits payable	3,870	3,381
Social security on employee benefits	4,254	2,895
Accrued staff costs	9,868	9,975
Advance payments	21,106	16,490
Value added tax payable	18,456	6,022
Other payables	7,710	7,744
Grants	1,101	710
Excise duty payable	164	336
Total current trade and other payables	**300,870**	**210,533**

The Group had overdue current trade payables of EUR 499 thousand (2021: EUR 512 thousand) and overdue non-current trade payables of EUR 0 thousand (2021: EUR 0 thousand). None of the payables are overdue more than 30 days at 31 December 2022 and at 31 December 2021.

Movements in contract liabilities to customers for unbilled electricity, natural gas and related distribution fees are as follows:

Movements in contract liabilities to customers for unbilled electricity, natural gas and related distribution fees

In thousands of EUR	2022	2021
At 1 January	35,331	38,425
Additions	67,611	35,331
Recognized in revenues	(35,331)	(38,425)
At 31 December	**67,611**	**35,331**

The above presented contract liabilities to customers are due within one year.

24 Revenue from Electricity and Other Related Revenue and Revenue from Natural Gas

Timing of recognition for revenue from electricity and other related revenue and revenue from natural gas of the Group is as follows:

Timing of recognition for revenue from electricity and other related revenue and revenue from natural gas of the Group

In thousands of EUR	2022	2021
Revenue recognised at a point in time	34,548	19,352
Revenue recognised over time	1,956,242	1,321,784
Total revenue from electricity and other related revenue and revenue from natural gas	**1,990,790**	**1,341,136**

The Group provides access to its electricity distribution network and distribution of electricity at regulated prices. Slovakia has implemented the European Union electricity market directive, which resulted in a complete liberalisation of the market to all customers, including households, from 1 July 2007, i.e. all customers have the option to change electricity supplier after 1 July 2007. However, price regulation for electricity supplies applies to certain protected groups of customers, whereby price regulation of infrastructure, including access to the distribution network and distribution of electricity as a natural monopoly, is applied regardless of the liberalization of the electricity supply market.

Revenue comprises the following:

Revenue comprises

In thousands of EUR	2022	2021
Sales of electricity to industrial and other commercial customers	882,886	405,985
Sales of electricity to residential customers	189,285	141,225
Total sales of electricity	**1,072,171**	**547,210**
Distribution fees for electricity distribution to industrial and other commercial customers	339,583	393,254
Distribution fees for electricity distribution to residential customers	179,300	189,799
Revenue from compensation of network losses deficit	63,226	-
Revenue for reserved capacity from electricity producers	4,440	9,437
Accrued increase / (decrease) in revenue from customer returns	5,326	(9,432)
Total distribution fees	**591,875**	**583,058**
Revenue from natural gas	277,980	179,697
Revenues for connection work and testing fees	6,805	6,360
Other revenue	41,959	24,811
Total revenue from electricity and other related revenue and revenue from natural gas	**1,990,790**	**1,341,136**

25 Purchases of Electricity, Natural Gas for Electricity Production and Related Fees

The following amounts have been charged to purchases of electricity, natural gas for electricity production and related fees:

Purchases of Electricity, Natural Gas for Electricity Production 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 domestic producers and traders	264,330	110,743
Purchase of electricity on the spot market	824,588	276,321
Commodity contracts at FVTPL	842	70
Purchase of natural gas for electricity production	39,516	52,658
Settlement of contracted but unconsumed natural gas for electricity production	(197,962)	(54,189)
Emission quotas consumption	5,864	19,783
Total purchases of electricity and natural gas for electricity production	**1,110,507**	**522,878**
Electricity transmission fees, system access and ancillary service charges, tariff for system operation and system services and related fees	236,779	295,701
Total purchases of electricity, natural gas for electricity production and related fees	**1,347,286**	**818,579**

26 Employee Benefits

Employee Benefits		
In thousands of EUR	**2022**	**2021**
Wages and salaries	63,723	57,891
Defined contribution pension costs	11,580	9,925
Post-employment defined benefit plan expense (Note 19)	712	963
Other long-term employee benefit plans – current service and interest cost (Note 20)	231	191
Actuarial remeasurements of other long-term employee benefit plans (Note 20)	(417)	28
Other social costs	18,628	17,173
Total employee benefits expense	**94,457**	**86,171**

27 Other Operating Expenses

Other Operating Expenses		
In thousands of EUR	**2022**	**2021**
Information technology and software maintenance costs	7,815	8,102
Repairs and maintenance costs	11,238	9,927
Expenses relating leases of low-value assets and short-term leases	1,040	1,117
Postal and telecommunication services	2,961	2,873
Call centre services	2,708	2,925
Security services	2,004	2,171
Advertising services	1,340	1,875
Travel expenses	1,123	797
Statutory audit	304	315
Other services	6,517	7,204
External dealers commission	1,696	1,306
Project management	89	309
Advisory services	1,810	1,169
Marketing	650	767
Operation and maintenance of telecommunication network	656	555
Provisions for legal proceedings (Note 21)	6,771	3,879
Facility management expenses	915	1,242
Impairment loss on trade and other receivables (Note 12)	1,719	3,853
Bad debt write-offs	(70)	23
Property and motor vehicle tax	885	863
Gifts	476	359
Insurance	2,738	2,154
Other operating expenses	5,515	4,998
Total other operating expenses	**60,900**	**58,783**

In 2022, the KPMG network provided non-audit services to the Group in the amount of EUR 7 thousand (2021: EUR 0 thousand). In 2022, these services included services in area of training. The services were approved by the Audit Committee of the Company.

28 Other Operating Income

Other Operating Income		
In thousands of EUR	**2022**	**2021**
Customer contributions to their connection costs	2,328	2,276
Operating lease income (Note 6)	1,149	1,499
Gain/(Loss) on disposal of fixed tangible assets and intangible assets (Note 6)	22,673	2,073
Grants	742	667
Income from contractual penalties	784	771
Income from unauthorized consumption of electricity	710	376
Fees for payment reminders	995	1,084
Income from insurance claims *	10,363	159
Other	955	1,337
Total other operating income	**40,699**	**10,242**

* In February through April 2022, the Group conducted the planned overhaul of the CCGT power plant in Malženice. Upon completion of said work, the power plant could not be put back into operation due an outage of the generator caused by damage. The Group has made a claim at the supplier, which was accepted as justified. Pursuant to the provisions of the insurance contract, the Group also made an insurance claim due to an outage in the operation of the power plant, whereas the partial insurance coverage of EUR 10,000 thousand was credited to the Group's bank account in December 2022. The overall amount of the insurance claim is currently being assessed, whereas the Group expects it to be finalised in 2023. At 31 December 2022, the CCGT power plant was still not operating and repair work on the power plant was underway (refer to Note 40).

29 Interest and Similar Expense

Interest and Similar Expense		
In thousands of EUR	**2022**	**2021**
Interest expense on bonds	18,113	18,113
Amortisation of bonds transaction costs and similar expense	598	596
Interest expense on lease liability	297	404
Other interest expense	398	345
Less capitalised borrowing costs (Note 6)	(1,769)	(2,111)
Total interest and similar expense	**17,637**	**17,347**

30 Segment Reporting

The Group's operating segments are those used by the Board of Directors to manage the Group's business, allocate resources and make strategic decisions. The Group identifies its segments according to the nature of products and services provided by each segment. The Group's operating segments are (i) electricity distribution, (ii) electricity and gas supply, (iii) electricity production and (iv) other activities as described below. The Group's activities are concentrated in Slovakia.

The main indicators used by the Board of Directors in their decision making are earnings before interest, taxes, depreciation and amortization (EBITDA), earnings before interest and taxes (EBIT) and capital expenditures. The Board of Directors separately monitor the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance. Segment income and costs are measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The types of products and services from which each reportable operating segment derives its operating results are:

Electricity distribution. Distribution of electricity using the distribution networks in Western Slovakia. The distribution business is regulated and the Group is required to provide access to its network to third parties on terms approved by RONI.

Electricity and gas supply. Supply of electricity and gas to wholesale and retail customers in Slovakia and supply of electricity to wholesale customers in abroad. This business is open to competition by other suppliers. Pricing for certain classes of customers of the segment is regulated by RONI.

As a result of regulation of the distribution business and partial regulation of the supply business approximately 87% (2021: 78%) of the Group's EBITDA and 84% (2021: 75%) of the Group's EBIT were generated from sales to customers who are subject to the price regulation.

Electricity production. Electricity production in CCGT power plant.

Other. Segment Other includes activities provided by the Company together with its subsidiaries ZSE Energy Solutions, s.r.o., ZSE MVE, s. r. o., ZSE Business Services, s. r. o., ZSE Energetické služby, s. r. o., EKOTERM, s.r.o. and BK, a.s. Board of Directors does not assess activities and results of the Company separately but within segment Other. Segment Other provides mainly headquarter type functions, as central services, accounting, controlling, HR and other services, to both supply and distribution businesses. The segment also realizes electricity production in two small hydroelectric power plants, trading activities and generates also some external revenues from projecting and engineering activities in investment construction and in heat management, electrical installations and facility management services for third parties.

Reportable segments information for 2022 is as follows:

Reportable segments information for 2022

In thousands of EUR	Distribution	Supply	Production	Other	Eliminations and con-solidation adjustments	Total
Revenue from external customers	241,418	1,726,068	660	22,644	-	**1,990,790**
Inter-segment revenues	224,241	604,310	308,596	24,968	(1,162,115)	-
Total segment revenues	465,659	2,330,378	309,256	47,612	(1,162,115)	**1,990,790**
Purchases of electricity, natural gas for electricity production and related fees	(195,423)	(1,943,943)	(324,060)	(27,119)	1,143,259	**(1,347,286)**
Purchases of natural gas for sale	-	(291,067)	-	(99)	104	**(291,062)**
Employee benefits expense	(64,372)	(14,245)	(1,686)	(14,154)	-	**(94,457)**
Other operating expenses	(47,432)	(17,471)	(7,751)	(9,527)	21,281	**(60,900)**
Dividend income	-	-	-	71,825	(71,502)	**323**
Other operating income	5,859	2,207	32,725	8,369	(8,461)	**40,699**
Income from subleases	-	-	-	184	(184)	-
Own work capitalized	20,392	-	-	155	926	**21,473**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**184,683**	**65,859**	**8,484**	**77,246**	**(76,692)**	**259,580**
Depreciation of property, plant and equipment and investment properties	(69,141)	(18)	(3,817)	(2,444)	18,156	**(57,264)**
Amortization of intangible assets	(4,495)	(1,905)	(34)	(283)	(346)	**(7,063)**
Depreciation of right-of-use assets	(7,023)	(849)	-	(649)	5,246	**(3,275)**
Earnings before interest and taxes (EBIT)	**104,024**	**63,087**	**4,633**	**73,870**	**(53,636)**	**191,978**
Capital expenditures	**104,600**	**7,591**	**2,073**	**3,850**	**(7,695)**	**110,419**

Reconciliation of EBIT for all segments to profit before tax is as follows:

Reconciliation of EBIT for all segments to profit before tax

In thousands of EUR	2022	2021
Total EBIT for all operating segments	**191,978**	**184,171**
Interest income calculated using the effective interest method	94	2
Interest and similar expense	(17,637)	(17,347)
Profit before tax	**174,435**	**166,826**

Reportable segments information for 2021 is as follows:

Reportable segments information for 2021

In thousands of EUR	Distribution	Supply	Production	Other	Eliminations and consolidation adjustments	Total
Revenue from external customers	173,874	1,153,248	1,162	12,852	-	**1,341,136**
Inter-segment revenues	202,237	149,635	157,832	19,680	(529,384)	-
Total segment revenues	376,111	1,302,883	158,994	32,532	(529,384)	**1,341,136**
Purchases of electricity, natural gas for electricity production and related fees	(116,821)	(1,085,458)	(114,086)	(13,232)	511,018	**(818,579)**
Purchases of natural gas for sale	-	(161,612)	-	-	76	**(161,536)**
Employee benefits expense	(59,543)	(12,943)	(1,484)	(12,203)	2	**(86,171)**
Other operating expenses	(47,410)	(19,139)	(4,207)	(9,523)	21,496	**(58,783)**
Dividend income	-	-	-	87,049	(86,873)	**176**
Other operating income	4,999	2,613	12	11,532	(8,914)	**10,242**
Income from subleases	-	-	-	119	(119)	**-**
Own work capitalized	19,773	-	-	165	707	**20,645**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**177,109**	**26,344**	**39,229**	**96,439**	**(91,991)**	**247,130**
Depreciation of property, plant and equipment and investment properties	(67,175)	(17)	(934)	(3,625)	17,046	**(54,705)**
Amortization of intangible assets	(3,457)	(1,287)	(20)	(199)	(215)	**(5,178)**
Depreciation of right-of-use assets	(7,306)	(827)	-	(498)	5,555	**(3,076)**
Earnings before interest and taxes (EBIT)	**99,171**	**24,213**	**38,275**	**92,117**	**(69,605)**	**184,171**
Capital expenditures	**120,225**	**1,399**	**3,966**	**3,083**	**(2,558)**	**126,115**

Reconciliation of capital expenditures to payments for purchases of property, plant and equipment and intangible assets is as follows:

Reconciliation of capital expenditures to payments for purchases of property

In thousands of EUR	2022	2021
Total capital expenditures for all operating segments	**110,419**	**126,115**
Payments for emission quotas acquired	4,399	26,859
Assets acquired but not paid for	(32,263)	(30,398)
Payments for assets acquired in prior periods	27,496	27,307
First time consolidation of BK, a.s. – payment for assets acquired within acquisition of a subsidiary (Note 31)	-	(11,793)
Payments for purchases of property, plant and equipment and intangible assets	**110,051**	**138,090**

At 31 December 2022 the property, plant and equipment ("PP&E") of the electricity distribution segment represents 92% of the total Group´s PP&E (2021: 93%).

Entity wide information. Revenue is analysed by type of product or service in Note 24. Substantially all the Group's revenues are from customers in the Slovak Republic and all of the Group's property, plant and equipment and intangible assets are located in the Slovak Republic.

31 Business Combinations

ZSE Energetické služby, s. r. o., a subsidiary of the Company, acquired 66.95% of shares in BK, a.s. during 2021. The remaining shares are owned by minority shareholders (Note 1 and 32). BK, a.s. provides electrical installations and facility management services for third parties and was acquired in order to strengthen the energy solutions business of the Group.

Details of the assets and liabilities acquired and goodwill arising are as follows:

Details of the assets and liabilities acquired and goodwill arising

In thousands of EUR	Note	Attributed fair value
Property, plant and equipment	6	3,373
Intangible assets	7	5,845
Investment properties	8	1,436
Right-of-use assets	9	1,257
Deferred income tax assets		89
Inventories		342
Trade and other receivables		5,466
Cash and cash equivalents		480
Lease liabilities	35	(1,257)
Deferred income tax liabilities		(1,244)
Borrowings	35	(2,510)
Trade and other payables		(6,980)
Current income tax liabilities	39	(164)
Fair value of identifiable net assets of subsidiary		**6,133**
Less: Non-controlling interest		(2,027)
Goodwill arising from the acquisition	7	1,139
Total purchase consideration		**5,245**
Less: Deferred payment		(450)
Less: Cash and cash equivalents of subsidiary acquired		(480)
Outflow of cash and cash equivalents on acquisition		**4,315**

The non-controlling interest represents a share in the net assets of the acquiree attributable to owners of the non-controlling interest. The fair values of assets and liabilities acquired are based on discounted cash flow models. The valuation of identifiable intangible assets was performed by an independent professional appraiser.

The goodwill is primarily attributable to the profitability of the acquired business, its customer base and trademark. The goodwill will not be deductible for tax purposes in future periods.

32 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

Non-Controlling Interest

In thousands of EUR	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2022						
BK, a.s.	Slovakia	33.05%	33.05%	(116)	1,592	-
EKOTERM, s.r.o.	Slovakia	41.99%	41.99%	217	386	**(60)**
Year ended 31 December 2021						
BK, a.s.	Slovakia	33.05%	33.05%	(144)	1,883	-
EKOTERM, s.r.o.	Slovakia	41.99%	41.99%	12	229	-

The summarised financial information of these subsidiaries was as follows:

The summarised financial information of these subsidiaries

	At 31 December				Year ended 31 December			
In thousands of EUR	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	Total comprehensive income	Cash flows
2022								
BK, a.s.	8,434	4,876	8,072	849	20,316	389	389	(172)
EKOTERM, s.r.o.	7,255	69	936	5,727	2,241	551	551	**5,834**
2021								
BK, a.s.	6,743	4,805	6,883	665	18,332	678	678	233
EKOTERM, s.r.o.	900	44	692	-	1,201	142	142	(4)

Financial information for the current accounting period is only preliminary.

33 Financial Risk Management

The Group's activities are exposing it to certain financial risks: market risks (including foreign exchange risk, equity price risk, interest rate risk, commodity price risk), credit risk and liquidity risk. The Group's principal financial instruments comprise trade receivables and payables, cash and cash equivalents, issued bonds, borrowings, financial derivatives, and short-term bank deposits.

Foreign exchange risk. The Group operates in the domestic market, and its sales, purchases and short-term deposits are denominated in EUR. Management does not consider foreign exchange risk as a significant exposure for the Group'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 of the end of the reporting period, would not have any impact on the Group's profit or loss for the year.

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

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

Commodity price risk. In 2021, the Group identified and recognised certain commodity contracts at FVTPL. In general, management aims to match electricity and gas demand with corresponding purchase contracts. In order to manage market risk, the Group has implemented a system of conservative volume and financial limits for open positions in commodities which protect the Group from unexpected changes in market commodity prices on wholesale markets. Should the commodity prices change by ±10%, profit and equity for 2021 would change by EUR ±99 thousand. In 2022, the Group did not identify any commodity contracts at FVTPL.

Credit risk. The Group 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 Group'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, as well as exposures to wholesale and retail customers, including outstanding receivables.

To determine the level of credit risk, the Group uses Expected credit loss ("ECL") measurement, which reflects the probability-weighted estimate of the present value of future expected credit losses. The Group applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss for trade receivables a provision 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 Group has relationships only with those that have a high independent rating assessment. Except as disclosed in Note 13, the Group does not have a significant concentration of credit risk mainly due to a large number of diverse customers.

The Group 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 Group beyond the provisions already recorded. To reduce the risk of selected wholesalers, the Group uses insurance products. The credit quality of outstanding balances with banks is presented in Note 13 and credit quality information about trade receivables is included in Note 12.

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. Due to the dynamic nature of the activities, the Group aims to maintain flexibility in funding by keeping committed credit lines available. In addition, the Group relies on liquidity of financial markets and its ability to refinance its issued bonds. The Group's strategy is to secure the financing at least 6 months before the existing bonds become due.

The Group regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Group also uses the advantages of commercial terms between the Group and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 20 days, on average. Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Group and (b) expected future cash outflows securing operation of the Group and leading to settlement of all liabilities of the Group, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Group to make short-term bank deposits.

The table below analyses the Group'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 is as follows 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						
Issued bonds – principal due	-	-	315,000	-	315,000	630,000
Issued bonds – future interest payments	-	5,513	12,600	22,050	5,512	**45,675**
Borrowings - current (Note 17)	123,717	-	-	-	-	**123,717**
Borrowings – non-current (Note 17)	-	-	-	-	5,722	**5,722**
Trade payables – non-current (Note 23)	-	-	-	266	-	**266**
Trade payables - current (Note 23)	136,472	13,319	713	-	-	**150,504**
Other accrued liabilities (Note 23)	5,984	326	5,455	-	-	**11,765**
Lease liabilities (including future interest payments)	298	595	3,362	17,379	5,408	**27,042**
Other financial liabilities – current (Note 23)	4,461	-	-	-	-	**4,461**
Total future payments, including future principal and interest payments	**270,932**	**19,753**	**337,130**	**39,695**	**331,642**	**999,152**

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						
Issued bonds – principal due	-	-	-	315,000	315,000	**630,000**
Issued bonds – future interest payments	-	5,513	12,600	34,650	11,025	**63,788**
Borrowings (Note 17)	22,566	-	-	-	-	**22,566**
Trade payables – non-current (Note 23)	-	-	-	263	-	**263**
Trade payables - current (Note 23)	66,328	26,831	592	-	-	**93,751**
Other accrued liabilities (Note 23)	7,814	661	1,875	-	-	**10,350**
Lease liabilities (including future interest payments)	274	549	2,667	17,422	6,049	**26,961**
Other financial liabilities – non-current (Note 23)	-	-	-	571	-	**571**
Other financial liabilities – current (Note 23)	6,047	-	-	-	-	**6,047**
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	**102,893**	**33,283**	**16,513**	**370,526**	**332,074**	**855,289**

* 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.

34 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group manages capital reported under IFRS as equity amounting to EUR 313,225 thousand at 31 December 2022 (2021: EUR 269,440 thousand). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or return capital to shareholders.

The Group's management considers the most relevant indicator of capital management to be the return on average capital employed (ROACE). Management expects return on average capital employed to be higher than cost of capital. Indicator ROACE is calculated as follows: earnings before interest and taxes EBIT (in the consolidated statement of profit or loss and other comprehensive income of the Group presented as profit from operations) / average capital.

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

35 Movements in Liabilities from Financial Activities

The table below sets out an analysis of movements of financial liabilities for each of the periods presented:

Movements in Liabilities from Financial Activities

In thousands of EUR	Issued bonds (Note 16)	Borrowings (Note 17)	Lease liabilities (Note 9)	Total
At 1 January 2021	**634,696**	**-**	**24,512**	**659,208**
Non-cash movements				
Additions to leases (Note 9)	-	-	6,561	**6,561**
Interest expense (Note 29)	16,002	35	404	**16,441**
Capitalised interest costs (Note 6 and 29)	2,111	-	-	**2,111**
Amortisation of bonds transaction costs	452	-	-	**452**
Termination and modifications of leases	-	-	(2,156)	**(2,156)**
First time consolidation of BK, a.s. (Note 31)	-	2,510	1,257	**3,767**
Other	-	-	(514)	**(514)**
Payments				
Interest expense paid	(18,113)	(35)	(404)	**(18,552)**
Borrowings received	-	20,056	-	**20,056**
Lease liability principal repayments	-	-	(5,308)	**(5,308)**
At 31 December 2021	**635,148**	**22,566**	**24,352**	**682,066**
Non-cash movements				
Additions to leases (Note 9)	-	-	6,543	**6,543**
Interest expense (Note 29)	16,344	130	297	**16,771**
Capitalised interest costs (Note 6 and 29)	1,769	-	-	**1,769**
Amortisation of bonds transaction costs	452	-	-	**452**
Termination and modifications of leases	-	-	(499)	**(499)**
Other	-	-	(107)	**(107)**
Payments				
Interest expense paid	(18,113)	(130)	(297)	**(18,540)**
Borrowings received	-	128,988	-	**128,988**
Borrowings principal repayments	-	(22,115)	-	**(22,115)**
Lease liability principal repayments	-	-	(5,847)	**(5,847)**
At 31 December 2022	**635,600**	**129,439**	**24,442**	**789,481**

36 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:

Commodity contracts carried at fair value. Certain commodity contracts are carried in the statement of financial position at fair value. The fair value measurement 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:

Disclosure of fair values

In thousands of EUR	31 december 2022			31 december 2021		
	Level 1 fair value	Level 2 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Carrying value
ASSETS						
Trade receivables – non-current, net (Note 12)	-	687	687	-	463	463
Trade receivables – current, net (Note 12)	-	407,535	407,535	-	212,380	212,380
Cash and cash equivalents (Note 13)	-	48,176	48,176	-	10,787	10,787
TOTAL ASSETS	**-**	**456,398**	**456,398**	**-**	**223,630**	**223,630**
LIABILITIES						
Issued bonds (Note 16)	563,076	-	635,600	673,251	-	635,148
Borrowings - current (Note 17)	-	123,717	123,717	-	22,566	22,566
Borrowings – non-current (Note 17)	-	5,722	5,722	-	-	-
Trade payables – non-current (Note 23)	-	266	266	-	263	263
Trade payables - current (Note 23)	-	150,504	150,504	-	93,751	93,751
Other accrued liabilities (Note 23)	-	11,765	11,765	-	10,350	10,350
Other financial liabilities – non-current (Note 23)	-	-	-	-	571	571
Other financial liabilities - current (Note 23)	-	4,461	4,461	-	6,047	6,047
TOTAL LIABILITIES	**563,076**	**296,435**	**932,035**	**673,251**	**133,548**	**768,696**

The fair value of lease liabilities is not disclosed in accordance with paragraph 29 of IFRS 7. The fair value of issued bonds was determined at the quoted market price of the bonds (Note 16). The fair values of other financial assets and liabilities approximate their carrying values.

37 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category. All financial assets and liabilities of the Group, except for commodity contracts at FVTPL, are measured at amortized cost ("AC"). Lease liabilities were measured and disclosed according to IFRS 16, *Leases*.

38 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management's interpretation of the Group'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. The fiscal years from 2018 to 2022 remain open to tax inspection, however, for transfer pricing issues of cross-border transactions, earlier periods are also subject to tax inspection.

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator. These circumstances led the Group to create a provision for the potential impact of legal proceedings (Note 21). At 31 December 2022, the maximum additional exposure of the Group to the risk of these legal proceedings is EUR 0 thousand (2021: EUR 0 thousand) in excess of the provision already created.

Contractual obligations. At 31 December 2022, the Group had outstanding contractual commitments for purchases of property, plant and equipment of EUR 102,636 thousand (2021: EUR 72,425 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 6,075 thousand (2021: EUR 4,975 thousand). Financial contractual obligations of the Group 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 Group 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. Bank guarantees for purchase liabilities were issued in favour of the Group with the maximum amount of EUR 52,191 thousand (2021: EUR 50,375 thousand), where the actual amount of guaranteed liabilities at the balance sheet date is EUR 7,250 thousand (2021: EUR 5,972 thousand).

39 Balances and Transactions with Related Parties

The primary related parties of the Group are (a) its shareholders which have joint control over the Group as explained in Notes 1 and 14: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel. The Group 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	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak Government*	Joint venture (Note 10)
Revenue, other operating income and interest income	58	161	18,400	284,894	869
Dividend income	-	-	-	-	323
Purchases and expenses	11	-	11,664	964,158	1,501
Receivables other than taxes	4	-	1,306	146,787	78
Liabilities other than taxes	-	-	1,565	54,869	75
Dividends declared and paid	44,839	34,288	8,792	-	-

* 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 18. Outstanding value added tax payable is presented in Note 23. Property and motor vehicle taxes are disclosed in Note 27.

The income tax paid was as follows:

The income tax paid

In thousands of EUR	2022	2021
Current income tax expense at standard rate of 21% (2021: 21%) – refer to Note 18	(32,622)	(27,751)
Special levy on profits from regulated activities (Note 18)	(5,779)	(5,581)
Current income tax liabilities at the beginning of the reporting period	(3,262)	(12,292)
Current income tax liabilities at the end of the reporting period	8,559	3,262
Other	-	(164)
Income tax paid	**(33,104)**	**(42,526)**

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

The related party transactions and outstanding balances for 2021

In thousands of EUR	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak Government*	Joint venture (Note 10)
Revenue, other operating and interest income	81	159	19,906	136,510	1,057
Dividend income	-	-	-	-	176
Purchases and expenses	25	-	12,452	676,383	1,326
Receivables other than taxes	5	-	1,118	50,986	100
Liabilities other than taxes	-	-	3,217	34,211	94
Dividends declared and paid	45,697	34,945	8,960	-	-

* 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 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 comprises (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 comprised

In thousands of EUR	2022	2021
Board of directors and other key management personnel		
Salaries and other short-term employee benefits	2,032	2,023
Defined contribution pension costs	318	307
Total remuneration of board of directors and other key management personnel	**2,350**	**2,330**
Supervisory board		
Salaries and other short-term employee benefits	443	388
Defined contribution pension costs	71	66
Total remuneration of supervisory board	**514**	**454**

40 Events after the End of the Reporting Period

The CCGT power plant in Malženice was recommissioned into commercial operation in February 2023 following the successful recovery of the technical failure and successfully passing technological tests.

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

Management authorised these financial statements for issue on 30 March 2023:

Markus Kaune
Chairman of the Board of Directors and CEO

Mgr. Juraj Krajcár
Member of the Board of Directors

GRI Standards

GRI standard methodology/ other source	Topic standards/GRI details	Name of the chapters/Explanations	Omission	
			Require-ment(s) omitted	Reason
General Disclosures				
GRI 2: General Disclosures 2021	**1. The organization and its reporting practices**			
	2-1 Organizational details	Profile and Structure of the Západoslovenská energetika, a.s. Group		
	2-2 Entities included in the organizati-on's sustainability reporting	Profile and Structure of the Západoslovenská energetika, a.s. Group		
	2-3 Reporting period, frequency and contact point	Reporting period: 1 January 2022 to 31 December 2022 Frequency: Annual basis Contact point: kontakt@zse.sk		
	2-4 Restatements of information	This annual report includes non-financial data, that were previously part of the ZSE Sustainability report. This report is in accordance with the GRI Standards 2021, for the period from 1 January 2022 to 31 December 2022. The GHG emission balance table has been updated according to the most recent data. The EU taxonomy requirements are also part of this report.		
	2-5 External assurance	The annual report is audited by KPMG Slovensko spol., s.r.o.		
	2. Activities and workers			
	2-6 Activities, value chain and other business relationships	Profile and Structure of the Západoslovenská energetika, a.s. Group		
	2-7 Employees	Dividing of employees		
	2-8 Workers who are not employees	Dividing of employees		
	3. Governance			
	2-9 Governance structure and composition	Shareholders' Structure		
	2-10 Nomination and selection of the highest governance body	General Meeting		
	2-11 Chair of the highest governance body	The Chair of the General Meeting is in the same time the Chair of the Board of Directors and the CEO of ZSE, a.s.		
	2-12 Role of the highest governance body in overseeing the management of impacts	General Meeting		
	2-13 Delegation of responsibility for managing impacts	The Board of Directors meets on monthly basis. The members of the Board nominate the agenda topics. The Board of Directors approves topics at its monthly sessions by discussing and voting on proposed agenda items. The Board may also consider and approve any urgent or pressing matters that have arisen since the last meeting. Once the agenda items have been approved, the Board delegates responsibility to relevant managers to implement the approved agenda. The managers are then responsible for implementing the decisions made by the board and reporting back to the board on the progress and outcome of the implemented agenda.		
	2-14 Role of the highest governance body in sustainability reporting	The ESG expert covers ZSE's sustainability agenda across the entire Group and reports to the Head of Sustainability and Development department who is responsible for the ESG reporting to the Board of Directors (BoD) and the Supervisory Board. The BoD is responsible for reviewing and approving of the reported information. When an ESG topic is nominated to be included in the agenda of the BoD (monthly basis), the materials are sent for review to the BoD members in advance. During the session of the BoD, the topic is presented by the ESG expert and the BoD decides on the implementation of ESG related policies and measures.		

	2-15 Conflicts of interest	Processes of reporting, handing and preventing conflicts of interest in the ZSE Group are governed by the binding Orders of the Board of Directors. Upon the commencement of duty of members of the statutory body, affected subjects fill out a questionnaire focused on conflict of interest. The process concerning conflict of interest is then repeated every year throughout the term of office. Of course, should the conflict of interest arise ad hoc, statutory representatives are obliged to escalate and report it. If a potential conflict of interest is identified, it is assessed and evaluated. If necessary, measures are adopted to prevent the materialisation of conflicts of interest. Identified conflicts of interest, even potential ones, are reported in the applicable scope to affected sections and/or other stakeholders.		
	2-16 Communication of critical concerns	Critical concerns in the area of compliance are escalated to the CEO as well as applicable responsible statutory representatives. The ZSE Group also has an established regular reporting to the CEO, Executives committee and the applicable BoD		
	2-17 Collective knowledge of the highest governance body	The Board of Directors (BoD) is responsible for overseeing the overall management and direction of the company, including matters related to sustainability (ESG). The BoD and the Supervisory Board is informed about sustainability matters through BoD and Supervisory Board presentations lead by the Sustainability and Development department, which comprehensively informs the bodies about latest developments in the area.		
	2-18 Evaluation of the performance of the highest governance body	Audit Committee		
	2-19 Remuneration policies		●	At the moment, we do not disclose this data regarding highest governance body and senior executives.
	2-20 Process to determine remuneration		●	At the moment, we do not disclose this data regarding highest governance body and senior executives.
	2-21 Annual total compensation ratio		●	At the moment, we do not monitor the ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual).
	4. Strategy, policies and practices			
	2-22 Statement on sustainable development strategy	ZSE ESG strategy		
	2-23 Policy commitments	In December 2022, ZSE has published ESG policies section on its external website: https://www.skupinazse.sk/Home/Sustainability/ESG-Policies All of the policies have been approved by the ZSE Board of Directors. The package includes 14 documents that cover except all else the commitments for responsible business conduct and the commitment to respect human rights. These policy commitments apply to all activities of the ZSE group and have been communicated to employees through internal communication channels (intranet) and to business and other relevant partners through external communication channels including the above external webpage and posts on social media (LinkedIn, Facebook).		

	2-24 Embedding policy commitments	ZSE embeds its policy commitments throughout its activities and business relationships by taking the following steps: 1. Allocating responsibility: Assigns specific individuals or teams within the organization to be responsible for implementing the policy commitments. 2. Integrating commitments into strategies and processes: Incorporates the policy commitments into the company's overall strategy, as well as into specific operational procedures. This includes setting specific goals and targets, and regularly reporting on progress towards these goals. 3. Implementing commitments with business partners: Work with suppliers, vendors, and other business partners to ensure that they also adhere to the company's policy commitments. 4. Communicating and reporting: Communicate the company's policy commitments to stakeholders, including employees, customers, investors and the public, and report on progress made towards achieving those commitments. 5. Continuously monitoring and improving: Continuously monitor and evaluate the effectiveness of the policy commitments and make adjustments as needed. Regularly review and update policies and procedures to ensure they are aligned with the company's goals, and consider new developments in the field and feedback from stakeholders.		
	2-25 Processes to remediate negative impacts	Compliance: If we receive a claim of compliance breach within our authority (Code of Conduct, whistleblowing or an alert of criminal liability of a legal entity) we verify and investigate the claim and if it is confirmed, corrective measures are proposed which are then submitted to the management and after approval, they are implemented and monitored. Customers: The customer ombudsman is a contact point for customers. He listens to their concerns and addresses their requests. His role is indispensable for resolution of disputes, seeking suitable solutions in an appropriate and unbiased way. Environment: If we receive an environment-related claim, we investigate it. If the claim proves justified, corrective measures are taken. The number of claims and their resolution is recorded and monitored in line with Environmental Management System processes under ISO 14 0001.		
	2-26 Mechanisms for seeking advice and raising concerns	1. Compliance manager: Employees may direct their questions regarding business conduct and compliance to the Compliance manager. The employees can also report any concerns or violations of policies and practices related to responsible business conduct using company's whistleblowing channels. The reports can be made even anonymously. 2. Supervisor or higher management: employees can approach their immediate supervisor or manager for advice on implementing organization's policies and practices related to responsible business conduct. 3. Human Resources: HR also has the responsibility for ensuring compliance with company policies and regulations and can provide guidance on responsible business conduct as well as HR issues/concerns. 4. Code of Conduct: Employees can refer to the document for guidance on how to implement the organization's policies and practices.		
	2-27 Compliance with laws and regulations	Penalty – benchmark EUR 10,000.00 per one decision without summation: • Tax Office for Selected Taxpayers – Penalty for administrative offence (for ZSEE) (the sum indicated in the additional tax return form differs from the sum in the tax return form and results in a tax increase). Penalty: EUR 10,901.30 – paid. • SLOVAK ENVIRONMENTAL INSPECTORATE, ENVIRONMENTAL INSPECTORATE BRATISLAVA – Penalty for administrative offence (ZSD) (leak of a pollutant – transformer oil from a pole-mounted transformer into an environment directly related ground water). Penalty of EUR 10,000 – unpaid (appellate procedure).		
	2-28 Membership of associations	The ZSE Group companies are members of different associations (e.g. Business Leaders Forum- BLF, German-Slovak Chamber of Industry and Commerce), however each company/division/department/team manages the membership of associations separately.		

	5. Stakeholder engagement			
	2-29 Approach to stakeholder engagement	The categories of stakeholders include: 1. Shareholders: The engagement includes communicating financial performance and other important information through annual reports or shareholder meetings. 2. Employees: The engagement includes communicating company updates and initiatives, providing opportunities for employee feedback and input. 3. Customers: The engagement includes conducting customer surveys, hosting customer focus groups, providing opportunities for customer feedback and input (ZSE centers, customer ombudsman). 4. Suppliers: The engagement includes conducting supplier evaluations and providing opportunities for supplier feedback and input. 5. Community: The engagement includes supporting local initiatives, participating in community events, and providing opportunities for community feedback and input. 6. Government, regulators, and policy makers: The engagement includes participating in public policy discussions, regular meetings with public policy officials, providing opportunities for feedback and input. The stakeholders have been identified by analyzing its value chain, looking at its various business activities and identifying the groups and individuals that are directly and indirectly impacted by these activities. The main purposes of engaging with stakeholders include: knowledge management, sharing information, gathering feedback, gaining insight into the perspectives and needs of stakeholders, building trust and managing risk. To ensure meaningful engagement with stakeholders, ZSE conducts following activities: • Clearly communicates the purpose and goals of the engagement • Provides stakeholders with accurate, relevant, and timely information • Encourages active dialogue and two-way communication • Provides opportunities for stakeholders to provide input and feedback • Actively listens to and considers stakeholder perspectives while implementing activities		
	2-30 Collective bargaining agreements	2021-2023 Collective Agreement, Section 3: "Binding nature of the Collective Agreement. The Collective Agreement is binding upon all trade unions acting in joint stock companies Západoslovenská energetika, Západoslovenská distribučná and ZSE Energia, and for joint stock companies Západoslovenská energetika, Západoslovenská distribučná and ZSE Energia (hereinafter only the „Employer") and their potential legal successors. Entitlements or any other rights and obligations specified thereunder apply to all employees of the given companies in an employment relationship and in company records, unless otherwise specified in the CA, except for managers on management levels I and II, to whom only Annex 3 'Social Fund' applies. Provisions of the CA applicable to retired employees of the above stated companies who are in pension are clearly marked in the CA."		
Material topics				
GRI 3: Material topics	3-1 Process to determine material topics	At the beginning consulting GRI 1: Foundation 2021. Continue with the analysis and inclusion of GRI 2: General Disclosures 2021. Determining the GRI Material Topics 2021, while looking at the available Sector Standards. Through business activities similarities with oil and gas industry, defining the Sector Topics and Topics Standards accordingly with the exclusion of oil related topics and inclusion of electric utilities specific topics.		
	3-2 List of material topics	UN SDGs (table)		
	3-3 Management of material topics	The main objectives of Západoslovenská energetika, a.s as a Slovak utility company based in Bratislava are to sell and supply electricity to end customers. While conducting the main business activities the company has set up the main pillars of its strategy namely sustainability, digitization, growth. The material topics that have been identified are considered as the accompanying top ESG priorities and are dealt with responsible approach towards continuous progress, maintenance of well-being and management of potential risks.		

Sector topics				
	GHG emissions			
	GRI 3: Material Topics 2021	3-3 Management of material topics: ZSE emission balance		
	GRI 302: Energy 2016	302-1 Energy consumption within the organization: ZSE emission balance		
		302-2 Energy consumption outside of the organization	●	Comprehensive data not available
		302-3 Energy intensity: 0,236 GWh/mil. EUR. Total ZSE Group consumption in scope 1 and 2 (consumtion in own buildings (heating, cooling, electricity), distribution network losses) divided by the total revenues of the ZSE Group.		
	GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions: ZSE emission balance		
		305-2 Energy indirect (Scope 2) GHG emissions: ZSE emission balance		
		305-3 Other indirect (Scope 3) GHG emissions: ZSE emission balance		
		305-4 GHG emissions intensity: 818 ton CO_2e/mil. EUR. Total GHG emissions from scope 1, 2 and 3 divided by the total revenues of the ZSE Group.		
	Climate adaptation, resilience, and transition			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Sustainability		
	GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	●	The analysis is not conducted
	GRI 305: Emissions 2016	305-5 Reduction of GHG emissions: ZSE emission balance		
	Air emissions			
	GRI 3: Material Topics 2021	3-3 Management of material topics: ZSE emission balance		
	GRI 305: Emissions 2016	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions: ZSE emission balance		
	GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	●	No assessment conducted
	GRI 3: Material Topics 2021	3-3 Management of material topics: Every project is evaluated from the environmental perspective with priority given to nature and water protection. We are a long-term partner of Raptor Protection Slovakia in LIFE projects, where we treat existing power lines in risk areas for birds (currently LIFE Eurokite, Life Danube Free Sky). In addition, currently, there is an ongoing Ecological corridor management project where we deal with the support and preservation of biodiversity in protected zones under power lines. Special management approach is taken in protection areas. We also handle the issue of invasive woody plants and contribute to their elimination thanks to careful management. In addition to these activities, a company representative was included in the work team for arborist standards development in Slovakia and she actively participated in the creation of Arborist Standard No. 6: "Care for woody plants around public technical infrastructure" issued and approved by the Slovak University of Agriculture in Nitra. Ecological approach to maintaining protected zones under power lines was presented to students and volunteers as part as of a joint event organised by Slovak National Nature Protection.		
	GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas: The ZSE Group operates its facilities and conducts activities in the area of western Slovakia. All small-scale and large-scale protected areas are recorded and regularly updated in GIS. All activities in these areas are carried out in line with applicable permits, supervised by the Slovak National Nature Protection. Information on protected areas is also provided to our contractors doing works in these areas. We monitor the fulfilment of their legislative obligations in these areas.		

	GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity: Distribution system operation leads to bird deaths, which we eliminate by installing protections on poles (in 2022, we treated over 1,000 poles), as well as bird flight deflectors (in 2022, we installed 350). These measures are implementing after agreement with ornithologists who determine risk areas based on monitoring bird paths. We also install bird booths on poles in selected locations with raptors to support their reproduction (100 pieces in total). We consider creation of nesting opportunities for raptors one of compensation measures which, moreover, contributes to increasing biological diversity of the land. With the new regime of maintenance of protected zones under power lines we eliminate invasive flora and restore the natural character of the corridor, which will create new migration opportunities for organisms and improve water regime. Every year we carry out stork nest relocation to safer places (5 pcs in 2022).		
		304-3 Habitats protected or restored: Activities in protected areas (PA) are governed by the legislation ensuring protection of the land and species living in it. Therefore, all activities performed in Pas have permits with protection conditions. In addition to district authorities we communicate with National Nature Protection, users and owners of lands, and watercourse administrators. For example, in 2022, in PA (area of European importance) Pečniansky les – National Nature Protection, Hunting association, Forests Slovakia; landscape park Kamzík – City Forests, National Nature Protection; PA Panský diel and Gaic – Forests Slovakia, BROZ, National Nature Protection		
		304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	●	We do not monitor it separately for the entire area of ZSE but we perform activity in specific area taking into account protected species (PA Gaic – critically endangered species of Orchidaceae – included in national and European list of endangered species).
	Waste			
	GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics: Environment		
	GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts: Waste production in the Group is mainly affected by the scope of construction activity – namely, reconstruction of existing facilities. The amount of waste from operation is minimal. Waste management is governed by legal regulations and internal procedures. Regular inspections of waste management are carried out as part of audits. We created conditions for separating waste from operation as well as administration thanks to sufficient number of waste containers in facilities.		
		306-2 Management of significant waste-related impacts: We collect the produced waste and ensure its liquidation based on contracts with authorised organisations. When selecting the contractor, we thoroughly verify its permits issued for this activity. We ask our contractors to recycle waste as a priority. Waste from construction activity is handled by the construction organiser who has the necessary permit. He hands over documents on waste management to our company for recording purposes. Waste records and reports are kept by the Environment Team of ZSD. Conditions of waste management are specified in the contract. Construction organiser and other service providers are informed of the required manner of waste management as part of training upon concluding the contract, as well as prior to the start of the construction (133 trained contractors/2022). We analyse waste in order to classify it correctly (9 samples/2022 – asbestos and wooden poles)		
		306-3 Waste generated: total volume of waste for 2022 in tonnes: 25,637, of which 22,381 t from construction activities. Out of the total amount of produced waste, a total of 24,635 t was handed over to the applicable processing holders for further waste management.		

	GRI 306: Waste 2020	306-4 Waste diverted from disposal: We directly handed over 707 tonnes of waste to the processors of waste recovery in 2022. The rest of the waste was handed over to the authorized processors for further waste processing. The authorized processors are licensed for further waste processing, but are not yet the end-processors. The ZSE group as a source of waste monitors only the next in line waste processors and therefore we can not evaluate the final processing method of the waste.		
		306-5 Waste directed to disposal: We directly handed over 295 tonnes of waste to the disposal operators in 2022.		
	Water and effluents			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Water management is governed by internal managing documentation in line with legal regulations. Drinking water for ZSE is taken for social purposes for administration and operation, and service water for maintenance and operation activities and cooling. Wastewater management is governed by internal and legal regulations. We ensure observance of legal regulations and contracts with regular inspections and monitoring of parameters. We take measures to prevent the leak of pollutants and avoid the pollution of groundwater or surface water with our activity. We have emergency plans prepared and approved for substation facilities		
	GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource: Drinking water for ZSE is taken for social purposes for administration and operation, and service water for maintenance and operation activities and cooling. The source of water is the public water pipe, own well or watercourse. We take water from the public pipe based on a contract. In addition, we use own water sources at sites for substation operation and surface water from a watercourse for cooling at Malženice power plant. These consumptions are permitted by the decision of the applicable authority. We monitor the volume of taken water, regularly check the taken volumes and the quality. Produced sewage wastewater is discharged to public sewage system based on a contract or accumulated in cesspits (35 pcs/2022). We operate 3 sewage treatment plants and 22 petroleum substance separators. We collect rainwater at transformer stations in collection tank and take it away or purify it and discharge it into a watercourse. In Malženice power plant we discharge technical and sewage water into the watercourse. We monitor the quality of taken and discharged water (151 analyses/2022). We fulfil the reporting duties for cesspits, consumption and discharge of waters. From the perspective of water protection, we monitor the handling of dangerous substances, store them in line with internal and legal regulations to prevent leaks and avoid water pollution.		
		303-2 Management of water discharge-related impacts: The quality of discharged waters is determined in the terms of contract with the consumer or in the permit of the applicable authority (30 sewer or watercourse outfalls). We regularly monitor the quality at individual discharge sites by analysing water samples and comparing them with permitted values (80 analyses/2022). Quality of discharged water in 2022 was in line with permitted limits.		
		303-3 Water withdrawal: volume of water withdrawn from wells: 557 m^3, volume of water withdrawn from public water pipe: 38 295 m^3, volume of water withdrawn from watercourse: 375 598 m^3.		
		303-4 Water discharge: volume of water discharged to public sewer system: 32 026 m^3, Volume of water discharged to watercourse: 247 387 m^3, volume of water accumulated in cesspits and collection tanks and taken away: 3 738 m^3		
		303-5 Water consumption	●	Exact amount is not monitored.
	Closure and rehabilitation			
	GRI 3: Material Topics 2021	3-3 Management of material topics: In areas where our activity is finished (change of power line route, narrowing of the protected zone), we dismantle the overhead lines including support poles and ensure their removal from forests. There is a recultivation plan prepared by a person with expert competence pursuant to which the restore the area to its original condition or we heed the requirements of the owner and the recultivation plan. In forest lands we agree on the scope and form of recultivation with the forest administrator to ensure that the forest function is not disrupted.		

	GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs: Employees are regularly trained regarding the procedure and manner of handling emergencies – leaks of polluting substances. Even small leaks are listed and kept in records. Employees are also trained with regard to environmental aspects, manner of handling waste and reporting of environmental incidents. Trainings are held upon the commencement of employment and then regularly every 2 years.		
	Asset integrity and critical incident management			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Environment, Reducing negative impacts on the environment; There is an internal procedure to classify environmental incidents. Serious incidents are investigated and separately reported immediately after occurring, less serious incidents are recorded and reported monthly to the company management.		
	GRI 306: Effluents and Waste 2016	306-3 Significant spills/leakages: Environment (SF6 & air conditioning); Environmental incident records for 2022: 2x leak into atmosphere (SF6 and R407C), 5x leak of oil from the device (959 kg in total), 7x bird deaths. Records are kept internally and in E.ON's PRISMA web app.		
	Occupational health and safety			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Occupational Health and Safety		
	GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system: Occupational Health and Safety		
		403-2 Hazard identification, risk assessment, and incident investigation: We identify, analyze and assess risks based on new knowledge, increasing activities and accidents. The internal document contains the methodology, all dangers and threats, as well as their level of severity and measures to prevent their occurrence. When investigating incidents, we use the severity matrix, root cause analysis, and for more serious incidents, a committee meets to investigate the causes.		
		403-3 Occupational health services: Occupational Health and Safety		
		403-4 Worker participation, consultation, and communication on occupational health and safety: Occupational Health and Safety; Additionally, a Group-wide initiative Safety F1ST, integral part of OHS targets for directors and managers - Go, See & Talk (GTS)). Within the GTS programme, every head of department and senior manager must conduct 12 interviews in the field per year.		
		403-5 Worker training on occupational health and safety: Occupational Health and Safety		
		403-6 Promotion of worker health: Occupational Health and Safety		
		403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships: Occupational Health and Safety		
		403-8 Workers covered by an occupational health and safety management system: 100%		
		403-9 Work-related injuries: Occupational Health and Safety		
		403-10 Work-related ill health: Occupational Health and Safety		
	Employment practices			
	GRI 3: Material Topics 2021	3-3 Management of material topics: As an employer we declare orientation on positive employee experience, work-life balance and non-discriminatory approach in all policies of human resources. The emphasis is on fair and equal treatment of all candidates for vacancies (both internal and external) while recruiting and hiring. During the employee life cycle, we follow high standards and rules that have been agreed upon within Collective Agreement and other directives and policies that are jointly discussed and consented by the employees´ representatives (Trade Unions). Our focus is on utilization of human and professional potential of our employees that we consider as talent. Therefore, we invest in the development activities which increase business prosperity and sustainability. We do our best to keep and even improve the used standards according to the market best practice.		

	GRI 401: Employment 2016	401-1 New employee hires and employee turnover: Dividing of employees		
		401-3 Parental leave: As per the Labour Code: Act No. 311/2001 Z.z. (specifically, Section 166) ZSE, a.s. also provides a bonus of EUR 170 upon birth of a child for one of the parents (if both parents are employed in the ZSE Group).		
	GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes: As per the Labour Code: Act No. 311/2001 Z.z. (specifically, Section 62). Also governed by the 2021/2022 Collective Agreement (Section 49 - Severance pay).		
	GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee: Training and development of employees		
		404-2 Programs for upgrading employee skills and transition assistance programs: Training and development of employees; Cooperation with schools and students		
	GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria: As part of public procurement from 1 January 2023 to 31 December 2022, Západoslovenská distribučná tendered 23 contracts. Of this, 17% were contracts with green criterion and 35% with social criterion.		
		414-2 Negative social impacts in the supply chain and actions taken	●	Analysis not conducted.
	Non-discrimination and equal opportunity			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Available in the Diversity and Inclusion statement of the ZSE Group aproved by the ZSE Board of Directors: https://www.skupinazse.sk/Home/Sustainability/ESG-Policies		
	GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees: Human resources		
		405-2 Ratio of basic salary and remuneration: Remuneration and employee benefits		
	GRI 406: Nondiscrimination 2016	406-1 Incidents of discrimination and corrective actions taken	●	Data not available.
	Forced labor and modern slavery			
	GRI 3: Material Topics 2021	3-3 Management of material topics: According to the International Labour Organization (ILO): 49.6 million people were living in modern slavery in 2021 worldwide, of which 27.6 million were in forced labour and 22 million in forced marriage. Of the 27.6 million people in forced labour, 17.3 million are exploited in the private sector; 6.3 million in forced commercial sexual exploitation, and 3.9 million in forced labour imposed by state. Women and girls account for 4.9 million of those in forced commercial sexual exploitation, and for 6 million of those in forced labour in other economic sectors. In ZSE we are aware of these horrific circumstances and we are ready to focus our capabilities towards the integration of human rights due diligence analyses internally and in our supply chain as the next human rights policies and processes roll out.		
	GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	●	Analysis not conducted.
	Freedom of association and collective bargaining			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Collective Agreement 2021/2022 consisting of 7 chapters describing: Introductory provisions, Obligations of the Parties, Labour relations, Social policy and OHS, Wage components, Other income, General and final provisions, including 5 annexes.		
	Economic impacts			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Corporate social responsibility		
	GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed: Revenues in ths. EUR, breakdown by company: ZSE, a.s.: 17 552 kEUR ZSD, a.s.: 465 659 kEUR ZSE Energia, a.s.: 2 330 378 kEUR ZSE ELektrárne, s.r.o.: 309 256 kEUR ZSE MVE, s.r.o.: 284 kEUR BK, a.s.: 20 300 kEUR		

	GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported: Additions to ZSE Group assets: 120,232 kEUR		
		203-2 Significant indirect economic impacts: The current armed conflict between the Russian Federation and Ukraine has increased the perceived risks of doing business in the energy sector. The imposition of economic sanctions on Russian individuals and legal entities led to increased economic uncertainty in the markets and increased the volatility of energy prices. The long-term effects of recently imposed sanctions, as well as the threat of additional future sanctions, are difficult to determine at this time. As of the date of approval of these consolidated financial statements for publication, the war continues. The outcome and consequences of the conflict are difficult to predict, but they may have a negative impact on the Slovak economy. A possible escalation of the conflict and sanctions could negatively affect the Group's results and financial situation, but it is currently not possible to determine whether this risk will occur and to what extent.		
	GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	●	Not quantifiable at the moment. Automated data to be set up.
	Local communities			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Corporate social responsibility		
	GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs: Corporate social responsibility		
		413-2 Operations with significant actual and potential negative impacts on local communities: Corporate social responsibility		
	Land and resource rights			
	GRI 3: Material Topics 2021	3-3 Management of material topics: When building power mains and facilities on third-party real estates, Západoslovenská distribučná, a.s. ("ZSD") buys lands from third-party owners for purposes of constructing electric stations and for kiosk transformer stations ("TS") based on a purchase contract. The contract includes mutually agreed conditions and purchase price and establishes easements for purposes of building overhead and underground LV, MV and HV power lines on lands in built-up areas of the municipality on the basis of contract on establishment of easement, which includes mutually agreed conditions and one-time payment for the establishment of easement on the affected land which remains in the ownership of the obliged party, and on lands outside the built-up area of the municipality. If the issued building permit which enabled the construction listed a land affected by the construction, easement is recorded for said land pursuant to the provisions of Section 11 of Act No. 251/2012 Z.z. on Energy and in Amendment to Certain Acts ("Energy Act"). If the land outside the built-up area of the municipality is not listed in the issued building permit, it is necessary to conclude a contract on establishment of easement, like in the case of lands in the built-up areas. The owner of the real-estate located outside the built-up area of the municipality is entitled to payment one-time compensation for the restricted use of the real-estate, provided he asks for it within the deadline as per Section 11 of the Energy Act. If the owner of the land affected by easement outside the built-up area of the municipality asks within the legal deadline for the one-time compensation for the establishment of easement under the law, he will receive the payment based on a Contract on payment of one-time compensation for the establishment of easement under the law ("Contract"). Upon the conclusion of the Contract, the obliged party under the easement and the authorised party under the easement will agree on the amount of the one-time compensation. If they do not come to an agreement concerning the one-time compensation, under Section 11 of the Energy Act, each party may ask the court to decide on the appropriate amount of the one-time compensation within 1 year from the day of exercising the claim with the permit holder. In some cases, legal easement is used also for TS construction on a land outside the built-up area of the municipality. It concerns lands with surface area of max. 40 m2 and the land owner is entitled to a one-time compensation for the establishment of easement under the law, as in the above-mentioned case of building power lines. This is only used with TS constructions if the land is owned by too many partial owners, it is a joint real-estate or there is another reason why purchase agreement cannot be made.		

	Rights of indigenous peoples		●	The following nationalities count among indigenous peoples in Slovakia: Slovak, Hungarian, Romany, Czech, Ruthenian, Ukrainian, Russian, German and Polish. These nationalities also form the current nationality make-up of the population in Slovakia.
	Conflict and security		●	Operating in no areas of conflict.
	Anti-competitive behavior			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Competition and anti-competitive practices		
	GRI 206: Anticompetitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	●	No Legal actions
	Anti-corruption			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Zero tolerance for corruption		
	GRI 205: Anticorruption 2016	205-1 Operations assessed for risks related to corruption	●	The comprehensive risk register on corruption is not maintained.
		205-2 Communication and training about anti-corruption policies and procedures: Giving and accepting gifts		
		205-3 Confirmed incidents of corruption and actions taken: Number of compliance-related claims in the ZSE Group in 2022		
	Payments to governments			
	GRI 3: Material Topics 2021	3-3 Management of material topics: The Ministry of Economy of the Slovak Republic is a 51% shareholder of Západoslovenská energetika, a.s. The ZSE Group does not receive any contributions from the state.		
	GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed: a. Direct economic value generated: revenues: 2 053 379 kEUR b. Economic value distributed: operating costs: 1 699 248 kEUR, employee wages: 94 457 kEUR c. payments to providers of capital (interests): 18 540 kEUR, community investments (gifts): 376 kEUR (ZSD + ZSEE)		
		201-4 Financial assistance received from government (for state owned organizations SOE): The Ministry of Economy of the Slovak Republic is a 51% shareholder in Západoslovenská energetika, a.s. Financial assistance from the government was not received.		
	GRI 207: Tax 2019	207-1 Approach to tax: The ZSE Group is governed in compliance with the local tax laws. Namely: Law no. 563/2009 Coll. Tax Administration Act (Tax Procedure Code) Law no. 595/2003 Coll. Income Tax Act Law no. 222/2004 Coll. Value Added Tax Act Law no. 609/2007 Coll. Act on Excise Tax on Electricity, Coal and Natural Gas and on Amendments to Act No. 98/2004 Coll. on excise tax on mineral oil Law no. 235/2012 Coll. Act on special levy from business in regulated sectors Law no. 361/2014 Coll. Motor Vehicle Tax Act Law no. 582/2004 Coll. Act on local taxes and local fee for municipal waste and small construction waste		

	GRI 207: Tax 2019	207-2 Tax governance, control, and risk management: The ZSE Group is governed in compliance with the local tax laws. Namely: Law no. 563/2009 Coll. Tax Administration Act (Tax Procedure Code) Law no. 595/2003 Coll. Income Tax Act Law no. 222/2004 Coll. Value Added Tax Act Law no. 609/2007 Coll. Act on Excise Tax on Electricity, Coal and Natural Gas and on Amendments to Act No. 98/2004 Coll. on excise tax on mineral oil Law no. 235/2012 Coll. Act on special levy from business in regulated sectors Law no. 361/2014 Coll. Motor Vehicle Tax Act Law no. 582/2004 Coll. Act on local taxes and local fee for municipal waste and small construction waste		
		207-3 Stakeholder engagement and management of concerns related to tax: The ZSE Group is governed in compliance with the local tax laws. Namely: Law no. 563/2009 Coll. Tax Administration Act (Tax Procedure Code) Law no. 595/2003 Coll. Income Tax Act Law no. 222/2004 Coll. Value Added Tax Act Law no. 609/2007 Coll. Act on Excise Tax on Electricity, Coal and Natural Gas and on Amendments to Act No. 98/2004 Coll. on excise tax on mineral oil Law no. 235/2012 Coll. Act on special levy from business in regulated sectors Law no. 361/2014 Coll. Motor Vehicle Tax Act Law no. 582/2004 Coll. Act on local taxes and local fee for municipal waste and small construction waste		
	Public policy			
	GRI 3: Material Topics 2021	3-3 Management of material topics: The company is 51% owned by the Ministry of Economy of the Slovak Republic. More information about the shareholder structure is to be found in the section "Company bodies". The company also regularly engages in discussions with the Regulatory Office for Network Industries.		
	GRI 415: Public Policy 2016	415-1 Political contributions: Contributions to political parties, charity and sponsorship gifts		
	GRI 417: Marketing and labelling (2016)			
	GRI 3: Material Topics 2021	3-3 Management of material topics: In 2022, we continued to carry out internal activities for our employees: awareness raising through articles, campaigns, videos. We also continued to add content to the external web space for our customers mainly on our LinkedIn, Facebook and Instagram profiles as well as under the ZSE Green Ideas portal: https://www.setri.sk/ ,which is focused on the energy efficiency tips and practical sustainability related recommendations.		
	Sector Disclosures Electric Utilities: Access (2013)			
	GRI 3: Material Topics 2021	3-3 Management of material topics: Quality standards are specified in the Decree No 236/2016 RONI of 27 June 2016, which stipulates quality standards of electricity transmission, distribution and supply. For electricity distribution, it contains a set of standards in the areas of connection, customer care, technical support and continuity of supply (SAIDIU, SAIFIU, ISS).		
	G4-EU28: System Average Interruption Frequency Index (SAIFI)	SAIFI = 1,36		
	G4-EU29: System Average Interruption Duration Index (SAIDI)	SAIDI = 111 min.		

Západoslovenská energetika, a.s. has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022.

SDGs - Sustainable Development Goals

Materiality topics	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
GHG Emissions			●			●	●		●
Climate adaptation, resilience, and transition	●			●		●	●	●	●
Air emissions			●			●	●		●
Biodiversity		●				●	●		
Waste			●	●		●	●		●
Water and effluents			●			●			●
Closure and rehabilitation						●		●	●
Asset integrity and critical incident management							●	●	●
Occupational health and safety			●			●	●	●	●
Employment practices	●		●	●	●			●	●
Non-discrimination and equal opportunity		●		●	●			●	●
Forced labor and modern slavery	●	●	●	●	●			●	
Freedom of association and collective bargaining								●	●
Economic impacts	●	●			●		●	●	●
Local communities	●	●	●	●	●	●	●	●	●
Land and resource rights	●	●						●	●
Rights of indigenous peoples	●		●		●		●	●	●
Conflict and security	●	●	●		●			●	●
Anti-competitive behavior								●	
Anti-corruption								●	●
Payments to governments	●								
Public policy					●			●	
Marketing and labelling								●	●
SAIFI (System Average Interruption Frequency Index)							●		●
SAIDI (System Average Interruption Duration Index)							●		●

Materiality topics	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
GHG Emissions		●	●	●	●	●		
Climate adaptation, resilience, and transition	●	●	●	●	●	●	●	●
Air emissions		●	●	●	●	●		
Biodiversity		●	●	●	●	●		
Waste		●	●	●	●	●		
Water and effluents		●	●	●	●	●		
Closure and rehabilitation		●		●	●	●		●
Asset integrity and critical incident management		●			●	●		
Occupational health and safety	●	●						●
Employment practices	●		●					●
Non-discrimination and equal opportunity	●						●	●
Forced labor and modern slavery							●	
Freedom of association and collective bargaining	●						●	●
Economic impacts	●						●	●
Local communities	●	●	●				●	●
Land and resource rights		●				●	●	●
Rights of indigenous peoples	●	●	●				●	●
Conflict and security	●	●					●	●
Anti-competitive behavior	●						●	
Anti-corruption	●		●				●	
Payments to governments							●	●
Public policy							●	
Marketing and labelling	●		●					●
SAIFI (System Average Interruption Frequency Index)		●						
SAIDI (System Average Interruption Duration Index)		●						

Complete annual report here.