

Východoslovenská distribučná, a.s.

Annual report 2024
and
Independent Auditor's report
on the Audit of the Financial Statements
and
Report on Other Legal and
Regulatory Requirements

Translation note:

This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.

Contents

Annual Report

Attachment:

1. Independent Auditor's report
2. The Financial Statements of the Company for the year ended 31 December 2024 in accordance with International Financial Reporting Standards as adopted by the European Union

ANNUAL REPORT 2024

Východoslovenská distribučná, a.s.

Dear readers,

It is time to review the annual results again, and the most measurable way to look at them is through the numbers. This year, we are also trying to present them to you in the context of the events that had led to them. Because the numbers alone do not tell the story of how much effort, obstacles, and clever ideas put into practice were needed to achieve quality results, we hope that this will be an inspiring excursion into the 366 days of 2024.

Your VSD

Basic indicators		2024	2023
Supply area	km ²	15,746	15,746
Electricity distribution	GWh	3,896	3,766
Number of consumption points		675,730	671,011
Profit from operating activities	thousand EUR	42,801	94,694
Total annual profit	thousand EUR	21,560	68,506
Balance sheet amount	thousand EUR	724,929	692,156
Net cash flows from operating activities	thousand EUR	57,110	169,775
Investments	thousand EUR	73,820	59,770
Average number of employees		1,024	1,022

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A View by the Chairman of the Board of Directors

Dear customers, partners and colleagues.

2024 was one of the others that we will evaluate as milestones in the long term. This is from the perspective of VSD, electricity distribution, and the entire energy sector. In the context of geopolitical changes and later impacts on market economies, climate change, technological development or the emergence of phenomena such as AI, electricity has definitively confirmed its primacy and irreplaceability (with current technological progress) for households and industry. This is associated with the unprecedented dynamics of developing options for generating electricity, utilising it for various purposes, storing it, sharing it and consuming it effectively. All these factors, trend predictions and the dynamics of progress mean that we are on the threshold of the so-called Electrification 2.0.

The existing infrastructure, although regularly modernised and expanded, needs, in the context described above, a new massive wave of investment, like the one on which we built the infrastructure in the last century. The once one-way flow from the producer to the final consumer has branched out in all directions. The once passive final consumer can now have at least four more active roles (producer, aggregator, storage facility operator and at the same time the one who shares the electricity) in the energy market. However, the first electrification did not count on this, so it is necessary to fundamentally reconsider the technical design of the infrastructure concerning new requirements and expectations. Additionally, add to this a general order and commitment to the greening of industry.

The electricity distributor, primarily a technical interface and network that connects generation with consumption, is the first to create the prerequisites for managing such a change. Also, capacity options (together with the transmission system operator) should be generated to connect new types of sources to the system and help them successfully implement them into existing or redefined processes and relationships. Changes are gaining a unique pace. While 3 years ago we began to feel the first signs of interest in small and local sources of electricity, over the past two years (2023 - 2024) all three regional distribution companies have connected photovoltaic sources, the total installed capacity of which exceeds the electrical capacity of one standard nuclear unit. This example also confirms the words of the former European Commissioner for Energy Kadri Simson, who announced that Europe does not have a green future without modern networks. I fully agree with her, which is why in 2024 we fully launched preparations - both technical and investment - for the new "age of electricity".

The amount of investments in VSD reached a record of almost 74 million euros, and we have been increasing the investment package annually for several years. We are responding to the facts and expectations described above, but we are also reflecting current events and the needs of the distribution area. Eastern Slovakia has received a new industrial impulse from the emerging Valaliky Strategic Park, where the VOLVO car manufacturer and the entire related supply chain will be established. Engineering networks must first be secured for this stimulus to be transformed into a functional factory for producing purely electric cars and over 10 thousand new jobs. Electricity is the foundation, which is why VSD was one of the first to participate in creating the necessary conditions. After securing the so-called construction current, we started the construction of lines at a high voltage level (110 kV) with an overlap into the first half of 2025, when we complete another double line for connecting the industrial park. After this milestone, VSD's electrical power infrastructure will be ready for production as part of the first phase of the car factory's construction.

Of course, we did not neglect the other regions of our defined territory. Technically, we completed the new key line on the Snina—Sobrance route and started a complete reconstruction of the line connecting the centre of Spiš with the Tatra region and the High Tatras. The entire modernisation was carried out while maintaining the distribution system's safety and reliability at 99.98% of the ASAI index and managing and operating almost 25 thousand km of power lines of all distribution voltage levels.

The focus on quality was also reflected in customer-friendly solutions. We processed thousands of new applications to connect sources to the system and connect thousands of new consumption points. This is happening mainly thanks to the digitalisation of processes and the expansion of customer channels through which we can serve our partners, while considering the segments' individual needs. We are separately dedicated to electricity suppliers. Since 2024, we have had a unique newly established Orange Line for mayors, and we use artificial intelligence to strengthen the service of households. We managed to process 14 thousand orders through the e-shop, and on the website www.vypadokelektřiny.sk we have expanded the provision of ad hoc information on the status of outages, planned interruptions and other important information on the availability of electricity to include the Western Slovak distribution area.

In addition to these, we have not forgotten about nature and, in cooperation with vegetation management experts (whom we also have in our Company), we have actively improved the corridors that line our power lines. In 2024, we restored ecosystems under power lines with a total area of 120 ha. In practice, this means creating small water areas and new pastures, planting low-growing shrubs and the like under the lines instead of clear-cutting, and thus restoring local habitats. We protect birds by installing preventive elements on the lines, we have built dozens of additional replacement nesting sites especially for storks, and our poles have also been used to mount birdhouses.

To fulfil our new tasks and not compromise on today's high standards, in 2024 we also looked at how to adapt the Company's organisation to all this. In 2024, we continued to harmonise processes with Západoslovenská distribučná, a.s., after the consolidation of the business activities of the E.ON concern in Slovakia, when we became sister companies within the ZSE Group. From this new position, organisation and connection of strong energy entities with 100 years of historical knowledge and experience, we naturally want to get the best out of our customers externally and be more efficient internally. The process of harmonisation at the board and executive levels has been completed. Customer interfaces are also gradually being unified, as it is natural that customers and business partners expect the same approach from us to solving their requirements, and we want to offer them the best that we have developed on both sides so far.

Finally, I would like to add a few words about the general conditions in which we find ourselves spatially and temporally and which affect the overall opportunities to grasp the described changes. VSD is trying to use the most significant transnational financial support for the necessary massive investments within Electrification 2.0. Therefore, it is an active and, in some cases, already successful applicant for European grants and subsidies. By doing so, we want to minimise the impact of the inevitable changes on the system users and not burden the already tested domestic market environment with previous crisis periods, subsequent inflation and consolidation measures.

The year 2024 was also the second year of the 5-year regulatory period (2023-27), in which the basic principles did not change. However, individual input parameters and the conditions for applying tariffs were adjusted. Both in 2023 and for 2024, crisis regulation was used due to the extraordinary situation in the energy market based on a decision of the Slovak government. Although the compensation volume in 2024 decreased due to a fall in electricity prices for 2024 (compared to 2023), the

introduction of flat and non-targeted compensation measures to cap "end energy prices" for so-called vulnerable consumers - households and small businesses, is neither systemic nor sustainable.

I believe that despite the unprecedented and extensive changes, with good individual and general settings, we will be able to make the next year 2025 a successful one. In any case, we did our best in the previous year 2024, for which I thank everyone - colleagues, partners and other entities - who brought it to a positive final.

Ing. Radoslav Haluška
Chairman of the Board of Directors

Board of Directors' proposal on profit distribution for 2024

The Board of Directors proposes to the General Meeting to distribute the profit after tax for 2024 as follows:

- allocation to the Social Fund of EUR 60 thousand
- dividend payment to the shareholder of EUR 20,408 thousand.

Basic Company Information

Formation and establishment of the Company

The Company Východoslovenská distribučná, s.r.o. ("VSD") was founded by the founding deed dated 14 October 2005, as a subsidiary of Východoslovenská energetika a.s. ("VSE"), whose legal form was changed to a joint-stock company by a decision of the General Meeting of 30 January 2007.

Východoslovenská distribučná, a.s. began its operations on 1 July 2007. As part of the legal unbundling of the vertically integrated company VSE, VSD took over all assets, liabilities, and rights and obligations related to the distribution activity previously carried out by the parent company VSE. Following the requirements of energy legislation, a part of the Company was transferred from the parent company VSE (since 1 July 2014 with the business name Východoslovenská energetika Holding a.s. – "VSE Holding") to VSD on 1 January 2014, with the transferred part of the Company being the Grid Services Division, which carries out all activities related to operation, maintenance and construction of the distribution system.

Business name: Východoslovenská distribučná, a.s.

Registered office: Mlynská 31, 042 91 Košice

Company ID: 36599361

The Company is registered in the City Court Košice Commercial Register, Section Sa, File 1411/V.

Subject of activity

The Company Východoslovenská distribučná, a.s. is a distribution system operator ("DSO") in a defined area of Košice, Prešov and part of Banská Bystrica self-governing regions, and performs the following main activities:

- electricity distribution,
- system development planning,
- distribution system dispatching,
- sale of network connection capacity,
- the process of changing the supplier for grid customers,
- collection and provision of energy data,
- purchase and lease of network assets,
- design and construction of electrical equipment,
- provision of services related to the operation of electrical substations without voltage restrictions,
- installation of designated measuring instruments,
- production of technical equipment for electrical machines, devices, switchboards, and objects without explosion hazards.

Shareholder structure as of 31 December 2024

Shareholder	Registered capital	Number of shares in the registered capital
Západoslovenská energetika, a.s. *	EUR 220,040,272	100%

Composition of the Company's bodies in 2024

Board of Directors

- Chairman Ing. Radoslav Haluška (office started on 1 April 2022)
- Vice Chairman Ing. Peter Čech (office terminated on 2 September 2024)
 Ing. Juraj Slafkovský (office started on 3 September 2024)
- Members Ing. Marcel Fitere (office started on 1 January 2024)
 Marian Kapec (office terminated on 23 September 2024)
 Ing. Marian Kapec (office started on 23 September 2024)
 Mgr. Katarína Goldbergerová (office terminated on 2 September 2024)
 Ing. Jakub Špilár (office started on 3 September 2024)

Supervisory Board

- Chairman JUDr. Milan Piršič (office terminated on 2 September 2024)
 JUDr. Pavol Gombos (office started on 3 September 2024, elected as Chairman of the
 Supervisory Board on 16 September 2024)
- Vice Chairman Ing. Tomáš Turek, Ph.D. (office terminated on 2 September 2024)
 Ing. Tomáš Turek, Ph.D. (office started on 2 September 2024)
- Members Ing. Andrej Buday (office started on 2 September 2024)
 Mgr. Vladimír Hojstrič (office terminated on 2 September 2024)
 Mgr. Ľuboš Sopoliga (office terminated on 2 September 2024)
 Ing. Ivo Grobauer (office terminated on 2 September 2024)
 Mgr. Matej Smorada (office started on 3 September 2024)
 JUDr. Martin Kundrát (office started on 3 September 2024)
 Ing. Andrej Danečko (office started on 3 September 2024)
 Mgr. Peter Kulan (office started on 3 September 2024)
 Zuzana Vajsová (office started on 25 August 2023)
 Ing. Peter Macár (office started on 25 August 2023)
 Ing. Zdenka Argalášová (office started on 25 August 2023)

Compliance

The Company continuously pays special attention to building, implementing, and strengthening the Compliance Program, a set of processes focused on compliance with laws and ethical behaviour of ZSE Group employees in all working areas. The Compliance Program is gradually implemented and strengthened in all subsidiaries of the ZSE Group, including Východoslovenská distribučná, a.s.

The main objective of the Compliance Program is to prevent, detect, and respond to behaviour that could violate internal and legal regulations, possibly resulting in personal liability for the persons involved, the Company's management, or the Company as such (criminal liability of legal entities).

Code of Conduct

The essential document of the Compliance Program is the Company's Code of Conduct (hereinafter referred to as the "Code of Conduct"), which enshrines the principles of responsible business to which the ZSE Group companies adhere. It also represents a binding guide to conduct for employees and all those who cooperate with the ZSE Group companies.

Additional binding internal regulations that provide deeper insight into relevant compliance areas (e.g., conflict of interest, and whistleblowing) further develop the Code of Conduct.

To increase employee ethical awareness, the ZSE Group organises various educational activities, the scope of which depends on individual participants' tasks and responsibilities.

In 2024, ZSE Group companies continued to offer new e-learning courses to employees across the Group. All employees must complete the Code of Conduct e-learning module annually. The training focused on responsible business and compliance (including whistleblowing and internal reporting systems).

With this educational activity, ZSE Group companies continued supporting the so-called speak-up culture to encourage employees to address and escalate their compliance concerns openly. The academic module also included several hypothetical practical situations that employees may be confronted with, thereby testing the acquired knowledge of employees.

Employees in departments without internet access received training in an offline format.

New employees completed e-learning on the Code of Conduct, during which they were familiarised with the ZSE Group's compliance rules and who to contact if they need consultation or wanted to submit a complaint.

Training on integrity and whistleblowing was made available to leaders in the ZSE Group.

Selected employees also completed e-learning training on competition rules in 2024.

Compliance and notifications

Transparent and sustainable business relationships, a good working atmosphere and responsible entrepreneurship are paramount to the ZSE Group, its managers, employees and shareholders. To ensure these standards, the ZSE Group has established reporting channels through which whistleblowers (employees and other persons within the meaning of the whistleblowing legislation)

can report anti-social activities and violations of internal or legal regulations. In 2024, the ZSE Group implemented a new reporting channel, a web form on the ZSE Group website intended for both ZSE Group employees and other parties. Potential whistleblowers follow the published information and are instructed in detail on the reporting methods and the investigation process. If interested, they can also make a report anonymously using the ZSE Group reporting channels.

Number of compliance notifications in the ZSE Group in 2024

Concerning the aspect of transparency and clarity, we divide the announcements into the following categories:

<ul style="list-style-type: none"> • Business integrity concern, potential illegal activity, violation of laws, corruption, antitrust rules, compliance with KYC and integrity rules of business partners, insider trading 	2
<ul style="list-style-type: none"> • Fraud against ZSE Group companies, such as theft, embezzlement, other fraudulent behaviour 	4
<ul style="list-style-type: none"> • Reporting concerns related to HR, such as conflict of interest, mobbing, bossing, sexual harassment, discrimination, etc. 	7
<ul style="list-style-type: none"> • Any other topics related to the Code of Conduct 	0
TOTAL	13*

** Compliance notifications are directed to responsible persons from the Compliance Team through the relevant communication channels. The number of notifications does not include customer complaints and claims that do not reflect anti-social activity or do not contain specific information necessary to verify the notification, as well as repeated notifications that were delivered through internal reporting channels.*

Zero tolerance for corruption

Following the ten principles of the Global Compact, according to which companies and firms strive to prevent corruption, the ZSE Group is engaged in the fight against corruption. It expresses this commitment in the Code of Conduct, which covers activities most exposed to corruption risks and unfair practices. The commitment to zero tolerance for corruption is also reflected between the ZSE Group and its suppliers, as this is incorporated into the ZSE Group Supplier’s Code of Conduct.

Giving and receiving gifts

The procedures for giving and receiving gifts are part of the anti-corruption measures incorporated into the Code of Conduct. All gifts provided, except those within defined limits, must be approved and documented according to established procedures in the central gift register.

Anti-corruption behaviour, such as giving and receiving gifts, is regularly communicated to employees through internal communication channels. New employees are also regularly trained on gifts and entertainment as part of their annual compliance and Code of Conduct training.

Contributions to political parties, charitable donations and sponsorships

Donation and sponsorship programs are transparent. Through sponsorship, the ZSE Group supports specific projects and initiatives in education, environmental protection, innovation and community development, if they meet the following criteria:

- the goals are linked to the goals and mission of the Company,
- the funds have a clear purpose, and their use is appropriately, transparently documented, and verifiable at any time

The ZSE Group does not finance political parties, their candidates or representatives, whether in Slovakia or abroad, nor does it sponsor conventions or rallies whose sole or primary purpose is political propaganda.

Combating money laundering and terrorist financing

In the fight against money laundering and terrorist financing, the ZSE Group acts following Slovak and European legislation. The ZSE Group never condones, facilitates or supports money laundering or terrorist financing, which means that it:

- complies with laws and regulations regarding money laundering and terrorist financing,
- never engages in risky activities that could be aimed at financing or supporting crime or terrorism,
- adopts measures and mechanisms to assess potential and current business partners.

Competition and anti-competitive behaviour

In ZSE Group, we believe we can only win and retain customers and build stable relationships with stakeholders if we act responsibly and honestly.

Competition rules govern the ZSE Group and do not tolerate prohibited agreements restricting competition (cartel agreements) or abuse of a dominant position in any way. All employees of the ZSE Group are obliged to behave according to the rules of competition protection, which are further discussed in the Code of Conduct.

Following the internal rules of the ZSE Group, special attention is paid to compliance with the principles of competition protection regarding competitors. When in contact with competitors, employees must ensure that they do not receive or provide any information that would lead to conclusions about the current or future behaviour of the ZSE Group companies or its competitors on the market.

It is also essential for the ZSE Group to comply with national and international law rules. The ZSE Group companies also require the same from their business partners.

Know Your Counterparty (KYC) check

The ZSE Group selects its business partners based on professional and economic criteria. However, it also pays close attention to environmental protection, compliance with human rights, labour and other generally binding standards, and anti-discrimination and anti-corruption policies. When selecting business partners, it also considers international sanctions and regulatory, legal, or reputational risks that could seriously affect the ZSE Group.

Internal control system:

A continuous process carried out by the board of directors, through the Company's managers and experts, to provide all stakeholders with adequate guarantees of achieving the Company's strategic objectives. The Company has established for these purposes:

1. **Internal control mechanisms** have been implemented at the level of individual processes to identify and prevent risks of fraud, corruption and unfair practices. The role of the internal control system is to prevent and timely identify errors and irregularities that may arise because of intentional fraud, as well as unintentional acts or omissions.
2. **Internal audit** is a set of independent, objective, assurance and consulting activities to improve management and control processes, considering the internationally recognised auditing standards "International Standards for the Professional Practice of Internal Auditing". The ZSE Group has an established internal audit department that constantly monitors the system of implemented control mechanisms, identifies its shortcomings and proposes action plans to improve and make the internal control system more efficient. The head of internal audit is responsible for developing and implementing the Internal Audit Plan based on a risk assessment, considering the Company's risk management framework and the levels of management response to risk for various activities.
3. **The Compliance team** is part of the ZSE Group's organisational structure. Its tasks include, but are not limited to, developing, implementing, and updating documentation related to the Compliance Program, updating the ZSE Group Code of Conduct, performing activities related to training activities, methodological support, and investigating violations of the Code of Conduct.

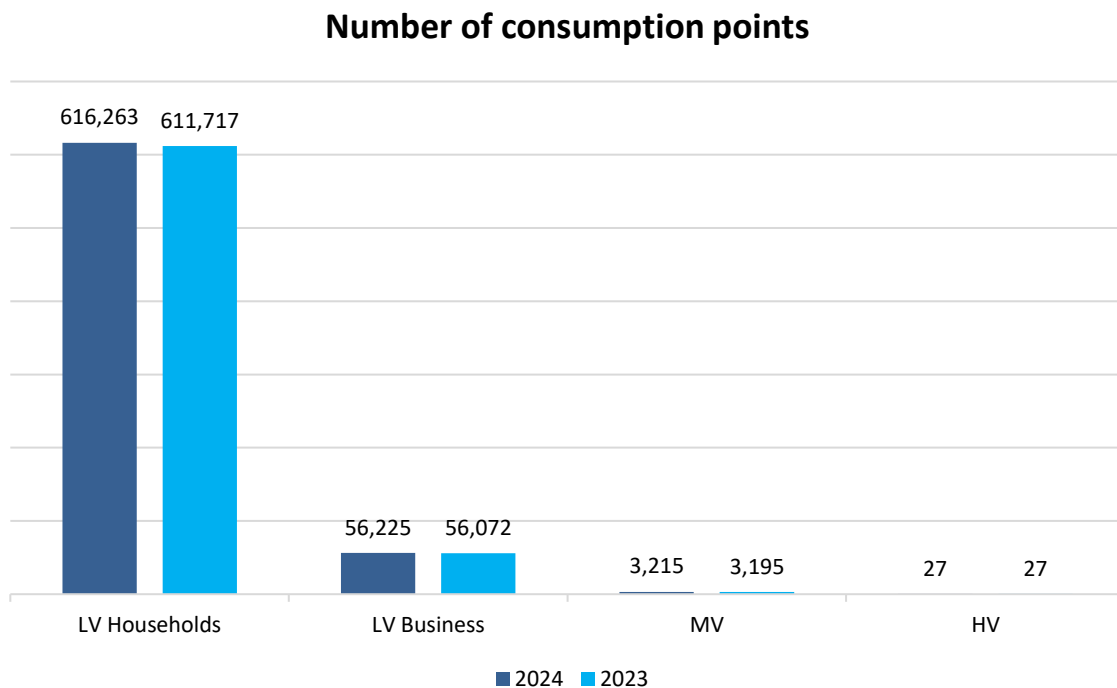
Business Perspective

Less paper, less time, less worries for the customer. These were the main ambitions of our efforts in 2024. We continued to make our activities meaningful for the customer and VSD so that they benefitted the most from the least effort. They do not have to be tied to specific office hours or unnecessarily do paperwork for matters we can handle online. We also made it as easy as possible for them during online processing or shopping.

A/ Big figures

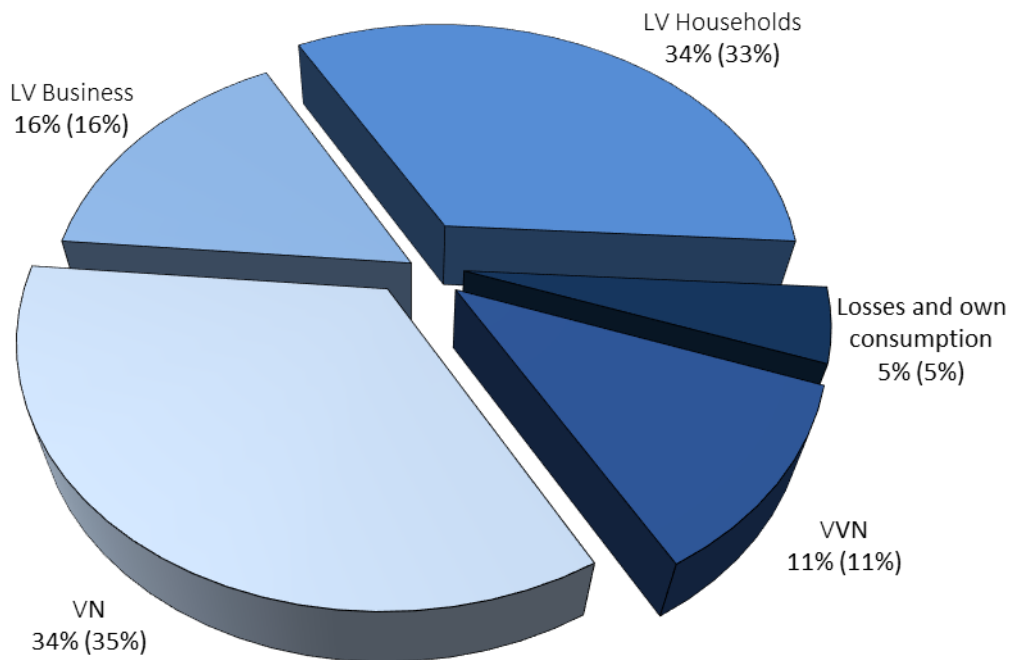
In 2024, we recorded a slight increase in the number of consumption points (+4,719 CP) compared to previous years and a slight increase in consumption (+3%).

Numbers of CPs connected to DS VSD as of 31 December 2024 and 31 December 2023.



Distribution structure by voltage levels or segments as of 31 December 2024 and 31 December 2023.

Structure of electricity distribution in 2024 (2023)



Households – slight increase

In the most numerous segments, we recorded a slight increase in consumption points and consumption last year. This is despite the growing trend of connecting small sources with an output of up to 10.8 kW. This is also due to support and compensation from the state, because thanks to this, people do not tend to save.

Small business owners (LV) – a stable segment

There were no significant fluctuations in the structure or volume of electricity consumption by entrepreneurs connected to the distribution system at the LV voltage level during 2024. The number of consumption points in this segment did not change significantly either.

Large business owners (MV) – stability

Statistically, we recorded the least changes in the number of consumption points and the consumption volume in the most turbulent segment a year ago. In 2024, this part of electricity consumption stabilised. The calming of prices in the electricity market also contributed to this.

The largest consumers (HV) – gas moves the world

Although this segment is the smallest in number and total volume, we recorded the most significant fluctuations last year. Despite the overall increase in consumption by 6%, there were two significant drops in consumption at the end of the year. One is the termination of Bukocel's activities as a regional electricity supplier. The second is the interruption of the distribution of Russian gas through Ukraine, which reduced the consumption volumes of Eustream at the end of the year. However, this decrease still did not exceed the increase in Eustream's consumption in the first quarter, when the favourable electricity price in the market resulted in a high growth of electricity consumption in gas transmission. Fluctuations in consumption in this segment are also significantly affected by climate and weather changes compared to previous years.

B/ More and more generation

In 2024, applications for connecting small photovoltaic production sources continued to increase. We received over 6,100 applications to connect a source, which represents an increase of approximately 20%. This confirmed that the electricity market is becoming decentralised, and more and more households are trying to compensate for the expected rise in electricity prices by installing production sources. The physical electricity supply from sources in the VSD territory was more than 804 GWh.

C/ We are comprehensive, high quality and in demand.

The offer of our services and products for industry and municipalities beyond the legal obligations of a distributor has long been an important area of our operations. We are leveraging our extensive experience in distributing electricity to customers and transforming it into a continuous improvement in the quality and scope of our service and product portfolio. In 2024, we exceeded our ambitious business goals in the industry and the municipality segments. The VSD brand is increasingly well-known, visible, and demanded. This is also proven by customer feedback, for whom we are often their first choice.

Growth in the B2B segment

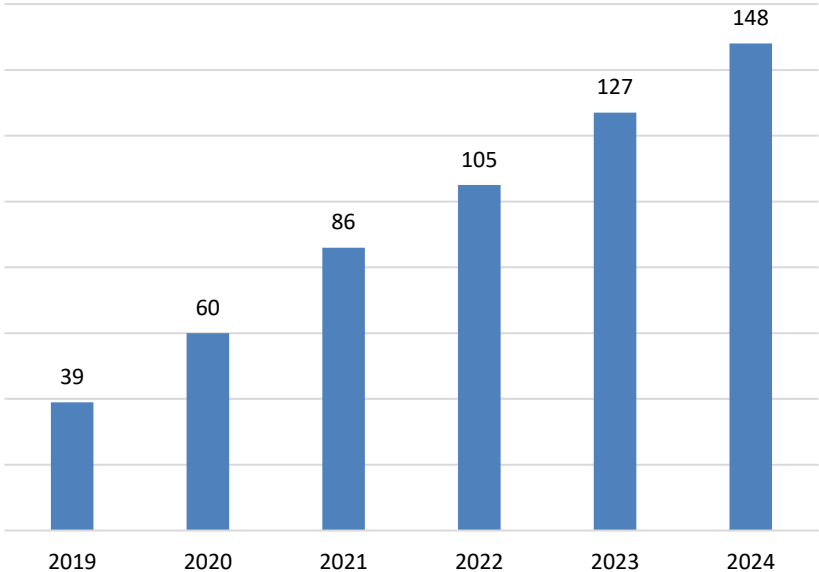
We offer our industrial customers comprehensiveness - from project preparation and engineering, through implementation to a long-term operation and maintenance of their electrical equipment. A standard part of our customer product portfolio is data analysis, whether measured or other physical quantities of their consumption point. Our knowledge and expertise always add value for the customer and are in demand. In 2024, we delivered over 180 works and services in the industrial segment with a significant increase in gross profit by 77% compared to 2023. This segment's most essential and extensive projects include several activities for the newly established Volvo electric car factory in the Valaliky Strategic Park.

Lighting dominates B2M

We have offered municipalities a comprehensive, energy-efficient, modern public lighting service for over nine years. In 2024, 21 more contracts were concluded with this service. We currently provide

public lighting services in 148 municipalities and cities. In addition, on our Company's website, a contracting municipality has free access to a comprehensive overview of the energy and information management of public lighting in its municipality.

Number of contracted towns and municipalities



In both segments, we meet customer expectations, which is confirmed by our regular feedback (CSAT), in which we record customer satisfaction above 91%.

A common interest

VSD considers the municipality to be one of the key customer and partner groups. This is also evidenced by a unique approach in communication with local government, whether in the form of a special Newsletter dedicated to topics necessary for towns and villages for their daily functioning or a conference called the VSD Regional Day, which we organise in cooperation with regional groups of ZMOS. In 2024, this happened twice, in Vranov nad Topľou and Lipany. In addition, we met with representatives of local municipalities at the Super Regional Day, which is intended for all chairmen of regional ZMOS in eastern Slovakia. VSD also supports the regional development with a unique grant program, thanks to which in 2024, in cooperation with the local art community and the relevant local government, we managed to extend the gigantic energy dictionary with additional terms depicted in a way acceptable to the lay public at eight transformer stations in Košice, Prešov, Spišská Nová Ves, Moldava nad Bodvou and near Zemplínská Šírava.

Another novelty for 2024 is the launch of the so-called Orange Line for mayors who need to resolve critical situations with VSD dispatchers. The Orange Line also sends the mayor text notifications on outages in the municipality.

We have expanded our cooperation with local governments to include four more cities: Trebišov, Medzev, Vranov nad Topľou, and Sabinov. There are now 28 in total.

Last year's important topic for VSD was covering the black spots on the high-speed internet connection map. The Slovak government also adopted our Energooptika concept, as evidenced by the Memorandums of Cooperation of all three distribution companies with the Ministry of Economy of the Slovak Republic, MIRRI SR, and ZMOS.

Electricity supplier as a key partner to us

We do not forget another key customer group, electricity suppliers, to whom the 8th Annual Conference for Electricity Suppliers was dedicated. In 2024, it was carried out in the spirit of transforming the energy market not only in Slovakia. Many participants and lively discussions show that this event has become a tradition not only in the conditions of VSD but also in Slovakia's entire energy market.

In the area of communication with electricity suppliers, another fact from the end of 2024 is worth mentioning, namely the launch of the Institute of the last resort supplier at Bukocel, which supplied electricity to several customers in Vranov nad Topľou and the surrounding area.

D/ Bulk service is now entirely online

The correctness of VSD's steps in digitalising its processes and providing services to the mass customer segment is confirmed by the ever-growing number of customer accounts on the distribution portal www.vsds.sk (eVSD). In 2024, it exceeded 110 thousand user accounts, and the number of services ordered through the VSD e-shop exceeded 14 thousand orders.

We are continuously adjusting our eVSD web portal to make processes more transparent. For example, last year, we added two consulting rooms. In the eShop, we adjusted the interfaces so that, based on our experience processing orders, we could set the communication requirements on the customer's side as accurately as possible.

Innovation is also proving to be the right approach in customer service. We are constantly teaching artificial intelligence new things to reduce the number of unsuccessful customer calls to Elektra. This is evidenced by the almost 44 thousand calls handled by the Elektra virtual assistant on the Customer Line. She held 63 thousand fault reports and answered more than 24 thousand questions in the chat environment on the eVSD portal.

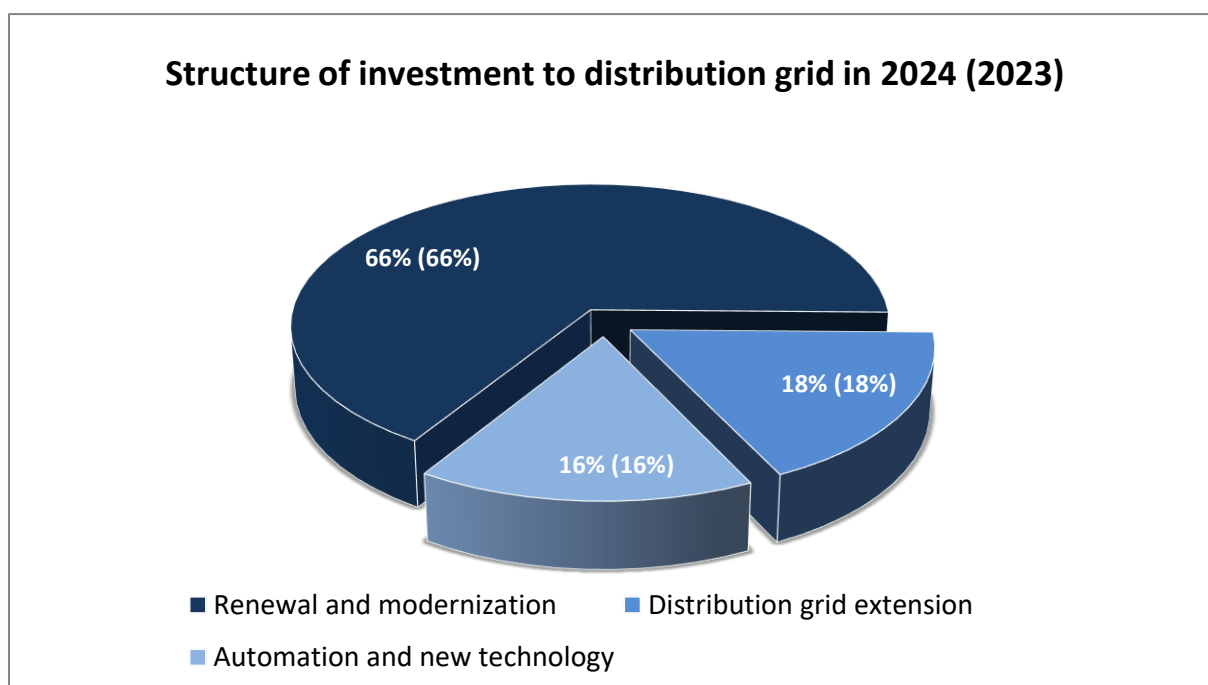
E/ Simplicity and speed

In 2024, we also tried to simplify and speed up customer processes. For example, customers can sign the Connection Contract electronically via the signature portal. CUSTOMERS appreciate the speed at which VSD processes their requests. In five years, we have reduced the median processing time of requests from 120 to 5 days. CUSTOMERS' time to process their requests has also been dramatically reduced. Here, the median has decreased from 230 to 46 days.

Technical Perspective

In 2024, the energy sector in Slovakia faced several challenges related to concerns about the stability of natural gas supplies. This was associated with the continued massive development of so-called small and local sources of electricity, i.e., sources generated at existing connection points using solar energy. After two difficult years influenced by global phenomena, core inflation fell below double digits in the economy.

VSD invested EUR 73.8 million in the development and renovation of the distribution system in 2024 (2023: EUR 59.7 million). As in previous years, a significant part of the investments is renovating and modernising the distribution system.



We consider the most significant investments of 2024 to be:

- **Construction of V6830/6831 and V6501/V6502 lines in the Valaliky area**

The most significant investment in system development is the completion of the 110 kV (HV) lines V6830/V6831 for the connection of the strategic investor in the Valaliky industrial park. In 2024, the implementation of another 110 kV (HV) double line V6501/V6502 for the connection of this industrial park began, which consisted of the installation of foundation parts for the installation of lattice masts, on which conductors and insulators will also be installed after their construction in the first half of 2025. After implementing this investment, the infrastructure from VSD will be ready for production within the first phase of constructing the car factory in the Valaliky Industrial Park. The construction of these lines also triggered a need for investments in the Haniska ES.

- **Construction of V6812 Snina - Sobrance line**

The construction of a new 110 kV (HV) line V6812 between Snina and Sobrance was technically completed in 2024. The investment in establishing a new line of more than 38 kilometres will ensure a high level of reliability in electricity distribution, enabling further development of decentralised electricity generation. The line also carries optical fibres, serving to develop communication and automation functionalities in the distribution system. The line also triggered a need for investments in the Snina ES, to which the line has been connected.

- **Modification of V6725 Spišská Nová Ves - Poprad line**

In 2024, the modification consisting of a complete reconstruction of the line between Spišská Nová Ves and Poprad, where a change from transmission to distribution system takes place, began. The reconstructed line will be prepared for doubling to increase the power capacity of distributed electricity to Poprad and the High Tatras areas.

- **Modification of 110/22 kV electrical substations in Bardejov, Haniska, Kráľovský Chlmec, Stará Ľubovňa and Snina**

In 2024, investments continued in 110 kV technology, 110/22 kV power transformers, compensation and decompensation chokes, selected related technologies, and construction of additional electrical stations.

- **Investments in the renovation and development of MV and LV lines and MV/LV transformer stations**

The MV system fundamentally impacts distribution reliability, so we have long focused on its most disruptive sections. By changing their nature from overhead lines to underground cable lines, we are increasing the safety and reliability of electricity distribution.

In 2024, such modifications were carried out between the municipalities of Cemjata - Bzenov. Extensive cabling to minimise faults was also carried out as part of the modifications on the MV line V-444 in Rudňany. Cabling of the V-302-line section was also completed in the second stage between the municipalities of Mníšek nad Hnilcom and Smolnícka Huta. Other significant investments in the MV system were constructing a connecting line and cabling between the municipalities of Ostrovany and Ražňany and establishing a cable line connection in Košice in Golianova Street. The above modifications will ensure sufficient power capacity and reliability in the Sabinov and Košice districts.

- **Intelligent metering systems in the VSD distribution grid**

We continued to implement Intelligent Metering Systems (IMS) in 2024. Following the legislative requirements, almost 117,000 smart meters were successfully operated as of 31 December 2024.

- **Distribution system automation**

Investments in the automation of the MV system deserve special attention. **8** new automated switching elements were added to the overhead lines, and **10** automated transformer stations or switchboards were installed in the predominantly cable part of the system. At the end of the year, more than **862** automated switching points were available in the MV system.

- **Innovative information technologies**

In 2024, within the framework of IT projects, we continued to focus on innovations and development of existing systems for managing operations (workforce), customer interfaces and e-shop. Much capacity was concentrated in activities dedicated to setting up the same or similar approaches in the customer interfaces of our companies within the ZSE Group. A new dimension has entered our project life, namely the search for standard application solutions, and thus 2024 was more analytical than implementational in the framework of our IT projects.

Thus, the current customer systems Ewita and SEP will form the basis for a new standard system. We consider the activities within the One data model project, defining a standard data model in several distribution areas, to be a great success. It is the essential starting point for the future integration of other information and technology solutions.

The geographical expansion of the web application vypadokelektřiny.sk has increased the awareness and comfort of service system users who operate their consumption or delivery points in several regions of the Slovak Republic. This application informs users of current electricity outages not only in eastern but also in western Slovakia. Similar solutions have been implemented in the Company's internal systems (e.g., Customer Details), thus facilitating the availability of data related to the customer and his surroundings in the distribution system.

Operational capability

The total area of supplied territory is almost **16,000 km²**. We already operate around **24,600 km** of lines at all voltage levels.

At the HV level, the distribution system is supplied from four superior electrical stations of the transmission system with a voltage level of 400 kV. The Company operates 56 electrical transformation and switching stations at the HV and MV levels.

Thanks primarily to the daily commitment of several hundred colleagues, we managed to maintain the distribution network reliability index at a favourable level of 99.98% ASAI (Average Service Availability Index) in 2024, also considering weather effects and distribution interruptions caused by third parties.

The maximum load on the distribution system in 2024 was recorded on **24 January 2024**, reaching almost **724.5 MW**. The minimum load was recorded on 1 April 2024, dropping to 272 MW.

Renewables

In 2024, intensive connection of sources continued, although the trend slowed down slightly compared to 2023. Mainly small and local sources of electricity continued to be connected. The transmission system operator, SEPS, increased the so-called flexibility limit for PVP and WPP sources by another 70 MW to 213 MW. These capacities reflect the demand for the most developed type of RES based on photovoltaic technology (PVP).

During 2024, more than 46 MW of sources were connected to the VSD distribution system. Of this, the largest share comprised small electricity sources with a share of 23.3 MW and many more than 2,800 installations. Local sources reached 16.5 MW in terms of connected installed capacity. The remaining

6.2 MW comprised commercial sources, which drew capacity from the limits for flexibility (PVP and WPP), or from the limit for other sources, which the transmission system operator, SEPS, determines.

At the end of the year, PVP sources in VSD's distribution system reached an installed capacity of **265 MW** and are becoming the most significant source in capacity.

652 MW of installed electrical capacity across all electricity sources is connected to the VSD distribution system. Approximately **466 MW** of this capacity is from renewable electricity sources.

Security Perspective

We guard security, quality and cyberspace

The year 2024 was characterised by harmonising processes at almost all levels in the expanded integrated ZSE Group, of which VSD also became a part. We tried to identify the best we know and bring a higher standard or know-how from practice to individual companies. One of the most critical and long-term priorities was to achieve a zero balance of serious and fatal injuries, which we succeeded in 2024. However, physical health is not the only thing we care about. In recent years, we have also focused on mental health and adapted our activities accordingly.

Standards and initiatives are shaping a favourable trend

We recorded seven accidents in 2024: three slips, two cuts, one traffic accident, and one electric shock. Although this is an improvement, especially in the severity category, compared to the previous year 2023, we do not want to be satisfied with such a result. Our goal is to achieve even higher elimination of the employee accident rate, including suppliers, because every accident is unnecessary damage to health.

Quality is at the heart of everything, and it was no different in our company in 2024. An annual external supervisory audit confirmed that VSD processes comply with high international ISO standards (quality, environment, health and safety). The result was without any disagreements or findings. External auditors appreciated the Company's direction in digitalisation, automation, and innovative customer approach. In 2024, VSD also defended the international certificate in energy management ISO 50001.

The positive development in (non)injury is also influenced by the regular provision of high-quality personal protective equipment (PPE), which has been our long-standing standard. This year, we have again not left out our suppliers in increasing the safety of the working environment. In addition to the practical measures that have proven successful, we have focused even more on prevention and averting critical situations. This included intensive personal meetings with Company managers and safety technicians to evaluate the established safety processes - in our suppliers' work standards and overall work culture. They served to pre-qualify a particular company for our supply chain if adequate. Our other long-standing goal is to bring the supplier's safety standards closer to ours. So that everyone who participates in VSD projects is equally protected. The result was, among other things, that in 2024 we managed to deploy a comprehensive supplier management application, within which we monitor and evaluate their quality. This includes a pre-qualification, the evaluation itself, and the disqualification of suppliers in case serious deficiencies are identified.

Living the health and safety culture

The entire last year was framed by the program of the safety and health culture. Under the group motto, "It is not only about you", we continued to try to involve employees, but also other collaborators, in the culture of not only personal, but also general responsibility, to family or colleagues, and rescue services. We provided a safe working environment and another strong platform through the Ten Life-Saving Rules to Eliminate Accidents, which we know from E.ON's multinational energy practice.

We protect ourselves in both the physical and virtual environment.

Cybersecurity attacks are becoming increasingly common worldwide, and in our surroundings, to which we have adapted our countermeasures and progress in employee education. Therefore, not only the physical protection of objects, but also the Company's data ownership is undergoing annual modernisation and expansion of systems. In this regard, we are a highly proactive Company that always wants to be a step ahead. That is why we intensively monitor the cyber environment not only at home, but also abroad. In 2023, we deployed a so-called phishing bot, with which we train colleagues for increasingly sophisticated potential computer attacks. Last year, we tested the resistance through 116 original phishing e-mails and delivered 31 unique educational messages to employees. In this way, we guarded the system's security not only for our protection, but mainly to ensure the functioning of critical processes and the reliable and safe operation of the entire distribution system in a defined area. In this context, we also started implementing radar technologies in 2024 for better physical protection. We also conducted various exercises and tested several crisis scenarios to maintain the continuity of key business processes, specifically to strengthen the BCM (Business Continuity Management) area.

Human Perspective

Diversity, sustainability and talent development

2024 was marked by significant organisational changes to optimise the structure and streamline processes. These changes dominated and became a key factor in our efforts to adapt to dynamic and constantly evolving market conditions.

Throughout the year, we have explored and analysed various topics in human resources management. We have focused on diversity and inclusion, sustainability, and training new talent. This year has been full of innovative steps and interesting projects for us.

Respect and inclusion

The company is a member of [the Coalition of Companies for Mental Health](#). This allows employees to access professional materials from the League for Mental Health. Initiatives such as a talk show with experts, hosted by Peter "Šarkan" Novák, and the possibility of free consultations with Human Dynamic contribute to creating a supportive and healthy working environment.

Respect Week took place from 25 to 29 September. As the name suggests, the common denominator of all activities was respect, diversity, openness, and tolerance. We participated in the Roma Spirit Award, an integral part of our efforts to strengthen diversity and inclusion. All these activities not only support a safe and respectful working environment but also emphasise the acceptance of people regardless of their differences.

Cooperation with organisations and employee recruitment

The Company actively participated in the significant job fairs Profesia Days and Kariéra EXPO in Košice, where we presented ourselves as a modern Company interested in its organisational employees and business sustainability. We also participated in the traditional job fair at the Technical University of Košice, organised annually for university students by the student organisation IAESTE. At this fair, we mainly presented our Trainee and Practice development programs, designed for high school and university graduates. These have been helping us for years in building succession in the key professions of the electrical power industry.

As part of the corporate event Grow with DofE, in the autumn of 2024, we accepted an invitation to discuss the current situation in the labour market and our approach to selection procedures. The audience consisted of principals of 50 secondary schools involved in the project, who appreciated the practical information and experience from our practice. The discussion focused on the impact of digitalisation, automation and demographics on recruitment and education. We emphasised the growing importance of soft skills, which are crucial for the career growth of pupils and students but are often overlooked in the school system. At the same time, we appealed to the need for lifelong learning and the ability to learn as an essential skill for the future of young people.

Home office and flexibility

After assessing the pilot year of home office, also known as the New Normal, we decided to continue it until the end of 2025 based on the positive feedback from employees. In addition, we expanded the possibility of working from home to include remote working from EU countries under specific conditions. We increased the maximum share of working from home from 60% to 80% of an employee's monthly work fund. Such an option is an employee benefit, for which the employee asks to be approved by their superior. The hybrid work benefit supports an efficient and motivating work environment.

Partnerships with schools

We continued our efforts to ensure a quality workforce for the next period and to support young students through dual education, which prepares them to perform their profession according to specific needs and requirements directly at their assigned workplaces. They get to know our working environment and develop work habits needed for a successful placement after graduation without needing further training or retraining. The goal is to educate young talents for electrician/service technician, VTZ I, and system administrator positions. We cooperate with four partner schools in key locations, Poprad, Prešov, Michalovce and Košice, we educate 31 dual students and have trained 15 internal instructors - our employees involved in the dual education program.

As part of collaboration with schools, we offer secondary school students the opportunity to intern at our Company. In 2024, 54 students expressed interest in completing an internship with us. Of these, 33 were electrical engineering students, 15 were IT students, and 6 were business academy students.

We need to be recognised at secondary schools, which is why we organised a competition for partner secondary schools in 2024, where in addition to project documentation, students had to build a functional model and present it to a professional jury. To bring work in the energy sector closer to

students, we offer them the opportunity to take an excursion to the electrical station in Lemešany, the ES in Košice and the dispatching office. In addition, we also care about the education of teachers in our partner schools, which is why in 2024 we launched practical training for vocational training masters, which was met with an excellent response.

Employee development

We always care about developing and using actual employees' potential, as evidenced by completing the seventh run of the Talent Management program. The participants themselves organised the final event. The goal was to convince Top Management that the investment in this development program is worth it. During 2024, colleagues completed five trainings - Motivation and Feedback, Challenging Interviews, Building High-Production Teams, Adaptive Leadership, as well as an internal workshop on the topic "It is Not Only About You or Culture of Mutual Care and Occupational Safety", so that the program participants were aware of the importance of social responsibility. They helped our community with their free time projects, specifically by helping in kindergarten. They also participated in development programs for young people through partner non-profit organisations (DofE, Nexteria).

Sustainability and environmental responsibility

In 2024, we continued our commitment to sustainability and environmental protection by strengthening our electric vehicle fleet. This year, we put additional electric cars into service, further reducing the environmental impact of our operations.

A new benefit for our employees is the launch of the Home Wallbox program by ZSE Drive, which provides convenient charging of e-cars in the comfort of home. Employees with electric company cars can have a Home Wallbox with fully paid equipment and a basic installation package. However, according to applicable legislation, the value of the basic installation package is included in the employee's non-cash income.

We have also expanded the possibility of setting up home charging for employees with private electric cars, who can take advantage of a 50% discount on equipment and installation.

Thanks to these initiatives, we continue our efforts to reduce our carbon footprint and contribute to a sustainable future.

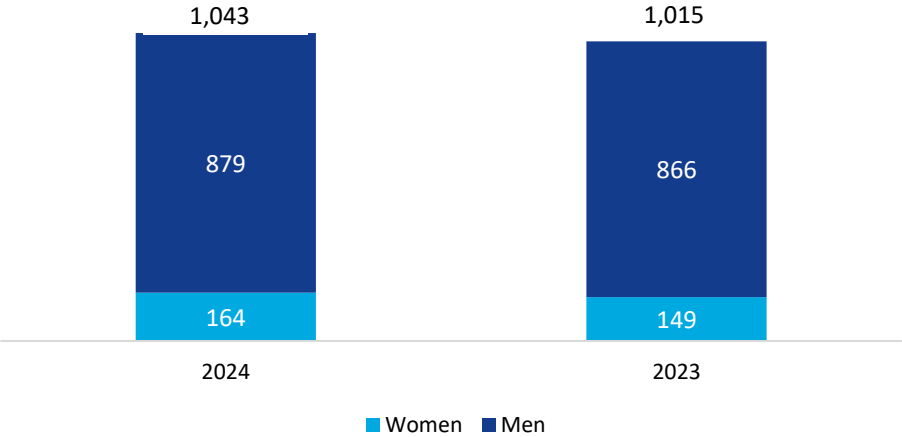
Employment structure

As of 31 December 2024, the Company employed 1,043 employees, a slight increase from 2023 and 2022. Turnover in 2024 reached 7%, and voluntary turnover was approximately 1.6%.

Employment structure	UoM	2022	2023	2024
status as of 31 December (including personnel union)	number	1,024	1,015	1,043
men as of 31 December	number	876	865	877
women as of 31 December	number	146	148	160
status as of 31 December (excluding personnel union)	number	1,022	1,013	1,037
employee average	number	1,019	1,022	1,024

new hirings	number	46	71	65
of which graduates	number	20	22	3
voluntary turnover	%	2.1	2.2	1.6
total fluctuation	%	6.1	8.9	7.0
average age of employees	year	44.6	44.1	44.1
average time worked	year	18.5	17.8	17.4

Headcount as of 31 Dec.



Ecological Perspective

Communication

Environmental protection and ensuring the stability of affected ecosystems are always among our priorities. In this area, we maintain transparent and professional communication with essential institutions in the field of the environment, namely the State Nature Conservation, universities and research institutions, district environmental offices and non-governmental organisations. We actively inform these institutions and the public about our plans, positions and strategy. Every year, we organise a professional seminar dedicated to the impact of VSD activities on the environment.

In harmony with nature

We emphasise environmental protection in all work activities, including technical and design solutions for constructing, reconstructing, and repairing power lines and stations. We prioritise applying concepts and designing technologies, equipment, or materials that ensure the reliability and safety of the distribution system's operation and respect strict environmental protection requirements.

Cooperation

In cooperation with professional and non-governmental organisations, we jointly prepare and implement environmental projects to eliminate the negative impacts of electricity distribution on the environment. We also actively cooperate with partners in several European countries and jointly

create ECM methodology and procedures - ecological management of power line corridors. The ECM strategy supports habitats and connects ecosystems in the country, promoting biodiversity while maintaining operational safety. In 2024, we became part of Europe's Integrated Management Best Practices Guide. This document was created based on extensive discussions of distribution and transmission system operators on vegetation management and contains our stories of successes and challenges. It aims to inspire and guide other operators considering the implementation of ECM.

Innovative approach

We are fulfilling our commitment to implement ECM for vegetation management in the corridors of all 110 kV power lines and to individually assess each corridor from the point of view of applying such an approach to the corridors of 22 kV lines. For this, we have our team of biologists who map and assess each corridor. The analysis is based on factors such as nature conservation, landowner preferences and types of habitats present in the area. The VSD strategy includes the support of low-growing species (shrubs, pastures, etc.) to suppress tall and invasive species. The methods include selective felling of trees that pose a risk to the safety of operations; supporting shrub edges in the protective zones of MV and HV lines; mowing; grazing or planting of selected local low tree species, e.g. wild apples. We also support the revitalisation of small water bodies and the creation of hunting conditions. With our project partners, we continue our management projects for the invasive tree species – *Robinia pseudoacacia*. In 2024, ecosystems were restored in areas under power lines with a total area of 120 ha.

We use drones in vegetation management and other energy areas. In 2024, VSD obtained a license to operate drones in BVLOS mode and took the first flight in Slovakia.

Fauna and flora protection

At VSD, overhead power lines continue to be perceived as threatening to birds. Therefore, we constantly implement measures to reduce the risk of collisions and subsequent electrocution. Nesting sites for endangered species, such as *Falco cherrug*, are created on the masts of 110 kV lines. In cooperation with the Slovak Ornithological Society, we have ensured the installation of nest boxes in 42 pieces on the support points of 22 kV lines for a rare species—*Coracias garrulus*.

VSD also continued to build replacement pads for the relocation of *Ciconia ciconia* nests and supported its monitoring and ringing. In 2024, 34 nests were relocated from overhead LV lines to replacement pads in cooperation with the State Nature Conservation of the Slovak Republic and local governments, while social enterprises produced the nest pads. All these activities benefit the relations between VSD and local communities.

Environmental measures

We have been achieving high environmental safety standards in operating technological equipment and facilities for a long time. This applies to both the leakage of harmful substances and the waste treatment and sewage discharge. In 2024, 789 m³ of sewage was discharged into recipients from the VSD treatment facilities. Regular sampling and analysis were carried out exclusively by an independent accredited laboratory. This confirmed that all set limits were met with a significant safety margin.

During the construction, reconstruction, repair, maintenance and operation of networks, 289 tons of hazardous waste and 17,802 tons of other waste were generated in 2024. Almost 98% of all generated waste was recovered. Due to adverse climate conditions in 2024, there were eight minor leaks of insulating oil during distribution transformer failures and in 1 case of hydraulic oil leakage from the mechanism. A specialised professional organisation did the necessary remedial measures without delay and recorded no environmental damage. Internal and external audits carried out in 2024 confirmed the high functionality of the implemented environmental management system, the fulfilment of all legal requirements, and continuous improvement in waste management and the field of nature and landscape protection. As the electricity distribution system operator, we hold a certificate confirming that the implemented and used environmental management system meets the strict requirements of the international standard EN ISO 14001:2015.

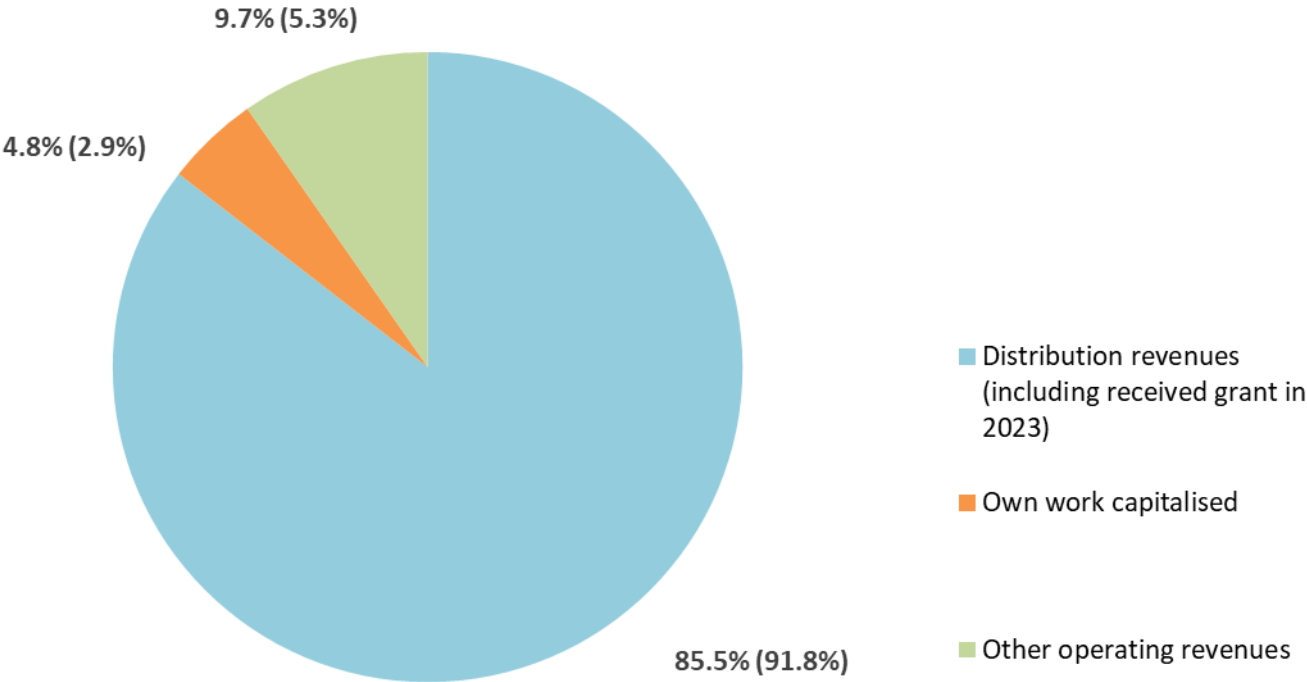
Economic Perspective

The year 2024 was marked by continued uncertainty regarding the possible development of the economic situation. This negative external development also affected our Company's financial indicators. Price increases associated with the volatility of several commodities would not have been possible without a flexible and economical approach to managing the Company's finances.

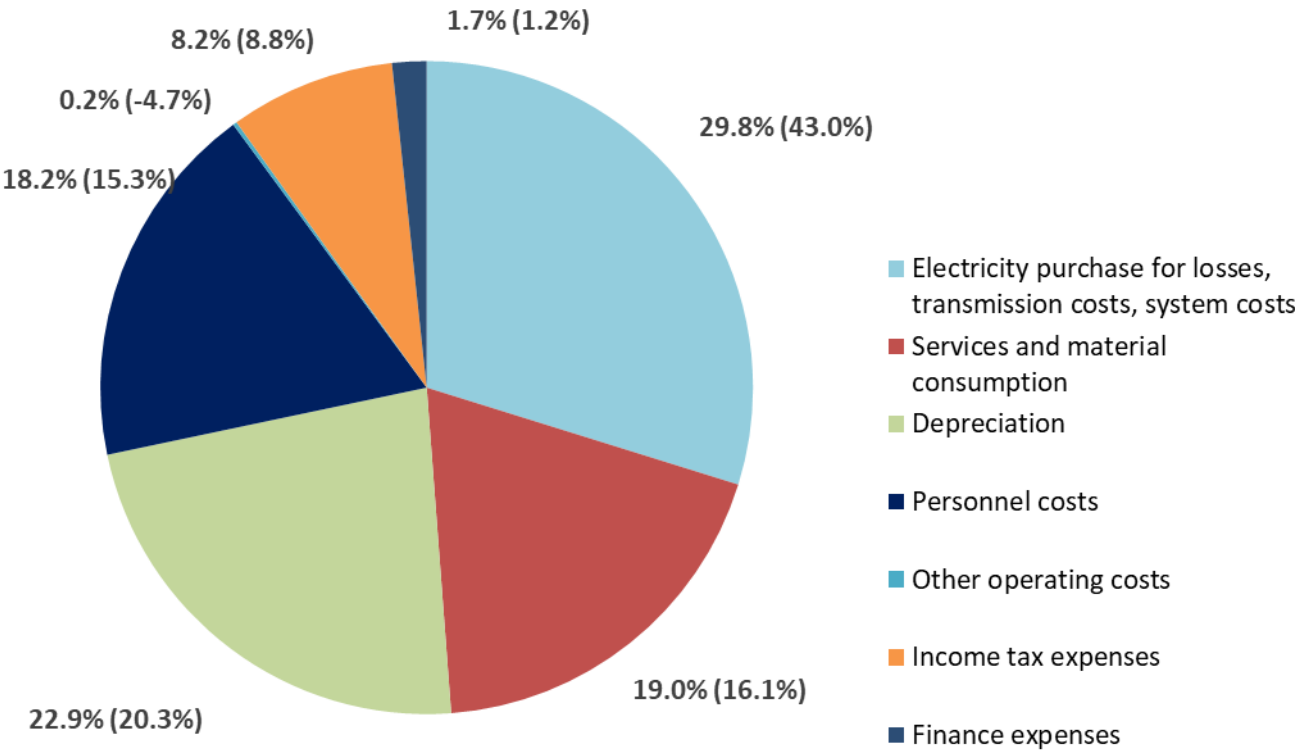
According to International Financial Reporting Standards (IFRS), the Company achieved a total accumulated profit of EUR 21.6 million in 2024 (2023: EUR 68.5 million). Considering the gradual stabilisation of electricity market price developments in 2024, as well as the set system of compensation for losses and distribution tariffs, which was significantly reduced year-on-year by the Ministry of Economy of the Slovak Republic for all invoiced customers, the Company achieved a significant year-on-year decrease in profit. However, without this compensation, the Company's profit would have decreased significantly yearly.

The accumulated profit 2024 is based on total operating and financial income of EUR 246.4 million (2023: EUR 318.4 million) and total costs, including income tax costs, of EUR 225.9 million (2023: EUR 249.9 million).

Structure of revenues in 2024 (2023)

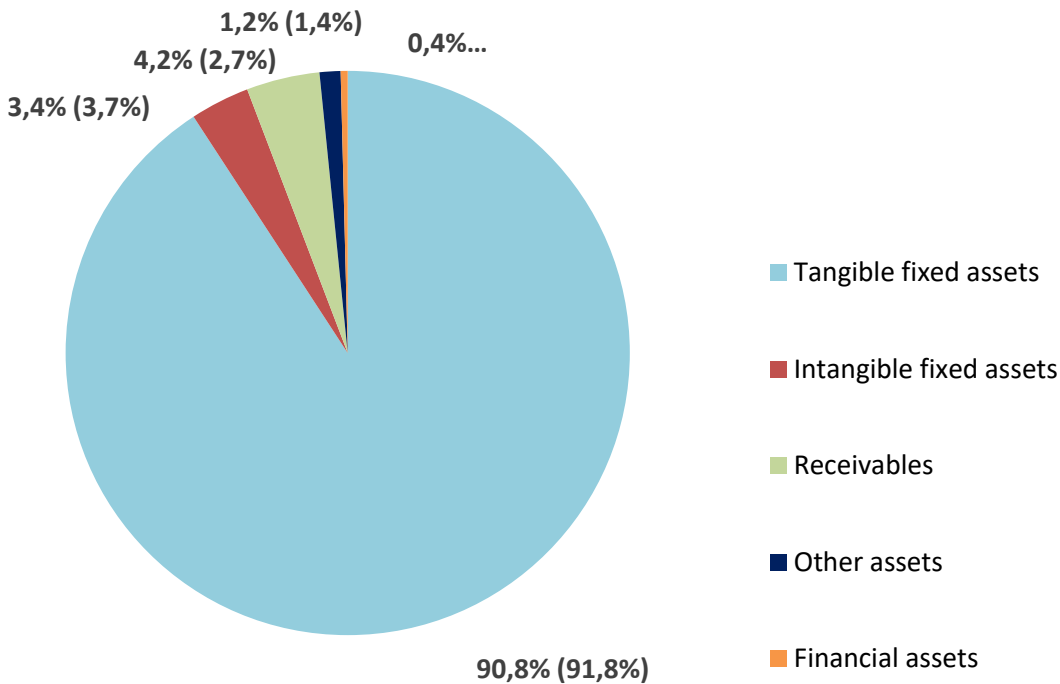


Structure of costs in 2024 (2023)

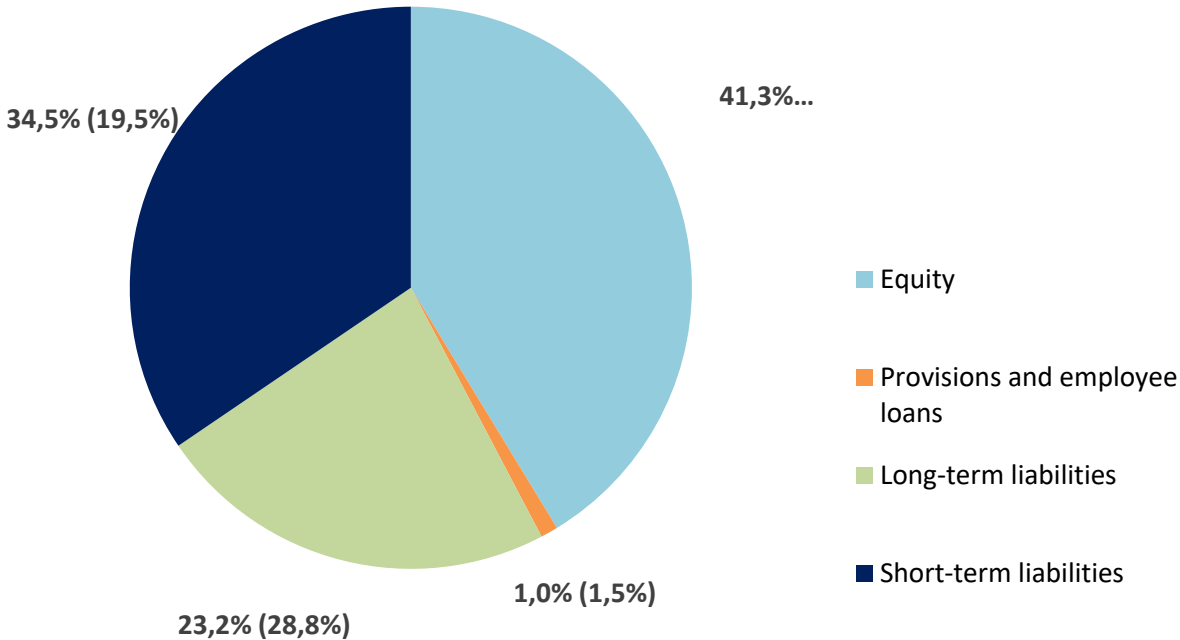


The asset structure reflected a high level of investment in the asset base required for electricity distribution. The funding structure remained stable in 2024, with VSD continuing to use the existing system of external bank loans, financial leasing, and cash pooling to effectively manage investments, operating needs, and dividend policy financing. This system proved well-functioning in the difficult time of funding of increased cost inputs.

Structure of assets in 2024 (2023)



Structure of equity and liabilities in 2024 (2023)



A Look into the Future

Transparent, predictable and fair regulatory framework

2024 was the second year of the current 5-year regulatory period (2023-27). Despite the change in the Regulatory Office for Network Industries leadership in December 2023, the regulatory period did not change. Likewise, the basic principles that established the prerequisites for a transparent, predictable, and fair framework and the rules and calculation of regulated prices for access to the distribution system and electricity distribution did not change. However, individual input parameters and the conditions for applying tariffs were adjusted.

Stable energy prices subsidised from the state budget

In 2023 and 2024, crisis regulation was applied due to the extraordinary situation in the energy market based on a decision made by the Slovak government. Although the Regulatory Office for Network Industries issued price decisions for access to the distribution system and electricity distribution for 2024 following the rules of the new regulatory period set out in the relevant secondary legislation, crisis regulation was also applied in 2024, due to continuing extraordinary situation in the energy market, based on a decision of the Slovak government, including the electricity distribution price regulation for all electricity consumers. Given the decrease in 2024 electricity prices (compared to 2023), the compensation volume in 2024 decreased (compared to 2023). Still, despite this fact, the introduction of flat and non-targeted compensation measures to maintain "energy prices" is neither a systemic nor a sustainable solution.

In any case, the institute of crisis regulation in 2023 and 2024 resulted in electricity consumers paying lower prices than they would have if prices reflected all costs. Still, at the same time, the difference between the price paid by electricity consumers (according to the Government of the Slovak Republic) and the price reflecting the cost level (according to the Regulatory Office for Network Industries) was compensated by regulated entities (including VSD) through the state budget. In December 2024, the Regulatory Office for Network Industries issued price decisions for access to the distribution system and electricity distribution in 2025, for distribution system operators (including VSD), while crisis regulation is no longer applied based on the decision of the Government of the Slovak Republic and prices for electricity distribution in 2025 are no longer subsidised from the state budget.

Record investment plans

Given customer requirements (mainly, but not only, for connecting electricity generation equipment), the constant need to improve the quality of services, necessity of further automation and digitalisation, and the announced arrival of the VOLVO Car Company, VSD plans to maintain the record level of investments achieved in 2024 of almost 74 million euros for 2025. VSD expects a transparent, predictable, fair regulatory framework to support its plans.

Additional information

The ESG area (environmental, social and governance)

Data on sharing of authorized and unauthorized economic activities and related information following the EP and Council Regulation (EU) 2020/852 of 18 June 2020, establishing a framework for facilitation of sustainable investments and related delegated acts (“EU Taxonomy”), as well as non-financial information on development, actions, position and impact of the activity of the accounting unit on the environmental, social and employment areas, information on the observance of human rights and information on the fight against corruption and bribery, were published by the company Západoslovenská energetika, a.s. (the ultimate parent company from 23 November 2023) for the entire “ZSE Group” in its Sustainability Report for 2024. The data also includes information regarding the company Východoslovenská distribučná, a.s. The Sustainability Report for the year 2024 is available on the following website: <https://www.skupinazse.sk/Uvod/Spolocnost/Vyrocne-spravy>.

Costs of Research and Development Activities

The Company did not incur any costs for research and development activities in 2024.

Acquisition of Own Shares, Temporary Certificates, Business Interests and Shares

The Company did not perform any of these activities.

Foreign Organizational Units of an Accounting Entity

The Company has no foreign organisational units.

Information on Significant Risks and Uncertainties to which the Entity is Exposed

The Company's management is unaware of any risks significantly affecting its future financial performance.

Information on Events of Special Significance that Occurred after the End of the Accounting Period for which the Annual Report is Prepared

On 27 March 2025, Západoslovenská energetika, a.s., as the sole shareholder, decided to reduce the Company's share capital by EUR 100,000 thousand and to reduce the Company's reserve fund by EUR 20,000 thousand. No other special significance events occurred after the end of the accounting period for which the report is prepared.

Special Regulations

The Company is not obliged to provide information under any special regulations other than those based on which it has compiled this annual report and included all the information it is compelled to include in the annual report.

More detailed information on the above-mentioned facts is included in the notes to the Financial Statements 2024, which are an integral part of this Annual Report as an appendix.

Abbreviations

VSD	Východoslovenská distribučná
eVSD	VSD webpage (www.vsd.sk)
ZSE	Západoslovenská energetika
OSH	Occupational Health and Safety
PPE	Personal Protective Equipment
BCM	Business Continuity Management
DS	Distribution System
DSO	Distribution System Operator
EU	European Union
RES	Renewable Energy Sources
PVP	Photo Voltaic Plant
WPP	Wind Power Plant
ES	Electric Station
ISO	Certificate of Quality
CP	Consumption Point
LV	Low Voltage
MV	Medium Voltage
HV	High Voltage
kV	kilovolt
MW	megawatt
GWh	gigawatt hour
ZMOS	Union of Municipalities in Slovakia
RONI	Regulatory Office for Network Industries
MoE SR	Ministry of Economy of Slovak Republic
MIRRI	Ministry for Investment, Regional Development and IT
AI	Artificial Intelligence
ASAI	Average Service Availability Index
SR	Slovak Republic
KYC	Know Your Counterparty
HR	Human Resources
CR	Commercial Register
DTE	Dedicated Technical Equipment
ECM	Ecological Corridor Management
BVLOS	Beyond Visual Line of Sight
IFRS	International Financial Reporting Standards
CSAT	Customer Satisfaction
B2B	Business-to-Business
B2M	Business-to-Municipality

Financial Statements as of 31 December 2024 and the
Independent Auditor's Report on the Financial Statements
2024



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Translation of the Independent Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholder, Supervisory Board and Board of Directors of
Východoslovenská distribučná, a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Východoslovenská distribučná, a.s. (the "Company"), which comprise:

- the statement of financial position as at 31 December 2024;

and, for the year then ended:

- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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



Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

The statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.


Based on the work undertaken in the course of the audit of the financial statements, in our opinion, in all material respects:

- the other information given in the Annual Report for the year ended 31 December 2024 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU No. 96




Responsible auditor:
Ing. Peter Žoldák
License UDVA No. 1061

Bratislava, 8 April 2025

Východoslovenská distribučná, a.s.

**Financial Statements
for the year ended 31 December 2024**

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

Východoslovenská distribučná, a.s.

Financial statements for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were approved and authorized for issue on 7 April 2025 by the Board of Directors.



Ing. Radoslav Heluška
Chairman of the Board of Directors



Ing. Marian Kapec
Member of the Board of Directors

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in EUR thousand	Note	As at 31 December	
		2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment	5	657,923	635,245
Right-of-use assets	6	3,049	3,130
Goodwill	7	12,677	12,677
Other intangible assets	7	11,833	12,744
		685,482	663,796
Current assets			
Inventories	9	4,042	6,309
Trade and other receivables	8, 3.1,2.19	29,191	18,860
Cash and cash equivalents	8, 10	2,767	2,613
Current income tax receivable	11	1,698	-
Other non-financial assets	11	1,573	578
		39,271	28,360
Total assets		724,753	692,156
EQUITY			
Share capital	12	220,040	220,040
Legal reserve fund	12	44,008	44,008
Other comprehensive income	12	(1,628)	(2,720)
Retained earnings	12	37,217	86,305
Total equity		299,637	347,633
LIABILITIES			
Non-current liabilities			
Contract liabilities with customers	19	42,462	31,116
Lease liabilities	6	2,073	2,175
Borrowings	8, 14	60,000	110,000
Deferred income	2.23,16	-	39
Deferred income tax liabilities	16	63,759	55,949
Provisions	18	951	-
Employee benefit obligations	17	4,200	5,723
		173,445	205,002
Current liabilities			
Trade and other payables	8, 13	36,510	33,640
Payable from cash pooling	8, 2.10	143,090	58,005
Contract liabilities with customers	19	15,264	22,392
Lease liabilities	6	406	407
Borrowings	8, 14	50,001	1
Employee benefit obligations	17	377	626
Provisions	18	1,629	3,803
Current income tax liability	15	-	10,610
Other non-financial liabilities	15	4,394	10,037
		251,671	139,521
Total liabilities		425,116	344,523
Total equity and liabilities		724,753	692,156

Východoslovenská distribučná, a.s.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2024 prepared in accordance with IFRS as adopted by EU

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in EUR thousand	Note	Year ended 31 December	
		2024	2023
Revenues from contracts with customers	19	210,963	198,191
Own work capitalized	20	11,876	9,220
Purchase of electricity for losses and transmission costs	20	(67,233)	(107,048)
Material consumption	20	(9,050)	(11,184)
Employee benefit expense	20	(41,178)	(37,978)
Services	20	(34,010)	(28,882)
Depreciation and amortization expense	5, 6, 7, 20	(51,727)	(50,485)
Gain / (loss) on sale of property, plant and equipment	20	576	109
Net impairment losses on financial assets	3.1	(358)	(45)
Other operating income	20	2,922	3,093
Compensations received	2.19, 20	20,045	107,855
Other operating expenses	20	(25)	11,848
Profit from operations		42,801	94,694
Finance income / (expense)			
Interest income	21	-	-
Interest expense	21	(3,779)	(2,999)
Net finance income / (costs)		(3,779)	(2,999)
Profit before income tax		39,022	91,695
Income tax expense	22	(18,554)	(22,079)
Profit for the year		20,468	69,616
Other comprehensive income not subsequently reclassified through profit or loss			
Re-measurements of post-employment benefit obligation	17	578	(1,110)
Income tax	16	514	-
Total comprehensive income for the year		21,560	68,506

Východoslovenská distribučná, a.s.

Statement of Changes in Equity for the year ended 31 December 2024 prepared in accordance with IFRS as adopted by EU

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in EUR thousand	Share capital	Legal reserve fund	Other Comprehensive income	Retained earnings	Total equity
Balance as at 1 January 2023	220,040	44,008	(1,610)	45,344	307,782
Dividends paid (Note 12)	-	-	-	(28,595)	(28,595)
Allocation to the social fund (Note 12)	-	-	-	(60)	(60)
Total transactions with owners, recognized directly in equity	-	-	-	(28,655)	(28,655)
Profit for the year	-	-	-	69,616	69,616
Other comprehensive income for the year	-	-	(1,110)	-	(1,110)
Total comprehensive income for the year	-	-	(1,110)	69,616	68,506
Balance at 31 December 2023	220,040	44,008	(2,720)	86,305	347,633
Balance as at 1 January 2024	220,040	44,008	(2,720)	86,305	347,633
Dividends paid (Note 12)	-	-	-	(69,556)	(69,556)
Total transactions with owners, recognized directly in equity	-	-	-	(69,556)	(69,556)
Profit for the year	-	-	-	20,468	20,468
Other comprehensive income for the year	-	-	1,092	-	1,092
Total comprehensive income for the year	-	-	1,092	20,468	21,560
Balance at 31 December 2024	220,040	44,008	(1,628)	37,217	299,637

in EUR thousand	Note	Year ended 31 December	
		2024	2023
Cash flows from operating activities			
Cash generated from operations	23	83,787	187,487
Net transfer to a restricted cash account	10	-	995
Interest paid from lease liability	6	(143)	(25)
Payments for short-term and low-value leases	6	(360)	(349)
Interest paid from liability other than lease	21	(3,636)	(3,164)
Income tax paid		(22,538)	(15,109)
Allocation to the social fund	12	-	(60)
Net cash from operating activities		57,110	169,775
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE) and intangible assets	5, 7	(73,820)	(59,832)
Proceeds from sale of PPE		1,735	357
Net cash used in investing activities		(72,085)	(59,475)
Cash flows from financing activities			
Cash from cash pooling	2,10	85,085	27,157
(Repayment) / drawing of borrowings	8, 14	-	(110,000)
Principal elements of lease payments	8, 14	(400)	(124)
Dividends paid	12	(69,556)	(28,595)
Net cash from (used in) financing activities		15,129	(111,562)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	8, 10	154	(1,262)
Cash, cash equivalents and bank overdrafts at the beginning of the year	8, 10	2,613	3,875
Cash, cash equivalents and bank overdrafts at the end of the year	8, 10	2,767	2,613

1. General information

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2024 for Východoslovenská Distribučná a.s. (hereinafter "The Company" or "VSD").

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 14 October 2005. The Company was incorporated in the Commercial Register of the Municipal Court Košice on 4 November 2005.

Principal activity. The Company provides electricity distribution and supply services primarily in the Eastern Slovakia region. The Company also provides supporting services for related parties.

The main Company's customer is Východoslovenská energetika a.s. (hereinafter „VSE“). Intercompany revenues from distribution services towards VSE represent approximately 51% of revenues of the Company for 2024 (2023: 56%). The rest of revenues consist of revenues from distribution services towards other electricity traders and revenues from other activities.

Registered address and place of business. The Company's registered address is Mlynská 31, 042 91 Košice, Slovak Republic. Its identification number (IČO) is: 36 599 361 and its tax identification number (IČ DPH) is: SK2022082997.

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

Ownership structure. Západoslovenská energetika, a.s. owns 100% of the Company's shares. The Company is included in the consolidated financial statements of Západoslovenská energetika, a.s. ("Parent company") with its registered office at Čulenova 6, 811 09 Bratislava and should be assessed in connection with consolidated financial statements in order to obtain a comprehensive picture of the Company's results and financial position. These consolidated financial statements can be obtained from the Company at the address of its registered office. Until November 23, 2023 the Company was included in the consolidated financial statements of E.ON SE, Brüsseler Platz 1, 45131 Essen, Germany, which was the ultimate controlling party. The consolidated financial statements are available directly at the seat of the Company.

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

On April 8, 2022, the shareholders of Západoslovenská energetika a.s. (hereinafter „ZSE“), the company E.ON SE (hereinafter „E.ON“) and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic (hereinafter „State“), the Agreement on the Future consolidation, on the basis of which the contracting parties intend to consolidate the companies ZSE and Východoslovenská energetika Holding a.s. (hereinafter „VSE H“), in which they are direct or indirect sole shareholders (hereinafter referred to as the „Agreement“, as amended by Addendum No. 1 dated May 4, 2023).

On November 23, 2023 the transfer and deposit of VSE H shares into the share capital of ZSE became effective, and thus ZSE became the sole shareholder of VSE H.

General Assembly of Východoslovenská distribučná, a.s. dated September 19, 2023 approved the transfer and deposit of shares of the company Východoslovenská distribučná, a.s. to the company Západoslovenská energetika, a.s. (ZSE). This transfer and deposit of shares took effect on November 24, 2023, and from that date the sole shareholder of the Company is ZSE.

Východoslovenská distribučná, a.s.

Notes to the financial statements for the year ended 31 December 2024 prepared in accordance with IFRS as adopted by EU

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As at 31 December 2024 the Company's shareholder structure was as follows:

in EUR thousand	Interest in share capital	%
Západoslovenská energetika, a.s.	220,040	100
Total	220,040	100

As at 31 December 2023 the Company's shareholder structure was as follows:

in EUR thousand	Interest in share capital	%
Západoslovenská energetika, a.s.	220,040	100
Total	220,040	100

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.

In average, the Company employed 1,024 employees in 2024 (2023: 1,022 employees).

As at 31 December 2024, the Company employed 1,037 employees (as at 31 December 2023: 1,013 employees).

The Company does not have any unlimited liability in other accounting entities.

The General Meeting held on 24 June 2024 approved the financial statements for 2023.

2. Summary of significant accounting policies

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

2.1. Basis for preparation of financial statements

The Act on Accounting of the Slovak Republic no 431/2002 as amended requires certain companies to prepare financial statements for the year ended 31 December 2024 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Company's financial statements at 31 December 2024 have been prepared as ordinary financial statements under § 17 Sec. 6 of the Slovak Act No. 431/2002 Coll. ("Accounting Act") for the accounting period from 1 January 2024 to 31 December 2024.

These financial statements have been prepared in compliance with IFRS. The Company applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), as amended by the European Union, which were in force as of 31 December 2024. Consolidated financial statements of the ZSE group are available at the seat of the parent Company, stated in Note 1.

For purposes of preparation of these financial statements according to IFRS, the management of the Company defines critical assumptions and estimates which have an influence on recognized amounts of assets and liabilities in the Statement of Financial Position and on expenses and revenues recognized in the Statement of Profit or Loss and Other Comprehensive Income. At the application of accounting policies of the Company, the management makes certain critical judgments. The areas which require a more complex decision-making process and areas, where the critical assumptions and estimates are material to these financial statements are presented in Note 4.

The financial statements have been prepared under the historical cost convention.

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 shareholder to amend the financial statements after their approval by General Shareholder Meeting. However, § 16, points 9 to 11 of the Accounting Act prohibit reopening an entity's accounting records after the financial statements were prepared and approved. If, after the financial statements were 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 accounting period, in which the relevant facts are identified.

a) New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2024

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). 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 applied 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.) 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 assessed the impact of the amendments on its financial statements as not material 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 Company will account for it according to these amendments of IFRS 16.

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.) 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 applied the amendments from 1 January 2024.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Effective for annual periods beginning on or after 1 January 2024. Disclosure of comparative information for any reporting periods presented before, and information as at the beginning of, the annual reporting period in which the entity first applies those amendments is not required. Also, an entity is not required to disclose the information otherwise required by the amendments for any interim period presented within the annual reporting period in which the entity first applies those amendments.) The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:

- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory.

The Company applied the amendments from 1 January 2024.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability (Effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.) Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.

IAS 21 was amended to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

The impact of the amendments on the financial statements is not material.

b) New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2025, not yet endorsed by the EU as at 16 December 2024

IFRS 18 Presentation and Disclosures in Financial Statements (Effective for annual reporting periods beginning on or after 1 January 2027.) IFRS 18 replaces IAS 1 Presentation of Financial Statements. The major changes in the requirements are summarised below.

A more structured statement of profit or loss

IFRS 18 introduces newly defined 'operating profit' and 'profit or loss before financing and income tax' subtotals and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities: operating, investing and financing.

Under IFRS 18, companies are no longer permitted to disclose operating expenses only in the notes. A company presents operating expenses in a way that provides the 'most useful structured summary' of its expenses by either:

- nature,
- function or
- using a mixed presentation.

If any operating expenses are presented by function, then new disclosures apply.

MPMs – Disclosed and subject to audit

IFRS 18 also requires some ‘non-GAAP’ measures to be reported in the financial statements. It introduces a narrow definition for Management Performance Measures (“MPMs”), requiring them to be:

- a subtotal of income and expenses,
- used in public communications outside the financial statements and
- reflective of management’s view of financial performance.

For each MPM presented, companies need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

Greater disaggregation of information

The new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

Companies are discouraged from labelling items as ‘other’ and are required to disclose more information if they continue to do so.

Other changes applicable to the primary financial statements

IFRS 18 sets operating profit as a starting point for the indirect method of presenting cash flows from operating activities and eliminates the option for classifying interest and dividend cash flows as operating activities in the cash flow statement (this differs for companies with specified main business activities). It also requires goodwill to be presented as a new line item on the face of the balance sheet.

Transition

In its annual financial statements prepared for the period in which the new standard is first applied, an entity shall disclose, for the comparative period immediately preceding that period, a reconciliation for each line item in the statement of profit or loss between:

- the restated amounts presented applying IFRS 18 and
- the amounts previously presented applying IAS 1.

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.) This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19’s reduced disclosure requirements balance the information needs of the users of eligible subsidiaries’ financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.

A subsidiary is eligible if:

- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted.

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

Amendments to IFRS 9 and IFRS 7 Financial Instruments: Classification and Measurement of Financial Instruments (Effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.)

Settlement of liabilities through electronic payment systems

There has been diversity in practice over the timing of the recognition and derecognition of financial assets and financial liabilities, particularly when they are settled using electronic payment system. The amendments to IFRS 9 clarify when a financial asset or a financial liability is recognised and derecognised.

Under the amendments, a company generally derecognises its trade payable on the settlement date. Normally this is the date, on which payment is completed.

The amendments also provide an optional exception, which allows the company to derecognise its trade payable earlier than the settlement date, potentially on the date when payment is initiated and cannot be canceled. The exception is available when the company uses an electronic payment system that meets all of the following criteria:

- no practical ability to withdraw, stop or cancel the payment instruction;
- no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Companies can choose to apply the exception for electronic payments on a system-by-system basis.

Classification of financial assets with ESG-linked features

Under IFRS 9, it was unclear whether the contractual cash flows of some financial assets with ESG-linked features represented SPPI, which is a condition for measurement at amortised cost. This could have resulted in financial assets with ESG-linked features being measured at fair value through profit or loss.

The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract.

Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature.

The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:

- not related directly to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss.

Contractually linked instruments (CLIs) and non-recourse features

The amendments clarify the key characteristics of CLIs and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test).

Disclosures on investments in equity instruments

The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI).

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

Annual Improvements to IFRS Accounting Standards — Volume 11 (Effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.) Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

The amendments to IFRS 9 address:

- a conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers over the initial measurement of trade receivables; and
- how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.

The amendments to IFRS 9 require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. They also clarify that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

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

Amendments IFRS 9 and IFRS 7 Financial Instruments: Contracts Referencing Nature-dependent Electricity (Effective for annual reporting periods beginning on or after 1 January 2026 and shall be applied retrospectively. Earlier application is permitted.)

Amendments to IFRS 9 Financial Instruments

- the own-use requirements in IFRS 9 are amended to include the factors an entity is required to consider when applying IFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and
- the hedge accounting requirements in IFRS 9 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:
 - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
 - to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 19 Subsidiaries without Public Accountability: Disclosures

The IASB amends IFRS 7 and IFRS 19 to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.

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

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (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 assessed the impact of the amendments on its financial statements as not relevant.

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.

2.2. Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Company's functional and presentation currency is Euro ("EUR") and these financial statements are presented in thousands of 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 recognized in the profit or loss.

2.3. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation less accumulated impairment loss.

Historical cost includes expenditure that is directly attributable to the acquisition. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for the intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The commencement date for capitalisation is when (a) the Company 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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. Repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

The depreciation of property, plant and equipment begins in the month when the property, plant and equipment is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. It is depreciated in line with the approved depreciation plan. Property, plant and equipment is depreciated using the straight-line method. Monthly depreciation charge is stated as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment. The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual values in the moment of disposal and estimated useful life of non-current assets are subject to reassessment at each end of the reporting period and adjusted, if necessary.

The estimated useful lives of individual groups of assets are as follows:

Buildings and constructions

- prefabricated buildings of metal	60 years
- residential buildings	50 years
- line construction part	40 years
- underground lines	35 years
- lines on pylons, pylons	25 - 40 years
- electric stations	25 years
- other buildings and constructions	15 - 35 years
- local roads, water distribution equipment	12 years
- sports, recreational and other engineering buildings	12 years
- electric light sources and lamps	10 years
- telecommunications networks and lines	8 years

Machinery and equipment

- transformers	20 years
- technology part of electro-stations	20 years
- switches and protection parts	15 years
- data collection and processing devices	5 – 12 years
- cars	5 years
- fixtures and fittings	8 - 10 years

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

Land and assets under construction are not depreciated.

The most significant items of property, plant and equipment are represented by electricity grid components.

Gains and losses from disposal of property, plant and equipment are determined as the difference between proceeds from disposal and the asset's carrying amount and are recognized in profit or loss in case of sold property, plant and equipment. In case of disposals of assets without their sale, net book value of disposed items is recognized in profit or loss within Depreciation and amortisation expense.

2.4. Intangible assets

Goodwill

Goodwill was recognised in the financial statements of the Company as a result of contribution-in-kind of grid services division on 1 January 2014. The amount of goodwill represents the difference between fair value of the part of business and fair value of identifiable assets and liabilities that belong to the grid services division.

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.

Computer software and other intangible assets

Except for the goodwill, the Company does not have intangible assets with indefinite useful lives. The Company does not have any internally generated intangible assets.

Computer software and other intangible assets are stated at historical cost less accumulated amortization and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items including costs needed to bring the intangible assets to a condition so that the intangible assets can be used as intended by management.

The amortization of an intangible asset begins in the month when the intangible asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Intangible assets are amortized in line with the approved amortization plan. Intangible assets are amortized using the straight-line method. Monthly amortization charge is stated as the difference between acquisition costs and residual value, divided by the estimated useful life of the intangible assets. The residual value of intangible assets is assumed to be zero, unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market, and it is probable that such a market will exist at the end of the asset's useful life.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Subsequent expenditures which enhance or extend the performance of computer software programs beyond their original specifications and meets criteria for recognizing it as an intangible asset according to IAS 38, is recognized as a capital improvement and added to the original cost of the software.

The estimated useful lives of individual groups of intangible assets are as follows:

Software	3 years
Other non-current intangible assets	3 years
Valuable rights	3 – 20 years

2.5. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6. Financial assets

Classification

The Company classifies its financial assets in only one measurement category - those to be measured at amortised cost, because the Company has no financial assets to be measured subsequently at fair value either through other comprehensive income or through profit or loss as defined in IFRS 9.

The classification depends on the purpose for which these financial assets were acquired and on the intention of management of the Company on further use. Management determines the classification of its financial assets at initial recognition.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. A financial asset is derecognised if the contractual rights to cash inflows from the asset expire or if the financial asset is transferred. The latter is the case if all substantial risks and rewards of ownership of the asset are transferred or if control over the asset is lost.

Measurement

At initial recognition, the Company measures a financial asset (other than trade receivables without a significant financing component) at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are included in current assets, except for maturities greater than 12 months after the end of the reporting period that would be classified as non-current assets.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognised initially at their transaction price, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. They are generally due for settlement within 30 days and therefore are all classified as current.

Impairment

The Company applies for trade receivables the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

The Company implemented a new model for estimation of expected credit loss for trade receivables. To satisfy requirements of the new standard, a history of unpaid receivables was gathered, and a provision matrix was created based on customer segment and expected credit loss based on history of defaulting receivables over a period of 24 months. IFRS 9 also requires applying forward looking information to estimate expected credit loss reliably. The provision matrix adjustment mechanism was implemented to satisfy this requirement.

Impairment of trade receivables is recognized on the account of allowance for receivables. Set-up and release of the allowance is recognized in the profit or loss within "Net impairment losses on financial assets". Trade receivables that cannot be collected are written off against the allowance accounts for trade receivables and are recognized in the profit or loss also within "Net impairment losses on financial assets".

Trade receivables that were written off and subsequently paid by the paid by the debtors are recognized in the profit or loss within "Net impairment losses on financial assets".

2.7. Leases

The leases are presented as right-of-use assets and corresponding lease liabilities initially at the commencement date of the lease, which is the date when leased assets are available for use by the Company. Right-of-use assets are presented on a separate line in the statement of financial position.

The Company leases various offices and technological buildings and equipment. Rental contracts are typically made for indefinite period of time. 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. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

- fixed payments (including in-substance fixed payments) for non-cancellable period of leases;
- lease payments to be made based on determined lease term (the Company has lease arrangements where more than insignificant economic penalty is present).

There are no significant lease incentives provided by lessors, variable lease payments, residual value guarantees provided by the Company, purchase options, or contractual penalties for terminating leases.

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

In 2024 the Company used recent third-party financing received by the ZSE as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, to determine the incremental borrowing rate. The Company's incremental borrowing rate applied to the lease liabilities on 31 December 2024 was 4.02%.

In 2023 the Company used recent third-party financing received by the VSE H (former parent company) as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, to determine the incremental borrowing rate. The Company's incremental borrowing rate applied to the lease liabilities on 31 December 2023 was 3.39%.

Lease payments are allocated between principal and finance cost. The finance cost is 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. Lease liabilities are subsequently measured at amortized cost using effective interest rate. Carrying amount of lease liability is subsequently remeasured in order to reflect any reassessment or modification of the lease or changes in in-substance fixed payments.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. There are no significant lease payments made at or before the commencement date, received lease incentives, initial direct costs or restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Carrying amount of right-of-use assets is also adjusted by accumulated impairment allowance and by any revaluation of lease liability resulting from modification of lease contracts.

Depreciation of right-of-use-assets:

In case of fixed-term leases with the possibility of exercising the option to extend / terminate the lease, the Company assesses the probability of exercising these options. The assessment shall consider all relevant facts, such as:

- the duration of the contractual relationship with the customer concerning the lease of the right-of-use assets,
- whether the lease is at or below market prices.

In case of leases for an indefinite period, the lease term is derived from the expected useful life of the leased asset, and the Company has considered all relevant facts when estimating the expected useful life of the leased asset. In leases for an indefinite period, the Company applies the following estimates of the expected useful life:

ROU Assets	Lease term (in years)
Administrative premises	3-5
Technological buildings, grid facilities and related land	20-25
Cars	5-6

Payments associated with short-term leases of equipment and all leases of low-value assets (which are assets with individual value of EUR 5,000 or less when new). 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. Low-value assets comprise equipment and small items of office furniture.

The Company does not have any non-cancellable lease arrangements, which would not be effective yet as of the balance sheet date.

Lessor accounting

The Company provides to its customers lease services of optical fibres. The contracts are considered to not include the leasing as the identified asset is not existing (based on the contracts conditions). The contracts are accounted for according to IFRS 15. The revenue from this service is EUR 4,968 thousand in year 2024 (2023: EUR 2,425 thousand).

2.8. Financial liabilities

The Company classifies its financial liabilities according to IFRS 9 "Financial Instruments" as other financial liabilities held at amortized cost.

The classification depends on the contractual provisions of the instrument and the intentions with which management entered into the contract. Management determines the classification of its financial liabilities at initial recognition.

When a financial liability is recognized initially, the Company measures it at its fair value adjusted for transaction costs that are directly attributable to the acquisition of the financial liability. For financial liabilities classified in 'amortized cost' category, The Company measures them at amortised cost, using the effective interest rate method.

A financial liability (or a part of a financial liability) is removed from the Company's statement of financial position when, and only when it is extinguished – i.e. when the obligation specified in the contracts is discharged or cancelled or expires, resulting in gain or loss to be recognized in the profit or loss at derecognition.

2.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Weighted average method is used for the measurement at the disposal of inventories. The cost of material includes purchase price and directly attributable acquisition costs. The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

2.10. Cash and cash equivalents and restricted cash, receivables / payables from cash pooling

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, overdrafts, and receivables from cash pooling.

As at 31 December 2024 the Company had payable from cash pooling of EUR 143,090 thousand (31 December 2023: payable from cash pooling EUR 58,005 thousand).

Receivables from cash pooling are repayable on demand (Note 8).

Restricted cash is presented on a separate line within the SOFP.

2.11. Share capital

Ordinary shares are considered as share capital. Additional costs attributable to issuing of new ordinary shares are presented in equity as decrease in equity, net of income tax.

2.12. Dividends

Dividend pay-out is recognized as liability and decreases equity as of the end of the reporting period only if it has been declared latest by the end of the reporting period. The decision on profit distribution for accounting period and the declaration of dividends to Company's shareholders is made by the General Meeting of the Company.

2.13. Legal reserve fund

Legal reserve fund is created in accordance with Commercial Code, based on financial statements, in the amount of 10% of profit after tax, up to 20% of share capital. Legal reserve fund can be used only for increase of share capital or cover the losses.

2.14. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period does not exceed the amount of borrowing costs incurred during that period (see Note 21).

2.15. Current and deferred income tax

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

Current income tax also includes a special levy on profit from regulated activities at a rate of 4.356% for 2024 (2023: 4.356%). The basis for the special levy is calculated as follows: profit before tax * (income from regulated activities / total income). The special levy is a deductible expense for the purposes of applying the income tax payable.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination, and that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using income tax rates and legislation that have been enacted or substantially enacted by the end of the reporting period, and that are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

A special levy on profit is applied to profit determined in accordance with Slovak accounting regulations, and therefore deferred tax in connection with a special levy arises only if there is a temporary difference between the values of assets and liabilities determined according to Slovak Accounting Standards and according to IFRS. The Company calculates the deferred tax using 2 - steps approach. In a first step the Company calculates the deferred tax basis from the temporary differences between the tax value of assets/liabilities and their corresponding accounting value recognised under Slovak Accounting Standards. The deferred tax basis is multiplied by the percentage of the expected tax rate (2024: 24%, 2023: 21%) to calculate the deferred tax. In the second step the Company calculates the difference between the accounting value of assets/liabilities recognised under Slovak Accounting Standards and under IFRS. The difference represents the IFRS deferred tax basis which is then multiplied by the currently valid tax rate increased for the effect of a special levy (income tax uplift) to calculate the amount that together with the value calculated in the first step represents the IFRS deferred tax balance.

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

The Company shall offset deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set them off and if they relate to income taxes to be paid to the same tax authority.

2.16. 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 impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.17. Employee benefits

Pension plans and jubilee awards

The Company has defined benefit and defined contribution plans.

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

Unfunded defined benefit pension plan

According to the contract with the Trade Unions effective from 1 April 2023 till 31 March 2025 the Company is obliged, based on the number of years in service in VSD, to pay its employees on retirement or disability the following multiples of their average monthly salary (condition than an employee is not entitled to termination benefits must be met):

Years of service	Multiple of the average monthly salary	
	2024	2023
Up to 10 years	2x	2x
10-15 years	3x	3x
15-20 years	4x	4x
20-25 years	5x	5x
25-30 years	6x	6x
30-35 years	7x	7x
Over 35 years	8x	8x

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

The Company also pays life jubilees benefits. Jubilee benefits when the employee reaches age of 50 years depend on the length of the service within the Company and are as follows:

Years of service	Benefit	
	2024	2023
5 – 20 years	EUR 623	EUR 623
Over 20 years	EUR 670	EUR 670

The Company created expectations on the side of its employees that it will continue to provide the benefits, and according to the management, it is not realistic for Company to cease providing them.

The conditions of an unfunded defined benefit pension plan resulting from the currently valid collective agreement do not differ significantly from the previous one, valid from 1 January 2020 to 31 December 2022.

The liability recognized in the SOFP in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period.

The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The amount of the retirement benefit to which an employee is entitled depends on the length of service before the retirement and equals one month of final salary for each year of service.

For determining the present value, the discount rate derived from the yield curve LSEG (2023: WTW Global RATE: Link) for high quality Europe corporate bonds (AA) quoted as at 31 December 2024 (2023: 30 November 2023) was used.

Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Defined contribution pension plans

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

The Company makes contributions to retirement benefit at the statutory rates being in force during the year, based on the gross salary payments.

Throughout the year, the Company contributed to such schemes in the amount of up to 14% (2023: 14%) of gross salaries up to a monthly salary, which is defined by the relevant law together with the contributions of the employees of a further up to 4% (2023: 4) of gross salaries. The costs contributed by the Company are charged to the profit or loss in the same period as the related salary costs.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company contributed to the supplementary scheme based on tariff wages and years of service provided in the Company in the following way:

Years of service	Benefit	
	From 1 January 2024	From 1 January 2023
up to 5 years	1.50 % of gross salary	1.50 % of gross salary
from 5 till 10 years	1.75 % of gross salary	1.75 % of gross salary
from 10 till 15 years	2.00 % of gross salary	2.00 % of gross salary
from 15 till 20 years	2.50 % of gross salary	2.50 % of gross salary
from 20 till 25 years	3.00 % of gross salary	3.00 % of gross salary
from 25 till 30 years	3.50 % of gross salary	3.50 % of gross salary
from 30 till 35 years	4.00 % of gross salary	4.00 % of gross salary
from 35 till 40 years	5.00 % of gross salary	5.00 % of gross salary
Over 40 years	6.00 % of gross salary	6.00 % of gross salary

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefit.

In the case of an offer made to encouraged voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.18. Provisions and contingent liabilities

A provision is recognized by the Company when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses. An entity may expect reimbursement of some, or all expenditure required to settle a provision (e.g. through insurance contracts). It recognizes a reimbursement when, and only when, it is virtually certain that reimbursement will be received.

When 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 recognized 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 in the provision due to passage of time is recognized as interest expense.

Contingent liability is defined as (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or (b) a present obligation that arises from past events, but is not recognized, because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

2.19. Compensations received

At the end of the year 2022 the Government of Slovak Republic approved the new legislation in energy sector that established the “price cap” of energies provided to corporate and public sector. The Government reacted to the extremely high prices of energies on the market. From the beginning of year 2023, the energy sector companies are compensated the difference between the market price and “price cap” price of energies by the Ministry of Economy of Slovak Republic.

Additionally, in 2023 the Company received compensation of EUR 717 thousand to cover the higher expenses for purchase of electricity consumed in its own buildings.

The amount of compensations earned by the Company in 2024 was EUR 20,045 thousand (2023: 107,855 thousand).

2.20. Revenues from contracts with customers

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

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria are met for each of the Company's activities as described below. Revenue comprises the fair value of the consideration received or receivable.

Revenue from distribution of electricity

The Company derives revenue from distribution of electricity over time. The Company's customers are its sister companies VSE and ZSE Energia, a.s. and other electricity traders. These companies contract with final users of electricity and bill them for both trade and distribution part of electricity supply on the basis of integrated contracts. The Company invoices electricity traders for distribution services. Revenue from distribution of electricity is recognized upon when the distribution service is provided.

Distribution to HV (high voltage) and MV (medium voltage) final electricity users is metered and billed to electricity traders on monthly basis based on existing tariffs and actual consumption.

Distribution to LV (low voltage) final electricity users in the segment of small entrepreneurs is metered on annual basis in December to measure the consumption from 1 January till 31 December. Estimated consumption is billed to electricity traders on a monthly basis, with any impact of potential inaccuracy in estimated consumption during the year being removed by measurement close before the year-end.

Distribution to households is metered on annual basis for each of eleven billing cycles. Each household is allocated to one of these eleven billing cycles. Annual metering of billing cycles is phased during the year, each month until January to November approximately one eleventh of households is measured. Since 1 December 2015 part of households have started to be metered by IMS (Intelligent Metering System). The Company bills estimated consumption of households to electricity traders on a monthly basis, and this consumption includes real metered consumption and estimated consumption.

The Company uses type diagrams of delivery (TDO) for estimation of the monthly supply to the household segment between the date of last measurement and the end of the reporting period. When a cycle of households is measured, difference between original estimated consumption and measured consumption is reflected in the billing to electricity traders in the given month.

Revenue from connection fees

The Company derives revenue from connection fees over time. The Company receives contribution from the customers to connect them to electricity grid. When connecting to the electricity network, the clients must pay a connection fee based on the actual costs of infrastructure to be built in order to connect them to the network. The revenue from connection fees is deferred and recognised to profit or loss evenly over the estimated useful life of the infrastructure. The amortization period of connection fees is 20 years. Deferred connection fees are carried in the SOFP as non-current and current Contract liabilities from connection fees.

Revenue from electricity producers.

The Company recognises revenue from providing of reserved capacity to producers of electricity.

Revenues from projects

The Company derives revenue from services and projects provided to commercial and public customers, which relate to the grid operation and development e.g. relocations of grid, special metering, optical fibre capacity services, public lighting and other services which are individually immaterial.

2.21. Contract assets and contract liabilities

Contract assets are established in accordance with IFRS 15 in case the Company provides services or goods ahead of payment schedules of customer contracts or in case the related performance obligation is either not yet completely fulfilled or if the right to payment is conditional on a future event. The Company recognizes a loss allowance for contract assets following the adoption of IFRS 9.

The Company has analysed accounting for contract assets and concluded that there are no material contract assets to be recognized.

Contract liabilities in accordance with IFRS 15 are established in case the Company received payments from customers exceeding the services provided to customers. Deferred connection fees are carried in the SOFP as non-current and current contract liabilities from connection fees. Additional contract liabilities relate to advances received from customers.

2.22. Contract costs

Incremental costs of obtaining a customer contract that the Company would not have incurred had the contract not been obtained, are capitalized and amortized during the estimated period in which the economic benefits from the contract will flow to the Company.

The Company has assessed that it has not incurred any material incremental costs of obtaining the contract.

2.23. Interest income

Interest income is recognized using effective interest rate method independent of the timing of settlement of interest.

2.24. Related party disclosures

The Company applies exemptions under IAS 24 and discloses only qualitative and selected quantitative disclosures with entities under control of the government.

2.25. Offsetting financial instruments

Financial assets and liabilities are set off and the net amount reported in the SOFP when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company did not offset any financial assets and financial liabilities and has no offsetting arrangements.

2.26. Transactions under common control

The Company applies acquisition accounting as set out in IFRS 3 as accounting policy for business combinations under common control. This is relevant for historical contribution-in-kind described in Note 1 when distribution part of business was contributed from VSEH to the Company. The Company applies the historical prices method in the case of combinations of companies under common control, which has no economic substance and is only a reorganization of the group's internal structure.

2.27. Gain / (loss) on disposal of property, plant and equipment

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item. It is included in the Statement of Profit or Loss and Other Comprehensive Income when the item is derecognised and reported in other Gain / (loss) on disposal of property, plant and equipment.

3. Financial risk management

The Company's activities are exposed to a variety of financial risks: market risk (including risk of changes in foreign currency exchange rates, interest rates, and price risk), credit risk and liquidity risk. The strategy of risk management of the Company is focused on the mitigation of potential negative impacts on financial results of the Company. The Company has established risk management framework, focusing on contractual, credit and financial risk.

Risk management function is carried out by the central department Risk controlling, governed by policies approved by the Chief Executive Officer. Risk controlling identifies, evaluates and manages financial risks in close co-operation with the Company's operating units. The Risk controlling department provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative instruments. Management of liquidity and interest rate risks is carried out by department Finance.

3.1. Credit risk

The Company is exposed to credit risk because of the possibility of failure of business partner and subsequent non-payment. The assessment of credit risk associated with customers of the Company is covered in a part of Operational rules of the Company – Framework distribution contract.

The Company has the following types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables,
- Receivables from cash pooling
- Cash and cash equivalents
- Restricted cash

Trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Based on historical data on recoverability of trade receivables within the individual groups, the Company determined expected credit losses for each customer group. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Company has identified the GDP and the unemployment rate in Slovakia and European Union countries to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company identifies 4 groups of customers that give rise to trade receivables.

1. Electricity supplier within the ZSE Group - Východoslovenská energetika a.s. (VSE)

Significant part of Company's receivables are intercompany receivables from VSE and ZSE Energia (52%; 2023: 48%), which are the main electricity suppliers in the Company's distribution area. The Company has determined that there were no delays in payments by these counterparties for sales over a period of 24 months before 31 December 2024 and 31 December 2023 respectively and no historical credit losses experienced within this period. The zero historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables and the expected credit losses are considered immaterial.

2. Electricity suppliers outside the ZSE group

Based on historically low default rates and insignificant value of overdue receivables the Company considers all electricity suppliers outside the ZSE group to have similar credit risk characteristics.

At the end of the year 2024 the Company registered 37 (2023: 31) electricity suppliers with framework distribution contract in force, out of which 9 (2023: 7) were not active. In respect of electricity suppliers, credit risk is concentrated mainly within several large electricity suppliers. The framework distribution contracts and operating regulations of the Company define terms of payments and/or requirements for adequate guarantee for electricity suppliers, based on evaluation of their credit risk.

The Company performs credit risk evaluation of all electricity suppliers with framework distribution contract in force. The credit risk evaluation is performed in accordance with Ordinance No. 24/2013 Coll. of the Regulatory Office which introduces rules for the internal market with electricity and gas (hereinafter referred to as the "Market Rules"). Market rules define the conditions of credit risk evaluation as well as individual groups of payment terms. Based on credit risk evaluation suppliers of electricity are categorised to the categories A, B, C or D, and in line with the Market Rules the supplier of electricity is obliged to provide to the DSO the adequate guarantee if he was categorised to the group „A“ or „D“:

Category „A“

- The supplier has no overdue liabilities towards subjects of public administration and his equity is positive,
- The supplier is not obliged to pay prepayments.

Category „D“

- The supplier has negative equity or has overdue liabilities towards subjects of public administration,
- The supplier is obliged for payment of prepayments in amount of 100% of supposed monthly distribution fee.

In addition, in accordance with the Market Rules the suppliers of electricity are obliged to provide to the Company the adequate guarantee i.e., irrevocable bank guarantee from bank with adequate rating, guarantee of parent company with adequate rating or fixed deposit in the amount of supposed distribution fee for one and half calendar month. Deposit is not considered as restricted cash as there is no restriction defined in contracts and amounted to EUR 2,742 thousand as of 31 December 2024 (31 December 2023: EUR 2,563 thousand). As adequate rating is considered long-term rating at least BBB+ (Standard & Poor’s) or Baa1 (Moody’s). If rating of parent company is not available, the Company has right to refuse the guarantee.

In case the supplier of electricity fails to provide the Company adequate guarantee according to the conditions of framework distribution contract, it is considered as fundamental breach of framework distribution contract and the Company is entitled to terminate the contract with supplier of electricity. The Company is also entitled to claim a contractual fine corresponding to the amount of interest on the outstanding amount for each day of collateral condition breach. For each day the payment (advance payment, invoice) is late, the Company is entitled to invoice late payment interest which is based on ECB base rate as defined in Government ordinance no. 21/2013.

Overall, the Market Rules provide the Company with high quality guarantees that the receivables will be settled as non-payment of receivables may lead to significant negative consequences for energy traders. There have been virtually no material defaulting receivables in the monitored 24 months period.

The Company has considered in the estimate of expected credit loss publicly available credit spreads of most significant customers. Remaining group of customers would have no material impact on allowance for bad debt.

Assessment based on individual groups „A“ to „D“ as stated above would have immaterial impact on the recognised bad debt allowance.

3. Customers covering revenues from other projects

This group of receivables relates to revenue from projects (Note 2.20).

4. Customers in bankruptcy & illegal offtakes

Part of Company’s receivables are receivables towards customers in bankruptcy and receivables arising from illegal offtakes. The Company has determined that recoverability of such receivables is minimal, therefore expected credit loss was set at 100% for all undue receivables and 90% for due receivables.

The following is a matrix based on due dates of trade and other receivables and percentage of expected credit losses for each group.

Companies within ZSE group

As at 31 December 2024	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	0.0%	0.0%	0.0%	0.0%	0.0%	
Trade and other receivables before allowance	15,220	-	-	-	-	15,220
Expected credit loss	-	-	-	-	-	-
Recognized bad debt allowance	-	-	-	-	-	-

As at 31 December 2023	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	0.0%	0.0%	1.4%	1.8%	2.2%	
Trade and other receivables before allowance	10,732	-	-	-	-	10,732
Expected credit loss	-	-	-	-	-	-
Recognized bad debt allowance	-	-	-	-	-	-

Electricity suppliers outside the ZSE group

As at 31 December 2024	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	1.3%	81.56%	99.47%	100.0%	100.0%	
Trade and other receivables before allowance	6,307	-	-	-	1	6,308
Expected credit loss	82	-	-	-	1	83
Recognized bad debt allowance	82	-	-	-	1	83

As at 31 December 2023	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	0.0%	0.0%	30.0%	60.0%	100.0%	
Trade and other receivables before allowance	5,399	-	-	1	1	5,401
Expected credit loss	-	-	-	-	1	1
Recognized bad debt allowance	-	-	-	-	1	1

Other projects

As at 31 December 2024	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	3.94%	27.01%	49.99%	78.06%	100.00%	
Trade and other receivables before allowance	3,273	413	15	22	168	3,891
Expected credit loss	129	112	7	17	168	433
Recognized bad debt allowance	129	112	7	17	168	433

As at 31 December 2023	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	4.12%	32.33%	77.46%	95.65%	100.00%	
Trade and other receivables before allowance	2,410	605	31	16	44	3,106
Expected credit loss	98	196	24	15	44	377
Recognized bad debt allowance	98	196	24	15	44	377

Customers in bankruptcy & illegal offtakes

As at 31 December 2024	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	90.0%	100.0%	100.0%	100.0%	100.0%	
Trade and other receivables before allowance	-	35	178	87	2,282	2,583
Expected credit loss	-	35	178	87	2,282	2,583
Recognized bad debt allowance	-	35	178	87	2,282	2,583

As at 31 December 2023	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	90.0%	100.0%	100.0%	100.0%	100.0%	
Trade and other receivables before allowance	-	34	31	69	2,288	2,422
Expected credit loss	-	34	31	69	2,288	2,422
Recognized bad debt allowance	-	34	31	69	2,288	2,422

Movements of bad debt provision are presented in the profit or loss in line Net impairment losses on financial asset. They are shown in the following table:

Východoslovenská distribučná, a.s.

Notes to the financial statements for the year ended 31 December 2024 prepared in accordance with IFRS as adopted by EU

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in EUR thousand	2024	2023
Balance at 1 January	2,800	2,833
Creation of bad debt provision (Note 20)	365	45
Receivables written off during the year as uncollectible	(64)	(78)
Balance at 31 December	3,101	2,800

An overview of the overdue receivables is shown in the following table:

in EUR thousand	As at 31 December	
	2024	2023
up to 90 days including	449	639
from 91 to 120 days including	115	37
from 121 to 150 days including	50	16
from 151 to 180 days including	28	9
from 181 to 360 days including	110	86
from 361 days and more	2,451	2,333
Total	3,202	3,120

There are no restrictions of ownership relating to receivables.

Analysis of cash collection of receivables stated above as at 31 January, i.e. one month after the year-end is in the table below:

in EUR thousand	As at 31 January	
	2025	2024
Paid receivables	17,358	15,079
Total	17,358	15,079

Payables from cash pooling

As at 31 December 2024 the Company had payable from cash pooling of EUR 143,090 thousand (31 December 2023: payable from cash pooling EUR 58,005 thousand).

Cash and cash equivalents and restricted cash

Credit risk also originates from cash and bank accounts that include cash and cash equivalents and restricted cash. Risk resulting from bank accounts is reduced through diversification of deposits in four banks. A long-term global rating of bank accounts in the local currency is stable for all banks. As a result, the Company evaluates the risk of bank accounts as standard.

The table below shows the amounts of cash and bank accounts (in EUR thousand):

in EUR thousand	Rating		Bank balance	
Bank	2024	2023	31 December 2024	31 December 2023
VÚB	A2/P-1	A2/P-1	19	50
Slovenská sporiteľňa	A2/P-1	A2/P-1	1	-
UniCredit Bank	A3/P-2	A3/P-2	4	-
Citibank	Aa3/P-1	Aa3/P-1	2,743	2,563
Total cash and cash equivalents and restricted cash			2,767	2,613

For overview of restricted cash in each bank, see Note 10.

The Company does not have any credit limit stated for these banks.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3.2. Liquidity risk

For the Company, prudent liquidity risk management means maintaining sufficient cash and marketable securities and availability of credit facilities. The Company's financing position management is focused on maintaining flexibility of financing by ensuring availability of credit lines, which can be used by the Company. Management monitors interim liquidity forecasts based on expected cash flows that are presented in cash and cash equivalents.

The table below shows the analysis of financial liabilities of the Company according to residual contractual maturities. The amounts in the table present the non-discounted cash flows. The amounts due up to 12 months are equal to their carrying amount, as the impact of discounting is not significant.

in EUR thousand	Less than 3 months	Between 3 months and 1 year	1 to 2 year	2 to 5 years	Over 5 years	Total
31 December 2024						
Bank loans (Note 14)	266	50,614	60,341	-	-	111,221
Lease liabilities (Note 6)	362	56	418	1,208	804	2,848
Trade and other payables (net of intercompany liabilities) (Note 13)	36,271	-	-	-	-	36,271
Intercompany liabilities (Note 13)	239	-	-	-	-	239
Total	37,138	50,670	60,759	1,208	804	150,579
31 December 2023						
Bank loans (Note 14)	-	1,048	50,891	60,348	-	112,287
Lease liabilities (Note 6)	284	57	359	1,067	1,228	2,995
Trade and other payables (net of intercompany liabilities) (Note 13)	24,402	-	-	-	-	24,402
Intercompany liabilities (Note 13)	9,238	-	-	-	-	9,238
Total	33,924	1,105	51,250	61,415	1,228	148,922

3.3. Interest rate risk

As stated in Note 14, bank borrowings as of 31 December 2024 have fixed interest rates and therefore are not sensitive to interest rate changes.

On this basis there is low exposure to interest rate changes in both presented periods. No sensitivity analysis was disclosed.

3.4. Foreign exchange risk

The Company is not exposed to significant foreign exchange risk as foreign currency expenditures, and revenues are not significant to the Company.

3.5. Capital management

The Company's capital management objective is focused on maintaining optimal structure of debt and own capital (debt/equity ratio). Management monitors and manages these ratios. Value of debt/equity ratio as at 31 December 2024 was 84% (as at 31 December 2023: 48%). The Company is allowed to draw funds from cash-pooling (Note 2.12), established within the ZSE group.

3.6. Fair value estimation of financial instruments

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured initially at fair value and subsequently at amortised cost or are measured at fair value through profit or loss. To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair values analysed by level in fair value hierarchy for financial assets and liabilities is as follows:

Level 1 – Cash in hand (Note 10);

Level 2 – Cash and cash equivalents except for cash in hand (Note 10), Restricted cash (Note 10), Trade and other receivables (Note 3.1), Trade and other payables (Note 8, Note 13), Liabilities from cash-pooling (Note 8), Borrowings (with fixed interest rates) (Note 8, 14), Lease liabilities (Note 6);

Carrying amounts of financial instruments are not materially different to their fair values.

The fair value of bank loans was calculated due to the merge of the VSE Holding group companies with ZSE as at 23 November 2023.

in EUR thousand	Carrying amount	Fair value
Slovenská sporiteľňa	50,000	47,684
UniCredit Bank	60,000	56,402
Citibank	1	n/a
Total	110,001	104,086

Fair value of bank loans as at 31 December 2024 is 106,688 thousand.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances.

4.1. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. 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 outlined below.

Economic useful life of tangible fixed assets

The economic useful life of tangible fixed assets stated in Note 2.3 was based on the best estimate of the Company's management. Should the estimated residual useful life of tangible fixed assets be shorter by 10%, the Company would record additional annual depreciation charge of tangible fixed assets of EUR 5,662 thousand (2023: EUR 5,370 thousand). Should the estimated residual useful life of tangible fixed assets be longer by 10%, the Company would record depreciation charge lower by EUR 4,639 thousand (2023: EUR 4,400 thousand). The Company analyses regularly the appropriateness of economic useful life of tangible fixed assets.

Impairment test of goodwill

At 31 December 2024, the Company has carried out an impairment test of goodwill. Management has assessed that the Company is one cash generating unit. During the impairment test, the Company has analysed fair value and value in use using discounted cash-flow method. Value in use was determined to be higher using the assumptions of pre-tax WACC of 6.32%, terminal growth approximating long-term expected inflation rate of 1.25%, long-term expected EBITDA level of approximately EUR 61.5 million, and long-term expected maintenance CAPEX level of approximately EUR 57.4 million. The Company would have to account for impairment of goodwill in case discounted free cash-flow would decrease by 47% due to changes in one or more of the key assumptions.

The company has assessed using fair value, that as with value in use, no impairment loss is required for goodwill.

Estimated outcome of litigation

As stated in Note 18, in 2024 the Company has created a provision for litigation, while estimating the amount of the provision based on the current estimate of cash outflows. The analysis of sensitivity is disclosed in that note.

Revenues from unmeasured electricity distribution

As a result of the fact that the retail customers in the household segment and households are metered at one of the eleven cycles which are phased between January and November of a calendar year, remaining part of electricity distribution for the reporting period gives rise to revenues from unmeasured electricity distribution. It is an accounting estimate which is based on the estimate of the distributed volume to households in technical units (MWh) between the date of last metering and the end of the reporting period.

The balance of such revenues is determined as the estimated distribution in MWh multiplied by unit price in EUR/MWh.

The Company estimates unmeasured distribution based on expected customer consumption time curves. The revenues from unmeasured electricity distribution amounted to EUR 31,850 thousand as at 31 December 2024 (EUR 31,507 thousand as at 31 December 2023).

5. Property, plant and equipment

in EUR thousand	Land	Buildings and infrastructure	Machinery, equipment, vehicles and office equipment	Construction in progress	Total
At 1 January 2023					
Cost	12,267	901,967	288,946	37,986	1,241,166
Accumulated depreciation	-	(462,169)	(153,768)	-	(615,937)
Net book value	12,267	439,798	135,178	37,986	625,229
Additions	-	-	-	55,943	55,943
Transfer from CIP	18	40,502	11,943	(52,463)	-
Net book value of asset sold	(26)	(147)	(75)	-	(248)
Net book value of asset damaged	-	-	(3)	(31)	(34)
Net book value of disposals	-	(1,674)	(323)	-	(1,997)
Depreciation charge	-	(30,475)	(13,173)	-	(43,648)
Closing net book value	12,259	448,004	133,547	41,435	635,245
At 31 December 2023					
Cost	12,259	935,159	298,043	41,435	1,286,896
Accumulated depreciation	-	(487,155)	(164,496)	-	(651,651)
Net book value	12,259	448,004	133,547	41,435	635,245
At 1 January 2024					
Cost	12,259	935,159	298,043	41,435	1,286,896
Accumulated depreciation	-	(487,155)	(164,496)	-	(651,651)
Net book value	12,259	448,004	133,547	41,435	635,245
Additions	-	-	-	70,547	70,547
Transfer from CIP	9	39,959	15,700	(55,668)	-
Net book value of asset sold	(198)	(773)	(188)	-	(1,159)
Net book value of asset damaged	-	-	-	(25)	(25)
Net book value of disposals	-	(1,406)	(592)	-	(1,998)
Depreciation charge	-	(31,087)	(13,600)	-	(44,687)
Closing net book value	12,070	454,697	134,867	56,289	657,923
At 31 December 2024					
Cost	12,070	965,772	309,826	56,289	1,343,957
Accumulated depreciation	-	(511,075)	(174,959)	-	(686,034)
Net book value	12,070	454,697	134,867	56,289	657,923

In the opinion of management, the electricity distribution network does not fall within the scope of IFRIC 12, Service Concessions and is therefore not presented as an intangible asset because (a) the Company has the option to sell or provide assets of this infrastructure to secure its liabilities; and (b) the relationship with the regulator and the Slovak government is not a typical concession to "build, operate and transfer", but rather privatization, for which information note no. 2 to IFRIC 12 indicates that the asset is within the scope of IAS 16, Property, plant and equipment.

There are no restrictions of ownership relating to tangible assets as at 31 December 2024 and 31 December 2023. No tangible assets were pledged.

The Company recognizes and uses no significant real estate subscribed in Cadastral Register, which are not legally permitted for the usage of the Company as at the end of the reporting period. Tangible assets are insured up to the amount of EUR 1,278,694 thousand (2023: EUR 1,095,133 thousand).

There were no impairment losses on tangible assets recognised nor reversed during the period.

6. Right of use assets and lease liabilities

This note provides information for leases where the Company is a lessee.

Amounts recognised in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases:

in EUR thousand	31 December 2024	31 December 2023
Right-of-use assets		
Buildings	142	62
Lands	23	40
Equipment & grid	2,645	2,924
Cars	239	104
	3,049	3,130
Lease liabilities		
Current	406	407
Non-current	2,073	2,175
	2,479	2,582

There were additions of cars in amount of EUR 169 thousand and building in amount of EUR 102 thousand during the year 2024. In 2023 there were additions of cars in amount of EUR 120 thousand and disposal of building in amount of EUR 64 thousand.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

in EUR thousand	2024	2023
Depreciation charge of right-of-use assets		
Buildings	11	43
Lands	9	9
Equipment & grid	237	248
Cars	33	17
	290	317
Interest expense (included in finance cost)	143	25
Expense relating to short-term leases (included in service expenses)	64	64
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in service expenses)	296	199

The total cash outflow for leases in 2024 was EUR 760 thousand (2023: EUR 474 thousand).

7. Intangible assets

in EUR thousand	Computer software and other	Goodwill	Intangible assets not yet ready to use	Total
At 1 January 2023				
Cost	54,161	12,677	1,181	68,019
Accumulated amortization	(42,348)	-	-	(42,348)
Net book value	11,813	12,677	1,181	25,671
Additions	-	-	4,286	4,286
Transfer from CIP	4,285	-	(4,285)	-
Amortization charge	(4,523)	-	-	(4,523)
Net book value of asset damaged	-	-	(13)	(13)
Closing net book value	11,575	12,677	1,169	25,421
At 31 December 2023				
Cost	58,446	12,677	1,169	72,292
Accumulated amortization	(46,871)	-	-	(46,871)
Net book value	11,575	12,677	1,169	25,421
At 1 January 2024				
Cost	58,446	12,677	1,169	72,292
Accumulated amortization	(46,871)	-	-	(46,871)
Net book value	11,575	12,677	1,169	25,421
Additions	-	-	3,850	3,850
Transfer from CIP	2,544	-	(2,544)	-
Amortization charge	(4,752)	-	-	(4,752)
Net book value of asset damaged	-	-	(9)	(9)
Closing net book value	9,367	12,677	2,466	24,510
At 31 December 2024				
Cost	60,941	12,677	2,466	76,084
Accumulated amortization	(51,574)	-	-	(51,574)
Net book value	9,367	12,677	2,466	24,510

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

There were no impairment losses on intangible assets recognised nor reversed during the period.

See Note 1 for background on goodwill and Note 4.1 for results of impairment test.

8. Financial instruments by category

The Company holds the following financial instruments:

Financial assets in EUR thousand	As at 31 December	
	2024	2023
Financial assets at amortised cost		
Trade and other receivables	29,191	18,860
Cash and cash equivalents (Note 10)	2,767	2,613
Restricted cash (Note 10)	-	-
Total financial assets	31,958	21,473

Financial liabilities in EUR thousand	As at 31 December	
	2024	December 2023
Financial liabilities at amortised cost		
Trade and other payables net of intercompany liabilities (Note 13)	36,271	24,402
Intercompany liabilities included in trade and other payables (Note 13)	239	9,238
Bank loans (Note 14)	110,001	110,001
Payable from cash pooling	143,090	58,005
Lease liabilities (Note 6)	2,479	2,582
Total financial liabilities	292,080	204,228

The financial risk management and the Company's impairment policies are described in Note 3 Financial risk management.

9. Inventories

in EUR thousand	As at 31 December	
	2024	2023
Raw material	4,042	6,309
Total	4,042	6,309

Inventory represents material to be used by the Company and usable dismantled material from disposed technological property.

Inventories are insured up to the amount of EUR 6,753 thousand (2023: EUR 7,096 thousand).

10. Cash and cash equivalents and restricted cash

in EUR thousand	As at 31 December	
	2024	2023
Cash at bank and in hand	2,767	2,613
Restricted cash	-	-
Total	2,767	2,613

The effective interest on a weighted average basis on current interest-bearing deposits was 0.0% p.a. (2023: 0.0% p.a.) with daily settlements (unchanged to 2023).

Citibank issued bank guarantee for the Company in the amount of EUR 60 thousand (2023: EUR 60 thousand). The bank guarantee is issued on behalf of the company Národná diaľničná spoločnosť, a. s. and relates to the electronic toll system.

As at 31 December 2024 and 2023 there were no cash and cash equivalents restrictions.

11. Other non-financial assets

in EUR thousand	As at 31 December	
	2024	2023
Advances paid	339	96
Prepaid expenses	1,206	463
Other	28	19
Total	1,573	578

12. Equity

The amount of subscribed share capital of the Company as to 31 December 2024 is EUR 220,040 thousand (31 December 2023: EUR 220,040 thousand). The subscribed share capital is fully paid.

Overview of ordinary shares is in the following table:

Number of ordinary shares	Nominal value of shares (in EUR thousand)	
	As at 31 December 2024	As at 31 December 2023
10	33	33
1	212,783	212,783
1	4,920	4,920
1	2,304	2,304
Total share capital	220,040	220,040

There is no share capital not listed in the Commercial Register as to 31 December 2024.

The Company created the legal reserve fund in amount of 20% of share capital established at the transformation to the joint-stock company.

Financial statements of the Company for prior accounting period have been approved by General Meeting on 24 June 2024. The decision on profit distribution for accounting period 2023 resulted in payment of dividends to the shareholders in the amount of EUR 69,556 thousand and allocation to the social fund in the amount of EUR 60 thousand.

The decision on profit distribution for accounting period 2024 will be made by the General Meeting of the Company. The Board of Directors will submit to the General Meeting to pay dividends to the shareholders in amount of EUR 20,468 thousand.

13. Trade and other payables

in EUR thousand	As at 31 December	
	2024	2023
Financial instruments:		
Trade payables (net of intercompany trade payables)	31,599	20,750
Intercompany liabilities included in trade and other payables	239	9,238
Employee benefits – accrued bonuses and holidays	2,341	1,738
Payables to employees	2,331	1,914
Total	36,510	33,640

There are no liabilities pledged or secured in another way.

The amount of trade payables denominated in foreign currencies is not material.

The Company recognizes no payables overdue as at 31 December 2024 and as at 31 December 2023.

14. Borrowings

Borrowings denominated in EUR are stated in the table below:

in EUR thousand	As at 31 December	
	2024	2023
Non-current borrowings		
Bank borrowings	60,000	110,000
Total	60,000	110,000
Current borrowings		
Bank borrowings	50,001	1
Total	50,001	1
Total borrowings	110,001	110,001

The carrying amounts of bank borrowings are as follows:

in EUR thousand	As at 31 December	
	2024	2023
Slovenská sporiteľňa	50,000	50,000
UniCredit Bank	60,000	60,000
Citibank	1	1
Total	110,001	110,001

Further details on loans outstanding as of 31 December 2024 and 2023 are provided below.

Bank	Currency	Amount in EUR thousand	Interest rate in % as of 31 December p.a.	Maturity date	Collateral
Slovenská sporiteľňa	EUR	50,000	Fix 0.701%	9 Jul 2025	Statement of Guarantor – ZSE
UniCredit Bank	EUR	60,000	Fix 1.163%	26 Jun 2026	Statement of Guarantor – VSE and ZSE
		110,000			

The effective average interest rates at the end of the reporting period were as follows:

	2024	2023
Bank borrowings	2.34%	1.81%

The reconciliation of bank loans is set out in table below:

in EUR thousand	2024	2023
Carrying amount as of 1 January	110,001	220,191
Loan repayment	-	(110,000)
Interest expense	1,072	2,995
Interest paid	(1,072)	(3,185)
Carrying amount as of 31 December	110,001	110,001

The terms of the loan agreements do not contain any financial criteria that the Company would be obliged to meet.

15. Other non-financial liabilities

in EUR thousand	As at 31 December	
	2024	2023
Value added tax liability	1,295	6,739
Social insurance liability	1,491	1,598
Nuclear fund liability	1,083	1,076
Other	525	624
Total	4,394	10,037

16. Deferred income tax

Deferred income taxes are calculated on temporary differences under the liability method using enacted tax rate of 24% with an uplift related to special levy legislation (2023: enacted tax rate of 21% with an uplift related to special levy legislation). The uplift is applied to that part of the temporary differences that relates to the difference between values recognized under the Slovak Accounting Standards and values recognized under IFRS.

The change in tax rate is described in Note 22.

in EUR thousand	As at 31 December	
	2024	2023
Deferred tax asset	1,338	1,201
Deferred tax liability	(65,097)	(57,150)
Total	(63,759)	(55,949)

Reconciliation of movements in deferred tax assets and liabilities during the year is as follows:

in EUR thousand	At 1 January 2023	(Charged)/ credited to the profit or loss		At 31 December 2023
Difference between tax base and carrying amount of property	(57,432)	1,044		(56,388)
Right-of-use assets	(810)	48		(762)
Lease liabilities	681	(53)		628
Provisions on bad debts	472	(65)		407
Provision for other liabilities and charges	3,285	(3,119)		166
Total	(53,804)	(2,145)		(55,949)

in EUR thousand	At 1 January 2024	(Charged)/ credited to the profit or loss		(Charged)/ credited to the OCI	At 31 December 2024
Difference between tax base and carrying amount of property	(56,388)	(7,977)	-	-	(64,365)
Right-of-use assets	(762)	30	-	-	(732)
Lease liabilities	628	(34)	-	-	594
Provisions on bad debts	407	93	-	-	500
Provision for other liabilities and charges	166	(436)	514		244
Total	(55,949)	(8,324)	514		(63,759)

17. Employee benefits

The following amounts have been recognized with respect of the defined benefit pension plan in the financial statements:

in EUR thousand	As at 31 December	
	2024	2023
Statement of Financial Position obligation for:		
Present value of recognized unfunded retirement obligations	4,419	6,175
Jubilee awards	158	174
Liability in the Statement of Financial Position	4,577	6,349
<hr/>		
in EUR thousand	2024	2023
Profit or Loss charge included in operating profit		
Current service cost	112	303
Interest cost	255	157
Past service cost	(1,198)	-
Total (credit)/ charge, included in staff costs	(831)	460
<hr/>		
in EUR thousand	2024	2023
Re-measurements for:		
Defined pension benefits	(578)	1,110
Total re-measurements	(578)	1,110

Movements during the year related to defined benefit pension plan are as follows:

in EUR thousand	Present value of obligation
As at 1 January 2023	5,551
Current service cost	303
Past service cost	-
Interest cost	157
	6,011
Re-measurements:	
- Loss from change in finance assumptions	424
- Loss from adjustments to reality	686
	1,110
Payments from plan	(772)
As at 31 December 2023	6,349
<hr/>	
in EUR thousand	Present value of obligation
As at 1 January 2024	6,349
Current service cost	112
Past service cost	(1,198)
Interest cost	255
	5,518
Re-measurements:	

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- Gain (-) / Loss (+) from change in finance assumptions	(663)
- Gain (-) / Loss (+) from change in demographic assumptions and fluctuation	160
- Gain (-) / Loss (+) from adjustments to reality	(75)
	(578)
Payments from plan	(363)
As at 31 December 2024	4,577

Assumptions used in the calculations of provision for the defined benefit plan are as follows:

Year 2024

Number of employees with entitlement to the benefit	1,040
Expected salary increases	6.0% in 2025, 2,5% from 2026
Discount rate	4.0%

Year 2023

Number of employees with entitlement to the benefit	1,038
Expected salary increases	5.0%
Discount rate	3.7%

Sensitivity analysis of liability for employee benefits to key inputs is stated in following table (in EUR thousand). The Company does not expect a materially different change in employee obligation due to the change in fluctuation or other parameter, in comparison to the previous year.

Description of change of parameter	Liability as at 31 December 2024	Change in comparison with basic scenario	Change in comparison with basic scenario in %
Basic scenario	4,577		
Increase in salaries +10% compared to principal assumptions	4,737	160	3%
Decrease in salaries -10% compared to principal assumptions	4,422	(155)	(3%)
Discount rate +0.5% compared to principal assumptions	4,266	(311)	(7%)
Discount rate -0.5% compared to principal assumptions	4,914	337	7%

Description of change of parameter	Liability as at 31 December 2023	Change in comparison with basic scenario	Change in comparison with basic scenario in %
Basic scenario	6,349		
Increase in salaries +0.25% compared to principal assumptions	6,509	160	2.5%
Decrease in salaries -0.25% compared to principal assumptions	6,195	(155)	(2.4%)
Discount rate +0.5% compared to principal assumptions	6,039	(311)	(4.9%)
Discount rate -0.5% compared to principal assumptions	6,686	337	5.3%

Amounts paid for defined contribution pension plans:

in EUR thousand	2024	2023
Defined contribution pension plan	4,708	4,179
	4,708	4,179

18. Provisions

Analysis of provisions:

in EUR thousand	As at 31 December	
	2024	2023
Non-current provisions (restructuring)	951	-
	951	-
Current provisions (legal claims and restructuring)	1,629	3,803
	1,629	3,803
Total	2,580	3,803

Movements during the year related to provision for other liabilities and charges are as follows:

in EUR thousand	Restructuring provision	Legal claims	Total
At 1 January 2024	41	3,762	3,803
Provisions creation	1,400	-	1,400
Unused amounts released	-	-	-
Provision discounted	-	-	-
Used/paid during year	(41)	(2,582)	(2,623)
At 31 December 2024	1,400	1,180	2,580

in EUR thousand	Restructuring provision	Legal claims	Total
At 1 January 2023	41	19,214	19,255
Provisions creation	41	175	216
Unused amounts released	-	(14,494)	(14,494)
Provision discounted	-	-	-
Used/paid during year	(41)	(1,133)	(1,174)
At 31 December 2023	41	3,762	3,803

Restructuring provision

The aim of the ongoing integration of the ZSE Group companies and the former VSEH Group is to create a larger, more financially stable and stronger organisation that can serve its customers more effectively. In the next 3 years (2025-2027) in the new ZSE Group, we expect various organisational changes. For this purpose, the Company created a restructuring provision as of 31 December 2024, which assumes the assumption of future employee performance with organisational changes. The provision is based on the expected number of job positions, average wages and the resulting expected impact on severance pay. The expected use of the long-term part of the restructuring provision is EUR 119 thousand in 2026 and EUR 832 thousand in 2027. The Company has created a provision for restructuring in accordance with the provisions of the international accounting standard IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The establishment of the provision meets the conditions set out in this accounting standard.

Provision for legal claims

The provision includes amounts related to certain legal claims against the Company. In cooperation with the internal legal department and external independent lawyers the management of the Company evaluated and the overall risk, the status of legal matters in this regard at the balance sheet dates, and reassessed provision recognized which, in their opinion, reflects the best estimate of the expected outflow of economic benefits, taking into the account similar legal cases in Slovakia considering the probability of the outcome. Depending on future court rulings, the actual amount of the out-flow of economic benefits may vary significantly from the expected amount. The Company has concluded that proceedings in these litigations and potential lawsuits are, or will be, subject to appeals and will probably be resolved by the Supreme Court of the Slovak Republic. Thus, the outflow of significant financial funds will likely increase in the medium or long term.

Lawsuits with electricity producers – electricity production from renewable energy sources (OZE) and combined production of electricity and heat (KVET)

The Company has set up provisions of EUR 1,180 thousand (2023: EUR 3,762 thousand). These provisions comprise the following:

- provisions for lawsuits with electricity producers related to an additional payment within the supporting scheme for electricity production from renewable energy sources (OZE) and combined production of electricity and heat (KVET) cover the risk of outstanding litigations and rulings of the courts against the Company;
- provisions for lawsuits with electricity producers related to the G-tariff (tariff for connection of electricity producers to distribution grid) cover the combination of risk in relation to the amounts claimed and to related potentially claimed amounts for the period from 2017 to 2018.

Provisions were continuously dissolved due to terminated court proceedings.

19. Revenues from contracts with customers

The Company derives revenue from the transfer of services over time. Further details are as follows:

in EUR thousand	2024	2023
Distribution fees for the distribution of electricity to industrial and other commercial customers	116,425	112,330
Distribution fees for the distribution of electricity to residential customers	71,812	69,738
Tariff for system operation and system services – OKTE, a.s. a related party controlled by Slovak government	-	15
Revenue for reserved capacity from electricity producers	2,459	2,399
Total distribution fees	190,696	184,482
Revenues from connection fees	3,389	2,905
Other revenue	16,878	10,804
Total revenues from contracts with customers	210,963	198,191

Contract liabilities

The Company recognizes contract liabilities from connection fees and advances received. Contract liability from connection fees is amortized over 20 years in accordance with useful lives or related property, plant and equipment.

The Company has recognized the following contract liabilities related to contracts with customers:

in EUR thousand	2024	2023
Current contract liabilities		
Connection fees	3,763	3,003
Advances received	11,501	19,389
Non-current contract liabilities		
Connection fees	42,462	31,116

Revenues recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

in EUR thousand	2024	2023
Revenues recognised that was included in the contract liability balance at the beginning of the period:		
Connection fees	3,389	2,904
Total revenues recognised in relation to contract liabilities	3,389	2,904

20. Profit from operations

The following amounts have been charged or credited in arriving at profit from operations:

in EUR thousand	2024	2023
Revenues from contracts with customers (Note 19)	210,963	198,191
Own work capitalized	11,876	9,220
Electricity purchase for losses	(40,503)	(80,640)
Transmission	(26,730)	(26,408)
Total	(67,233)	(107,048)
Material consumption	(9,050)	(11,184)
Employee benefit expense		
Wages and salaries	(27,934)	(27,861)
Social security costs excl. retirement fund	(6,368)	(5,627)
Defined contribution pension plan (Note 17)	(4,708)	(4,179)
Other staff costs	(2,168)	(311)
Total employee benefit expense	(41,178)	(37,978)
Services		
Repairs and maintenance of electric grid related assets	(4,384)	(2,582)
Costs from other Service Level Agreements within the ZSE group (Finance, HR, legal and other services)	(13,267)	(12,809)
Protection of property	(469)	(470)
Short-term and low-value leases	(360)	(349)
Assurance services provided by auditor	(88)	(120)
Travel cost	(441)	(343)
External works on grid provided by third parties	(9,087)	(6,713)
IT and telecommunication charges	(2,644)	(2,206)
Other services	(3,270)	(3,290)
Total services	(34,010)	(28,882)
Depreciation expense (Note 5)	(46,685)	(45,645)
Amortization expense (Note 7)	(4,752)	(4,523)
Amortisation of right-of-use assets (Note 6)	(290)	(317)
Total depreciation and amortisation expense	(51,727)	(50,485)
Net impairment losses on financial and contract assets (Note 3.1)	(358)	(45)
Gain / (Loss) on disposal of property, plant and equipment	576	109
Compensations received (Note 2.19)	20,045	107,855
Taxes and fees	(637)	(556)
Decrease / (Increase) in provisions for other liabilities and charges	2,583	14,318
Insurance	(583)	(918)
Illegal oftakes	(586)	(485)
Other expenses	(802)	(511)
Other operating expenses total	(25)	11,848
Income from illegal oftakes	1,073	757
Income from non-current assets for no consideration	618	504
Other income	1,231	1,832
Other operating income total	2,922	3,093
Profit from operations	42,801	94,694

Renewable energy support scheme as per legislation should compensate distribution companies in Slovakia for net losses or net gains incurred as a result of this scheme in certain year in two years' time. Net annual deficit combines the effect of correction mechanism compensating the Company for gain or loss incurred two years ago and the effect of current gain or loss from the scheme.

21. Finance income and costs

in EUR thousand	2024	2023
Bank borrowings	(1,072)	(1,402)
Cash pooling	(3,518)	(2,121)
Finance lease liabilities (Note 6)	(143)	(25)
Provisions: unwinding of discount	(255)	(157)
Amount capitalised in accordance with IAS 23	1,209	706
Finance income / (costs)	(3,779)	(2,999)

Capitalized borrowing costs

The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's general borrowings during the year, in this case 2.84% (2023: 2.55%).

22. Income tax expense

in EUR thousand	2024	2023
Current tax expense charge / (credit) in profit or loss, of which:	10,230	19,934
- special levy from regulated industries	1,578	3,685
Deferred tax expense charge / (credit) in profit or loss (Note 16)	8,324	2,145
Total	18,554	22,079

The reconciliation between the reported income tax cost and the theoretical amount that would arise using the standard tax rates is as follows:

in EUR thousand	2024	2023
Profit before tax	39,022	91,695
Income tax calculated at a tax rate of 21% (2023: 21%)	8,195	19,256
Tax effects of:		
- Expenses not deductible for tax purposes	105	143
- Impact of special levy on tax	1,578	2,911
- Impact of change of tax rate from 21% to 24%	8,187	-
- Other	489	(231)
Tax charge	18,554	22,079
Effective tax rate	47.55%	24.08%

The corporate income tax rate applicable for the year 2024 is 21% (2023: 21%). There has been change of tax rate after the balance sheet date. There is an expectation of change of tax rate to 24% applicable in 2025 onwards.

The Company pays a special levy that is relevant for regulated business. The amount of the special levy of the regulated entity for 2024 was calculated and paid in accordance with the relevant law as follows: the levy is based on the company's profit or loss reported in the company's financial statements multiplied by a coefficient calculated as the ratio of revenues from regulated activities to total revenues. In 2024, the Company reported a coefficient of 0.95 (0.97 for 2023). The amount of the monthly levy is calculated as the product of the levy

rate and the levy base. In 2024 the monthly levy rate was 0.00363 (0.00363 in 2023). The special levy is a deductible expense for the purposes of applying the income tax payable.

Under standard conditions, 24% would be the rate applied on temporary differences to calculate deferred tax position in the Statement of Financial Position. However, as special levy is de facto tax, the size of the uplift to 24% tax rate should be determined by projecting the special levy payments for future periods. The Company performed this projection resulting into adjusted tax rate of 24.34% applied for deferred tax determination for the year end 2023. In 2024 no such adjustment has been in place due no immaterial impact on deferred tax.

The uplift is applied to that part of the temporary differences that relates to the difference between values recognized under the Slovak Accounting Standards and values recognized under IFRS. For more information see Note 2.1.

23. Cash generated from operations

in EUR thousand	2024	2023
Profit before tax	39,022	91,695
Adjustments for:		
Depreciation expense (Note 5)	46,685	45,645
Amortization expense (Note 7)	4,752	4,523
Amortisation of right-of-use assets (Note 6)	290	317
Change in provisions (Note 17, 18)	(2,149)	(15,764)
Change in contract liabilities from connection fees and deferred connection fees (Note 19)	12,121	1,001
Change in deferred income from non-current assets acquired for no consideration	(39)	(37)
Change in bad debt allowances (Note 3.1)	365	(33)
(Gain) / loss on sale of property and equipment (Note 20)	(576)	(109)
Interest expense (Note 21)	3,779	2,999
Payments for short-term and low-value leases	360	349
Shortages and damages (Note 5)	25	28
Income from assets acquired for free (relocated assets and inventory surplus assets)	(580)	(460)
Other non-cash transactions	91	(159)
Changes in working capital:		
Inventories (Note 9)	2,008	782
Trade and other receivables (Note 3.1)	(10,696)	48,091
Other non-financial assets (Note 11)	(995)	9
Trade and other payables (Note 13)	2,870	2,400
Other non-financial liabilities (Note 15)	(5,643)	683
Contract liabilities - advances from customers	(7,903)	5,527
Cash generated from operations	83,787	187,487

24. Contingencies

Taxation

Tax legislation in Slovakia which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Slovak tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax challengeable counterparties. Management is not aware of any circumstances that may give rise to future material expenses in this respect.

Legal cases

As mentioned in Note 18, contingent liabilities result from potentially unfavourable results of legal case mentioned in Note 18 as there is uncertainty how courts will interpret the facts and legal positions of various involved parties differ. Management has assessed the probability of the outcome which is reflected in the provision for legal cases as management's best estimate and has disclosed the contingent liabilities in Note 18.

25. Commitments

Capital Commitments

As at 31 December 2024 the Company has contracted approximately EUR 57,200 thousand of the capital commitments related to property, plant and equipment (2023: EUR 17,500 thousand). The Company does not have any material non-cancellable future operating lease commitments.

26. Related party transactions

Related parties are divided into following categories:

a) Parent company

- Západoslovenská energetika, a.s.(ZSE) – parent company (from 23 November 2023)

b) Entities under control of E.ON group, that were not part of VSEH group (till 22 November 2023)

- E.ON SE
- Westenergie GmbH

c) Entities controlled by government or where government has significant influence

Routine trading transactions with the Slovak government including its departments and agencies and transactions between state-controlled entities, which are providers of public utilities, services, for which the standard terms and conditions have been applied and which do not represent a significant portion of a type of transaction.

d) Entities under control of ZSE Group

- Východoslovenská energetika Holding a.s. (VSE H), from 23 November 2023
- Východoslovenská energetika a.s. (VSE), from 24 November 2023
- VSE Call centrum, s.r.o. (VSE CC), subsidiary of VSE H
- VSE Ekoenergia, s.r.o. (VSE EE), subsidiary of VSE H
- VSE Solutions s.r.o. (VSOL), subsidiary of VSE
- Nadácia VSE, subsidiary of VSE H
- Západoslovenská distribučná, a.s., from 23 November 2023
- ZSE Energia, a.s., from 23 November 2023

e) Key management personnel of the Company

- members of the Board of Directors
- members of Supervisory Board
- division directors

The related party transactions were made on an arm's length basis.

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The nature of relationship with related parties where the Company carried out significant transactions or had significant balances as at 31 December 2024 and 31 December 2023 with, are described below.

a) Parent company

Transactions with parent company VSE H (until 22 November 2023) are stated in the following table:

in EUR thousand	Year 2024	January to November 2023
Revenues from sales of services	-	169
Other	-	59
Services	-	(11,751)
Interest expense	-	(1,782)
Other	-	(483)
Dividends paid (Note 12)	-	(28,595)

Balances with company VSE H as at December 31,2023 are presented in d) Entities under control of ZSE Group.

Transactions with parent company ZSE (from 23 November 2023) are stated in the following table:

in EUR thousand	Year 2024	December 2023
Revenues from contracts with customers	80	-
Other operating income	32	-
Material consumption	(7)	-
Services	(9)	(8)
Interest expenses	(285)	-

Balances with parent company ZSE (from 23 November 2023) are stated in the following table:

in EUR thousand	As at 31 December	
	2024	2023
Trade receivables (gross)	6	-
Trade and other payables (Note 8, Note 13)	(2)	(8)

b) Entities under control of E.ON group, that were not part of VSEH group (till 22 November 2023)

Transactions with entities under control of E.ON Group, that were not part of VSEH group (till 22 November 2023) are stated in the following table:

in EUR thousand	2024	2023
Purchases	(6)	(18)

Balances with entities under control of E.ON Group, that were not part of VSEH group (till 22 November 2023) are stated in the following table:

in EUR thousand	As at 31 December	
	2024	2023
Trade receivables (gross)	21	-
Trade and other payables	-	-

c) Entities controlled by government or where government has significant influence

The Company performs collectively significant transactions with entities controlled by government or where government has significant influence. These transactions are represented by:

in EUR thousand	2024	2023
Distribution services provided to electricity traders	36,808	46,694
Revenues from other services	1	17
Transmission fee	(38,703)	(26,409)
Services	(396)	(419)

Distribution services were sold mainly to Slovenské Elektrárne, a.s. ,Slovenský plynárenský priemysel, a. s. and Stredoslovenská energetika, a.s.

Transmission fee relates to Slovenská elektrizačná prenosová sústava, a.s.

Transactions amounts comprise also ZSE Energija until 23 November 2023.

Balances with entities controlled by government or where government has significant influence are stated in the following table:

in EUR thousand	As at 31 December	
	2024	2023
Trade receivables (gross)	3,481	2,896
Trade and other payables	(13,176)	(1,462)

The Company received a guarantee in amount of EUR 940 thousand from Slovenský plynárenský priemysel, a. s. (2023: EUR 2,340 thousand).

d) Entities under control of ZSE Group

Transactions with entities under control of VSE H Group (until 23 November 2023) are stated in the following table:

in EUR thousand	January to November 2023	
Distribution of electricity		100,236
Revenues from sales of services		360
Purchase of electricity for losses		(74,442)
Purchase of electricity for own consumption		-
Purchase of services and other		(50)

Balances with entities under control of VSE H Group (until 23 November 2023) are stated in the following table:

in EUR thousand	As at 31 December	
	2023	
Trade receivables (gross)		-
Trade and other payables		-

Transactions with entities under control of ZSE Group (from 24 November 2023) are stated in the following table:

in EUR thousand	2024	December 2023
Distribution of electricity	119,171	11,517
Provided services	366	-
Purchase of electricity for losses	(29,116)	(6,683)
Purchase of electricity for own consumption	(1,018)	-
Purchase of services and other	(13,328)	(1,067)
Interest expenses	(1,266)	-

Východoslovenská distribučná, a.s.

Notes to the financial statements for the year ended 31 December 2024 prepared in accordance with IFRS as adopted by EU

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Balances with entities under control of ZSE Group are stated in the following table:

in EUR thousand	As at 31 December	
	2024	2023
Trade receivables (gross)	13,148	9,234
Other non-financial assets	89	-
Trade and other payables	(238)	(9,230)
Cash pooling payable (Note 2.10)	(143,090)	(58,005)

e) Key management personnel of the Company

Transactions with key management personnel of the entity are stated in the following table:

in EUR thousand	2024		2023	
	Board of directors & divisional directors	Supervisory board	Board of directors & divisional directors	Supervisory board
Short-term employee benefits	823	125	826	105
Defined benefit plan	115	20	119	17
Total	938	145	945	122

27. Events after the reporting period

On 27 March 2025, Západoslovenská energetika, a.s., as the sole shareholder, decided to reduce the Company's share capital by EUR 100,000 thousand and to reduce the Company's reserve fund by EUR 20,000 thousand.

There has been no other event after the reporting period that should be disclosed in these notes prepared in accordance with IFRS as adopted by EU.