

Západoslovenská energetika, a.s.

Annual Report for the year 2024

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Annual Report and Independent Auditor's Limited Assurance Report for the year 2024.

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1. Separate Financial Statements and Independent Auditors' Report as at 31 December 2024
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KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

Tel +421 (0)2 59 98 41 11
Web www.kpmg.sk

Translation of the Independent Auditors' Limited Assurance Report originally prepared in Slovak language which is the official and binding version

Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Reporting

**To the Shareholders, Supervisory Board and Board of Directors of
Západoslovenská energetika, a.s.**

Limited assurance conclusion

We have performed a limited assurance engagement on whether the consolidated sustainability reporting of Západoslovenská energetika, a.s. ("the Company") and its subsidiaries (collectively, „the Group“) as at and for the year ended 31 December 2024, included in the annual report under note 4 Consolidated Sustainability Reporting (the "Consolidated Sustainability Reporting"), has been prepared in accordance with the relevant legal requirements.

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Group's Consolidated Sustainability Reporting as at and for the year ended 31 December 2024 is not prepared, in all material respects, in accordance with section 20(g) of the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") implementing Article 29(a) of Directive 2013/34/EU of the European Parliament and of the Council, including:

- Compliance with the European Sustainability Reporting Standards established by the Commission Delegated Regulation (EU) of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council ("ESRS"), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Reporting ("the Process") is in accordance with the description set out in the consolidated Sustainability Reporting note 4 Impact, risks and opportunities management - Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1); and
- Compliance of the disclosures in the Climate change (ESRS E1) subchapter within the environmental section of the Consolidated Sustainability Reporting with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("the EU Taxonomy Regulation").



Our conclusion on the Consolidated Sustainability Reporting does not extend to any other information that accompanies or contains the Consolidated Sustainability Reporting and our limited assurance report thereon, nor to the comparative information discussed in the Other matter – comparative information paragraph below. We have not performed any assurance procedures as part of this engagement with respect to such other information. However, we audited the separate and consolidated financial statements of the Company and the Group, respectively, as of and for the year ended 31 December 2024, forming part of the other information, and our reports thereon, with unmodified opinions, are also included with the other information.

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under this standard are further described in the 'Auditor's responsibilities' section of our report.

We are independent of the Group 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, including the Code of Ethics for an Auditor that are relevant to our assurance engagements on consolidated Sustainability Reporting in Slovakia, and we have fulfilled our other responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other Matter – comparative information

Our assurance engagement does not extend to comparative information in respect of earlier periods, save for the comparative information contained in the Climate change (ESRS E1) subchapter within the environmental section related to the relevant disclosures under Article 8 of the EU Taxonomy Regulation. Our conclusion is not modified in respect of this matter.

Responsibility of the statutory body and those charged with governance for the Consolidated Sustainability Reporting

The statutory body is responsible for designing, implementing and maintaining a process to identify the information reported in the Consolidated Sustainability Reporting in accordance with the ESRS and for disclosing this process in note 4 Impact, risks and opportunities management - Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1) of the Consolidated Sustainability Reporting. This responsibility includes the following:

- Understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders,
- Identifying the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the



Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term,

- Assessing the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- Developing methodologies and making assumptions that are reasonable in the circumstances.

The statutory body is further responsible for preparation of the Consolidated Sustainability Reporting in accordance with section 20(g) of the Act on Accounting, including:

- Compliance with the ESRS;
- Preparing the disclosures in the Climate change (ESRS E1) subchapter within the environmental section of the Consolidated Sustainability Reporting, in compliance with the reporting requirements of Article 8 of the EU Taxonomy Regulation,
- Designing, implementing and maintaining such internal controls that the statutory body determines are necessary to enable the preparation of the Consolidated Sustainability Reporting such that it is free from material misstatement, whether due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable and appropriate in the circumstances.

Those charged with governance are responsible for overseeing the reporting process for the Group's Consolidated Sustainability Reporting.

Inherent limitations in preparing the Consolidated Sustainability Reporting

There are inherent limitations regarding the measurement or evaluation of the sustainability matters presented in the Consolidated Sustainability Reporting subject to limited assurance, which have been set out below:

- As described in the E1-6 Disclosures in relation to specific circumstances within the Consolidated Sustainability Reporting subchapter, greenhouse gas emissions quantification is subject to significant inherent uncertainty as a result of both scientific and estimation uncertainty;
- In reporting forward-looking information under the ESRS, the statutory body is required to prepare forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. However, the actual outcome is likely to be different because the anticipated events frequently do not occur as expected.
- In determining the disclosures in the Consolidated Sustainability Reporting, the statutory body interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

Auditor's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Reporting is free from material misstatement, whether due to fraud or error, and to report our limited assurance conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected



to influence decisions of users taken on the basis of the Consolidated Sustainability Reporting as a whole.

In terms of the Consolidated Sustainability Reporting, our responsibility in relation to the Process includes:

- Obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness or the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description, as disclosed in note 4 Impact, risks and opportunities management - Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1) of the Consolidated Sustainability Reporting.

Our other responsibilities in respect of the Consolidated Sustainability Reporting include:

- Obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Reporting, but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness,
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures responsive to where material misstatements are likely to arise in the consolidated Sustainability Reporting. 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.

Summary of work carried out

A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Reporting. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We designed and performed our procedures to obtain evidence about the Consolidated Sustainability Reporting that is sufficient and appropriate to provide a basis for our conclusion. The nature, timing and extent of our procedures depended on our understanding of the Consolidated Sustainability Reporting and other engagement circumstances, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Consolidated Sustainability Reporting. We exercised professional judgment and maintained professional skepticism throughout the engagement.

In conducting our limited assurance engagement, with respect to the Process, the procedures we performed included:

- Obtaining an understanding of the Process by:
 - performing inquiries to understand the sources of the information used by the statutory body (stakeholder engagement, business plans and strategy documents); and



- Inspecting the Group's internal documentation of its Process, and
- Evaluating whether the evidence we obtained about the Process implemented by the Group as a result of the procedures performed was consistent with the description of the Process in note 4 Impact, risks and opportunities management - Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1) of the Consolidated Sustainability Reporting.

In terms of the Consolidated Sustainability Reporting, in the performance of our limited assurance engagement, our procedures included:

- Obtaining an understanding of the Group's reporting processes that are relevant to the preparation of its Consolidated Sustainability Reporting by performing inquiries of the Group's personnel, inspection of its documentary evidence and site visits;
- Evaluating whether material information identified by the Process is included in the Consolidated Sustainability Reporting;
- Evaluating whether the structure and presentation of the Consolidated Sustainability Reporting is consistent with the ESRS;
- Performing inquiries of relevant personnel and analytical procedures on selected disclosures in the consolidated Sustainability Reporting;
- Performing substantive assurance procedures on a sample on selected disclosures in the Consolidated Sustainability Reporting;
- Where applicable, comparing the information provided in the Consolidated Sustainability Reporting with the corresponding information in the separate and consolidated financial statements, respectively, of the Company and the Group, and also one in the remaining elements of the annual report;
- Obtaining evidence on the methods, assumptions and data for developing material estimates and forward-looking information;
- Obtaining an understanding of the Group's process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Reporting; and
- Evaluating whether the standardized reporting templates required by the Taxonomy Regulation were appropriately used to present the key performance indicators.

Responsible auditor:

Ing. Peter Žoldák

License UDVA No. 1061

Sustainability License UDVA No. 78



Audit firm:

KPMG Slovensko spol. s r.o.

License SKAU No. 96

Sustainability License UDVA No. 16

Bratislava, 27 March 2025

Západoslovenská energetika, a.s.

Annual Report for 2024

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Independent Auditors' Report and Consolidated Financial Statements - 31 December 2024

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

Foreword by the Chairman of the Board of Directors

Dear ladies and gentlemen,

the year 2024 was the first full year we were operating as new ZSE-group, i.e. fully integrating our business activities in Eastern Slovakia and Western Slovakia. The focus of our common activities already in the first year showed visible results:

- We increased our investments in our energy networks by 10 %, allocating 228 million EUR towards our distribution systems. We successfully used EU co-financing instruments.
- We succeeded to directly procure liquefied natural gas (LNG), which is a significant diversification of natural gas supply of almost 30% of our customers' current consumption, increasing security of supply for clients across Slovakia.
- We expanded our call centre and our digital customer channels to improve our customer service.
- We enhanced the connection of rooftop photovoltaics by unlocking additional grid capacity as well as by further digitization and simplification of the connection process.
- We have expanded the ZSE Drive charging network in Slovakia by 192 charging points.
- We stayed on track achieving our ambitious sustainability goals.

Energy 2.0: Advancing energy transition.

Decarbonisation, mitigating climate change and, at the same time, maintaining the competitiveness of industry remains a priority and requires substantial investments in distribution systems. These systems must be prepared for a significant increase in renewable energy in the grid, growing distributed generation, and constantly increasing demand of electricity for heating and mobility. I am pleased that we are delivering in this area and that we are also succeeding in multi-sourcing and obtaining funds from European Projects of Common Interest. We have been implementing two such projects, ACON Smart Grids and Danube InGrid, for several years now. Within the Danube InGrid project, last year we completed an investment of over EUR 20 million in a new power station near Bratislava, which will cover the increasing demands for connecting new sources in the western Slovakia region. The most significant investments into the grid development in the eastern part went to the completion of high voltage power lines, by which we supply electricity to the strategic investor in the Valaliky Industrial Park - the VOLVO automotive plant. With this key activity, we managed to meet or complete individual implementation stages ahead of schedule. In 2024, we also technically completed the construction 38 kilometres of a new high voltage power line between Snina and Sobrance. Investments were also made to increase power capacity in the Tatras and in the region under the Tatras.

Continuous interest in renewables

These investments are also necessary in order to expand the capacity needed for the integration of renewable energy producers with the distribution system. Our distribution companies ZSD and VSD are adapting the system and taking measures to connect as many applicants as possible while maintaining the stable and secure operation of our systems.

The situation in the commerce part of the ZSE Group was similar, as we continue to offer exceptional service throughout the installation process and provide an industry-leading warranty for photovoltaic solutions. We deliver unique benefits to our customers, offering expert support in both decision-making and implementation, alongside exclusive warranty terms. One of our standout offerings is the Virtual Battery commercial product. Our customers' desire to use green electricity, the consumption of which is covered by electricity produced from renewable sources, continues. In 2024, nearly every fifth MWh delivered to customers was covered by guarantees of origin.

To better assist our customers, we expanded our internal Call Centre last year. In new facilities in Kosice and in Nitra we recruited and trained 50 new advisors to serve our nearly 1.5 million customers. Our goal is to continuously improve the quality of our service and provide our customers with an even better experience, especially also by expanding digital customer contact channels.

We are convinced a successful energy transition requires corporate social responsibility. Through the grant programmes of our foundations, we help, for example, schools or social service homes to obtain photovoltaic solutions completely free of charge.

New energy: non-commodity solutions

An important part of the energy transition is e-mobility, which is covered by ZSE Drive in our Group. ZSE Drive has been successful in bringing the latest technological solutions with a focus on ultra-fast charging, which it already provides not only for cars but also for trucks. Within the ZSE Drive network, more than 500 charging points at nearly 200 locations are operated. Last year, we opened an urban charging hub in Bratislava, which is the first of its kind not only in Slovakia but also in the Central European region due to its complexity and innovative technologies. The ZSE Drive network uses 100% certified renewable electricity produced by hydro-power plants in Slovakia. ZSE is also the lead partner of the international V4Grid project funded under the Interreg Central Europe programme, aiming to facilitate the integration of e-vehicles with the electricity grid, optimise charging times or reduce energy costs. Within the energy services portfolio, our priority is to provide comprehensive solutions that combine multiple technologies and are tailored to the specific customer. Our offer includes comprehensive renovation of building components, modern heating, cooling and heat recovery systems linked to a continuous dispatching system, photovoltaic panels, and battery storage.

Our commitment to climate protection

As ZSE Group we see our key role driving the energy transition towards an electrified, less fossil-based and more decentralised energy world in Slovakia. We want to strengthen Slovakia's position in secure and stable energy supply, while facilitating the overall transition of the energy sector to decentralised generation and offering people more low-emission energy - both in terms of their increasing demand for electricity, and in their new role as prosumers. In addition, as from 2024, ZSE, as one of the first companies on the Slovak market, is subject to a legislative obligation to report information on sustainability. Through materiality assessment process based on European law, we identified 26 material topics that are critical to us in terms of the impact of our business on the environment and society and key to achieving our sustainability goals. You can find out more about these themes in the extensive sustainability chapter of this Report, where we outline our ambitious targets. For us, meeting these commitments is not just about compliance with legislation, but more importantly about sustainable social and technological progress, which is essential to the relevance, resilience, and stability of our business.

Markus Kaune, Chairman of the Board of Directors and CEO

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

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

On 8 April 2022, E.ON SE („E.ON“) and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic („State“), have concluded the Future Consolidation Agreement, under which, in late 2023, ZSE companies and Východoslovenská energetika Holding a.s. („VSEH“) companies, in which they are direct or indirect exclusive shareholders („FCA“) (as amended by Addendum 1 of 4 May 2023) were consolidated as specified in the FCA. Under the FCA, 100% shares of VSEH were invested into ZSE, resulting in VSEH becoming a subsidiary of ZSE, and subsequently, VSEH subsidiaries, specifically Východoslovenská distribučná, a.s. and Východoslovenská energetika a.s. were sold to ZSE.

The ZSE Group comprises the parent company Západoslovenská energetika, a.s. and its subsidiaries:

- Západoslovenská distribučná, a.s. (ZSD),
- ZSE Energia, a.s. (ZSE Energia),
- ZSE Elektrárne, s.r.o. (ZSE Elektrárne)
- Východoslovenská energetika Holding a.s.
- Východoslovenská energetika a.s. (VSE),
- Východoslovenská distribučná, a.s. (VSD),
- ZSE Energy Solutions s.r.o.,
- ZSE MVE, s. r. o.,
- ZSE Business Services, s. r. o.,
- ZSE Energetické služby, s.r.o.,
- VSE Solutions, s.r.o.
- VSE Call centrum, s.r.o.
- VSE Ekoenergia, s.r.o.
- EKOTERM, s.r.o.

Západoslovenská energetika, a.s. is also the sole founder of the ZSE Foundation. VSEH is also the sole founder of the VSE Foundation.

ZSE Energia, a.s. has an organizational unit in the Czech Republic. Západoslovenská energetika, a.s. does not have any other organisational units abroad.

ZSE Group owns a 74% business share in EKOTERM, s.r.o., and 66.6% of shares in BK, a.s. and also owns a 66.6% stake in SPX, s.r.o. The ZSE Group also owns shares (less than 50%) in Energotel, a.s., Bioplyn Rozhanovce, s.r.o., TRANSELEKTRO spoločnosť s ručením obmedzeným Košice, or People2People, s.r.o.

The parent company ZSE, Company ID: 35 823 551, with its seat at Čulenova 6, 816 47 Bratislava was established on 15 October 2001 and incorporated in the Commercial Register on 1 November 2001. The Company is registered with the Commercial Register of the Bratislava III Municipal Court, Section: Sa, File No.: 2852/B.

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

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

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

Company Bodies

The structure of statutory and supervisory bodies of the Company during the year 2024 was as follows:

Statutory Body

Board of Directors	
As at 31 December 2024	
Chairman	Markus Kaune (start of office on 1 September 2020 and end of the office on 1 September 2024) Markus Kaune (start of office on 1 September 2024)
Vice-Chairman	Ing. Erik Döme (start of the office on 13 March 2023 and end of the office on 31 August 2024) MSc. Alfréd Paulovič (start of office on 1 September 2024)
Members	Ing. Ľuboš Majdán (start of the office on 1 September 2020 and end of the office on 31 August 2024) Mgr. Peter Ikrényi (start of office on 1 September 2024)
	Ing. Tomáš Turek, PhD. (start of the office on 15 March 2023)
	Mgr. Juraj Krajcár (start of office on 6 December 2021)

Supervisory Body

Supervisory Board	
As at 31 December 2024	
Chairman	Mgr. Tomáš Galbavý (start of office as a Member on 20 November 2020 and as the Chairman on 14 December 2020 and end of the office on 31 August 2024) Ing. Ivan Šajban (start of office as a Member on 1 September 2024 and as the Chairman on 26 September 2024)
Vice-Chairman	Attila Kiss (start of the office as member and vice-chairman on 12 December 2023)
Members	Silvia Šmátralová (start of the office on 23 September 2022)
	Ing. Martin Mislovič (start of the office on 23 September 2022)
	Ing. Juraj Nyulassy (start of the office on 23 September 2022)
	Mgr. Tomáš Galbavý (start of office on 1 September 2024)
	Mgr. Tomáš Popovič (start of office on 20 November 2020 and end of the office on 31 August 2024)
	Mgr. Marian Greksa (start of office on 1 September 2024)
	Mgr. Lenka Jakubčová (start of office on 20 November 2020 and end of the office on 31 August 2024)

	Mgr. Tomáš Rusiňák, LL.M. (start of office on 1 September 2024)
	Mgr. Daniel Kravec (start of office on 20 November 2020 and end of the office on 31 August 2024) Ing. Roman Gejdoš (start of office on 1 September 2024)

Audit Committee

The Audit Committee was established by a decision of the Company's General Meeting dated 12 December 2014. The Audit Committee has three members elected and dismissed by the Company's General Meeting.

In 2024, the Audit Committee of the Company had the following structure:

Ing. Michal Kubinský (from 6 December 2021 till 25 November 2024)

Ing. Boris Németh (from 24 September 2021)

Ing. Ivan Šajban (from 25 November 2024)

Mgr. Tomáš Galbavý (from 25 November 2024)

Shareholders' Structure

The shareholders' structure in Západoslovenská energetika, a.s. as at 31 December 2024 was as follows:

Shareholders' Structure			
As at 31 December 2024	Absolute amount in € thousand	Equity share in the share capital in %	Voting rights
Slovak Republic represented by the Ministry of Economy of the Slovak Republic	144,058	51%	51%
E.ON Slovensko, a.s.	68,272	24.17%	24.17%
E.ON Beteiligungen GmbH	28,247	10%	10%
E.ON International Participations N.V	41,890	14.83%	14.83%

Corporate Governance Declaration

The methods and principles of corporate governance are comprised in the Articles of Association of the Company. The Articles of Association are available in the Collection of Documents of the relevant court – Municipal Court Bratislava III.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governance Methods and Bodies of the Company

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

General Meeting

1. The General Meeting is the supreme body of the Company. It shall take decisions on the issues relating to the activities of the Company which the Articles of Association, Commercial Code or a specific act place within its authority.
2. A shareholder may exercise its rights in the General Meeting in person or in representation under the written power of attorney.
3. The General Meeting shall be convened by the Board of Directors unless the Articles of Association or Commercial Code provide otherwise. The Board of Directors shall be obliged to convene an ordinary General Meeting within 12 months from the end of the financial year. The invitation to the Annual General Meeting or its annex must contain the main data from the annual accounts.
4. The Board of Directors shall be obliged to convene an extraordinary General Meeting especially due to reasons under Article XIII(3) of the Articles of Association. The Supervisory Board shall convene an extraordinary General Meeting due to reasons under Article XX(2) of the Articles of Association. The Board of Directors shall convene the General Meeting by an invitation to the General Meeting that must be delivered to all shareholders in the form of a registered mail directly to the address specified in the list of shareholders at least 30 days prior the General Meeting. The invitation to the General Meeting must contain all formalities laid down by applicable laws including information that documents which will be discussed at the General Meeting will be available to shareholders for viewing in the seat of the Company no later than 3 calendar days prior to the meeting of the General Meeting. The invitation to the General Meeting with documents which will be discussed at the meeting shall be sent by the Board of Directors no later than 30 days prior to the General Meeting also to every member of the Supervisory Board to the address specified by him/her.
5. The General Meeting is usually held in the Company's seat, however, it may be organised in a different place too. The General Meeting is attended by the members of the Board of Directors, the Supervisory Board and/or other persons.

6. If the Company has a single shareholder, this shareholder shall exercise the powers of the General Meeting by a written resolution which he/she must sign. In the cases provided for by law, this resolution shall take the form of a notarial deed.
7. The number of votes of a shareholder is determined by the nominal value of their shares. One vote for every whole EUR 1 (in words: one euro)
8. The General Meeting is present if shareholders whose shares correspond to at least two-thirds of the votes of all shareholders are present. The General Meeting shall take decisions with the two-thirds majority of votes of all the shareholders. Any decision made by the General Meeting on any alterations of the rights associated with a certain type of the shares shall require the approval of two-thirds votes of shareholders. For this reason, the shareholders, being the owners of such shares, simultaneously, at first, shall vote for changes in the rights and then it is the General Meeting of all the shareholders.
9. The General Meeting shall make decisions on the following corporate affairs:
 - a) Any amendment of the Articles of Association of the Company (including changing the business name of the Company) and adopting or amending the Articles of Association, Deed of Partnership, Deed of Incorporation, Association Agreement, Statutes or any similar document of any Subsidiary (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below);
 - b) Resolutions on increasing and decreasing the registered capital, on authorising the Board of Directors to increase the registered capital pursuant to the provisions of the Commercial Code and on issuing bonds of ZSE or its subsidiary (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below);
 - c) Resolutions on winding up the Company by splitting, merging or transformation to a different legal form of Company or cooperative;
 - d) Sale of the Company or its part pursuant to the provisions of Section 476 et seq. of the Commercial Code;
 - e) Approving the transfer of assets of the Company, the market value of which exceeds 20% of the Company's turnover in the previous accounting period, or the sale of which concerns more than 20% of the Company's employees;
 - f) Resolutions on public offers (for the purposes of this Clause f), a "public offer" shall mean (a) any expression of the will of the Company, by which it approaches an unspecified group of entities to inform them on the conditions of the sale/transfer or acquisition of Company shares, convertible

bonds or any other securities or financial instruments, which grant their holder rights connected or related to Company shares or rights specified in the conditions governing Company shares, or (b) placing, admitting or allowing the trading with Company shares, convertible bonds or any other securities or financial instruments, which grant their holder rights connected or related to Company shares or rights specified in the conditions governing Company shares on the public market;

- g) Resolutions on approving dividends and other amounts to be distributed among the Company shareholders;
- h) Resolutions on issuing options or any other securities or instruments, which result in rights to shares or other equity participation in the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below) or the right to subscribe them, and the resolution that the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below) shall grant any rights for acquiring shares or other equity participation in the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries, which are subject to a special regime under Sub-clauses z) through ee) of this Clause below);
- i) Resolutions on changing the legal form of the Company;
- j) Electing and recalling members of the Supervisory Board, except for the members of the Supervisory Board elected and recalled by employees;
- k) Electing and recalling members of the Board of Directors and appointing the Chairman and Vice-Chairman of the Board of Directors;
- l) Resolutions on liquidating the Company, appointing the liquidator and determining the liquidator's remuneration;
- m) Approving the ordinary and extraordinary individual financial statements, ordinary and extraordinary consolidated financial statements of the Company, deciding on the distribution of dividends or any other profit of the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries) or covering the losses, including determining the amount of royalties in the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries) and approving the annual report;
- n) Appointing and recalling the auditor of the Company upon proposal of the Board of Directors and following the statement of the audit committee;
- o) Substantial change of the character or scope of business of the Company;

- p) Approving or amending the office agreements of members of the Board of Directors and their remuneration upon proposal of the Board of Directors and approving or amending the office agreements of members of the Supervisory Board and their remuneration;
- q) Approving any agreements on any of the matters under Sub-clauses (a) through (p) above of this Clause;
- r) Approving the rules of procedures of the Company's Supervisory Board;
- s) Resolutions on changing the rights attributed to individual types of the Company or any of its Subsidiaries (excluding ZSD, ZSD subsidiaries, ZSE Energia, ZSE Energia subsidiaries, ZSE Elektrárne, VSD, VSE, and VSE subsidiaries);
- t) Resolutions on commencing or terminating the trading of Company shares on the stock market;
- u) Approving the transfer of shares pursuant to the provisions of Article VII;
- v) Appointing or recalling the Decision-making person;
- w) Approving drafts rejected by the Supervisory Board pursuant to the provisions of Article XXI., Clause 8 of these Articles of Association;
- x) Electing and recalling members of the Audit Committee of the Company, approving the office agreements of individual members of the Audit Committee and their remuneration and approving the rules of procedures of the Audit Committee of the Company;
- y) Deciding on any other matters that are reserved for the General Meeting by either applicable laws or the Articles of Association;
- z) Pre- approving any changes/amendments/supplements in the Novation Agreement concluded between the Company and ZSD on 7 August 2014, the unabridged version of which was approved by the General Meeting on 30 May 2014; and
- aa) Pre-approving matters related to ZSD, ZSE Energia, ZSE Elektrárne, VSEH, VSE and VSD and their subsidiaries specified in the Articles of Association of the Company;

Rights and Duties of Shareholders

1. A Company shareholder may be Slovak or foreign legal or natural person.

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

The Board of Directors

1. The Board of Directors is a statutory body of the Company. It shall act on behalf of the Company in relation to the third persons. The Board shall control the corporate activities and take decisions in all the matters associated with the Company unless applicable laws or the Articles of Association place them within the authority of other bodies of the Company.
2. The Board of the Company consists of five (5) members. The members of the Board of Directors are elected and removed by the General Meeting, with Chairman and Vice-Chairman of the Board of Directors being appointed. The term of office of the members of the Board of Directors shall be four (4) years; the term of office is renewable. Any member of the Board of Directors shall have the right to give up his/her position. A member of the Board of Directors of the Company mustn't be a member of the Board of Directors of the subsidiary ZSD and VSD. The performance of the office of the member of the Board of Directors may not be delegated.
3. If the number of members of the Board of Directors is not less than half, the Board of Directors shall have the right to appoint alternates until the time of the nearest General Meeting of the Company. The Board of Directors has a quorum if the absolute majority of its members are present at the meeting. The Board of Directors shall adopt resolutions by absolute majority of votes of the members present at the meeting. With the exception of decisions on certain matters for which a higher majority of votes is required under the articles of association or the relevant legislation in force at the time. Neither Chairman nor Vice-Chairman shall have the casting vote in case of a tie. Members of the Board of Directors may participate in a meeting of the Board of Directors by means of conference telephone calls, videoconferences or other technical means that permit (i) all other members of the Board of Directors participating in the meeting to hear and (ii) address all other members of the Board of Directors participating in the meeting, in which case they shall be deemed to be present at the meeting of the Board of Directors. Members of the Board of Directors may vote by such form of communication or by written statement if they are not physically present at the place where the greatest number of members are assembled, in which case such place shall be deemed to be the place of the meeting.

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

Structure and activities of the Board of Directors

In 2024, the Board of Directors of the Company had the following structure:

Chairman of the Board of Directors:	Markus Kaune
Vice-chairman of the Board of Directors:	Erik Döme (till 31 August 2023) MSc. Alfréd Paulovič (from 1 September 2024)
Members of the Board of Directors:	Ing. Ľuboš Majdán (till 31 August 2024) Mgr. Juraj Krajčár (from 6 December 2021) Ing. Tomáš Turek, PhD. (from 15 March 2023) Mgr. Peter Ikrényi (from 1 September 2024)

The activities of the Board of Directors were performed in line with the Articles of Association and Commercial Code; in 2024 the Board of Directors held meetings regularly and in line with Articles of Association, and in line with Articles of Association the Board of Directors adopted several resolutions, out of the meeting of the Board of Directors (“per rollam decisions”) in 2024.

Supervisory Board

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

2. The Supervisory Board of the Company has nine (9) members. Two thirds of members of the Supervisory Board shall be elected and removed by the General Meeting of the Company and one third by the Company's employees. The term of office of the members of the Supervisory Board shall be four (4) years. The term of office is renewable. The Chairman and Vice-chairman of the Supervisory Board of the Company shall be elected and removed by the members of the Supervisory Board; the persons concerned shall also vote. The office of the Chairman and Vice-chairman of the Supervisory Board shall commence on the day of their election and end upon their removal by the Supervisory Board. Neither Chairman nor Vice-Chairman shall have the casting vote in case of a tie. Performance of the office of the member of the Supervisory Board of the Company may not be delegated.
3. The meeting of the Supervisory Board of the Company shall be convened by a written invitation sent to every member of the Supervisory Board to the address (including e-mail address) specified by him/her or to the address of the seat of the Company no later than 15 days prior to every meeting. The invitation must include date, time, venue and the agenda of the meeting.
4. The Supervisory Board has a quorum if the absolute majority of its members are present at the meeting. The Supervisory Board shall adopt resolutions by absolute majority of votes of all members of the Supervisory Board. The members of the Supervisory Board may participate in the meetings of the Supervisory Board in any form of communication during which all participants hear one another. The members of the Supervisory Board may vote by this form of communication or by a written declaration if they are not present in person at a venue where the majority of members are gathered, whereas such venue shall be considered as a venue of the meeting.
5. The resolutions of the Supervisory Board may be adopted, in addition to meetings of the Supervisory Board, by members of the Supervisory Board out of the meeting of the Supervisory Board ("per rollam decision").
6. The Slovak Republic, a shareholder of the Company, shall be obliged to exercise all its rights in order to make sure that the Supervisory Board of the Company will not adopt any resolution if not a single member nominated by E.ON is present at the relevant meeting. If a member of the Supervisory Board of the Company nominated by E.ON Slovensko, a.s. is absent from two consecutive, regularly convened meetings of the Supervisory Board, the above stated shall not apply to the second of these meetings.

In 2024, the Supervisory Board of the Company held regular meetings in line with the Articles of Association. The Supervisory Board of the Company in accordance with Article XXII. Point 8 of the Articles of Association, adopted in 2024 a decision out of the meeting ("per rollam decision").

Audit Committee

1. Without prejudice to responsibilities of the members of the Board of Directors and the Supervisory Board of the Company, the Audit Committee is a body

of the Company in charge of activities: pursuant to Act No. 423/2015 Coll. on Statutory Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended, in particular but not limited to the following activities:

- a) monitors the drawing-up of the financial statements (separate and consolidated) and compliance with special regulations and makes recommendations and proposals to ensure the integrity of the process;
- b) monitors the efficiency of internal audits and risk management systems in the Company;
- c) monitors the progress and results of the audit of the individual financial statements and the audit of the consolidated financial statements;
- d) verifies and oversees the independence of the auditor, in particular services provided by the auditor under the special regulation;
- e) is responsible for the auditor selection process and recommends the appointment or removal of the auditor to perform the Company's audit;
- f) sets him/her deadlines for presenting a declaration on honour on his/her independence.
- g) informs the Supervisory Board of the outcome of the audit of the financial statements and explains how the audit contributed to the integrity of the financial statements and what role the audit committee had in that process; and
- h) performs all activities of the Audit Committee also for Subsidiaries that meet the conditions pursuant to Section 34(5)(a) of Act No. 423/2015 Coll. on Statutory Audit and on Amendments and Additions to Act No. 431/2002 Coll. on Accounting, as amended.

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

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

- a) The share capital of the Company of EUR 282,466,533.86 EUR is composed of 5,934,594 pieces of booked ordinary shares of the nominal value of EUR 33.19 per share and 85,497,359 ordinary registered book-entry shares with a nominal value of EUR 1 per share. Shares are not publicly traded. The whole amount of share capital of the Company was issued and paid in full. The Company has no subscribed share capital which would not be listed in the Companies Register. The transferability of the Company's shares is limited to pre-emptive rights of shareholders in cases that do not fall under the permitted transfers.
- b) The Company's bonds are freely transferrable.
- c) The following companies own qualified share in the share capital: (at least 10 % share):
 - Slovak Republic represented by the Ministry of Economy of the Slovak Republic - 51% share in the share capital of the Company;
 - E.ON Slovensko, a.s. – 24.17% share in the share capital of the Company;
 - E.ON Beteiligungen GmbH - 10% share in the share capital of the Company.
 - E.ON International Participations N.V. – 14.83% share in the share capital of the Company.

- d) There are no persons exercising special control rights among the owners of the bonds.
- e) The Articles of Association do not contain any provisions on restrictions of voting rights.
- f) The Company is not familiar with any agreements among the owners of the bonds of the Company that might lead to any restrictions regarding the transferability of the bonds or restriction of voting rights.
- g) The rules governing the appointment and removal of the members of the Board of Directors as a statutory body of the Company and changes to the Articles of Association:

Members of the Board of Directors as a statutory body of the Company shall be elected and removed by the General Meeting of the Company. The General Meeting may anytime remove any member of the Board of Directors of the Company. The General Meeting shall also appoint the Chairman or Vice-Chairman of the Board of Directors of the Company. The term of office of the members of the Board of Directors of the Company shall be four (4) years.

The General Meeting shall make decisions concerning the amendment of the Articles of Association by two thirds majority of votes of all shareholders. The full wording of the proposed amendments of the Articles of Association shall be available to shareholders for viewing at the Company's seat within a period of time required for the convocation of the General Meeting, as stated in the Articles of Association. A Notarial Deed must be established about the resolution of the General Meeting to amend the Articles of Association. If the General Meeting adopts a resolution the consequence of which will be the amendment of the Articles of Association such resolution shall be considered the amendment of the Articles of Association provided that it was adopted in a manner which is by law or the Articles of Association required for the adoption of the resolution about the amendment of the Articles of Association. Following such amendment the Board of Directors shall be obliged to make without undue delay the full wording of the Articles of Association for the completeness and correctness shall be fully responsible.

- h) Powers of the statutory body – the Board of Directors – are presented in the Commercial Code and the Articles of Association.

The Company's Board of Directors shall exercise the right to act on behalf of the Company, represent the Company in relation to the third persons. The Board shall govern the activities performed by the Company and take decisions in all the relevant matters unless applicable laws or Articles of Association place them within the authority of other bodies of the Company.

The Company's Board of Directors is mainly in charge of the following:

- (i) Performing the business management of the Company and ensuring all its operational and organisational matters;
- (ii) Exercising the employment rights and duties;

- (iii) Convening the General Meeting;
- (iv) Outlining the Strategy Plan of the Company and submitting the plan for approval to the Supervisory Board of the Company;
- (v) Implementing the resolutions of the General Meeting;
- (vi) Ensuring the prescribed accounting and other records, accounting books and other documents relevant for the Company;
- (vii) Submitting for approval of the General Meeting:
 - Proposals for amendments of the Articles of Association;
 - Proposals for increasing and decreasing the share capital and issue of bonds;
 - Ordinary, extraordinary and consolidated financial statements, proposal for profit distribution, including the setting of the size and manner of the paying out of the bonuses, in case of the loss recognised, proposal for its settlement;
 - Proposal for dissolving the Company or alteration of its legal form;
 - Proposal of the remuneration for performing the function of a board member;
 - proposals related to the decisions concerning the matters of ZSD, ZSE Energia, VSD, VSE, VSEH a ZSE Elektrárne, where the relevant decision taken by the General Meeting of ZSD, ZSE Energia, VSD, VSE, VSEH a ZSE Elektrárne shall require the prior approval of the General Meeting of the Company to be made in accordance with relevant provisions of the applicable Articles of Association of the Company.

The Company's Board shall have no right to make decision on the issue of shares or share re-acquisition.

- i) The Company has no agreements concluded that are binding to amend its conditions in relation to a potential offer for takeover.
- j) There are no agreements on reimbursement concluded between the Company and the body members, once their service term comes to an end.
Reimbursement to Company's employees whose employment contract is terminated is subject to the Labour Code, collective agreement and in-house employment directives.

Compliance Programme

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

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

Code of Conduct

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

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

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

In 2024, ZSE Group companies continued to offer new e-learning courses to employees within the Group. As of 2020, all employees must go through the Code of Conduct e-learning module at regular yearly intervals. In 2024, the training focused on corporate social responsibility and compliance (including whistleblowing and internal reporting systems).

This educational activity of the ZSE Group was one way of our continued support of the so-called speak-up culture aiming to encourage the employees to openly deal with and escalate their concerns related to compliance with the rules. The training module concluded by testing employees' acquired knowledge through hypothetical practical situations that employees may be confronted with.

Integrity and whistleblowing training was made available to leaders in the ZSE Group.

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

Compliance and notifications

Transparent and sustainable business relationships, a good working atmosphere and responsible business conduct are of paramount importance to the ZSE Group, its managers, employees and shareholders. The ZSE Group has established reporting channel through which whistleblowers (employees as well as other persons within the meaning of whistleblowing legislation) may report for anti-social activities, the breach of internal or applicable laws. ZSE Group has implemented in 2023 a new whistleblowing channel in 2023, namely a web form available on the ZSE Group's website for both ZSE Group employees and other parties.

Whistleblowers are instructed in detail on the methods of notification, on their position in the investigation process, and if they are interested, they can also make the notification anonymous using notification channels. For the sake of completeness, as per the internal rules of the ZSE Group.

Number of compliance-related claims in the ZSE Group in 2024

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

• Claims regarding business integrity, potential illegal activity, violation of legal regulations, corruption, antitrust rules, compliance with KYC rules and integrity of business partners, insider trading	2
• Frauds against ZSE Group companies, such as theft, embezzlement, other fraudulent behaviour	4
• HR-related concerns claims, such conflict of interests, mobbing, bossing, sexual harassment, discrimination, etc.	7
• Any other topics related to the Code of Conduct	0
TOTAL	13*

** Compliance notifications are understood as notifications directed to the responsible persons of the Compliance Team via 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 have been received through internal reporting channels.*

Zero Tolerance for Corruption

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

Giving and accepting gifts

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

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

Contributions to political parties, charity and sponsorship gifts

Programmes for gifts and sponsorship are transparent. As a sponsor, the ZSE Group supports specific projects and initiatives in the areas such as education, environment protection, innovation and community development, if they meet the following criteria:

- objectives are linked to the objectives and mission of the Company,
- the funds have clearly defined purposes, and their use is properly and transparently documented and verifiable anytime.

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

Fight against money laundering and terrorist financing

In the fight on money laundering and terrorist financing, the ZSE Group proceeds in line with Slovak and European laws. The ZSE Group never excuses, facilitates or supports money laundering and terrorist financing which means that:

- respects laws concerning money laundering and terrorist financing,
- never engages in risk activities which could be focused on financing or support of criminal terrorist activities,
- adopts measures and mechanisms of assessment of potential and current business partners.

Competition and anti-competitive practices

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

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

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

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

Know your counterpart control (KYC)

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

Internal control mechanism:

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

1. **Internal Control Mechanisms** have been implemented at the level of individual processes with the aim of identifying and preventing risks of fraud, corruption and unfair practices. The aim of the system of internal controls is prevention and timely identification of errors and incorrections which may occur as a result of intentional fraud and unintentional action or omission.
2. **Internal audit** is a set of independent, objective, assurance and consulting activities aimed at improving management and control processes, taking into account the internationally accepted auditing standards “International Standards for Professional Practice in Internal Auditing”. The ZSE Group has established Internal Audit unit which permanently controls the system of implemented control mechanisms, identifies shortcomings and proposes action plans to improve internal control system and make them more efficient. The Chief Audit Officer is responsible for developing and implementing the Internal Audit Plan, which is based on a risk assessment, taking into account the Company's risk management framework as well as the level of risk management response to the various activities.
3. Part of the organisational structure of the ZSE Group is also the **Compliance team**, whose role includes not only the responsibility for drafting and updating documentation related to the Business Compliance Programme, elaboration and updating of the Code of Ethics of the ZSE Group and carrying out activities related to the investigation of violation of the Code of Ethics.

Expectations 2025

2025 will be characterised by the transition processes launched in 2021, therefore we expect that it will be an extraordinary year in many areas. In the period of supply, we have to cope with higher credit risk of business counterparties caused by the market situation and extremely material weather risk - especially for suppliers to regulated segments.

Risks and Uncertainties

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

ZSE Energia, a.s. and VSE, a.s.

The core business activity of ZSE Energia, a.s. and VSE, a.s., is electricity and gas supply to end consumers. In relation to energy supply business, companies are exposed to several risks – especially credit and price commodity risk. Credit risk is related to the liquidity risk of the Companies' business partners, in particular the electricity and gas consumers. The Companies have an internal credit risk assessment process, which involves assigning an individual credit rating to its customers based on a combination of independent financial information and their payment discipline. ZSE Energia, a.s. actively uses insurance of receivables, as an additional risk management tool.

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

Západoslovenská distribučná, a.s., and Východoslovenská distribučná, a.s.:

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

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

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

ZSE Elektrárne, s.r.o.

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

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

On the basis of the Memorandum of Understanding between the companies E.ON and the Slovak Republic represented by the Ministry of Economy of the Slovak Republic, in 2023 the Slovak Republic confirmed its right to the option to acquire a 100% business share in the company ZSE Elektrárne, s.r.o..

Significant events that occurred after the end of 2024 and require disclosure in the annual report

The armed conflict between Russian Federation and Ukraine and related events has increased the perceived risks of doing business in the energy sector. The economic sanctions imposed on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others has resulted in increased economic uncertainty on the markets and increased the volatility of energy prices. The long-term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to assess at this moment.

As at the date these financial statements were authorised for issue, the war continues. The final resolution and the effects of the conflict are difficult to predict but may have negative effects on the Slovak economy. Potential escalation of the conflict and sanctions could negatively affect the Group's results and financial position but currently it is not possible to determine if this risk will materialise and to what extent.

After 31 December 2024, no other significant events have occurred that would require recognition or disclosure in this annual report.

02 Economy

Selected Data from the Separate Financial Statements

In 2024, the parent company Západoslovenská energetika, a.s. generated a profit of EUR 317,458 thousand and incurred costs totaling EUR 689,455 thousand.

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

Key Figures as at 31 December		
€ thousand	2024	2023
Non-current assets	1,881,355	2,593,275
Current assets	630,672	284,709
of which: assets held for sale and discontinued operations	8,486	8,486
Total assets	2,512,027	2,877,984
Equity	1,371,857	1,161,088
Non-current liabilities	645,493	641,589
Current liabilities	494,677	1,075,307
of which liabilities directly related to assets held for sale and discontinued operations	71,356	22,418
Total equity and liabilities	2,512,027	2,877,984

Key Figures as at 31 December		
€ thousand	2024	2023
Revenues from sale	26,976	19,656
Compensation	40	432
EBIT (profit from operations)	315,557	110,829
EBITDA	319,067	113,998
Total income	1,006,913	167,298
Total expenses	688,177	54,361
Profit before tax	318,736	112,937
Profit for the year	317,458	110,892

Total other comprehensive income for the year	(1,128)	152
Total comprehensive income for the year	316,330	111,044
Capital expenditures	12,317	6,807
Average number of employees	225	182

Distribution of the 2024 Profit

The General Meeting of Západoslovenská energetika, a.s. held on 6th June 2024 approved the proposal for the distribution of the 2023 profit of EUR 110,892 thousand. In October 2024 the Company's shareholders were paid dividends from the 2023 profit in the total amount of EUR 105,561 thousand. Also, the amount of EUR 331 thousand from the 2023 profit was designated as a contribution to the social fund from profit and EUR 5 000 thousand was designated as a contribution to Retained earnings. In 2024, the dividend per share with a nominal value of EUR 33.19 amounted to EUR 12.40 and EUR 0.37 per share with a nominal value of EUR 1 (2023: dividends of EUR 72,727 thousand or EUR 12,25 per share).

Decision on the 2023 Profit Distribution

Proposal for Distribution of ZSE's 2024 Profit	
Submitted to the Board of Directors of ZSE on 27March 2025	EUR thousand
Result for the year	317,458
Contribution to the social fund	2
Contribution to Retained earnings	0
Dividends	317,456
Total distribution of profit	317,458

Selected Data from the Consolidated Financial Statements

In 2024, the ZSE Group generated a profit of EUR 182,034 thousand and incurred costs totaling EUR 2,562,750 thousand.

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

Key figures about the ZSE Group as at 31 December		
€ thousand	2024	2023
Non-current assets	2,543,829	2,426,345
Current assets	632,138	775,080
of which: assets held for sale and discontinued operations	75,048	83,805
Total assets	3,175,967	3,201,425
Equity	1,348,679	1,285,619
Non-current liabilities	1,133,588	1,105,845
Current liabilities	693,700	809,961
of which liabilities directly related to assets held for sale and discontinued operations	72,097	44,504
Total equity and liabilities	3,175,967	3,201,425
Continuing operations:		
Revenues from sales	2,246,318	1,857,696
EBIT (profit from operations)	246,746	345,300
EBITDA	397,862	423,664
Total income	2,540,489	2,372,964
Total expenses	2,312,956	2,042,307
Profit before tax	227,533	330,657
Profit for the year from continuing operations	149,614	248,469
Profit per year from discontinued operations	32,420	4,629
Profit for the year	182,034	253,098
Other comprehensive income for the year	(11,597)	1,764
Total comprehensive income for the year	170,437	254,862
Average number of employees	3,840	2,316

Structure of Electricity Sources and Use of electricity

Structure of Electricity Distribution				
In GWh	As at 31 December 2024	Share (%)	As at 31 December 2023	Share (%)
Wholesale	7,434	55	5,679	58
Retail – businesses	1,900	14	1,312	13
Retail – households	4,178	31	2,843	29

Structure of Electricity Supplies				
In GWh	As at 31 December 2024	Share (%)	As at 31 December 2023	Share (%)
Volume of electricity supplied including losses (GWh)	9,166	100	6,716	100
Of which: supplies to households (GWh)	3,664	40	2,425	36
Of which: supplies excluding households (GWh)	5,502	60	4,291	64

Useful electricity supply (GWh)	
Year	Total
2024	9,166
2023	6,716

Distributed electricity (GWh)			
Year	Total	Of which: wholesale	Of which: retail
2024	13,512	7,434	6,078
2023	9,834	5,679	4,155

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

Indicators of companies		
As at 31 December	2024	2023
Volume of electricity distributed (GWh)	13,512	9,834
Income from electricity distribution (EUR thousand)*	812,378	640,025
Number of supply points	1,911,480	1,893,822

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

Indicators of companies		
As at 31 December	2024	2023
Volume of electricity sold (GWh)	9,166	6,716
Income from the sale of electricity (EUR thousand)*	1,673,409	1,765,299
Volume of electricity purchased (GWh)	9,166	6,716
Number of supply points	1,646,518	1,591,101

Information on sales in monetary terms for the ZSE Group:

Indicators of the ZSE Group		
As at 31 December	2024	2023
Volume of electricity sold (GWh)	9,166	6,716
Volume of electricity distributed (GWh)	13,512	9,834

Income from the sale and distribution of electricity (EUR thousand)	1,985,501	1,989,527
Volume of electricity purchased (GWh)	7,980	5,779
Volume of electricity generated (GWh)	1,189	937

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

Indicators of companies		
As at 31 December	2024	2023
Income from the sale of gas (EUR thousand)*	477,576	406,036
Volume of gas supplied (GWh)	5,147	2,717
Number of supply points	253,237	241,522

* Revenues include intra-company revenues in the ZSE Group.

03 Corporate Social Responsibility

The ZSE Group is among the corporate social responsibility leaders in Slovakia and its principles are in the middle of our daily business decisions and strategy. The main areas of the support within the ZSE Group are environmental protection, education support and community-oriented public service activities.

Education

We see education support as a key investment in the future of our company, energy industry and Slovakia. We have been systematically supporting education at several levels, working with schools at all levels, supporting the modernisation of teaching process. Dual education is key for ensuring the vocational training of the younger generation, which and the ZSE Group's Companies have been using it for long time.

Distribution companies have been systematically cooperating with vocational schools and supporting the modernisation of pupils' learning, for example by installing training polygons and other training components in school premises.

The schools are in contact with both foundations which have been operating within the ZSE Group. For example, the VSE Foundation offered EUR 26,210.30 for improvement of the educational process of nine 13 schools.

The ZSE Foundation annually announced its own grant scheme Exceptional Schools. Supporting active teachers with innovative approach and courage to grow both in terms of profession and personality, positive communication and teacher empowerment are aims of the scheme. In 2024, the sixth edition of the scheme was announced, in which 77 projects were supported with a total amount of EUR 150,000.

In 2024, the ZSE Foundation has established a new partnership with 4 organisations that have an actual overview of what is happening in education. The ZSE Foundation has allocated € 75 000 for the implementation of partnership activities.

An exceptional project is the Elektrárňa Piešťany, a former municipal power plant and reconstructed industrial monument from the beginning of the 20th century. Since autumn 2016, this power plant building has provided its premises to the project "Elektrárňa Piešťany - Centre of Creative Energy and Art" aimed at offering services of the unique centre for experience education in the area of science, technology and art. Education for schools consists of interactive exhibitions and workshops focusing on promoting learning and acquiring new knowledge in the fields of physics, ecology, sustainable development and natural sciences. In 2024, a number of investment projects and repairs have been carried out at the Elektrárňa Piešťany, which allow to increase the quality and comfort of the events and activities carried out.

Environmental protection

Environmental responsibility has long been a priority of the ZSE Group. This is proven by many projects and measures that we implement with the aim of ensuring sustainable business and helping nature.

We also seek to mitigate the negative impact of the energy sector on climate change partially through the activities of foundations too. The grant scheme Switching to Green, announced by the ZSE Foundation, supports projects that focus on environmental education, the use of renewable resources, protection of landscape features and ecotypes, circular economy and reduction of the carbon footprint. In the third edition of the scheme, the ZSE Foundation supported 49 projects by the total amount of EUR 70,000.

The ZSE Foundation, motivated by the urgent climate crisis, opened another scheme through which the ZSE Foundation meets its commitment in the area of environment in region where it is active. The Sunny Roofs scheme is designed for schools and educational facilities, social service facilities, sheltered workshops and registered social enterprises, which can apply for free installation of photovoltaic solutions. In 2024, ZSE Energia offered the ZSE Foundation the sum of EUR 100,000 to implement the scheme.

In 2024, the VSE Foundation announced the scheme called Healthy and Clean Region. Fifteen unique projects benefitted from the total amount of EUR 39,922.05. Through the funds collected from customers, the Company supported projects with a total value of more than EUR 48,000. In cooperation with civic association SOSNA, 10 climate gardens were created in regional primary schools.

The cooperation with the Story of the Bee civil association continued in the construction of a lavender and blueberry grove suitable for honey bees colonies near the village of Rudník. We helped to buy out 17 hectares of the Halov swamp. This can be preserved in the future for the birds and other rare animals that live there. And we have supported the discovery of young scientists who have managed to identify unique bacteria that break down PCBs with high efficiency into less toxic intermediates.

In cooperation with the E.ON Foundation, which donated EUR 100,000 to mitigate climate change, the VSE Foundation has announced new grant programme. 12 projects were supported, covering a wide range of initiatives across the energy, building, mobile, food and industrial sectors.

Community development

The goal of our corporate social responsibility activities is common - a fair and responsible approach to all communities with which our Company comes into contact.

Community benefit topics and projects have long been the focus of the ZSE Group's employees. Employees again helped mow the precious Kopanecké meadows, twice a year they participated in a joint blood donation and twice they recorded fairy tale audio books for blind children in the Matej Hrebenda

library in Levoča. Employees took part in the #Giving Tuesday collection and contributed to a nicer Christmas holiday for seniors in charity homes in Michalovce and Trebišov.

Through its Employee Grant Scheme, ZSE has been supporting the implementation of volunteer activities for those employees who, in addition to their day-to-day work and duties, are interested in getting involved in their community. In 2024, the seventh edition of the scheme was announced, supporting 131 projects by the total amount of EUR 100,000.

The VSE Foundation supported employee engagement in improving the communities in which they live and work through the Companius employee grant scheme - Helping Together III. In 2024, it contributed EUR 34,000 to community development.

The Making Regions Move grant scheme is key in supporting the projects of active and inspiring people who are making a difference in their immediate surroundings. The ZSE Foundation support particularly the original projects for communities, but also those which highlight the exceptionality of a specific region or its traditional customs or sights. In 2024, 105 projects were supported by the total amount of EUR 120,000.

Mutual aid connects us

The companies actively helped and responded to current issues in 2024 too.

After the rocket attack on the children's hospital in Kiev, the VSE Foundation donated EUR 8,142.23 to buy a 9-seater car to help transport severely disabled children to Svaliava for necessary rehabilitation.

The ZSE Foundation made a donation of EUR 10,000 to People in Peril association. The aim of the aid was to provide humanitarian and material assistance in the repair of the damage caused by the floods in autumn 2024.

The ZSE Foundation in cooperation with the Disabled Aid Association (APPA) has been long financially supporting the implementation of charity events for the benefit of disadvantaged people in the region of Western Slovakia. In 2024, another edition of the scheme Energy for You was announced. Support from the scheme is intended for technical organisation of charity events, the proceeds of which are intended for the benefit of selected APPA club members. The connection of the scheme with APPka by APPA, a unique charitable mobile application, continued in 2024. In total, the scheme supported 10 charity events.

In 2024, the Košice City held a favourite sport and charity event VSE CITY RUN. Východoslovenská energetika a.s. earmarked for the event the sum of EUR 30,000, and, in addition, together with the participants of the run, it raised the sum of EUR 12,206 which was dedicated to the Early Intervention Centre. In 2024, the VSE Foundation supported other activities of Smile as a Gift, thus continuing the development of a long-standing partnership and helping those who are really in need.

04 Consolidated reporting of sustainability information

General disclosures (ESRS 2)

1. Basis for preparation

General basis for preparation of sustainability statement (BP-1)

The Consolidated reporting of sustainability information (hereinafter referred to as “the sustainability statement”) has been prepared on a consolidated basis, and the scope of consolidation is the same as in the financial statements. Under Section 20g (2) of the Act No. 431/2002 Z.z. on Accounting, as amended, the obligation to report sustainability information on a consolidated basis for the year 2024 lies with the holding company ZSE a. s., which is required to prepare consolidated financial statements, and the sustainability statement pertains to the ZSE Group. The reporting period for the sustainability statement of ZSE corresponds to the reporting period of the consolidated financial statements of the ZSE Group. The list of entities that are part of the consolidation is provided in the section of the annual report titled "Profile and Composition of the ZSE Group". The materiality assessment within the due diligence process was conducted across the entire value chain, and the sustainability statement includes significant information related to the company's own activities as well as the upstream and downstream parts of the ZSE Group's value chain. The exemption under Section 5, letters d) and e) was not applied in the Sustainability statement.

Disclosures in relation to specific circumstances (BP-2)

For the preparation of the Sustainability statement, ZSE applies a short-term time horizon (reporting period), a medium-term time horizon (up to 5 years), and a long-term time horizon (over 5 years) when setting targets. In specific cases within strategic planning (MTP), a 3-year horizon (2025-2027) is used as the medium-term plan. When setting goals, the ZSE Group aligns with the time horizons of E.ON holding company, and the goals are set for 2030 and 2035.

The general basis for preparing the Sustainability statement is the management and performance of the ZSE Group in relation to material sustainability topics, including metrics that primarily include data from the company's own activities, as well as the upstream and downstream parts of the value chain. In sections beyond the 2025 annual plan horizon, estimates were used based on indirect sources or other proxy values. For such metrics, the relevant disclosures always include information and an explanation of how the specific measurement was developed. These metrics relate to emissions, energy consumption, and the setting of baseline targets. Metrics related to climate change, pollution, resource use, waste, and certain biodiversity data are collected using the SAP system, Power BI, as well as various internal applications and systems, including environmental reports and annual reporting to the state administration bodies. Metrics related to the health and safety of the company's employees are collected through various internal systems, including the incident reporting system. Diversity and other metrics related to the company's workforce are obtained from the SAP system and other internal databases. Data on consumers and end-users are based on customer satisfaction studies and other analytical tools. Data on contractor workers are collected in the SAP system, through the supplier portal, and via other internal systems for managing supplier relationships. All qualitative and quantitative data used in the statement were collected and managed using Excel spreadsheets and the ZSE Group's ESG document library (SharePoint).

The Sustainability statement also contains appropriate assumptions and estimates, including scenario or sensitivity analysis, the use of which was described and explained. The data and assumptions used in the preparation of the Sustainability statement are consistent with the taxonomy and financial data in the financial statements. For disclosures and explanations of potential future events, such as expected financial impacts or the materiality and likelihood of impacts arising from potential events, as required in some ESRS standards, ZSE applies the phased-in provision in accordance with Appendix C to ESRS 1, allowing for the omission of this information during the first year of preparing the statement, and only disclose qualitative descriptions. This applies to ESRS 2 SBM-3 paragraph 48 letter e), E1-9, E2-6, E4-6, E5-6, S1-7. When disclosing forward-looking information, ZSE states that these have been determined based on expected developments and, therefore, may be uncertain. In preparing disclosures related to the upstream and downstream parts of the value chain, ZSE made maximum efforts to obtain the necessary information that could be acquired within the framework of the internal systems and records setup. In the future, ZSE will implement the collection of the necessary data in its internal systems. For this reason, ZSE applies the transitional provision 10.2 in relation to the disclosures concerning Chapter 5, the Value Chain, as per ESRS 1. The disclosed information regarding the sustainability aspect of cybersecurity, which was identified as a material specific topic in the materiality process, is reported according to generally accepted standards issued by the Global Reporting Initiative (GRI) and is clearly identified with a reference to the relevant GRI standard. At the same time, it meets the requirements for the qualitative characteristics of information set out in Appendix B. The ZSE Group companies are certified according to several ISO standards (9001, 14001, 37001, 45001, 50001, 19011), which ensure a systemic approach to process management and improvement. Some information from the management systems was also used in reporting sustainability information.

2. Governance

The role of the administrative, management and supervisory bodies (GOV-1)

The roles and responsibilities of the management and supervisory bodies of ZSE in the area of sustainability are embedded within its governance structures and processes. Sustainability in the ZSE Group encompasses three main frameworks: climate and environmental protection, care for people, and good corporate governance (ESG). The main role of sustainability governance is to integrate ESG aspects into the company's strategy and activities by identifying sustainability aspects, strategic ESG goals, managing impacts, risks, and opportunities, as well as metrics and targets. Sustainability management is the responsibility of the ZSE Board of Directors, the Sustainability Committee, the Corporate Development & Public Affairs Division, and the Human Rights Officer in the area of human rights. The supreme supervisory body is the ZSE Supervisory Board, which supervises the performance of the Board of Directors and business of the Company. As part of sustainability management within the ZSE Group, all relevant bodies (corporate and non-corporate), functions, and organizational units have access to expertise and skills related to sustainability aspects.

The ZSE Board of Directors acts in managing sustainability within the competencies defined for the Board by legal regulations and the Articles of Association of ZSE. The Board of Directors is responsible for managing the Company's operations, including key sustainability-related topics, and makes decisions on all matters, including sustainability, unless they are defined by law or the Articles of Association as being in the competence of the General Meeting or the Supervisory Board. The Board of Directors has overall responsibility for managing the sustainability agenda, adopting strategies, policies, and key decisions

in the area of sustainability, ensuring their integration into the overall business strategy, and responsibility for establishing and monitoring management, inspection, and reporting mechanisms. It regularly monitors the achievement of ESG goals and the long-term sustainability of the Company. The composition and identity of the Board of Directors and the Supervisory Board are disclosed by ZSE in the section of the annual report titled "Company Bodies: Composition of Statutory and Supervisory Bodies". Other bodies of ZSE include the Audit Committee and the Sustainability Committee. The Audit Committee monitors the process of reporting sustainability information. The Sustainability Committee is a non-corporate coordinating and implementing body in the area of sustainability management within the ZSE Group. Its activities are described in the chapter on Sustainability Management Organisation in the subsection "Role of the administrative, management and supervisory bodies (GOV-1)"

ZSE does not apply a specific diversity policy in relation to the members of its corporate bodies because the Company is not subject to the requirement under Section 20(10) of the Accounting Act. Diversity in the Board of Directors and the Supervisory Board is indirectly ensured through the diversity in the shareholder composition – the state shareholder and the private shareholder, who propose candidates for the positions of Board members and some members of the Supervisory Board. When proposing candidates for the positions of Board members and Supervisory Board members, particular attention is given to the education, expertise, experience, qualifications, and special abilities of each candidate.

The ZSE Board of Directors consists of 5 members, of which three members are nominated by the Company's shareholder – the E.ON Group, and two members are nominated by the Company's shareholder – the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic (MoE SR). The ZSE Supervisory Board consists of 9 members, five of whom are nominated by the Slovak Republic, one by the E.ON Group, and one-third of the members (three) are elected by the company's employees. ZSE does not apply the division between executive and non-executive members of the corporate bodies in the context of Act No. 300/2024 Z.z. on Certain Measures Related to the Management of Listed Companies, as amended.

The members of the Board of Directors and the Supervisory Board have relevant experience and knowledge that are aligned with the strategy and needs of ZSE. The Board of Directors of the Company has made an organizational decision, based on which it assigned three specific Board members to perform, oversee, and monitor the tasks, duties, and activities of the Company's organisational units, according to the division of competencies over these units and areas. These members of the Board of Directors are, based on the aforementioned, involved in the day-to-day management of the Company. ZSE therefore presents the competence matrix of these Board members with managing competences, which was created based on the division of competences according to the Organisational Manual of ZSE.

Purview of ZSE Board members with managing competences	Markus Kaune, Chairman	Tomáš Turek, member	Juraj Krajčár, member
Sales and customer solutions			x
Electricity distribution		x	
Generation (PPC Malženice)		x	
Generation (small hydropower plants)			x

Communication and public relations	x		
Energy solutions and e-mobility			x
Company strategy and development	x		
Marketing			x
IT services and digitalisation		x	
New business models, innovations			x
Facility management		x	
Finances and risk management	x		
Legal affairs and compliance	x		
Data protection	x		
Internal audit	x		
Human resources	x		
Sustainability	x		
Logistics		x	
Health and safety	x		
Environment		x	
Security and cybersecurity		x	

The members of the Supervisory Board possess competences and experience in accordance with the requirements of the applicable legislation and the Shareholder Agreement of ZSE (relevant for members elected by the General Meeting of the Company). In the case of employee representatives, ZSE discloses information about their expertise in accordance with their internal roles and responsibilities within ZSE and its Group.

9 members of the ZSE Supervisory Board	Shareholder representative	Employee representative	Expertise
Ivan Šajban	x		
Attila Kiss	x		
Marian Greksa	x		
Tomáš Galbavý	x		
Tomáš Rusiňák	x		
Roman Gejdoš	x		
Silvia Šmátralová		x	Labor law and collective bargaining
Martin Mislovič		x	Customer rights

Juraj Nyulassy		x	Financial planning and analyses

Diversity aspects in the Board of Directors:



Diversity aspects in the Supervisory Board:



Beyond the provisions of the Commercial Code, ZSE upholds values such as integrity, honesty, and loyalty. The company strives to promote these attributes both externally and internally within the ZSE Group, considering adherence to them to be essential for conducting its business activities. In light of the above, ZSE has established principles to prevent conflicts of interest between the members of its corporate bodies and ZSE while performing activities for the Company. Members of the corporate bodies are obligated to prevent any conflicts of interest, thereby protecting the objectivity and integrity of ZSE's business activities. In the ZSE Group, we have established a procedure for identifying, reporting, and resolving conflicts of interest, as well as the rights and responsibilities of individuals affected by even a potential conflict of interest with ZSE.

According to the corporate documents of ZSE, members of the Board of Directors and the Supervisory Board may not:

- enter into transactions related to the business activities of ZSE in their own name or for their own account,
- act as intermediaries for other parties in transactions involving ZSE,
- participate in the business of another company as a partner with unlimited liability,
- perform activities as a statutory body or a member of the statutory body of a legal entity with a similar business focus, unless it is a commercial company in whose business activities ZSE participates.

Sustainability Management Organisation

The responsibilities of the Board of Directors, the Supervisory Board, and the Sustainability Committee, as well as the sustainability management organisation, are governed by the Order of the Board of Directors, which established the Sustainability Committee and sustainability management within the ZSE Group. The responsibilities of the bodies and the tasks of the management are as follows:

- The Board of Directors and the Supervisory Board manage sustainability within the competencies defined by the Shareholders' Agreement and are responsible for steering and overseeing key sustainability issues.
- The person responsible for sustainability is the Chairman of the Board of Directors of ZSE, who is also the Chairman of the Sustainability Committee. He is responsible for the operational management of the sustainability agenda and its implementation within ZSE, in accordance with the Board of Directors, as well as other aspects delegated by the Board. He informs the Board of Directors and the Supervisory Board about key initiatives, events, and indicators in the field of sustainability. He submits materials in the field of sustainability for approval by the Board of Directors, or other corporate bodies of ZSE, in accordance with the law and the ZSE Articles of Association.
- The Sustainability Committee is a non-corporate body of the company established by a decision of the Board of Directors as an official platform, whose tasks focus on oversight, implementation, operational management, and the integration of sustainability into the activities of ZSE and the companies within the ZSE Group. It coordinates sustainability requirements, proposes and oversees the implementation of the sustainability strategy and strategic goals within the aspects of sustainability.
- The Corporate Development & Public Affairs Division and the Sustainability & Development Department are responsible for the conceptual management of the sustainability agenda and ensuring operational activities in the management of sustainability. For the area of sustainability, they are the contact organisational units for the executive management of ZSE.
- The Human Rights Officer is the Director of the Legal, Compliance & Data Protection Division, and they are also a member of the Sustainability Committee. Their appointment demonstrates ZSE's commitment to the protection of human rights, not only in relation to the workforce, but also in relation to suppliers/contractors and external partners.
- The Audit Committee fulfils tasks in the process of reporting sustainability information.

The Sustainability Committee is composed of permanent members and members nominated according to the agenda and the relevance of the discussed topic. Permanent members of the Sustainability Committee in 2024:

- Sustainability Officer and Chairman of the Committee - Markus Kaune (Chairman of the Board of Directors and CEO of ZSE)

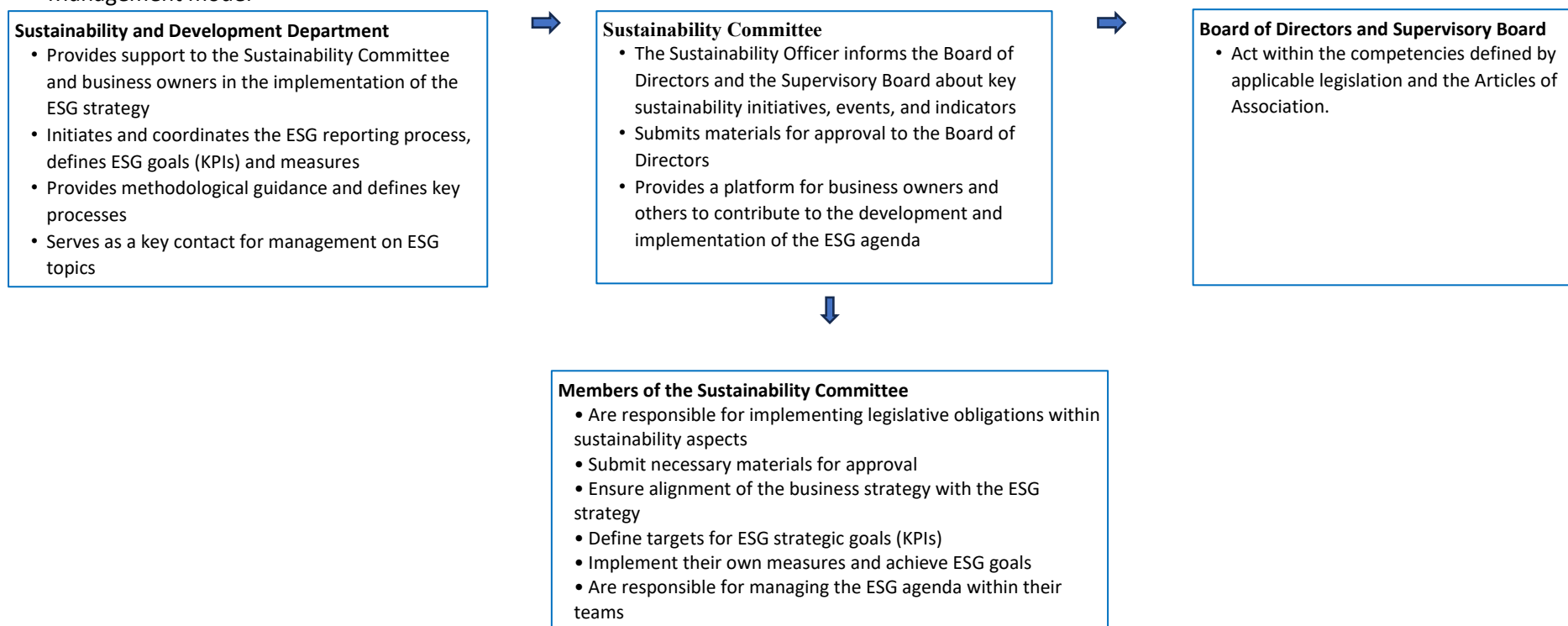
- Director of Corporate Development & Public Affairs Division – Livia Vašáková
- Sustainability Manager and Head of Sustainability & Development – Stanislav Kovalík

The Human Rights Officer is a non-permanent member of the Sustainability Committee.

Organisational units of ZSE as per the organisational structure (such as Internal Audit, Compliance, Risk Management, etc.) participate, within the scope of their responsibilities and tasks, in the oversight and control of selected activities related to sustainability aspects.

The collaboration between the functions (departments) of development and sustainability, risk management, and internal audit, which are represented in the Sustainability Committee, ensures that ESG risks are continuously monitored, controlled, and reported. ESG risk management is carried out in accordance with the internal procedures for risk management within the ZSE Group. The integrated approach to risk management (ERM - Enterprise Risk Management) includes business risks, including ESG risks. The effectiveness and efficiency of the established internal checks are regularly monitored and evaluated. In the case of identified deficiencies, measures and action plans are implemented to continuously improve the internal inspection environment.

Management model



**KPI Owners and those responsible for KPIs in teams**

- Are responsible for reporting KPIs as part of the ESG disclosure reporting process.

Key performance indicators (KPIs) related to significant impacts, risks, and opportunities are defined by the executive management (responsible functions). They are part of the ESG strategy, which is prepared by the Sustainability & Development Department, presented to the Sustainability Committee for feedback, and then submitted to the Board of Directors of ZSE for approval. The Sustainability and Development Department submits information on progress in achieving goals and actions taken to the Sustainability Officer, who, along with recommendations from the Sustainability Committee, informs the Board of Directors and, if necessary, the Supervisory Board of ZSE.

Effective oversight of sustainability requires the continuous strengthening of expertise and skills, which ZSE ensures through collaboration with external experts, the establishment of specialised committees, and ongoing trainings. Corporate sustainability and key ESG topics are an integral part of the ZSE Group's business and form a part of the decision-making process for the members of the Board of Directors and the Supervisory Board. Their education in this area is not part of specialised training. In 2024, the top management of the ZSE Group had the opportunity to attend training on inclusive leadership and change implementation, organised by the Training & Development Team of the Human Resources Division. They also collaborated with external experts and consultants to provide up-to-date knowledge, trends, and recommendations for implementing procedures and strategies related to the management and oversight of sustainability aspects.

In the following matrix, ZSE presents an overview of the knowledge and skills of the Board members with managing competences in relation to material topics. The matrix was created based on the distribution of competences as per the ZSE's Organizational Manual.

Expert knowledge and skills of executive ZSE Board members with regard to sustainability	Markus Kaune, Chairman	Tomáš Turek, member	Juraj Krajčár, member
Climate change and energy	x	x	x
Pollution of air, water and soil		x	

Biodiversity and ecosystems		x	
Resource use and circular economy		x	
Working conditions of own employees	x	x	x
Equal treatment and opportunities for all	x	x	x
Health and safety of value chain workers	x	x	x
Consumers and end-users			x
Corporate culture	x		
Protection of whistle-blowers	x		
Management of relationships with suppliers including payment practices		x	
Corruption and bribery	x	x	x
Cybersecurity	x	x	x

Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies (GOV-2)

In 2024, the Board of Directors met 12 times and the Supervisory Board met 6 times. During this period, both the Board of Directors and the Supervisory Board also addressed topics that were identified as material during the materiality assessment process. These were primarily topics related to energy infrastructure and the distribution system, issues concerning the workforce and working conditions, compliance topics, and cybersecurity. In order to better inform the Board of Directors and the Supervisory Board and ensure the integration of sustainability into strategic decisions, the Sustainability Committee was established at ZSE in 2024. In 2024, the Sustainability & Development Department presented information to the senior management of ZSE and later to the Sustainability Committee (after it was established) regarding new legislative requirements for sustainability reporting in accordance with the European CSRD Directive, the processes and results of the double materiality assessment, the assignment of data points and the scope of reporting, the 2023 Sustainability Report, strategic documents related to transition and resilience, the ESG strategy, and internal sustainability-related documentation.

Listed below are the topics that were identified as material during the materiality assessment process and that were addressed by the Board of Directors and the Supervisory Board during their sessions in 2024:

- Adaptation to climate change and Climate change mitigation: topics related to the distribution system, the ZSE Group's 2023 Sustainability Report, the Strategic Plan for the Transition of Business Activities, the Action Plan for Climate Change Adaptation, and the establishment of the Sustainability Committee and sustainability management within the ZSE Group were discussed at the sessions of the ZSE Board of Directors;
- Environment: topics related to the main environmental impacts, events, and environmental management were discussed at the sessions of the ZSE Board of Directors;
- Own employees: topics related to working conditions, wages, remote work, occupational health and safety information, development and training were discussed at the session of the ZSE Board of Directors and the Supervisory Board;

- Business conduct: topics related to compliance, whistleblower reports, anti-corruption and anti-bribery efforts, and the revision of the Code of Conduct were discussed at the sessions of the ZSE Board of Directors, and the compliance report for the reporting period was also discussed at the sessions of the Supervisory Board;
- Cybersecurity: topics related to security were discussed at the sessions of the ZSE Board of Directors and the Supervisory Board.

Integration of sustainability-related performance in incentive schemes (GOV-3)

The system of short-term incentives (STI) based on annual variable remuneration is composed of company performance and individual performance. The central objective for managers, including members of the Board of Directors, for individual performance in 2024 included, alongside personal performance targets in the operational area, a target for health and safety (OHS) with a weight of at least 15%, and an ESG target with a weight of at least 10%. The OHS target was mandatory down to the level of team leaders. The ESG target for 2024 was mandatory for board members at all companies within the ZSE Group and for senior management directly subordinate to a board member. The ESG target for 2024 was generally set as support for positive impact on the environment and employees, and for improving performance in sustainability through completing specific educational activities and implementing specific goals tailored to the area of responsibility. Since 2025, the STI system, in the part focused on Company performance, has also been enhanced with the NPS (Net Promoter Score) element, which measures customer satisfaction. The ESG targets will remain a focus for all ZSE Group companies also in 2025. They are determined centrally. The ESG targets related to the occupational health and safety part are defined uniformly for all management levels, while for other areas of ESG, the targets are cascaded according to their relevance for the respective managers within their functional areas. Performance metrics related to sustainability in STI incentives are included in the remuneration policy. The conditions of the incentive system for managers within the ZSE Group are approved and updated by the senior executive management of the Company with the support of the Human Resources Division.

Statement on due diligence (GOV-4)

Due diligence regarding sustainability is an ongoing process of identifying, assessing, and preventing negative impacts on human rights and the environment in own operations and business relationships, including the ZSE Group's value chain. As part of this process, measures are taken to stop, prevent, or mitigate these impacts and ensure corrective action. Sustainability is an integral part of the ZSE Group's business and business model and, therefore, is integrated into its management. The internal management directive for sustainability defines the responsibilities and due diligence procedures, as well as collaboration with other business functions (organisational units). Based on the results of the materiality process, the Sustainability & Development Department prepares and submits relevant information and documents to the Sustainability Committee, and proposes steps and measures that need to be taken to address negative impacts on the environment, human rights, and the society. This includes policies, processes, training, and control mechanisms, as well as regular communication and collaboration with key stakeholders. Part of due diligence also includes measures to verify whether negative impacts are being addressed effectively, such as ESG targets and key performance indicators (KPIs) or internal and external feedback from affected stakeholders. The effectiveness of the implemented measures and progress evaluation are monitored, and the results are communicated transparently. The ZSE Group has been communicating its impact on the environment and human rights since 2021 in the form of sustainability reports (<https://www.skupinazse.sk/Uvod/Udrzatelnost/Reporty-udrzatelnosti> <https://www.vseholding.sk/vseh/domov/udrzatelnost/reporty-udrzatelnosti>).

Integration of due diligence into governance, strategy, and business model	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies (GOV-2), Integration of sustainability-related performance in incentive schemes (GOV-3), Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)
Involvement of affected stakeholders	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies (GOV-2), Interests and views of stakeholders (SBM-2), Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1), Stakeholder engagement within Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1)
Identification and assessment of negative impacts	Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1), Description of the processes to identify and assess material impacts, risks and opportunities (ESRS 2 IRO-1), Description of the processes to identify and assess material pollution-related impacts, risks and opportunities (ESRS 2 IRO-1), Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities (ESRS 2 IRO-1), Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities (ESRS 2 IRO-1), Description of the processes to identify and assess material impacts, risks and opportunities (ESRS 2 IRO-1)
Adoption of measures to address negative impacts	Transition plan for climate change mitigation (E1-1), Policies related to climate change mitigation and adaptation (E1-2), Material impacts, risks and opportunities and their interaction with strategy and business model (ESRS 2 SBM-3), Actions and resources in relation to climate change policies (E1-3), Actions and resources related to pollution (E2-2), Actions and resources related to biodiversity and ecosystems (E4-3), Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (S1-4), Taking action on material impacts on value chain workers (S2-4), Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions (S4-4), Prevention and detection of corruption and bribery (G1-3), Measures taken to manage the related impacts (entity specific)
Monitoring the effectiveness of efforts and providing information	Targets related to climate change mitigation and adaptation (E1-4), Targets related to pollution (E2-3), Pollution of air, water and soil (E2-4), Targets related to biodiversity

	and ecosystems (E4-4), Impact metrics related to biodiversity and ecosystems change (E4-5), Targets related to resource use and circular economy (E5-3), Resource outflows (E5-5), Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S1-5), Characteristics of the undertaking's employees (S1-6), Characteristics of non-employee workers in the undertaking's own workforce (S1-7), Adequate wages (S1-10), Social protection (S1-11), Training and skills development metrics (S1-13), Health and safety metrics (S1-14), Work-life balance metrics (S1-15 Incidents, complaints and severe human rights impacts (S1-17), Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S4-5), Confirmed incidents of corruption and bribery (G1-4), Payment practices (G1-6), Targets and indicators of progress (Cybersecurity - entity specific)

Risk management and internal controls over sustainability reporting (GOV-5)

The aim of risk management within the ZSE Group is to support effective management of the companies and initiate countermeasures to minimize the negative financial impact of individual risks on the Group's financial performance. The effective functioning of the risk management system and related processes is ensured by the Risk Management Department. The risks the Group faces have a diverse typology and are primarily determined by the nature of the activities of the individual subsidiaries. These mainly include risks and opportunities related to the supply of electricity and gas, electricity distribution, as well as other business activities of ZSE companies, such as electricity generation or the energy solutions offered. The controlling and risk management departments regularly monitor, update, and report on business risks and opportunities, including potential impacts of climate change and extreme natural and environmental events, within the medium-term planning horizon (3 years). The integrated approach to risk management (ERM - Enterprise Risk Management) includes business risks, including ESG risks. This means that the impacts and effects of climate and environmental risks are incorporated in the identification and quantification of key business risks, such as volume risks, market risks, interrupted distribution, etc. These risks are marked with the ESG label within the standardized reporting framework of the E.ON Group. The findings resulting from the monitoring and reassessment of risks and opportunities within the ZSE Group, including ESG risks, are submitted to the Risk Management Committee (RMC), which approves the risk report, on a quarterly basis.

The effectiveness and efficiency of the established internal checks are monitored and evaluated in accordance with internal processes and depending on the nature of specific control mechanisms and the given area. In the case of identified deficiencies, measures and action plans are implemented to continuously improve the internal inspection environment. The Audit Committee performs specific tasks related to the process of reporting sustainability information, including the selection of the auditor for the Statement. The Internal Audit function assesses risks associated with various ESG aspects as part of its regular

risk analysis and monitors operational risks with an impact on sustainability. As part of individual audits, which are carried out based on the updated risk analysis, ESG aspects have been included as a focus starting from 2024. In the case of identified deficiencies, they are reported within the internal audit report to the Company's management. Risk analysis is conducted based on interviews with process owners. Each audit finding is accompanied by a corrective action proposal, which has a clear owner and an implementation date. Action plan implementation is monitored on a regular basis. Significant findings from individual audits are submitted to the Company's Board of Directors.

The involvement of the Board of Directors and the Supervisory Board in reporting findings arising from risk assessments and internal controls, regarding the sustainability reporting process, is described in chapter "Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies (GOV 2)".

3. Strategy

Strategy, business model(s) and value chain (SBM-1)

The ZSE Group is an energy company with approximately 3,900 employees and is one of the leading partners in the field of electricity and energy infrastructure in Slovakia. The business activities of the ZSE Group are fully focused on the modern energy world and are divided into three main areas of operation – energy networks, customer solutions, and electricity generation. The business strategy of the ZSE Group is built on three pillars – growth, sustainability, and digitalisation. The rapid growth of renewable energy sources and the accelerating electrification of the transport and heat production sectors are making the energy system much more decentralised and complex. The ZSE Group aims to become a fully digital energy company that transforms its products, processes, and services into data-driven and highly interconnected solutions. It places an emphasis on climate protection and the reliable, accessible, and secure supply of electricity. At the same time, it brings sustainable energy solutions to the market, enabling customers to decarbonise their homes or businesses.

The energy networks business area brings together the distribution systems of Západoslovenská distribučná, a.s. (ZSD) and Východoslovenská distribučná, a.s. (VSD) and related activities. The main tasks in this business area include the safe operation of the distribution system, the implementation of necessary maintenance and service measures, as well as the expansion of the electricity network, often in connection with the implementation of customer connections and connections of renewable energy generation systems. The ZSE Group energy networks integrate renewable sources, connect producers and consumers, and efficiently manage the complex flows of energy.

The Customer Solutions business area is a platform for actively shaping the energy transition together with ZSE Group's customers. It includes energy retail and energy infrastructure services. The activities of the ZSE Group are focused on the individual needs of private customers, small and medium-sized businesses, as well as large corporate clients, business partners, and public sector customers. It includes electricity, gas and heat supply to customers.

The ZSE Group energy solutions offer decentralised, sustainable and efficient options to support cities, businesses and households on their path to climate neutrality. They help all types of customers use energy more efficiently, produce their own renewable energy, become energy self-sufficient, and reduce their carbon footprint. Since 2024, the ZSE Group has been developing its non-commodity solutions as a separate business stream. All activities not related to the supply of electricity and gas to non-household customers are divided into three separate units:

- e-mobility,
- decarbonisation and energy efficiency,
- decentralised energy infrastructure.

The goal is to focus on the development of new solutions and actively design emerging markets that support decarbonisation and energy efficiency.

The ZSE Group's portfolio includes, in addition to two small hydropower plants and a minority stake in a biogas plant, a combined-cycle gas turbine power plant (CCP Malženice) with an installed capacity of 430 MW, located near the village of Malženice in western Slovakia.

Certain aspects of the relationships between the ZSE Group and its customers regarding the electricity distribution, electricity supply and gas supply, including the pricing of services provided to specific customer groups, are governed by price and subject regulation under the authority of the Regulatory Office for Network Industries (*Úrad pre reguláciu sieťových odvetví, ÚRSO*). The most regulated areas, in terms of price or subject regulation, are the distribution of electricity and the supply of commodities (electricity, gas) to household customers.

The main business relationships within the value chain involve suppliers responsible for the supply of essential commodities used in the core business activities of the ZSE Group, suppliers of logistics and procurement processes, and customers from the household and business segments. More information about the strategy in specific areas of the ZSE Group's activities is provided in chapter Climate change (ESRS E1), Own workforce (ESRS S1), Value chain workers (ESRS S2), and Consumers and end-users (ESRS S4). Detailed disclosures about the number of employees in the ZSE Group are provided in chapter "Characteristics of the undertaking's employees (S1-6)".

For the materiality process, the following business segments have been mapped according to the ESRS SEC 1 standard for sector classification:

- Electricity distribution (D.35.13)
- Electricity supply (D.35.14)
- Gas supply (D.35.23)
- Electricity generation (D.35.11)
- E-mobility services (H.52.21)
- Non-commodity solutions (F.43.39)
- Administrative services (N.82.20)
- Support of communities (P.85.59)
- Telecommunication services (J.61.20, J.61.10)

Electricity distribution, electricity and gas supply, and electricity generation were identified as material sectors. They represent more than 10% of the ZSE Group's revenues and are associated with significant actual impacts, particularly with regard to reducing greenhouse gas emissions, energy consumption, the resilience of energy infrastructure, pollution, the generation of hazardous waste, and the creation of a safe working environment.

Revenue breakdown by material sectors:

Material activities	2024 revenues
Electricity distribution (D.35.13)	EUR 612,321,000
Electricity supply (D.35.14)	EUR 2,265,464,000
Gas supply (D.35.23)	EUR 398,668,000
Electricity generation (D.35.11)	EUR 194,290,000

Electricity distribution

Electricity distribution is carried out by ZSD and VSD, each of them being the natural monopoly distribution system operator in its geographical area of western and eastern Slovakia respectively. Both companies account for approximately 70% of the total electricity volume distributed in Slovakia. The revenue from distribution in 2024 amounted to EUR 612.3 million (of which EUR 350.0 million related to intra-group supplies) out of the total consolidated revenue of the Group of EUR 2.7 billion.

Electricity and gas supply

We monitor these material activities in the financial statements as the commodity supply segment. Both activities are operated through two sales companies, ZSE Energia and VSE. The 2024 revenue in the commodity supply segment amounted to EUR 2.265 billion. A significant part of the supply in the commodity segment is of an intra-group nature (up to EUR 136.1 million).

Electricity generation

In 2024, the ZSE Group operated the combined-cycle power plant Malženice (ZSE Elektrárne), which, along with other smaller sources (small hydroelectric power plants, biogas station), belongs to the generation segment. The total 2024 revenue for this segment reached EUR 194.3 million, with nearly 97% being subject to intra-group settlement. This is because of the combined-cycle power plant's access to the electricity commodity market, which is secured through a sister company within the Group.

In addition to the aforementioned material segments, the ZSE Group also provides non-commodity solutions – energy services tailored to customer needs. This primarily involves district heating, air conditioning solutions, turnkey energy equipment supply, as well as providing solutions and services in the field of facility management and maintenance. The ZSE Group also provides intra-group shared services (supporting administrative services, IT, rentals, etc.), which serve as auxiliary activities and are primarily delivered through ZSE and VSE Holding. Non-commodity solutions and services within the group generated revenues of around EUR 92.6 million in 2024, of which EUR 49.7 million was intra-group supplies (mainly SLAs and rentals).

The ZSE Group operates in the fossil fuel industry and generates revenue from the supply (sale) of gas. Economic activities related to fossil gas are not included in the taxonomy. Material business activities and income related to fossil gas:

- Retail and wholesale gas sales: EUR 398.7 million
- Electricity generation in CCP Malženice: EUR 194.3 million

Sustainability goals

The ZSE Group's strategy is fully focused on current and future environmental, social, and economic challenges, such as a fair energy transition, including decarbonisation and the shift to renewable energy sources, energy efficiency and optimisation of the distribution network, energy solutions for customers, and support of sustainable consumption, environmental protection, and mitigating and adapting to climate change.

The ZSE Group is committed to achieving sustainability goals to support a fair energy transition and the United Nations' Sustainable Development Goals (SDGs). In line with the Paris Agreement and the European Union's climate goals, we aim to contribute to slowing down global warming and mitigating climate change. All strategic sustainability goals take into account the ZSE Group's material activities, as well as affected parties and stakeholders. They are part of the ESG strategy, which ZSE publishes on its website.

Overview of strategic sustainability goals:

Climate goals (reducing emissions)	Ratio of women in the management
Increasing the share of renewable energy sales (guarantees of origin)	Management training in DEI topics
Increasing smart meter installations	Satisfaction and employee engagement surveys
Support of small and local renewable energy sources installation	LTIF employee accidents
Increasing the number of public charging points	TRIF employee accidents
Reliable energy supply	Working conditions of contractor employees
Monitoring of air and water pollution	Customer satisfaction
Ecological management of corridors under power lines	Trainings in ethical conduct and legal rules
Protection of birds against collision with power lines	Preventing corruption
Reducing landfill waste disposals	Trainings in cybersecurity

Business activities of the ZSE Group in the segments of electricity supply, gas supply, electricity distribution, non-commodity solutions, telecommunications services, and electricity generation from renewable sources contribute to the set sustainability goals. The ZSE Group provides services in the field of renewable energy sources, supporting the transition to low-carbon energy sources and decarbonisation. It supports the sale of electricity covered by guarantees of origin from renewable sources. It offers solutions for increasing energy efficiency, such as smart meters and optimisation technologies, which help customers reduce energy consumption. This supports the sustainable use of resources, customers' energy self-sufficiency, and reduces environmental

impacts. For households, it provides affordable, sustainable, and low-emission energy solutions that enable them to generate their own renewable energy and reduce costs. For large customers, services that reduce their carbon footprint and optimise energy costs are essential. The ZSE Group builds secure and reliable energy networks that integrate renewable sources, connect producers and consumers, and efficiently manage the complex flows of energy. Collaboration with municipalities and local institutions on renewable energy and energy efficiency projects contributes to regional development and strengthens the local economy in line with sustainability goals. The ZSE Group supports e-mobility and is developing charging infrastructure in the passenger and freight transport sector. It is also involved in the implementation of the Slovak broadband plan and enabling access to ultrafast internet for households. The products and services provided by the ZSE Group take into account sustainability principles, have a positive social and environmental impact, and include current and expected benefits for various stakeholders – especially customers, investors, and the wider community.

Value chain

The complete range of resources and relationships related to the ZSE Group's business model includes activities used in the creation of its products and services, from concept to delivery. Relevant activities include our own operational activities carried out by our human resources, as well as activities that are part of supplier, customer, marketing, and distribution channels. The ZSE Group's value chain, with material activities within its business segments constituting electricity distribution, electricity and gas supply, electricity generation, and provision of non-commodity services, includes key processes from resource acquisition to the delivery of products or services to customers. Each of these activities makes its specific contribution to the value chain, creating a synergic effect that supports efficient and sustainable business practices.

Strategic suppliers and partners represent the main business relationships with key stakeholders. The stakeholders in the upstream part of the value chain (upward) are suppliers of commodities, goods, work, and services that the ZSE Group uses in the development and production of its own products or services. These are primarily suppliers involved in the ZSE Group's logistical and procurement processes. Key suppliers responsible for the delivery of essential commodities used in the main business operations of the ZSE Group are business partners with whom the ZSE Group signs specific business contracts as part of its electricity sales and gas sales activities - framework contracts for the supply and takeover of electricity and gas for members of the European Federation of Energy Traders (EFET) - for the provision of input commodities. Stakeholders in the downstream part of the value chain (downward) are customers, distributors, and marketing suppliers who receive products or services from the ZSE Group and support the sale of its services. The business segments of electricity distribution and electricity generation are positioned in the upstream part of the value chain, while electricity and gas supply and non-commodity solutions are positioned in the downstream part of the value chain. Customer groups are divided into business-to-consumer (B2C) group, which is the household segment, and business-to-business (B2B) group, which is the business segment. Electricity generation is the input process at the beginning of the value chain. It focuses on acquiring energy through hydroelectric power plants or by combustion of gas. Electricity distribution ensures the reliable supply of energy to the customer and is part of the infrastructure and logistics phase. Electricity and gas sourcing is an input process, and their subsequent sale is customer service supported by marketing at the end of the value chain. The same applies to the provision of energy solutions. The resources required by the ZSE Group to operate its business are electricity and gas commodities, energy, labour, technology, and capital. These resources are obtained through contracts with suppliers and generation, and they are influenced by the financial, regulatory, and labour environment in which the ZSE Group operates. Risks associated with supply interruptions or input shortages are the main business risks for the ZSE Group.

During the reporting period, not all the necessary information regarding the upstream and downstream parts of the value chain was available. The obtained information is disclosed in chapters S1, S2, S4, and G1. Over the next three years, the ZSE Group plans to improve the acquisition of the necessary information, as due to the large scale and complexity of gathering information from stakeholders, including small and medium-sized enterprises, it was not possible to obtain some information in the first year of reporting.

Interests and views of stakeholders (SBM-2)

Stakeholder engagement is the interaction and dialogue between the ZSE Group and its stakeholders, which allows it to listen to their interests and concerns, understand them, and respond accordingly. Taking their interests and views into account allows the ZSE Group to shape its strategy and business model, reflecting current market needs and predicting future challenges. By considering the stakeholders' needs, ZSE ensures that all its decisions and procedures are in line with societal expectations, legislation, and market requirements. Their feedback and expectations not only improve market position but also support long-term growth, minimise risks, and enable the fulfilment of sustainability commitments. Dialogue with stakeholders is an important goal of the daily work of the ZSE Group at the local, national, and European levels. Engagement formats range from informational campaigns and discussion forums with business associations and non-governmental organisations to in-person meetings. Various channels are used for this, such as media interviews with managers or their appearances as public speakers. The main purposes of stakeholder engagement include knowledge management, sharing information, gathering feedback, gaining insights into the perspectives and needs of stakeholders, and building trust. These interactions help the ZSE Group not only better understand stakeholder expectations but also more effectively manage risks and strengthen its long-term competitiveness and resilience to changes in the external environment. The identification of key issues important to stakeholders is reflected in strategic decisions, allowing the ZSE Group to adapt its business activities to meet current market demands, regulatory changes, and societal expectations.

Stakeholders are those who can influence the activities of the ZSE Group or be affected by them. There are two main stakeholder groups:

- Affected stakeholders: individuals or groups whose interests are impacted or could be positively or negatively impacted by the ZSE Group's activities and its direct and indirect business relationships within its value chain,
- Users of sustainability information: for example, individuals or groups whose decisions could be influenced when providing funding to the ZSE Group.

Some stakeholders belong to both groups.

The ZSE Group has been reporting on sustainability since 2021, engaging stakeholders as users of the reports on an annual basis. The sustainability reports, which are approved by the ZSE Board of Directors, inform the Company's management about the views and interests of stakeholders and significant sustainability impacts. The materiality assessment for the previous financial periods was carried out solely based on the assessment of the relevance of the identified material topics of E.ON holding company and based on the needs for the ESG Risk Rating assessment of the ZSE Group by the independent company Morningstar Sustainalytics. The executive management was informed about the findings regarding the interests of the stakeholders from the first materiality analysis of the ZSE Group conducted during the reporting period, in relation to the identified material topics of the ZSE Group within the meetings concerning the sustainability reporting process according to ESRS. The aim of engaging stakeholders during the materiality assessment process

was to gather input from them and feedback to material sustainability aspects identified in the materiality assessment process (validation of the identified material topics). The ZSE Group engaged with the affected stakeholders, their representatives, and users of sustainability reports through a questionnaire to provide input and feedback on the conclusions regarding material impacts, risks, and opportunities (“Description of procedures for identifying and assessing significant impacts, risks and opportunities (IRO-1)”).

Overview of the key stakeholders, their level of influence, and their expectations and significance for the ZSE Group

Stakeholder	Category	Significance and expectations
Shareholders	users of sustainability report and affected stakeholder	ZSE Group's strategic and financial decisions, ZSE Group's impact on their profits
Company management	users of sustainability report and affected stakeholder	ZSE Group's strategic and financial decisions, ZSE Group's impact on business and workforce
Business partners	users of sustainability report and affected stakeholder	involvement in business interactions and interest in maintaining partnership with the ZSE Group
Banks and investors	users of sustainability report and affected stakeholder	interest in investment-related sustainability risks
Public sector	users of sustainability report	it sets standards and regulations affecting the Company's activity and reporting obligations
Non-governmental organisations	users of sustainability report	they monitor the ZSE Group's activity and influence public perception
Scientific and educational institutions	users of sustainability report	they conduct sustainability-related research and provide insights into how the ZSE Group impacts sustainability matters; they prepare the future workforce
Media	users of sustainability report	information disseminators, influencing public perception and regulatory oversight
Employees	affected stakeholder	interest in working conditions (such as safe employment, working hours, average wage, OHS)
Customers	affected stakeholder	end-users of the ZSE Group's products or services, with concerns regarding the quality, security and ethical practices

Contractors and suppliers	affected stakeholder	dependant on the ZSE Group's financial situation, supply management procedures, payment methods and contractor/supplier selection criteria
Local communities	affected stakeholder	living near the Company's operations and interested in the environmental, social, and economic impacts of the Company

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

Regarding the material impacts, risks, and opportunities arising from the materiality assessment, the most significant long-term negative impacts identified in the ZSE Group were:

- the environment, including greenhouse gas emissions, hazardous waste, and air and water pollution,
- employee health and safety,
- data protection,
- cybersecurity.

These negative impacts primarily affect the Company's own operations and supply chain.

Areas with positive impact:

- ZSE Group's strategies for adapting to climate change and mitigating its effects,
- anti-corruption policy,
- responsible marketing,
- mental health support,
- workforce-focused activities.

The greatest concentration of positive impacts is within the Group's own operations, which means that the ZSE Group makes the greatest contribution to positive impacts through its internal processes and measures in the areas of climate change, employee care, and ethical business practices.

The main area of risk concentration is within the Group's own operations, where the ZSE Group faces long-term challenges in the areas of climate change mitigation, resource management, as well as short-term risks related to corruption, cybersecurity, and potential supply chain disruptions. These risks may impact costs, regulatory obligations, and operational continuity. The ZSE Group has identified a range of opportunities that can support financial growth and operational resilience. These include areas such as climate change mitigation, workforce management, and cybersecurity. The main opportunities lie within the Group's own operations and distribution, where the most notable initiatives are in the areas of climate and workforce. More opportunities than risks have been identified, which is a positive factor for the ZSE Group's growth. The ZSE Group responds effectively to the identified impacts, risks, and opportunities, not only protecting its values but also supporting long-term growth and competitiveness. By adapting the business model and integrating sustainability aspects into daily operations and strategic goals, the ZSE Group enhances resilience, minimises risks, and improves its market position.

Negative environmental impacts increase pressure on the ZSE Group from regulators, customers, and investors, who expect transparency and actions to mitigate these impacts. The ZSE Group's business model reflects commitments to reducing emissions and environmentally friendly solutions that help minimise environmental impacts. Growing demands for safe working conditions require the implementation of strict safety standards and protective measures, and by implementing these, the ZSE Group ensures that the health and safety of employees are a priority in both operations and distribution. With increasing threats in the field of cybersecurity, the ZSE Group strengthens the security of its IT infrastructure and data protection, adapting its business operations by investing in technology and employee training. Adherence to strict ethical and anti-corruption rules within the ZSE Group's value chain is embedded in its business strategy, ensuring the development of transparent business practices and compliance with laws and international standards. In the area of human resources, the ZSE Group invests in training, personal development, and mental health support programmes, thereby increasing employee engagement and the long-term retention of a skilled workforce. Workforce management enhances operational resilience and competitiveness, while ensuring a stable working environment contributes to a more efficient value chain and creates the conditions for growth in distribution and operations.

The ZSE Group has incorporated adaptive measures into its business model as a response to climate change, such as investments in energy infrastructure. Similarly, the products and services offered to customers in the non-commodity services segment for decarbonisation and the transition to renewable energy sources contribute not only to the Company's long-term growth and stability but also to achieving European and national climate goals.

Material negative and positive impacts are influenced and shaped by the ZSE Group's strategy and business model, and the strategic decisions of the Group contribute to the emergence of these impacts. Negative impacts arising from the strategy and business model include greenhouse gas emissions associated with gas sales and electricity generation at the Malženice power plant. The ZSE Group's approach to decarbonisation encompasses these business segments that rely on fossil fuels. This approach is described in the Transition Plan for Climate Change Mitigation (see chapter "Transition plan for climate change mitigation (E1-1)"). There are hazardous waste and pollution of air, water, and soil related to the technologies, processes, and materials incorporated into the ZSE Group's business model, and its approach involves monitoring and reducing these impacts. The ZSE Group's strategy and business model are focused on digital transition, and without sufficient investment in cybersecurity, data protection, and strengthening security measures, the risk of cyberattacks and the threat to confidential data increases. Positive impacts arising from the strategy and business model mainly include measures for mitigating and adapting to climate change, such as actively reducing greenhouse gas emissions within the Group's own operations, as well as upstream and downstream of the ZSE Group's value chain. The ZSE Group's strategy promotes transparency and responsible business conduct. The implementation of strict ethical standards and an anti-corruption policy have a positive impact on the business environment and relationships with external stakeholders. Positive measures in the area of the work environment, such as programmes supporting employee health and well-being, have a beneficial impact on their satisfaction and productivity. This aspect stems from the ZSE Group's strategy, which views employees as a key element of its business.

The time horizons for actual and expected impacts vary depending on the nature of each impact. Most of the impacts are long-term, indicating that the ZSE Group's main challenges and opportunities are related to the impact of climate change and long-term environmental and social sustainability. Medium-term impacts relate to climate change, soil pollution, and health and safety within the value chain. Short-term impacts are predominantly actual positive impacts.

They are mainly employee-related or concern business conduct, reflecting the current good management of the working environment. The ZSE Group is directly involved in mitigating the climate and social impacts of its operations, while also collaborating with its partners to uphold high standards of sustainability, health, and safety. These relationships and activities have a comprehensive impact on long-term sustainability and safety, both within the Group's own operations and through commitments to suppliers and business partners. Identified material risks and opportunities are regularly monitored and assessed within the business risk management framework. Currently, these risks and opportunities do not have a material impact on the ZSE Group's financial performance and cash flows. Similarly, in relation to these risks and opportunities, no high risk of significant adjustments in the financial statements is anticipated in the upcoming reporting period.

The ZSE Group plans to direct the largest portion of its capital expenditures – around 90% of the total investment volume – towards distribution systems. The largest share of expenditures is directed towards the renewal, development, and modernisation of the energy network. Another significant portion consists of new connections, either on the consumer side or generation sources (including renewable energy sources). The ZSE Group's investment programme focuses on sustainability, with more than 86% of ZSE's investment activities in the reporting period falling under the EU taxonomy and meeting its strict sustainability criteria.

The ZSE Group's portfolio includes, in addition to two small hydropower plants and a minority stake in a biogas plant, a combined-cycle gas turbine power plant in Malženice with an installed capacity of 430 MW. Based on the Memorandum of Understanding between E.ON and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, in 2023, the Slovak Republic exercised its right to the option to acquire a 100% business share in the combined cycle power plant in Malženice. Given the above, it is expected that, within the medium-term time horizon, the ZSE Group will divest ZSE Elektrárne, which is the owner and operator of the combined-cycle power plant in Malženice.

Looking ahead, the ZSE Group plans to invest approximately EUR 1.3 billion by 2029 in the expansion and digitalisation of energy infrastructure and the development of decarbonisation solutions. It plans to invest around EUR 1.2 billion in energy networks and EUR 0.1 billion in the development of energy solutions. The ZSE Group is already investing significant funds in distribution infrastructure and plans to increase these investments by at least 10% year-on-year in the coming years. The Group leverages green financing, with a large portion of the funds for these investments to be raised through bond issuance, green loans, or European grant funds. The strategic, long-term financing sources of the Group are divided into internal resources from operational cash flows and external resources in the form of long-term financial instruments. During the reporting period, the ZSE Group utilised the following long-term financing instruments:

- issued bonds amounting to EUR 315 million, issued in 2018 and maturing in March 2028
- green bank loans also amounting to EUR 315 million, with a maturity in October 2026
- other long-term bank loans amounting to EUR 110 million, with a maturity in 2025/2026

In addition to the above, the Group had available uncommitted and other short-term credit lines amounting to more than EUR 330 million.

Looking ahead, the Group plans to refinance long-term debt according to its maturity, with a preference for green financial instruments (bonds and loans), as outlined in the ZSE Green Financing Strategy (<https://www.skupinazse.sk/Uvod/Investori/Zelene-financovanie>). The ZSE Group reserves the option and choice of debt instruments that will make the most economic sense at any given time.

The ZSE Group's strategy and business model enable it to address material impacts and risks while also capitalising on emerging opportunities. The resilience of the ZSE Group's strategy is ensured by an adaptable business model that, by integrating sustainability and digital technologies, effectively responds to environmental, regulatory, and technological changes. Adaptation measures that respond to climate change, technological advancements, and changing customer needs are systematically incorporated into the ZSE Group's business model. In line with European and national climate goals, the ZSE Group supports the transition to a low-carbon economy. The ZSE Group's transition into a data-driven company brings innovative energy solutions that improve efficiency and connectivity in energy distribution. Investments in cybersecurity and IT security address the increasing threats in the field of digital security, thereby strengthening resilience against potential risks. The ZSE Group seizes new opportunities by creating innovations in customer solutions and improving energy infrastructure.

In the short term, the ZSE Group continuously responds to the changing regulatory requirements concerning pricing and security standards, thus ensuring operational stability and protection of the value chain. It also provides solutions to support the decarbonisation of households and businesses, responding to changing customer needs and market dynamics. In the medium term, investments in energy infrastructure, including the expansion of the electricity grid and the integration of renewable sources, lay the foundation for sustainable energy solutions. In the long term, strategic investments in development of flexibility and digitisation of energy infrastructure, e-mobility and energy solutions contribute to the long-term resilience of the ZSE Group and the achievement of climate goals. The development in e-mobility and decentralised infrastructure is a significant source of growth. These segments enable the ZSE Group to actively enter emerging markets that support energy efficiency and contribute to the climate neutrality goals.

4. Impact, risks and opportunities management

Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1)

The procedures and activities carried out for the purpose of assessing double materiality specified the information that ZSE Group must disclose regarding its material impacts, risks, and opportunities (IRO). The materiality assessment was the starting point for the preparation of consolidated sustainability reporting. Impacts are the effect of ZSE Group on people and the environment in the short term (the reporting period in the financial statements), medium term (from the end of the short-term reporting period until 5 years after), and long term (over 5 years). They include both positive and negative impacts, as well as actual and potential future impacts. Risks and opportunities relate to financial risks and opportunities associated with sustainability, including those dependent on natural, human, and social resources. Risks and opportunities trigger, or are expected to trigger, material impacts on the financial position, financial performance, cash flows, and access to finance.

A 4-step process was followed to carry out the double materiality assessment:

1. Understanding
 - i. Understanding the business and the value chain
 - ii. Assessment of the location and assets
 - iii. Plan of stakeholder identification and engagement
 - iv. Identification of relevant sustainability aspects
2. Identification
 - i. Identification of impacts
 - ii. Identification of risks and opportunities
3. Assessment
 - i. Definition of assessment mechanisms and thresholds
 - ii. Impact assessment
 - iii. Financial assessment
4. Determination
 - i. List of material IROs
 - ii. Stakeholder involvement

1. (i.) The first step was understanding the business segments of ZSE Group, which include key business activities, and a breakdown of information at the level of individual subsidiaries, locations, and assets. Business activities, direct and indirect business relationships, business partners, affected stakeholders, and resource dependencies are documented as needed throughout the entire value chain (upstream, own activities, downstream). During the materiality process, the assessment of material impacts and risks at the level of locations and assets was carried out, in accordance with the specifics related to the sites where the ZSE Group's operations and assets are located. Material locations assessed included the distribution infrastructure, the Malženice power plant, and the charging infrastructure for e-mobility. Critical infrastructure was assessed as a material asset. The mapping of the value chain was carried out at the level of the identified business segments: electricity supply, gas supply, electricity distribution, non-commodity solutions, telecommunications services, electricity generation, community support, and administrative services. As part of the value chain mapping, key suppliers, all own operations (subsidiaries at the consolidation level), and customers such as businesses (B2B) and households (B2C) were taken into account. (ii.) When considering the breakdown of information, the specifics of the subsidiaries, the locations of the operations, and the owned assets were evaluated. The specifics were taken into account in the IRO identification. (iii.) Key stakeholder categories that can influence or be influenced by the activities of the ZSE Group were identified. Their classification is stated in chapter "Interests and views of stakeholders (ESRS 2 SBM-2). As part of the preparation of the stakeholder engagement plan, individuals were identified for engagement within each stakeholder category. Specific criteria for selection were defined for key categories. For example, in

the case of suppliers, it was the financial volume and dependence on the source. The population was represented by the relevant group, not its size. A random sampling method from the relevant group was used to select an appropriate number of individuals, and this approach reflected the organisational capabilities and capacity of the Company in the reported year. (iv.) The identification of relevant (applicable) sustainability matters was also based on external information sources and documentation related to the existing ESG reporting of the ZSE Group (e.g., Sustainalytics ESG ratings, sustainability reports, established ESG policies). The outcome of this step was a long (comprehensive) list of relevant sustainability matters. The identification was carried out using a scoring mechanism.

2. (i.) From the long list of sustainability aspects, impacts, risks, and opportunities (IRO) were subsequently identified. During this step, relevant impacts were identified and documented, taking into account their effects on the environment and society. Special attention was given to the impacts on employees, their working conditions, safety, and overall well-being, as well as to environmental aspects such as emissions, resource consumption, pollution, and biodiversity protection. The identification of impact included operation-related effects and areas where impacts are likely to occur based on the nature of activities, business relationships, and other factors. It began with determining the impact on each identified aspect and included a comprehensive analysis of the business segments. Potential impacts associated with electricity distribution, electricity supply, gas supply, electricity generation, non-commodity solutions such as e-mobility services, energy efficiency services, and energy consultancy were examined. The impacts on the Company's supply and downstream value chain were assessed, including relationships with suppliers, outsourcing contracts, and end-users. The identification included examination and use of energy sources, waste generation, and considerations regarding biodiversity, with the aim of providing a thorough understanding of the impacts. The assessment also examined the impacts on the community, health and safety risks, and the consequences of land use. (ii.) Subsequently, relevant risks and opportunities with regard to the sustainability-related financial situation of the ZSE Group were identified and documented. This included risks and opportunities arising from dependence on natural, human, and societal resources, and, where necessary, they were broken down by landscape, material location, or material asset. Following the same procedure as for impact identification, risks and opportunities were determined for each identified relevant sustainability aspect. Risks and opportunities were identified from internal processes, policies, and control documentation, and the identification included a comprehensive analysis of the business segments. External information sources were also used during the assessment to assess regulatory changes, new trends in energy efficiency, and shifts in consumer preferences. This step resulted in a long list of 162 impacts, risks, and opportunities (IRO) for further assessment.

3. (i.) The identified IROs were assessed based on impact materiality and financial materiality. The assessment of each factor was based on predefined scoring mechanisms and materiality thresholds. The assessment of impacts was carried out based on their characteristics (negative or positive), taking into account the following factors: scale, scope, irreversibility, and likelihood of impact. Qualitative criteria and quantitative scores were established for each factor. Each factor was assigned a score from 0 to 5, with each number corresponding to a qualitative definition. Based on the assessment mechanism, the assessment results were obtained by averaging the materiality, and in the case of potential impact, also the likelihood of each impact. The result of the assessment was considered material based on its comparison with a predefined materiality threshold. This quantitative threshold was set at a value of 3.5, and any impact with a final score below 3.5 was considered non-material, while an impact with a final score of 3.5 or higher was considered material. The materiality of risks and opportunities was similarly assessed using the scoring mechanism. Their assessment was conducted with regard to the likelihood of

occurrence and the potential scope of the financial effect. A score ranging from 0 to 5 was assigned to the likelihood of occurrence and potential financial effects, with each number corresponding to a qualitative definition. The result of the assessment was considered material when compared to a predefined threshold value of 3.5. For potential financial risks, this number represents materiality. The ZSE Group's materiality calculation was based on consolidated earnings before tax, as this metric is commonly used as the basis for assessing the company's performance. Materiality was set at 10% of consolidated earnings before tax, reduced by 25%. (ii.) Subsequently, the identified impacts were assessed using the defined assessment mechanisms. During this assessment process, all relevant facts and circumstances were taken into account, including information related to outcomes with low probability but high impact. Each impact was assigned a score and ranked according to the established thresholds for scale, scope, irreversibility, and likelihood. Impacts exceeding these thresholds in one or more criteria were considered material. (iii.) In the process of assessing identified risks and opportunities, all relevant facts and circumstances were taken into account, including information about low-probability, high-impact outcomes. Each assessment result was determined by averaging the potential range of financial impacts and the probability of occurrence. Risks and opportunities that exceed the set threshold values in both criteria were considered material and were prioritised in further analysis and actions.

4. In this step, the identification of material sustainability aspects was carried out, including impacts, risks, opportunities, and their corresponding topics, sub-topics, and sub-sub-topics. (i.) Based on the impact assessment and financial evaluation, a list of identified material IROs and their corresponding sustainability matters was compiled. Based on the analysis results, it was decided that 98 IROs exceeded the quantitative threshold corresponding to 335 material sustainability aspects. (ii.) The material IROs resulting from the assessment were then validated by the relevant stakeholders, and based on their involvement, a final review of the material IROs was carried out. An electronic survey was distributed to gather quantitative insights into the perceptions and expectations of stakeholders. In the first step, each respondent was assigned to the relevant stakeholder group. Subsequently, respondents were asked to rate the materiality of each sustainability aspect identified as material on a scale from 1 to 5, where 5 represented the highest possible level of materiality. During the validation process, 29 individuals from various stakeholder groups were approached, resulting in 26 responses. The quantitative data from the survey were averaged and evaluated based on a pre-established threshold of 3.5. If the weighted average score of a sustainability aspect did not exceed the threshold of 3.5, the sustainability aspect and its IRO were considered non-material. The weighted average was calculated taking into account the different levels of materiality for each stakeholder group. Stakeholders involved in the validation of material topics confirmed the materiality of 26 topics, while 8 topics were assessed as non-material for the ZSE Group. After a thorough internal review of the results, all provided inputs were considered and assessed as relevant for the next steps. Based on the results of stakeholder engagement, a final list was compiled, including a total of 26 material sustainability aspects and 83 material IROs.

The outputs from the double materiality assessment were approved at the Corporate Development & Public Affairs Division level, and the executive management, including the Internal Audit function, were subsequently informed about the double materiality assessment process, the resulting material topics, and the next steps in the sustainability reporting process. Given that the identified risks and opportunities did not reach the threshold values within the business risk management framework, they will be monitored within the individual business segments. The conclusions of the first materiality assessment from April 2024 cover and are relevant for the entire financial year 2024. No major internal or external events have occurred that could potentially impact its conclusions. The assessment is based on current data and strategic priorities, which have remained stable throughout the entire

financial year. This approach is in line with the ZSE Group's internal processes and is appropriate to ensure relevance for the financial period. For the next reporting period, the materiality assessment from 2024 will be reviewed, and if no significant changes occur and the materiality assessment remains relevant, the material topics will remain unchanged. The review of the materiality process is expected to take place in 2026.

Disclosure requirements in ESRS covered by the undertaking's sustainability statement (IRO-2)

Based on the materiality assessment, all disclosure requirements related to the identified material sustainability aspects of ZSE Group were identified. The identified aspects formed the basis for determining the relevant ESRS topical standards. These standards were carefully selected based on their alignment with the identified material topics, sub-topics, and sub-sub-topics outlined in the ESRS. All mandatory reporting requirements set out in the topical standards have been incorporated into the table to ensure comprehensive coverage of disclosure obligations. Through this systematic approach, a consolidated list of disclosure requirements has been created. After identifying all 642 disclosure requirements, the relevance of each disclosure requirement was verified considering the Company's specifics. After filtering out irrelevant disclosure requirements, 583 relevant data points were identified, to which ZSE Group made disclosures in the sustainability statement.

List of 26 material aspects of ZSE Group with the corresponding standard and the name of the sub-topic and sub-sub-topic:

	Topical ESRS	Topic	Sub-topic	Sub-sub-topic
1.	ESRS E1	CLIMATE CHANGE	Climate change adaptation	
2.	ESRS E1	CLIMATE CHANGE	Climate change mitigation	
3.	ESRS E1	CLIMATE CHANGE	Energy	
4.	ESRS E2	POLLUTION	Air pollution	
5.	ESRS E2	POLLUTION	Soil pollution	
6.	ESRS E2	POLLUTION	Water pollution	
7.	ESRS E4	BIODIVERSITY AND ECOSYSTEM	Direct factors influencing biodiversity loss	Direct use of ecosystems
8.	ESRS E5	CIRCULAR ECONOMY	Waste	
9.	ESRS S1	OWN WORKFORCE	Working conditions	Secure employment
10.	ESRS S1	OWN WORKFORCE	Working conditions	Working time
11.	ESRS S1	OWN WORKFORCE	Working conditions	Adequate wages
12.	ESRS S1	OWN WORKFORCE	Working conditions	Work-life balance
13.	ESRS S1	OWN WORKFORCE	Working conditions	Health and safety
14.	ESRS S1	OWN WORKFORCE	Equal treatment and opportunities for all	Training and skills development

15.	ESRS S1	OWN WORKFORCE	Equal treatment and opportunities for all	Measures against violence and harassment in the workplace
16.	ESRS S2	VALUE CHAIN WORKERS	Working conditions	Health and safety
17.	ESRS S4	CONSUMERS AND END-USERS	Information-related impacts for consumers and/or end-users	Privacy
18.	ESRS S4	CONSUMERS AND END-USERS	Information-related impacts for consumers and/or end-users	Access to (quality) information
19.	ESRS S4	CONSUMERS AND END-USERS	Personal safety of consumers and/or end-users	Health and safety
20.	ESRS S4	CONSUMERS AND END-USERS	Social inclusion of consumers and/or end-users	Responsible marketing practices
21.	ESRS G1	BUSINESS CONDUCT	Corporate culture	
22.	ESRS G1	BUSINESS CONDUCT	Protection of whistle-blowers	
23.	ESRS G1	BUSINESS CONDUCT	Management of relationships with suppliers including payment practices	
24.	ESRS G1	BUSINESS CONDUCT	Corruption and bribery	Prevention and detection including training
25.	ESRS G1	BUSINESS CONDUCT	Corruption and bribery	Incidents
26.	specific	Cybersecurity		

In the process of impact assessment and financial evaluation, and based on the results of the materiality analysis, the disclosure requirements from the topical standard on Water and Marine Resources (ESRS E3) were not assessed as material. The validation of the materiality assessment results by stakeholders did not confirm the materiality of topics as sustainability aspects from the topical standard on Affected Communities (ESRS S3). Therefore, in line with the materiality principles outlined in the ESRS, all disclosure requirements associated with these standards were excluded.

Minimum disclosure requirements regarding policies, actions, metrics and targets

No new policies were adopted in the ZSE Group during the reporting year for the purpose of managing specific significant sustainability aspects. The main key policies and the highest level of management in the ZSE Group are outlined in the orders of the Board of Directors within managing documentation. These are binding managing documents applicable throughout the entire Group. They address the fundamental principles of management, the rights and duties of employees, and key issues related to organisational changes. Based on these documents, regulations and manuals are issued that describe and document the established management systems. The creation of important human resources policies with binding effect within the ZSE Group is approved by orders of the CEO. Orders of the division directors concern operational, organisational, or labour activities at the division level. This managing documentation also covers material aspects of sustainability, which we include as part of the disclosure requirements. The list of key measures aimed at

achieving alignment with the ZSE Group's strategy, policies, and goals, and their relevance to material sustainability aspects, is provided in the disclosure requirements. Said measures are linked to various strategic objectives of the Company, performance indicators, or external ISO certification, thereby contributing to the fulfilment of various business or legislative frameworks. In its disclosures, the ZSE Group focused on measures that were implemented during the relevant year. Information about future activities is part of internal planning documents and strategic materials, which are updated based on the development of the regulation, the market, and the Company's internal priorities. In order to maintain competitiveness and protect strategic information, disclosures primarily focus on the measures that have been implemented. Information about metrics for the reporting period is provided in the disclosures prescribed by the ESRS. Targets are derived from the ESG strategy of the ZSE Group and were set for the reporting period at the level of material topics and subtopics, ensuring their relevance to the context and nature of the ZSE Group's business. Targets for specific topics regulated by legislation were not set for the reporting period.

Below is the list of all disclosure requirements that represent mandatory disclosure requirements for the cross-cutting ESRS 2 standard and the eight ESRS topical standards, in accordance with the identified material sustainability matters, including page numbers where the corresponding disclosures can be found in the sustainability statement:

	List of fulfilled disclosure requirements (ESRS 2 IRO-2, par. 56)	Page
ESRS 2	General disclosures	35-70
BP-1	General basis for preparation of sustainability statement	35
BP-2	Disclosures in relation to specific circumstances	35
GOV-1	The role of the administrative, management and supervisory bodies	36
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	43
GOV-3	Integration of sustainability-related performance in incentive schemes	44
GOV-4	Statement on due diligence	44
GOV-5	Risk management and internal controls over sustainability reporting	46
SBM-1	Strategy, business model(s) and value chain	47
SBM-2	Interests and views of stakeholders	52
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	54
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	57
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	61
ESRS E1	Climate change	71-122

ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes	71
E1-1	Transition plan for climate change mitigation (includes EU taxonomy)	71
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	87
ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	90
E1-2	Policies related to climate change mitigation and adaptation	93
E1-3	Actions and resources in relation to climate change policies	94
E1-4	Targets related to climate change mitigation and adaptation	97
E1-5	Energy consumption and mix	104
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	106
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	121
E1-8	Internal carbon pricing	121
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	122
ESRS E2	Pollution	122-129
ESRS 2 IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	122
E2-1	Policies related to pollution	123
E2-2	Actions and resources related to pollution	124
E2-3	Targets related to pollution	126
E2-4	Pollution of air, water and soil	129
E2-6	Anticipated financial effects from pollution-related impacts, risks and opportunities	129
ESRS E4	Biodiversity and ecosystems	129-140
E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	129
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	131
ESRS 2 IRO-1	Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	132
E4-2	Policies related to biodiversity and ecosystems	133
E4-3	Actions and resources related to biodiversity and ecosystems	134
E4-4	Targets related to biodiversity and ecosystems	137

E4-5	Impact metrics related to biodiversity and ecosystems change	139
E4-6	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	140
ESRS E5	Resource use and circular economy	140-147
ESRS 2 IRO-1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	140
E5-1	Policies related to resource use and circular economy	141
E5-3	Targets related to resource use and circular economy	142
E5-5	Resource outflows	143
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	147
ESRS S1	Own workforce	147-168
ESRS 2 SBM-2	Interests and views of stakeholders	147
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	148
S1-1	Policies related to own workforce	151
S1-2	Processes for engaging with own workers and workers' representatives about impacts	153
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	154
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	155
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	159
S1-6	Characteristics of the undertaking's employees	163
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	165
S1-10	Adequate wages	166
S1-11	Social protection	166
S1-13	Training and skills development metrics	166
S1-14	Health and safety metrics	167
S1-15	Work-life balance metrics	167
S1-17	Incidents, complaints and severe human rights impacts	168
ESRS S2	Value chain workers	168-176

ESRS 2 SBM-2	Interests and views of stakeholders	168
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	169
S2-1	Policies related to value chain workers	171
S2-2	Processes for engaging with value chain workers about impacts	172
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	173
S2-4	Taking action on material impacts on value chain workers	174
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	175
ESRS S4	Consumers and end-users	177-190
ESRS 2 SBM-2	Interests and views of stakeholders	177
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	177
S4-1	Policies related to consumers and end-users	181
S4-2	Processes for engaging with consumers and end-users	182
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	183
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	184
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	189
ESRS G1	Business conduct	190-200
ESRS 2 GOV-1	The role of the administrative, management and supervisory bodies	190
ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	190
G1-1	Corporate culture and business conduct policies and corporate culture	191
G1-2	Management of relationships with suppliers	194
G1-3	Prevention and detection of corruption and bribery	196
G1-4	Confirmed incidents of corruption and bribery	199
G1-6	Payment practices	199
entity specific	Cybersecurity	200-205
	Strategy and management of impacts, risks and opportunities	200

	Policies, principles, or commitments related to cybersecurity	201
	Measures taken to manage the related impacts	202
	Processes for monitoring the effectiveness of implemented measures	204
	Targets and indicators of progress	204

Below is a table of all data points arising from other EU regulations listed in Appendix B to the ESRS 2 standard, with page numbers indicating where they can be found in the sustainability statement, and their materiality in accordance with ESRS 1, par. 35:

standard	disclosure requirement	§	materiality	strana
ESRS 2	GOV-1	21 (d)	material	39
ESRS 2	GOV-1	21 (e)	material	39
ESRS 2	GOV-4	30	material	44-45
ESRS 2	SBM-1	40 (d) i.	material	49-50
ESRS 2	SBM-1	40 (d) ii.	non-relevant	n/a
ESRS 2	SBM-1	40 (d) iii.	non-relevant	n/a
ESRS 2	SBM-1	40 (d) iv.	non-relevant	n/a
ESRS E1	E1-1	16 (a)	material	71-72
ESRS E1	E1-1	16 (b)	material	72
ESRS E1	E1-1	16 (c)	material	72
ESRS E1	E1-1	16 (d)	material	72-73
ESRS E1	E1-1	16 (e)	material	73-86
ESRS E1	E1-1	16 (f)	material	72
ESRS E1	E1-1	16 (g)	material	73
ESRS E1	E1-1	16 (h)	material	71
ESRS E1	E1-1	16 (i)	material	71
ESRS E1	E1-1	16 (j)	material	71
ESRS E1	E1-4	34 (b)	material	98
ESRS E1	E1-4	34 (c)	material	98

ESRS E1	E1-4	34 (d)	material	98
ESRS E1	E1-4	34 (e)	material	98
ESRS E1	E1-4	34 (f)	material	98
ESRS E1	E1-4	AR 24	material	98-99
ESRS E1	E1-4	AR 25 (a)	material	98-99
ESRS E1	E1-4	AR 25 (b)	material	98-99
ESRS E1	E1-4	AR 25 (c)	material	98-99
ESRS E1	E1-4	AR 25 (d)	material	98-99
ESRS E1	E1-4	AR 26	material	99-100, 106-121
ESRS E1	E1-4	AR 29	material	99-100, 106-121
ESRS E1	E1-4	AR 30 (a)	material	94-97
ESRS E1	E1-4	AR 30 (b)	material	94-97
ESRS E1	E1-4	AR 30 (c)	material	88, 94-97
ESRS E1	E1-5	37 (a)	material	104-105
ESRS E1	E1-5	37 (b)	material	104-105
ESRS E1	E1-5	37 (c) i.	material	104-105
ESRS E1	E1-5	37 (c) ii.	material	104-105
ESRS E1	E1-5	37 (c) iii.	material	104-105
ESRS E1	E1-5	38 (a)	material	104-105
ESRS E1	E1-5	38 (b)	material	104-105
ESRS E1	E1-5	38 (c)	material	104-105
ESRS E1	E1-5	38 (d)	material	104-105
ESRS E1	E1-5	38 (e)	material	104-105
ESRS E1	E1-5	40	material	105
ESRS E1	E1-5	42	material	105
ESRS E1	E1-5	43	material	105
ESRS E1	E1-6	48 (a)	material	106-121

ESRS E1	E1-6	48 (b)	material	106-121
ESRS E1	E1-6	49 (a)	material	106-121
ESRS E1	E1-6	49 (b)	material	106-121
ESRS E1	E1-6	50 (a)	material	106-121
ESRS E1	E1-6	50 (b)	material	106-121
ESRS E1	E1-6	51	material	106-121
ESRS E1	E1-6	53	material	106-121
ESRS E1	E1-6	54	material	106-121
ESRS E1	E1-6	55	material	106-121
ESRS E1	E1-7	58 (a)	material	121
ESRS E1	E1-7	58 (b)	material	121
ESRS E1	E1-7	59 (a)	material	121
ESRS E1	E1-7	59 (b)	material	121
ESRS E1	E1-9	66 (a)	material	122
ESRS E1	E1-9	66 (b)	material	122
ESRS E1	E1-9	66 (c)	material	122
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ESRS E1	E1-9	AR 81	material	122
ESRS E2	E2-4	28 (a)	material	129
ESRS E4	SBM-3	16 (a) i.	material	131
ESRS E4	SBM-3	16 (b)	non-material	132
ESRS E4	SBM-3	16 (c)	non-material	132
ESRS E4	E4-2	24 (b)	non-relevant	n/a
ESRS E4	E4-2	24 (c)	non-relevant	n/a
ESRS E4	E4-2	24 (d)	non-relevant	n/a
ESRS E5	E5-5	37 (d)	material	145-146
ESRS E5	E5-5	39	material	145

ESRS G1	G1-1	10 (b)	material	191-192
ESRS G1	G1-1	10 (d)	material	191-192
ESRS G1	G1-4	24 (a)	material	199
ESRS G1	G1-4	24 (b)	material	199
ESRS S1	SBM-3	14 (f)	non-material	n/a
ESRS S1	SBM-3	14 (g)	non-material	n/a
ESRS S1	S1-1	20 (a)	material	152
ESRS S1	S1-1	20 (b)	material	153
ESRS S1	S1-1	20 (c)	material	154-155
ESRS S1	S1-1	21	material	153
ESRS S1	S1-1	22	non-material	n/a
ESRS S1	S1-1	23	material	153
ESRS S1	S1-3	32 (c)	material	154-155
ESRS S1	S1-14	88 (b)	material	167
ESRS S1	S1-14	88 (c)	material	167
ESRS S1	S1-14	88 (e)	material	167
ESRS S1	S1-16	97 (a)	non-material	n/a
ESRS S1	S1-16	97 (b)	non-material	n/a
ESRS S1	S1-17	103 (a)	material	168
ESRS S1	S1-17	104 (a)	non-relevant	n/a
ESRS S2	SBM-3	11 (b)	non-material	n/a
ESRS S2	S2-1	17	material	172
ESRS S2	S2-1	18	non-material	n/a
ESRS S2	S2-1	19	material	172
ESRS S2	S2-4	36	material	175
ESRS S4	S4-1	16	material	182
ESRS S4	S4-1	17	material	182
ESRS S4	S4-4	35	material	182

Climate change (ESRS E1)

1. Administration and management

Integrating sustainability-related performance into incentive schemes (ESRS 2 GOV-3)

The central goal of management, including the executive members of the Board of Directors, in the reporting period included an ESG objective related to reducing greenhouse gas emissions, but without assessing their performance against the targets specified in chapter E1-4.

2. Strategy

The ZSE Group's strategy is built on growth, sustainability and digitalisation. The rapid growth of renewables and the accelerating electrification of the transport and heat sectors are making the energy system much more decentralised and complex, while supporting the central and irreplaceable role of the electricity grid. Digitalisation is one of the cornerstones of the electricity industry of the future and plays a key role in achieving European, national and corporate climate goals. The business activities of the ZSE Group are focused on the modern world of energy. They are divided into four core business areas - energy networks, customer solutions, non-commodity solutions and electricity generation (see chapter ESRS 2 SBM-1). The Transformation Plan for Climate Change Mitigation is integral to the ZSE Group's business strategy and financial decisions. It supports the company's strategic objectives, such as climate neutrality and carbon footprint reduction across all parts of the value chain, leveraging decarbonisation as a source of long-term business opportunities, including the development of low-emission products and services, targeting capital expenditures on decarbonisation, identifying and mitigating physical risks related to climate change or managing the supply chain and reducing the carbon footprint of upstream activities. The Transformation Plan is linked to the business and financial strategy through measurable targets and KPIs that monitor progress on decarbonisation. The ZSE Group transparently communicates performance assessments to stakeholders through sustainability reports.

Transformation Plan for Climate Change Mitigation (E1-1)

The ZSE Group has a Climate Change Mitigation Transformation Plan in place. It has climate-related disclosures and a decarbonisation strategy. It presents the ZSE Group's climate strategy, which provides a general explanation of how the ZSE Group is adapting its strategy, business model and financial planning to ensure compliance with the transformation to a sustainable economy and to limit global warming to 1.5 °C in line with the Paris Agreement and the aim of achieving climate neutrality by 2050 with zero or limited exceedance as set out in Regulation (EU) 2021/1119. to achieve climate neutrality. Its content reflects the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The sustainability committee approved the first ZSE Group Transformation Plan, established by the ZSE Board of Directors. The ZSE Group plans to explain and assess the progress in implementing the Transformation Plan annually.

ZSE Group has committed to reducing emissions in scopes 1, 2 and 3 by at least 50% (50-75%) by 2030 compared to the base year 2024, thereby committing to the E.ON Group's targets, which are consistent with the 1.5 °C global warming limit set out in the Paris Climate Agreement. In May 2022, the Science Based Initiative (SBTi) recognised that E.ON Group's climate targets are consistent with the 1.5 °C target set out in the Paris Climate Agreement and meet the

SBTi requirements for the 1.5 °C target. In its ESG strategy, ZSE Group has set itself the target to reduce emissions in scopes 1 and 2 by 50-75% by 2030 (-50% refers to the SBTi-approved target for 2030 in line with the 1.5 °C trajectory and -75% refers to ZSE Group's ambitions) and in scope 3 by 50% (see chapter E1-4). ZSE Group has set the baseline year and gross emissions baseline for the consolidated climate targets as 2024 to provide an exact and representative picture for measuring progress.

The ZSE Group implements strategic decarbonisation tools to reduce greenhouse gas emissions throughout the value chain. These tools include technological innovations, product and service portfolio optimisation, and cooperation with partners in the upstream and downstream part of the chain. Within its activities, the ZSE Group focuses on the gradual decarbonisation of its operations by introducing energy-efficient technologies, increasing the share of renewable energy sources, improving energy efficiency through energy consumption management and the gradual electrification of the fleet. In the upstream part of the value chain, the ZSE Group requires minimum ESG commitments from suppliers and optimises logistics processes. In the downstream part of the value chain, the ZSE Group offers products and services to support the decarbonisation of customers. Climate change mitigation measures are disclosed in Chapter E1-3.

The ZSE Group's investment program focuses on sustainability. Almost 86% of the Group's investment activities fall under the EU taxonomy and meet its strict sustainability criteria. The ZSE Group's eligible activities under the EU taxonomy concerning capital expenditure (CapEx) include electricity distribution and electromobility services. The ZSE Group uses green financing, and the company obtains a large part of the funds for these investments through bond issuance, green loans, or European grants.

The ZSE Group focuses on developing and constructing energy infrastructure and new innovative solutions and services for energy systems in households and businesses, as well as energy management and charging infrastructure for electromobility. Key investments for climate change mitigation in electricity distribution include the introduction of smart grids to optimise electricity distribution and minimise losses, the renovation and replacement of outdated equipment with technologies with higher energy efficiency, the integration of renewable energy sources and the digitalisation of the distribution system for monitoring and analysing data from its operation. The ZSE Group invests significant resources in climate change mitigation measures within the distribution infrastructure. It plans to increase these investments by at least 10% year-on-year in the coming years. By 2029, the ZSE Group intends to invest EUR 1.3 billion in expanding and digitalising energy infrastructure and developing decarbonisation solutions. Around EUR 1.2 billion is planned to be invested in energy networks, and EUR 0.1 billion in the development of energy solutions.

The ZSE Group's climate strategy also considers locked-in emissions that are part of existing assets and are released throughout their lifetime until they undergo a fundamental transformation or disposal. According to the guidelines of the parent company E.ON, the category of relevant locked-in emissions includes fossil-based assets, such as fossil vehicles included in the ZSE Group's assets, the Malženice combined cycle power plant, and gas boilers in the ZSE Group's buildings.

Fossil vehicles included in the assets of the ZSE Group: To ensure operational continuity from a BCM (Business Continuity Management) perspective, considering the regional structure and the performance of unique activities, distribution companies use fossil vehicles and mechanisms that cannot be replaced with electric ones for reasons of ensuring operation or for which there is currently no electric or other low-emission alternative. In 2024, specific positions that must be assigned a fossil vehicle were defined. These are primarily positions subject to economic mobilisation and critical infrastructure, and performing tasks in the field and within the crisis staff. The remaining personal fleet is subject to the group policy for company vehicles, which defines using electric cars and hybrids on a mandatory or voluntary basis for individual management categories. The definition of positions and departments within distribution companies that may be assigned fossil passenger vehicles is updated regularly.

Malženice combined cycle power plant: Electricity production at the Malženice power plant is the only emission-generating production in which the ZSE group is engaged. The Malženice combined cycle power plant (CCP) stands for this type's largest electricity source in Slovakia. It is a critical power plant that ensures the flexibility and stability of the entire distribution system. The installed capacity of the Malženice combined cycle power plant reaches 430 MW of electrical power, which can flexibly adapt to market needs. The stable power supplied to the network is approximately 375 MW. The power plant often also ensures the production of so-called "peak" electricity, which regulates surpluses or deficiencies in the system. Four diesel units also provide power in case of a blackout in the system. This source starts when the stability of the network is threatened and can start up at once. The Malženice combined cycle power plant is part of the European Emissions Trading System (EU ETS 1) and emission allowances fully cover the CO₂e produced. The power plant is reported in the financial statements as an asset held for sale.

Gas boilers in ZSE Group buildings: For each ZSE Group building, solutions were proposed based on an analysis of energy efficiency and CO₂ emissions, which included the implementation of technically relevant measures along with an analysis of locked-in emissions and emission production during the life cycle of the buildings. They included the reconstruction of gas boilers or the possible construction of a heat pump system, and these measures began to be gradually implemented during the reporting period.

ZSE Group has taken measures to phase out or modernise these assets in line with climate neutrality goals. This process includes replacing fossil vehicles with electric vehicles in line with the adopted vehicle policy and replacing gas boilers with low-carbon technologies. During the reporting period, ZSE Group did not invest significant CapEx in gas-related activities. ZSE is not excluded from the EU Paris Agreement investment benchmarks following the exclusion criteria set out in Article 12(1)(d) to (g) and Article 12(2) of Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation).

EU taxonomy for sustainable activities

The EU taxonomy provides a classification framework for finding environmentally sustainable economic activities and is essential for supporting the transition to a sustainable economy. The alignment of the ZSE Group's business activities with the EU taxonomy supports decarbonisation, sustainable investments and the Group's transition to sustainable business. The ZSE Group must disclose information on the environmental sustainability of its economic activities following Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment. The activities of the ZSE Group eligible for the taxonomy have been identified in accordance with Commission Delegated Regulation

(EU) 2021/2139 of 4 June 2021 (the 'Climate Delegated Regulation'), Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 (the 'Supplementary Delegated Regulation') which sets out the conditions for economic activities in specific energy sectors, Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 (the 'Disclosure Delegated Regulation') which sets out the scope and content of information to be disclosed by companies in relation to environmentally sustainable economic activities, Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 (the 'Environmental Delegated Regulation') which contains a classification of economic activities that significantly contribute to at least one of the remaining environmental objectives of the taxonomy and Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139. In the reporting year, compliance was also assessed for the other 4 environmental objectives under Commission Delegated Regulation (EU) 2023/2486.

Assessment of eligible activities according to EU taxonomy

Regulation (EU) 2020/852 of 18 June 2020 establishing a framework to facilitate sustainable investment, and related EU Commission Delegated Regulations (hereinafter referred to as the "EU taxonomy") sets out the criteria that an economic activity must meet to qualify as environmentally sustainable. The ZSE Group (hereinafter referred to as the "Group"), As a significant public interest entity with more than 500 employees, it reported information following the EU taxonomy for the year ending 2023; therefore, the performance indicators also include comparable data for the previous period.

The harmonisation of the taxonomy of eligible activities of the ZSE group has been assessed according to the following delegated regulations :

- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 (the "Climate Delegated Regulation"), which sets out the conditions for determining whether selected economic activities contribute significantly to climate change mitigation or adaptation and do not harm substantially the achievement of any of the other environmental objectives.
- Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 ('Environmental Delegated Regulation') supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council laying down the conditions for determining whether selected economic activities significantly contribute to the sustainable use and protection of water and marine resources, the transition to a circular economy, the prevention and control of pollution or the protection and restoration of biodiversity and ecosystems, and amending Commission Delegated Regulation (EU) 2021/2178 as regards the publication of information on those economic activities,
- Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 by establishing additional technical screening criteria for determining the conditions under which certain economic activities are considered to contribute significantly to climate change mitigation or adaptation and for determining whether those activities do not significantly harm the achievement of any of the other environmental objectives,
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 ('the supplementary delegated regulation') laying down conditions for economic activities in specific energy sectors.

Based on these regulations, the ZSE Group must evaluate and disclose information for the year ending 31 December 2024 on the share of revenues, capital expenditures, and operating expenses associated with eligible economic activities or with economic activities following the EU taxonomy.

For the year ending 31 December 2023, the Group reported on the eligibility of the economic activities of the Group (i.e. the share of eligible and/or ineligible economic activities in total turnover, capital expenditure and operating costs), as well as compliance with the taxonomy (i.e. the relevant technical assessment criteria were also taken into account), for the first and second environmental objectives (climate change mitigation and adaptation). For the other environmental targets (sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of environmental pollution, protection and restoration of biodiversity and ecosystems), the Group assessed the eligibility of the economic activities, following the Delegated Regulation.

For the year ending 31 December 2024, economic activities are assessed for their eligibility, or compliance with the EU taxonomy, for all six environmental objectives (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, safety and restoration of biodiversity and ecosystems).

An eligible economic activity under the EU taxonomy (hereinafter referred to as “eligible economic activity”) is an activity that is described in a climate or environmental delegated regulation, regardless of whether that economic activity meets some or all the technical screening criteria set out in that regulation. Based on the analysis, it was assessed that the following economic activities of the Company represent eligible economic activities assigned to the environmental goal of climate change mitigation. For the year ending 31 December 2024, there were no eligible activities identified for other environmental objectives under the Climate and Environment Delegated Regulation.

Eight activities of the ZSE group were identified as eligible under the EU taxonomy:

- 4.5 Electricity generation from hydropower
- 4.9 Electricity transmission and distribution
- 4.10 Electricity storage
- 6.15 Infrastructure enabling low-carbon road and public transport
- 7.3 Installation, maintenance and repair of energy-efficient equipment
- 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings and parking spaces next to the building
- 7.6 Installation, maintenance and repair of renewable energy technologies
- 8.1 Data processing, hosting and related activities

An economic activity aligned with the EU taxonomy (hereinafter referred to as “aligned economic activity”) is an activity that meets all the following requirements under Article 3 of the EU taxonomy:

- contributes significantly to one or more environmental targets,
- does not cause significant harm to any of the environmental targets,
- it is carried out following minimum safeguards, and
- complies with the technical screening criteria in the Climate Delegated Regulation.

The technical review criteria for environmental targets for each activity were assessed, and the minimum guarantees were assessed at the ZSE Group level. When preparing the analysis, economic activities involved the input of resources, a production process, and outputs in the form of specific goods or specific services that the ZSE Group sells to its customers or uses for its consumption. The technical review criteria were assessed following the Climate Delegated Regulation and its amendments. At the same time, an assessment was carried out for the reporting period to decide whether the minimum safeguards were respected in the performance of its economic activities.

Assessment of significant contribution criteria

Climate change mitigation

We have assessed and documented whether our activities (4.9, 4.5, 4.10, 6.15, 7.3, 7.4, 7.6 and 8.1) are eligible under the taxonomy and meet the criteria for contributing to climate change mitigation. All these activities play a key role in climate change mitigation by supporting the decarbonisation of the economy, increasing energy efficiency, and enabling the broader use of renewable energy sources.

Based on the Company's assessment, the following activities can be considered coordinated economic activities:

- 4.5 Electricity generation from hydropower
- 4.9 Electricity transmission and distribution
- 6.15 Infrastructure enabling low-carbon road and public transport
- 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings and parking spaces next to the building
- 7.6 Installation, maintenance and repair of renewable energy technologies

Activity 4.5 Hydropower generation within ZSE MVE provides a stable and renewable energy source with low emissions, helping to replace fossil fuels and contributing to carbon neutrality. Activity 4.9 Transmission and distribution of electricity within the companies ZSD and VSD ensures reliable integration of renewable sources into the energy system, flexibly connects producers and consumers, and digitalisation and modern technologies reduce distribution losses, thereby contributing to decarbonisation. Activity 4.10 Electricity storage in a new construction project within the ZSE Energetické služby company allows for balancing fluctuations in the electricity supply from renewable sources, thereby increasing the stability and flexibility of the energy system and supporting more efficient use of energy. Activity 6.15 infrastructure enabling low-carbon road and public transport within ZSE's e-mobility services helps reduce greenhouse gas emissions in the transport sector by supporting the development of electromobility. Activity 7.3 Installation, maintenance and repair of energy-efficient equipment within the framework of the construction and maintenance of energy-efficient heating and public lighting systems by ZSE Group companies reduces energy consumption and diverts from the consumption of fossil fuels (gas), thereby contributing to the decarbonisation of heating and higher efficiency of resource use, however, due to the complexity of monitoring and assessing the effectiveness of the parameters, the Group is unable to assess with sufficient accuracy the parameter of non-harming and thus decided to report the activity as eligible. Activity 7.4 Installation, maintenance and repair of electric vehicle charging stations as part of ZSE's e-mobility service supports the development of electromobility, thereby contributing to the reduction of CO₂ emissions in the transport sector and reducing dependence on fossil fuels. Activity 7.6 Installation, maintenance and repair of renewable energy technologies - construction, repair and maintenance of photovoltaic equipment by ZSE Group companies enables more expansive use of renewable energy, thereby directly contributing to reducing greenhouse gas emissions and the climate impacts of the energy sector,

however, due to the complexity of monitoring and assessing the effectiveness of the parameters, the Group is unable to assess with sufficient accuracy the parameter of non-harming and thus decided to report the activity as eligible. Activity 8.1 Data processing, hosting and related activities within IT services and data centre management support the digitalisation and optimisation of processes in the energy and other sectors, contributing to reducing energy consumption and more effectively managing low-carbon solutions, however, due to the complexity of monitoring and assessing the effectiveness of the parameters, the Group is unable to assess with sufficient accuracy the parameter of non-harming and thus decided to report the activity as eligible. The ZSE group's eligible activities under the EU taxonomy were not assessed against other criteria of substantial benefit, as their main objective is to contribute to climate change mitigation.

Assessment of criteria relating to the principle of not significantly disrupting

Climate change adaptation: Based on the high emissions climate scenario RCP 8.5 for the periods 2050 and 2080, we assessed and documented how the energy infrastructure is resilient to various chronic and acute climate hazards. Climate change resilience is most relevant for activity 4.5, 4.9, 6.15, 7.4 and 7.6 where we assess the activity meets the criteria set out in Appendix A to Annex I of the Climate Change Delegated Act.

Sustainable use and protection of water and marine resources: ZSE Group is legally required to carry out Environmental Impact Assessments (EIA) as part of all projects to ensure that impacts on water resources are addressed. ZSE Group has internal management and operational processes in place for water management. We assess that activities eligible under the taxonomy meet the criterion for the principle of not significantly impairing the goal of *protecting water and marine resources* set out either for the specific eligible activity or as defined in Appendix B to Annex I of the Climate Delegated Regulation.

Transition to a circular economy: ZSE Group has internal management and operational documentation for waste management, ensuring maximum recovery or recycling at the end of life following the waste management hierarchy, including based on the terms of contracts with waste management partners.

Pollution prevention and control: ZSE Group is legally required to carry out environmental impact assessments (EIA) as part of all projects to address environmental impacts. ZSE Group has internal management and operational processes to deal with pollution. We assess that the activities eligible under the taxonomy meet the criteria in Appendix C to Annex I of the Delegated Climate Act. For individual activities, the requirements for the principle of not significantly impairing the objective of *pollution prevention and control* set out for the specific eligible activity were assessed.

Protection and restoration of biodiversity and ecosystems: ZSE Group must lawfully carry out environmental impact assessments (EIA) as part of all projects to ensure that impacts on biodiversity and ecosystems are addressed. ZSE Group has internal management and operational processes for nature and landscape protection that ensure the prevention, mitigation and resolution of ZSE Group's impacts on biodiversity and ecosystems. We assess that activities eligible under the taxonomy meet the criteria set out in Annex D to Annex I of the Delegated Climate Act or specific defined criteria not to undermine this environmental target for a particular eligible activity.

Compliance with minimum (social) guarantees

The ZSE Group's Human Rights Protection Programme is committed to respecting human rights and recognising the International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. In its operations and supply chain, the ZSE Group complies with the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Business Conduct. The ZSE Group is committed to sound and responsible corporate governance and the UN Sustainable Development Goals. The established rules, procedures, ethical standards and due diligence approach ensure that the ZSE Group has established sound principles in human rights, labour standards, anti-corruption and competition. Based on the above circumstances, the Company has concluded that its activities meet the requirement to comply with minimum (social) safeguards within the meaning of Article 3(c) of the EU taxonomy.

Accounting methods in preparing disclosures according to the EU taxonomy and other information

The ZSE Group applies accounting policies for key indicators following our interpretation of Commission Delegation Regulation (EU) 2021/2178 of 6 July 2021 ("delegation regulation disclosure") and available European Commission guidelines. All business activities found within the ZSE Group are assigned to one of the economic activities of the EU taxonomy based on two basic principles:

Double Counting Principle - We have avoided double counting between economic activities when distributing the numerator for revenue, CAPEX, OPEX by using activity-specific factors to distribute funds between our activities within the taxonomy. In calculating indicators, individual items are assigned to economic activities so that they are counted only once, primarily through data from segmental analyses. Intra-Group transactions are excluded from the overview. The entire turnover, capital expenditure or operating expenditure of the aligned economic activities has been assigned as significantly contributing exclusively to the environmental target of climate change mitigation, thus avoiding double counting activities in individual indicators.

Linkage principle—When assigning financial numbers to the numerator, the "linkage principle" was used. This principle states that all revenue, CAPEX, and OPEX that can be legitimately linked to an identified taxonomy-aligned activity can be classified as taxonomy-aligned and thus included in the numerator of the relevant KPI.

ZSE reports the following three indicators for investments, revenues and operating expenses:

1. Environmentally sustainable activities as a share of the total amount reported in the consolidated financial statements of the ZSE Group prepared according to IFRS
2. Activities eligible as a share of the total amount reported in the consolidated financial statements of the ZSE Group prepared following IFRS
3. Unauthorized activities as a share of the total amount reported in the consolidated financial statements of the ZSE Group prepared following IFRS

Capital expenditure

Capital expenditure was calculated grossly without considering revaluation, depreciation, amortisation, or impairment charges. It consists of investments in the following types of long-term tangible and intangible assets:

Tangible fixed assets according to IAS 16

- Intangible assets according to IAS 38

- Investment properties according to IAS 40
- Leased assets according to IFRS 16

The Group's capital expenditure (denominator) consists of additions to property, plant and equipment, intangible assets, investment property and right-of-use property as disclosed in notes 6, 7, 8 and 9 to the consolidated financial statements. The numerator is decided as the relevant portion of environmentally sustainable activities following the taxonomy or the proportion of eligible activities of the Group's investments.

Revenue

Revenues correspond to net revenues reported in the consolidated income statements and annual report. These figures are included in the denominator, while revenues from environmentally sustainable activities following the taxonomy and/or revenues from eligible activities following the taxonomy are included in the numerator.

Operating costs

The denominator of operating costs is specified following the requirements and rules of the taxonomy. Environmentally sustainable operating costs include directly attributable, non-capitalised expenditure on research and development, building renovations, short-term leasing, maintenance and repairs, other direct spending related to the maintenance of assets and other outlays necessary to keep environmentally sustainable economic activities. In the ZSE, this includes spending on repairs and maintenance carried out by third parties, which are reported in materials and other operating costs. The numerator reflects the share of operating expenses on environmentally sustainable or eligible activities following the taxonomy.

Indicators (KPIs) aligned with the taxonomy:

Key performance indicators (KPIs)	EUR million %	2024	2023
Total consolidated CAPEX (capital expenditure)	mEUR	265.6	198.8
CAPEX from activities eligible under the taxonomy	%	86	80
<i>electricity distribution (4.9)</i>	%	81	77
<i>low-carbon transport infrastructure (6.15)</i>	%	4	3
<i>activities eligible according to the taxonomy but not environmentally sustainable (8.1)</i>	%	1	0
CAPEX from unauthorised activities under the taxonomy	%	14	20
Total consolidated OPEX (operating expenses)	mEUR	181.5	112.8
OPEX from activities eligible under the taxonomy	%	44	45
<i>electricity distribution (4.9)</i>	%	41	42

<i>activities eligible according to the taxonomy but not environmentally sustainable (8.1)</i>	%	3	3
OPEX from unauthorised activities under the taxonomy	%	56	55
Total consolidated turnover	mEUR	2440.6	2002.0
Income from activities eligible under the taxonomy	%	26	23
<i>electricity distribution (4.9)</i>	%	25	22
<i>installation of renewable energy technologies (7.6)</i>	%	1	1
Income from unauthorised activities under the taxonomy	%	74	77
<i>gas sales</i>	mEUR	398.7	259.2 *)
<i>electricity production (PPC Malženice)</i>	mEUR	194.3	144.3

*) for 1-11/2023 without former VSE Holding Group

Reporting of **capital expenditure** on environmentally sustainable economic activities under the EU taxonomy as of **31 December 2024**

ANNEX II - Template for the KPI of non-financial undertakings

Disclaimer: Based on current understanding of available information (Delegated Act on Article 8 as of July 6, 2021).

				Substantial Contribution criteria						DNSH criteria											
Economic activities	Code(s)	Absolute CapEx (thousand EUR)	Proportion of CapEx (%)	Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water and Marine Resources (%)	Circular Economy (%)	Pollution (%)	Biodiversity and Ecosystems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water and Marine Resources (Y/N)	Circular Economy (Y/N)	Pollution a (Y/N)	Biodiversity and Ecosystems (Y/N)	Minimum Safeguards (Y/N)	Taxonomy-aligned proprtion of CapEx, year 2024 (%)	Taxonomy-aligned proprtion of CapEx, year 2023 (%)*	Category (enabling activity)	Category (transitional activity)	
A. TAXONOMY ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy aligned)																					
Electricity transmission and distribution	CCM 4.9.	214,068	80.59%	100%						Y	Y		Y	Y	Y	Y	80.59%	76.49%	enabling		
Infrastructure enabling low carbon road and public transport dopravu	CCM 6.15.	10,307	3.88%	100%						Y	Y	Y	Y	Y	Y	Y	3.88%	2.48%	enabling		
Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking spaces adjacent to the building)	CCM 7.4.	1,570	0.597%	100%						Y	Y					Y	0.59%	0.40%	enabling		
CapEx of environmentally sustainable activities (taxonomy aligned) (A.1.)		225,945	85.06%	100%													85.06%	79.37%			
A.2.Taxonomy - eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																					
Data processing, provision of server space on the intranet and related services	CCM 8.1.	2,033	0.77%																		
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		2,033	0.77%																		
Total (A.1. + A.2)		227,979	85.82%																		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																					
CapEx of taxonomy non-eligible activities (B)		37,657	14.18%																		
Total (A+B)		265,636	100.00%																		

CAPEX in line with the taxonomy: the share of capital expenditure from activities eligible under the taxonomy reached 85.82% in 2024, representing an increase of 6 percentage points compared to 2023. Capital expenditure from activities eligible under the taxonomy was primarily related to electricity distribution (80.59%) and construction of electromobility infrastructure (3.88%).

Reporting of **capital expenditure** on environmentally sustainable economic activities under the EU taxonomy as of **31 December 2023**

ANNEX II - Template for the KPI of non-financial undertakings

Dis claimer: Based on current understanding of available information (Delegated Act on Article 8 as of July 6, 2021).

Economic activities	Code(s)	Absolute CapEx (thousand EUR)	Proportion of CapEx (%)	Substantial Contribution criteria						DNSH criteria						Minimum Safeguards (Y/N)	Taxonomy-aligned proportion of CapEx year 2023 (%)	Taxonomy-aligned proportion of CapEx year 2022 (%)*	Category (enabling activity)	Category (transitional activity)
				Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water and Marine Resources (%)	Circular Economy (%)	Pollution (%)	Biodiversity and Ecosystems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water and Marine Resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Biodiversity and Ecosystems (Y/N)					
A. ČINNOSTI OPRAVNĚNÉ V RÁMCI TAXONOMIE																				
A.1.A.1. Environmental sustainable activities(Taxonomy aligned)																				
Electricity transmission and distribution	CCM 4.9.	149 762	76.49%	100%						Y	Y		Y	Y	Y	Y	76.49%	80.85%	enabling	
Infrastructure enabling low carbon road and public transport	CCM 6.15.	4 881	2.48%	100%						Y	Y	Y	Y	Y	Y	Y	2.48%	0.14%	enabling	
Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking spaces adjacent to the building)	CCM 7.4.	792	0.40%	100%						Y	Y					Y	0.40%	1.20%	enabling	
CapEx of environmental sustainable activities(Taxonomy-aligned) (A.1.)		155 415	79.37%	100%													79.37%	82.19%		
A.2.Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																				
Data processing, provision of server space on the Intranet and related services	CCM 8.1.	188	0.10%																	
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		188	0.10%														0.10%	0.14%		
Total (A.1. + A.2.)		155 603	79.4%														79.47%	82.34%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		40 201	20.53%																	
Total (A+B)		195 804	100.00%																	

Reporting of **operating expenses** to environmentally sustainable economic activities within the EU taxonomy as of **31 December 2024**

ANNEX II - Template for the KPI of non-financial undertakings

Disclaimer: Based on current understanding of available information (Delegated Act on Article 8 as of July 6, 2021).

Economic activities	Code(s)	Absolute OpEx (thousand EUR)	Proportion of OpEx (%)	Substantial Contribution criteria						DNSH criteria						Minimum Safeguards (Y/N)	Taxonomy-aligned prportion of OpEx, year 2024 (%)	Taxonomy-aligned prportion of OpEx, year 2023 (%)*	Category (enabling activity)	Category (transitional activity)									
				Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water and Marine Resources (%)	Circular Economy (%)	Pollution (%)	Biodiversity and Ecosystems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water and Marine Resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Biodiversity and Ecosystems (Y/N)														
A. TAXONOMY ELIGIBLE ACTIVITIES																													
A.1. Environmentally sustainable activities (taxonomy-aligned)																													
Hydropower generation	CCM 4.5.	222,635	0.12%	100%						Y	Y	Y			Y	Y	0.12%	0.18%	enabling										
Electricity transmission and distribution	CCM 4.9.	72,619	40.00%	100%						Y	Y		Y	Y	Y	Y	40.01%	41.61%	enabling										
Infrastructure enabling low carbon road and public transport	CCM 6.15.	383,975	0.21%	100%						Y	Y	Y	Y	Y	Y	Y	0.21%	0.23%	enabling										
Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking spaces adjacent to the building)	CCM 7.4.	189,378	0.10%	100%						Y	Y					Y	0.10%	0.14%	enabling										
OpEx environmentally sustainable activities (taxonomy aligned) (A.1.)		73,415	40.44%	100%													40.44%	42.16%											
A.2. Taxonomy - eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																													
Data processing, provision of server space on the intranet and related services	CCM 8.1.	6,023	3.32%																										
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		6,023	3.32%														3.32%	3.25%											
Total (A.1. + A.2)		79,438	43.76%														43.76%	45.41%											
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																													
OpEx of taxonomy non-eligible activities (B)		102,081	56.24%																										
Total (A+B)		181,519	100.00%																										

Taxonomy-compliant OPEX: operating expenses from taxonomy-compliant activities were at 44% in 2024, a decrease of 1 percentage point compared to 2023. The sources of taxonomy-compliant operating expenses in 2024 came primarily from electricity distribution costs (40.44%).

Reporting of **operating expenses** to environmentally sustainable economic activities within the EU taxonomy as of **31 December 2023**

ANNEX II - Template for the KPI of non-financial undertakings

Disclaimer: Based on current understanding of available information (Delegated Act on Article 8 as of July 6, 2021).

				Substantial Contribution criteria						DNSH criteria											
Economic Activities	Code(s)	Absolute OpEx (thousand EUR)	Proportion of OpEx (%)	Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water and Marine Resources (%)	Circular Economy (%)	Pollution (%)	Biodiversity and Ecosystems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water and Marine Resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Biodiversity and Ecosystems (Y/N)	Minimum Safeguards (Y/N)	Taxonomy-aligned proportion of OpEx, year 2023 (%)	Taxonomy-aligned proportion of OpEx, year 2022 (%)*	Category (enabling activity)	Category (transitional activity)	
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy aligned)																					
Hydropower generation	CCM 4.5.	205,000	0.18%	100%						Y	Y	Y			Y	Y	0.18%	0.20%	enabling		
Electricity transmission and distribution	CCM 4.9.	46,941	41.61%	100%						Y	Y		Y	Y	Y	Y	41.61%	42.87%	enabling		
Infrastructure enabling low-carbon road and public transport	CCM 6.15.	255,000	0.23%	100%						Y	Y	Y	Y	Y	Y	Y	0.23%	0.00%	enabling		
Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking spaces adjacent to the building)	CCM 7.4.	160,000	0.14%	100%						Y	Y					Y	0.14%	0.48%	enabling		
OpEx of taxonomy-eligible environmentally sustainable activities (Taxonomy-aligned activities) (A.1.)		47,561	42.16%	100%													42.16%	43.56%			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Data processing, provision of server space on the intranet and related services	CCM 8.1.	3,669	3.25%																		
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		3,669	3.25%														3.25%4.30%				
Total (A.1. + A.2)																	45.41%47.86%				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
OpEx of Taxonomy-non-eligible activities (B)																					
Total (A+B)																					

Reporting of **revenues** from environmentally sustainable economic activities under the EU taxonomy as of **31 December 2024**

ANNEX II - Template for the KPI of non-financial undertakings

Disclaimer: Based on current understanding of available information (Delegated Act on Article 8 as of July 6, 2021).

Economic activities	Code(s)	Absolute turnover (thousand EUR)	Proportion of turnover (%)	Substantial Contribution Criteria						DNSH criteria						Minimum Safeguards (Y/N)	Taxonomy-aligned prportion of turnover, year 2024 (%)	Taxonomy-aligned prportion of turnover, year 2023 (%)*	Category (enabling activity)	Category (transitional activity)													
				Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water and Marine Resources (%)	Circular Economy (%)	Pollution (%)	Biodiversity and Ecosystems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water and Marine Resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Biodiversity and Ecosystems (Y/N)																		
A. TAXONOMY ELIGIBLE ACTIVITIES																																	
A.1. Environmentally sustainable activities (Taxonomy aligned)																																	
Hydropower generation	CCM 4.5.	943,000	0.04%	100%						Y	Y	Y		Y	Y	Y	0.04%	0.03%	enabling														
Electricity transmission and distribution	CCM 4.9.	609,086	24.96%	100%						Y	Y		Y	Y	Y	Y	24.96%	21.54%	enabling														
Infrastructure enabling low carbon road and public transport doprawu	CCM 6.15.	3,114	0.13%	100%						Y	Y	Y	Y	Y	Y	Y	0.13%	0.09%	enabling														
Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking spaces adjacent to the building)	CCM 7.4.	1,544	0.06%	100%						Y	Y					Y	0.06%	0.06%	enabling														
Installation, maintenance and repair of technologies in the field of renewable energy	CCM 7.6.	16,876	0.69%	100%						Y	Y					Y	0.69%	0.65%	enabling														
Turnover of environmentally sustainable activities (taxonomy aligned) (A.1.)		631,562	25.88%	100%													25.88%	22.37%															
A.2. Taxonomy - eligible but not environmentally sustainable activities (not ta																																	
Installation, maintenance and repair of energy-efficient equipment	CCM 7.3.	641,493	0.03%																														
Installation, maintenance and repair of technologies in the field of renewable energy	CCM 7.6.	5,844	0.24%																														
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		6,486	0.27%																											0.27%	0.18%		
Total (A.1. + A.2)		638,048	26.14%																														
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																																	
Turnover of taxonomy non-eligible activities (B)		1,802,560	73.85%																														
Total (A+B)		2,440,608	100.00%																														

Revenue by taxonomy (turnover): the share of revenue from activities eligible under the taxonomy in 2024 was 26%, an increase of 3 percentage points compared to 2023. Taxonomically aligned turnover in 2024 was primarily from electricity distribution (24.96%).

Reporting of **revenues** from environmentally sustainable economic activities under the EU taxonomy as of **31 December 2023**

ANNEX II - Template for the KPI of non-financial undertakings

Disclaimer: Based on current understanding of available information (Delegated Act on Article 8 as of July 6, 2021).

Economic activities	Code(s)	Absolute turnover (thousand EUR)	Proportion of turnover (%)	Substantial Contribution criteria						DNSH criteria						Minimum Safeguards (Y/N)	Taxonomy-aligned proportion of turnover, year 2023 (%)	Taxonomy-aligned proportion of turnover, year 2022 (%)*	Category (enabling activity)	Category (transitional activity)
				Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water and Marine Resources (%)	Circular Economy (%)	Pollution (%)	Biodiversity and Ecosystems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water and Marine Resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Biodiversity and Ecosystems (Y/N)					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1.Environmentally sustainable activities (taxonomy-aligned)																				
Electricity generation and dstribution	CCM 4.5.	633,000	0.03%	100%						Y	Y	Y			Y	Y	0.03%	0.00%	enabling	
Electricity transmission and distribution	CCM 4.9.	431,231	21.54%	100%						Y	Y		Y	Y	Y	Y	21.54%	24.02%	enabling	
Infrastructure enabling low-carbon road and public transport	CCM 6.15.	1,821	0.09%	100%						Y	Y	Y	Y	Y	Y	Y	0.09%	0.00%	enabling	
Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking spaces adjacent to the building)	CCM 7.4.	1,107	0.06%	100%						Y	Y					Y	0.06%	0.08%	enabling	
Installation, maintenance and repair of technologies in the field of renewable energy	CCM 7.6.	13,087	0.65%	100%						Y	Y					Y	0.65%	0.32%	enabling	
Turnover of environmental sustainable activities (taxonomy-aligned) (A.1.)		447,879	22.37%	100%													22.37%	24.42%		
A.2. Turnover of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																				
Installation, maintenance and repair of energy-efficient equipment	CCM 7.3.	1,200	0.06%																	
Installation, maintenance and repair of technologies in the field of renewable energy	CCM 7.6.	2,334	0.12%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		3,534	0.18%														0.18%	0.05%		
Total (A.1. + A.2)		451,413	22.55%														22.55%	24.47%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		1,550,626	77.45%																	
Total (A+B)		2,002,039	100.00%																	

Significant impacts, risks and opportunities and their interaction with strategy and business model (ESRS 2 SBM-3)

In the materiality process, four significant climate-related risks were identified in the ZSE Group, two of which can be considered as physical climate risks, as they are based on the direct or indirect consequences of climate change on the environment, and two of which can be regarded as climate-related transformation risks, as they arise from adaptation to changing regulatory, technological or economic conditions in the context of a low-carbon economy.

As a result of the increase in average temperatures, extreme weather events such as heat waves or extreme storms can disrupt the reliability of electricity distribution and supply, trigger changes in consumer demand and later affect the dynamics and volatility of volume. Thus, the increase in temperatures and extreme weather events can negatively affect the financial results of ZSE companies and represent a physical climate risk. This is a long-term risk, as it is a consequence of weather events that disrupt the security and stability of electricity distribution and supply on the market. The reduction of greenhouse gas emissions is significantly affected by weather conditions, which poses a risk to the production and availability of electricity from renewable sources such as wind and solar power plants. Changes in wind speed or solar radiation intensity can reduce the production capacity of these sources and affect their reliability. This is a long-term physical climate risk, as it directly results from the consequences of climate change on natural conditions. Energy companies also face increased costs associated with carbon pricing schemes and regulations to reduce emissions. The pressure to decarbonise requires transforming technologies and business models, leading to significant financial costs. This risk forms a climate-related transition risk and is long-term in nature, as it is linked to the adaptation to a low-carbon economy. The transition to more sustainable technologies carries an added risk: the high first investments needed to upgrade infrastructure and implement greener solutions. These costs can be financially burdensome and represent a climate-related transformational risk. This risk is considered medium-term, as it concerns the one-off expenses of implementing modern technologies.

The resilience of the strategy to climate change is a key aspect for the long-term sustainability and success of the ZSE Group in a rapidly changing environment. Climate change affects energy production, the supply chain, energy infrastructure, and consumer demands, and it is essential to adapt the strategy to them. The importance of electricity as a key energy medium in the drive for decarbonisation is increasing. Accelerating electrification and the expansion of renewable energies will require new system designs and corresponding network growth. With growing awareness and pressure for sustainability, consumer preferences are also changing, and they are increasingly looking for environmentally friendly energy solutions. Adapting the services and products of the ZSE Group to reflect these trends (e.g., offering certified electricity or supporting domestic energy production) means a competitive advantage.

The EU taxonomy of the ZSE Group recognises the key role of electricity distribution and emphasises its importance in the transition to a sustainable and reliable energy infrastructure. This fact also confirms the ZSE Group's priority for financing this area, thereby supporting significant investments and innovations in the modernisation, flexibility, technological innovations, and expansion of energy networks. For this reason, the scope of the resilience analysis in the reporting period was focused on the ZSE Group's energy infrastructure.

Climate change brings extreme weather fluctuations, so the energy infrastructure must be resilient. The expected climate change and climate-related risks will have a local impact on the ZSE Group's infrastructure and require adaptation measures. These will also be important for employees, especially field

technicians exposed to more significant heat and humidity. During the reporting period, experts from distribution companies conducted a qualitative analysis of physical climate risks, based on which the Distribution System Adaptation Plan to Climate Change was implemented. The plan documents how climate change affects the technical equipment of the distribution system to increase its resilience.

The infrastructure of distribution companies is affected by various natural events, which are gaining in intensity as part of the ongoing climate change and occur much more often and in more extreme dimensions than in the past. The only named climate risk with an expected increase in both defined territories of the distribution companies of the ZSE group is a temperature change - an increase in tropical days, i.e., days during which the maximum daily temperature reaches 30 °C and more. Concerning both defined territories of the distribution companies of the ZSE group, other risks, such as wind, rain, snowfall, landslides, should not directly manifest themselves significantly. However, due to the increase in tropical days, local manifestations of other risks may occur due to the more frequent occurrence of storms, accompanied by torrential rainfall combined with intense winds, or flooding.

By using technology, predictive analytics and automation to monitor and manage the grid in real time, the risks associated with climate change are minimised and the reliability and resilience of distribution systems are increased, even under highly adverse conditions. This applies to ensuring security of supply and carrying out repairs.

The performed analysis of the resilience of distribution systems includes an assessment of the impacts of climate change, which was prepared based on SHMÚ data, is based on the climate scenario with high emissions RCP 8.5 and shows trends for the periods 2050 and 2080. For the analysis, only one scenario of climate change development was considered, namely the representative concentration pathway (RCP) 8.5. The RCP 8.5 scenario is a highly adverse emission scenario that assumes a significant and continuous increase in emissions until the end of the century. It is the basis for modelling the worst possible climate change scenarios. Although improbable, based on currently valid climate policies, it is still used to predict emissions until the middle of this century. It is relevant for distribution system assets with a long-life cycle. In this scenario, it is assumed that the level of warming may reach 4.2 °C above pre-industrial levels in 2100. The analysis took into account trends and consequences of future developments such as energy transformation and the use of new technologies, the quality of electricity supplies crucial for vital functions of society (transport, heat, light, etc.), and the affordability of electricity, which will be the driving force for the development of all customer segments, including households and corporate customers.

The assessment was based on climate change projections consistent with the smallest acceptable range necessary to assess risks and opportunities accurately. It focused on relevant assumptions about the evolution of climate conditions and their potential impact on energy infrastructure. The distribution system adaptation plan for climate change provides an overview of the expected effects of climate change and specific adaptation activities to reduce the vulnerability of critical infrastructure. The analysis assessed the extent to which the distribution system assets and electricity distribution may be exposed to the identified climate hazards, as they are sensitive to hazards, considering the probability, extent and duration of the dangers and also took into account the specificities of both defined territories of the distribution companies of the ZSE Group. Due to the critical energy infrastructure and the need to ensure operational continuity, it is impossible to publish the vulnerability analysis results and planned technical and organisational measures.

Based on the impact assessment, planned expenditures for measures were defined, which include steps to increase the resilience of distribution system assets and activities to extreme climate events. The consequences of the identified climate risks will be discussed at the executive management level to adopt measures in the strategy that minimise the negative impacts of these risks. These measures will be gradually distributed to the companies' strategic plans. Climate scenarios are not part of the financial statements.

Within the scope of the resilience analysis, physical climate risks were assessed and found according to the EU taxonomy (Appendix A: Climate Risk Classification). Transformation risks were not the primary focus of the energy infrastructure resilience analysis, as the main target of this analysis was to assess physical risks that have an immediate impact on the reliability and security of the energy infrastructure and directly affect its physical integrity and performance. Transformation risks associated with decarbonisation are monitored within individual business segments. The strategy and financial planning of the ZSE Group reflect emerging trends in the energy sector and the corresponding risks and opportunities for growth. They align the business activities of the ZSE Group with the emerging low-carbon business, which is characterised by customers that have choice, the expansion of renewable sources, higher energy efficiency, distributed energy and local energy systems, increasing electrification in energy consumption and ongoing digitalisation.

Based on the development to date, the following areas have been identified as generally relevant in the context of climate risks and opportunities for ZSE Group companies (energy networks, energy sales and customer solutions):

- regulation
- legislative changes
- volatility of energy sales volumes
- energy price volatility
- distribution outages and damage to the system
- operation, maintenance and development of the system
- electromobility
- electricity production from renewable sources (large-scale production, local producers)

Controlling and risk management departments regularly monitor, update and report on business risks and opportunities within the medium-term planning horizon, including the possible impacts of climate change. Some findings from assessing climate risks in the resilience analysis are also followed up within the risk management and monitoring framework.

ZSE Group recognises that electricity plays a key role in the global decarbonisation effort and is therefore strategically oriented to support the accelerating electrification and integrating renewable energy sources. This shift requires substantial investments in redesigning and expanding the distribution system, which is directly reflected in its strategic planning. The energy transformation poses not only risks for ZSE Group, but also significant opportunities that are at the core of its business strategy. ZSE Group is actively diversifying its portfolio towards low-emission energy sources, thereby reducing its dependence on

fossil fuels and limiting exposure to risks associated with carbon taxes and other regulatory measures. Providing products and services to reduce greenhouse gas emissions and increase energy efficiency and electromobility services are closely aligned with ZSE's business model.

Social aspects in the transition to a low-carbon economy are equally important. The human resources strategy helps ensure the ZSE Group's long-term success in a constantly changing world. It focuses on the future of work, sound and safe working conditions, equal opportunities for all and development and learning. The ZSE Group works closely with employee representatives and focuses on training and development programs. This includes training to improve their digital skills, onboarding training, functional training relevant to their roles and access to talent development and inclusive leadership programs. Programs have been introduced to qualify employees and to ensure the development of skills and knowledge in the new world of energy.

3. Managing impacts, risks and opportunities

Description of procedures for identifying and assessing significant climate-related impacts, risks and opportunities (ESRS 2 IRO-1)

climate-related impacts, risks and opportunities in the ZSE Group was based on a balanced approach that combines reducing environmental impacts with developing sustainable solutions. This approach contributes positively to mitigating climate change and improving consumer social outcomes. The assessment of the significant effects, risks, and opportunities related to climate change shows that the ZSE Group actively contributes to mitigating climate change and improving energy efficiency. Investments in climate-resilient infrastructure increase the reliability of energy supplies and enhance the resilience of the energy infrastructure to extreme weather events. The commitment to achieve carbon neutrality by 2050 and ambitious targets for reducing greenhouse gas emissions underline the long-term positive impact on the climate and the environment. Innovative solutions such as virtual batteries, photovoltaics, smart heating or energy-efficient air conditioning support consumers in reducing their energy consumption and emissions. Supporting environmentally focused projects through the ZSE Group's foundations also strengthens environmental education and mitigates climate change. On the other hand, the ZSE Group faces challenges such as distribution losses and high energy demands of activities that negatively affect the climate. Greenhouse gas emissions are a significant negative impact of the ZSE Group, with other indirect emissions accounting for the largest share of the total emission balance. Direct emissions arise from fuels burned in facilities for electricity and heat production and from its vehicles and represent 8% of the total emissions of the ZSE Group. As part of the materiality assessment, the actual and potential impacts of the ZSE Group on climate change were assessed, with the actual impacts, which are related to greenhouse gas emissions and energy consumption, clearly prevailing. A medium-term and long-term time horizon of the asset life and strategic planning horizons defined the assessed impacts, risks and opportunities.

In assessing the materiality concerning climate change, aspects related to climate change mitigation, climate change adaptation and energy consumption were considered. In the context of the value chain and business segments, significant impacts are spread across the entire value chain, with activities in the own operations and upstream area playing a key role and interaction with consumers in the downstream segment. Impacts in the Company's operations relate to activities directly controlled by the company, such as electricity generation, electricity distribution, operation of call/customer centres, implementation of energy-efficient technologies, and support for projects to mitigate climate change. In the upstream (supply chain), this is energy trade and electricity generation, where negative consequences such as greenhouse gas emissions must be mitigated. In the downstream (consumer segment), this is

consumer access to energy-efficient products that reduce energy consumption and promote sustainable behaviour. The affected core business segments are electricity generation and distribution, energy trading, telco business and customer services. Positive impacts include investments in climate-resilient infrastructure that increase the reliability of energy supplies and reduce distribution losses.

The assessment of significant risks and opportunities shows that the ZSE Group is actively mitigating climate change and adapting to its consequences through various initiatives across the value chain. Key opportunities include the commitment to European carbon neutrality by 2050, which increases the attractiveness of sustainable solutions for consumers and investors, strengthening the Company's competitive advantages. Developing services such as electromobility and energy-efficient solutions are significant growth and financial sustainability opportunities. In addition, the increased demand for electricity caused by climate change offers an opportunity for further development and innovation in energy services. On the other hand, the company faces risks associated with climate change, such as changes in the production of renewable energy sources due to variable weather conditions, increased costs of transforming technologies and business models in connection with decarbonisation, and volatility in energy prices. Replacing older technologies with more sustainable solutions requires high investments as a short-term financial burden. In addition, regulatory measures such as carbon pricing may increase costs across the industry. Strategic expansion and diversification of the energy supplier portfolio and investments in climate-resilient infrastructure and technologies allow the company to adapt more effectively and strengthen its market position. These risks and opportunities highlight the need for a continued innovative approach to addressing climate challenges and transforming the energy sector.

Greenhouse gas emissions are a significant negative impact, but the ZSE Group's commitment to reducing its carbon footprint mitigates this impact. The materiality process assessed the effect of the ZSE Group's activities on the production of emissions, areas of their origin, sources of greenhouse gases, areas with the most significant potential for eliminating emissions, setting emission reduction targets, regulatory requirements and international standards, implemented measures, stakeholder engagement, emission measurement and disclosure of emission inventories and assessment of measures in sustainability reports. The identified sources of greenhouse gas emissions in the ZSE Group are based on a methodology provided to E.ON shareholders, which is based on internationally recognised standards and frameworks, such as the Greenhouse Gas Protocol and the recommendations of the UN Intergovernmental Panel on Climate Change (IPCC), and ensures a uniform and consistent assessment across the entire Group. The ZSE Group has been disclosing the emission sources identified in this way in its sustainability reports since 2020. During the reporting period, the ZSE Group's identified sources of greenhouse gas emissions were reviewed.

The materiality assessment assessed physical climate risks relevant to the ZSE Group, such as rising temperatures and weather extremes in its operations and upstream. Critical energy infrastructure was identified as the most sensitive to climate hazards as part of the asset assessment. Within the business activities, it was the generation, supply, and distribution of electricity.

The materiality process assessed in particular the following risks and opportunities associated with the transformation to a low-carbon business: increased demand for electricity, changing consumer behaviour, instability in production due to the unreliability of renewable energy sources, investments in renewable sources and improving attractiveness for customers, transition to more sustainable alternatives, replacement of old technologies with lower-emission technologies associated with investments, increased costs due to stricter legislative obligations and carbon schemes, price volatility, reduced

demand for traditional fossil fuels, diversification of suppliers and portfolio, new business opportunities. Transformation risks and opportunities are found in various parts of the value chain, with the own activity and upstream prevailing. Energy networks and electromobility infrastructure are most exposed to these events. They are found in the generation, supply, and distribution of electricity, gas supply, electromobility services, and administrative and non-commodity services. The assessed risks and opportunities of transformation manifest themselves in the medium and long term, which is linked to the time needed for their effects to manifest themselves, such as technological innovations, market developments, trends and regulatory frameworks.

Information for identifying and assessing physical and transformation risks and opportunities was obtained mainly from internal sources of information, sustainability reports, external sources of information, and market and competition analysis and databases. The results of the qualitative analysis of the resilience of distribution systems were not included in the materiality assessment process, as this analysis was only completed at the end of the reporting year. However, the network resilience analysis results confirmed the risks assessed during the materiality assessment. This consistency assures the correctness of the risks identified and their evaluation within the materiality process. In the resilience analysis, physical climate risks were assessed based on the classification of climate hazards according to EU Regulation 2021/2139.

Classification of climate hazards:



Nature of the danger	Type of impact	Danger	ZSD	VSD
chronic	temperature	Temperature change	High relevance	High relevance
		Heat stress	High relevance	High relevance
		Temperature variability	High relevance	High relevance
		Thawing permafrost	No relevance	No relevance
	wind	Changing wind characteristics	Medium relevance	Medium relevance
	water	Changing characteristics and types of precipitation (rain, hail, snow/ice)	Medium relevance	Medium relevance
		Precipitation or hydrological variability	Medium relevance	Medium relevance
		Ocean acidification	No relevance	No relevance
		Saltwater intrusion into groundwater	No relevance	No relevance
		Sea level rise	No relevance	No relevance

	soil	Lack of water		
		Coastal erosion		
		Soil degradation		
		Soil erosion		
		Underflow		

Nature of the danger	Type of impact	Danger	ZSD	VSD
acute	temperature	Heat wave		
		Cold wave		
		Natural fires		
	wind	Cyclone, hurricane, typhoon		
		Storms		
		Tornado		
	water	Drought		
		Heavy precipitation (rain, hail, snow/ice)		
		Floods (coastal, river, pluvial, groundwater)		
		Floods related to melting glaciers		
	soil	Avalanche		
		Landslide		
		Decline		

Policies related to climate change mitigation and adaptation (E1-2)

The primary strategic documents related to climate change mitigation and adaptation that support achieving the ZSE Group's sustainability and climate mitigation goals are the ESG Strategy, the Climate Change Mitigation Transformation Plan and the Distribution System Adaptation Plan. The Energy Management System (ISO 50001) covers the key policy related to energy sustainability, which is implemented in the ZSD and VSD distribution companies.

The ESG strategy is the ZSE Group's commitment to achieving sustainability goals in support of a just energy transition and the UN Sustainable Development Goals (SDGs) and, in line with the Paris Agreement and the European Union's climate goals, to contribute to slowing global warming and mitigating climate change. The ESG strategy sets measurable targets for climate change mitigation and adaptation, tracks progress and is published on the ZSE Group's website. It applies to all consolidated entities within the Group, ensuring a consistent approach to sustainability, accountability and transparency across the Group.

The Climate Change Mitigation Transformation Plan is the ZSE Group's climate strategy. It is focused on mitigating climate change, reducing greenhouse gas emissions, achieving carbon neutrality by 2050, and transforming the ZSE Group into a low-emission business. The ZSE Group plans to update the document annually and publish it on the ZSE Group website. It applies to all consolidated units within the ZSE Group.

The Climate Change Adaptation Plan for the Distribution System aims to increase the distribution system's resilience to climate impacts. It assesses how climate change affects the distribution system and provides an overview of its expected effects and specific adaptation activities to reduce the vulnerability of critical infrastructure. It applies to the distribution companies of the ZSE Group. The adaptation plan and strategic activities increasing the climate resilience of the ZSE Group's distribution system will be continuously updated based on changes in external documents such as the Integrated National Energy and Climate Plan (INEKP/NECP), the European Climate Risk Assessment (EUCRA), etc.

The ZSE Group's automotive policy for procuring company vehicles supports the transition to low-emission vehicles. It has introduced the option, and in some cases the obligation, to procure environmentally friendly cars (EV or PHEV). From 2024, its update introduced the obligation for managers to switch to an electric vehicle as part of the vehicle fleet renewal. The first results are also starting to be reflected in the overall emissions of the company's vehicle fleet.

Internal management documentation regulates various areas within the ZSE Group's activities that relate to reducing emissions and energy consumption, such as business travel management, energy efficiency, waste minimisation, support for renewable energy sources, incorporating green procurement aspects into individual contracts, etc. The ZSE Group's distribution companies have implemented various strategic documents, management and technical documentation related to the distribution system's design, development, and renewal and reflect deteriorating climate parameters.

Measures and resources related to climate change policies (E1-3)

The main tools for decarbonisation in the ZSE Group are the transition to renewable sources, electrification of the rolling stock, energy storage (BESS), improving energy efficiency, introducing a circular economy and expanding customer products and services related to renewable energy sources, energy efficiency and low-emission solutions. Climate change mitigation measures do not directly include nature-inspired solutions, but some approaches are applied within the framework of ecological corridor management, e.g., wetland restoration. The operation of photovoltaics at the ZSE Group's facilities is preceded by an opinion from the Regulatory Office for Network Industries (ÚRSO) and the permitting process was ongoing during the reporting period.

Climate change measures include:

- Climate change mitigation measures: measures to reduce greenhouse gas emissions and achieve climate goals, employee education and awareness-raising, support for foundation projects addressing climate issues, research projects
- Climate change adaptation measures: improving resilience to weather events, energy infrastructure development and modernisation projects
- Measures to reduce energy consumption: energy management, energy consumption reduction activities

The ZSE Group's distribution companies have implemented an energy management system, within which they have set long-term qualitative goals for the efficient use of energy resources, data analysis to improve energy management, and measures to improve energy efficiency and performance of companies in the energy sector.

Implementing climate change measures and achieving sustainability goals depends on the availability and allocation of the necessary resources. Building and operating distribution networks is a form of capital-intensive business, and long-term financial resources are essential for its construction and development. For this purpose, the ZSE Group uses long-term financial instruments such as bonds, green bank loans and other bank loans. Another actively used financing instrument is the funds of European grant schemes, which partially cover the construction of specific investment projects. Access to sufficient financing allows the ZSE Group to implement its climate strategy effectively.

The business activity of the ZSE Group is focused on energy transformation and support for decarbonisation. A wide range of climate change-related measures are implemented internally and in cooperation with our customers. Given these activities' scope and diversity, providing a complete list of all implemented and planned measures is impossible, as such data is currently not recorded in a unified system. In the future, the company plans to implement a system that will enable systematic tracking and reporting of all mitigation and adaptation measures according to the activities of the ZSE Group to compare OpEx and CapEx with key performance indicators aligned with the taxonomy.

The construction and operation of the distribution system, which plays a key role in the energy transformation, significantly contributes to climate change mitigation and adaptation to its consequences. With increasing electrification, energy networks must provide sufficient capacity for new consumption points (e.g. charging stations for electromobility) and new renewable energy production sources (e.g. photovoltaics). Future networks must be more flexible and able to respond to sudden changes. For this purpose, the ZSE Group will spend significant financial resources through investments and operating costs. These resources will also be distributed to connect new consumption and production points, renew, expand and modernise the distribution network, replace electricity meters with innovative solutions, etc. Over the next 5 years, the ZSE Group plans to invest around EUR 260 million per year in the above activities, cumulatively representing a value of around EUR 1.3 billion.

Main measures to achieve climate goals by 2030:

Measure	Benefit of the measure
Using SF6-free technologies	emissions reduction in Scope 1
Replacing commonly used high-GWP refrigerants (R-407C) with low-emission alternatives	emissions reduction in Scope 1
Electrification of the fleet for individual categories	emissions reduction in Scope 1
Expansion of the infrastructure of charging points for electromobility in our buildings	emissions reduction in Scope 1
Development of charging in homes (supporting interest and accessibility of electromobility among employees)	emissions reduction in Scope 1
Replacing gas boilers with high-efficiency condensing boilers or heat pumps	emissions reduction in Scope 1
Installation of photovoltaics for decarbonisation of heating in PPC Malženice	emissions reduction in Scope 1
Equipment renewal, development and expansion of the distribution system with the requirement to minimise technical losses. Redesign of distribution system planning principles	emissions reduction in Scope 2
Elimination and prevention of unauthorised withdrawals	emissions reduction in Scope 2
Replacing electricity meters with smart meters (IMS)	emissions reduction in Scope 2
Installation of photovoltaics on own assets	emissions reduction in Scope 2
Modernisation of lighting in own assets	emissions reduction in Scope 2
Building insulation	emissions reduction in Scope 2
Give energy advice to customers on the transition to low-emission heating methods	emissions reduction in Scope 3
Include guarantees of origin of gas from renewable sources in the portfolio	emissions reduction in Scope 3
Increase the share of electricity in the portfolio that is covered by guarantees of origin of electricity from renewable sources	emissions reduction in Scope 3
Expand the portfolio with products related to renewable energy sources, energy efficiency and low-emission solutions for customers	emissions reduction in Scope 3
Provide energy consulting for customers in solar energy use.	emissions reduction in Scope 3
Support for recycling, reuse and recovery of waste. Increase the recovery rate of construction waste	emissions reduction in Scope 3

The group plans to spend internal and external resources to achieve the above measures. We expect the expenses to be in operating costs as well as investments. In connection with the divestment process of ZSE Elektrárne, s.r.o., the implementation steps related to decarbonising the combined cycle power plant in Malženice are suspended. If this transaction is not successfully concluded, the ZSE Group plans to decarbonise the power plant, which aligns with its strategic decarbonisation goals.

Main planned adaptation measures until 2030:

Measure	Benefit of the measure
Cabling of MV overhead lines in forest areas	resistance DS *)
Increasing transformation capacity in existing electrical substations	DS resistance
New HV/MV electric stations	DS resistance
Reconstruction of column transformer stations into block ones	DS resistance
New block MV/LV transformation stations	DS resistance
Addition of vibration dampers and DLR (Dynamic Line Rating Systems)	DS resistance

*) DS distribution system

To achieve the above measures, the group plans to spend primarily on internal resources, and we expect the expenses to be incurred mainly in investments.

Key measures for improving energy management:

Measure	Benefit of measures
Reduce the energy intensity of distribution system operation	emissions reduction in Scope 2
Installation of control systems for secondary measurement	improving data quality
Internal energy management audit	monitoring, control
Improve documentation of service/maintenance performance on major energy facilities	improving data quality
Add to the supplier selection process the provision of technical documentation for the technical equipment	emissions reduction in Scope 3
Ensure documentation and evaluation of fuel consumption	emissions reduction in Scope 1

The group plans to spend internal and external resources to achieve the above measures. We expect the expenses to be in operating costs as well as investments.

4. Metrics and targets

Targets for climate change mitigation and adaptation (E1-4)

Within the updated ESG strategy framework, the ZSE Group has set target values for climate change mitigation and adaptation by 2030 and 2035. The climate-related target values also are the ESG key performance indicators (KPIs) of the ZSE Group. Given that the ESG strategy was adopted during the 2024 reporting period, the values for 2024 were decided by estimating the expected and planned development. For the qualitative targets related to reducing greenhouse gas emissions, which are based on the ESG strategy, the actual values 2024 were supplemented for the reporting year 2024 based on the

combined emission balance. In the disclosures for the 2025 reporting period, the exact values for 2024 will be augmented as part of monitoring current developments. A review of the ESG strategy will be carried out in 2025 to ensure it is up-to-date and to give a realistic view of further improvement.

The greenhouse gas emission reduction targets are set for the time horizons 2030, 2040 and 2050 (according to Scopes) and are in tCO₂e, based on the overall percentage reduction compared to the base year. The greenhouse gas emission reduction targets are gross, meaning that the means of achieving the emission reduction targets do not include greenhouse gas removals, carbon credits or avoided emissions. They are set to consider the full scope of the greenhouse gas inventory following the GHG Protocol. A market-based method calculated the Scope 2 and Scope 3 greenhouse gas emissions included in the target.

At the end of 2023, the companies Východoslovenská energetika Holding a.s. (VSEH), Východoslovenská distribučná, a.s. (VSD) and Východoslovenská energetika a.s. (VSE) were integrated, which became subsidiaries of the ZSE Group, and the first combined emission balance without full Scope 3 was published for 2023. For the reporting year 2024, the combined emission balance for the full Scope 1-3 is already in line with the requirements of the EU Delegated Regulation 2023/2772 on sustainability reporting standards. To provide a correct and representative picture for measuring progress, 2024 was set as the base year and the baseline gross emissions values for the ZSE Group's combined climate targets.

The greenhouse gas emission reduction targets are based on the E.ON Group's climate targets, which align with the 1.5 °C global warming target set out in the Paris Climate Agreement. To this end, E.ON needs to reduce emissions in Scopes 1, 2 and 3 by at least 50% by 2030 compared to the 2019 baseline (absolute target). In May 2022, the Science Based Initiative (SBTi) recognised that E.ON Group's climate targets align with the 1.5 °C target set out in the Paris Climate Agreement and meet the SBTi requirements for the 1.5 °C target. In its ESG strategy, ZSE Group has set itself the goal of reducing emissions in Scopes 1 and 2 by 50-75% by 2030 (-50% refers to the target approved by SBTi by 2030 in line with the 1.5 °C trajectory and -75% relates to the ambitions of ZSE Group) and in Scope 3 by 50%. The target values of ZSE Group have not been externally confirmed. When planning activities and setting targets for reducing greenhouse gas emissions, the company considers expected future developments, including changes in sales volumes, shifts in customer preferences, tightening emission limits and the introduction of new policies, as well as the necessity of introducing modern technologies.

The primary way to achieve climate goals in the ZSE Group is to prevent and reduce emissions, increase energy efficiency and improve processes. Emissions that the company cannot avoid are offset where possible through substitutions, such as buying guarantees of origin. To achieve the target values in 2030, the company plans to use compensation measures within the voluntary carbon market as a last step. The ZSE Group monitors developments in this area at the level of the parent organisation E.ON. It plans to explore the possibilities of nature- or technology-based solutions to prevent or remove CO₂e to achieve climate goals. The company also considers external effects, such as the gradual decarbonisation of the national energy mix, as part of its climate strategy. The ZSE Group plans to adopt modern technologies to reduce greenhouse gas emissions and implement various innovations and solutions, particularly in renewable energy technologies, energy efficiency systems, electrification and digitalisation, and these plans are disclosed as measures to achieve climate goals. The ZSE Group plans to publish its emissions trajectory to present progress after implementing the CO₂ steering plan (reduction CO₂ trajectories). Climate scenarios published by international organisations such as the IPCC (Intergovernmental Panel on Climate Change) and the IEA (International Energy

Agency) were not considered when deciding decarbonisation tools and achieving greenhouse gas emission reduction goals. The reduction targets for 2030 and 2035 in Scope 2 and Scope 3 were set based on a market-based method. The baseline for emission reductions for Scopes 1-3 was based on the consolidated emission balance for 2024.

Target values for climate change mitigation and adaptation:

No.	Important topic	ESG Key Performance Indicator (ESG KPI)	Rationale	Baseline	Target	Target
				2024	2030	2035
1.	E1 Climate Change - Mitigation	CO2e emissions in Scope 1	Direct greenhouse gas emissions from fuel combustion at sources we own or control, such as the PPC Malženice power plant, boiler rooms and rolling stock. These include fugitive SF6 emissions associated with the operation of power grids and emissions related to air conditioning.	432,499 t CO2e	216,250 t CO2e - with an ambition of 108,125 t CO2e (reduce by 50-75%)	to be decided later (reduce by 100% by 2040)
2.	E1 Climate Change - Mitigation	CO2e emissions in Scope 2	Indirect greenhouse gas emissions are from the production of electricity that we purchase for our buildings, operations, and electric vehicles, or from losses in our electricity grids. These emissions do not occur physically on our premises, but in the facilities where the electricity is produced.	254,654 t CO2e <i>market method</i>	127,327 t CO2e <i>market method</i> - with an ambition of 63,664 t CO2e (reduce by 50-75%)	to be decided later (reduce by 100% by 2040)
3.	E1 Climate Change - Mitigation	CO2e emissions in Scope 3	Other indirect greenhouse gas emissions (not included in Scope 2) that occur between production and ZSE (upstream) and between ZSE and the customer (downstream). They arise primarily due to the generation of electricity we purchase and resell to our end customers. Scope 3 also includes emissions from the use of gas, which we also sell to end customers. This also includes emissions from the production and provision of goods	3,668,610 t CO2e <i>market method</i>	1,834,305 t CO2e <i>market method</i> (reduce by 50%)	to be decided later (reduce by 100% by 2050)

			and services we purchase and other categories we monitor.			
4.	E1 Climate Change - Mitigation	Increasing the share of electricity in the portfolio covered by guarantees of origin of electricity from renewable sources. <u>Metrics:</u> Percentage of the volume of green electricity (with a guarantee of origin of electricity from renewable sources) in the total volume of electricity sold.	Supporting renewable energy contributes to the energy transition and decarbonisation, helps the country reduce its dependence on fossil fuels, and helps companies meet legal and financial obligations. We monitor the percentage of green electricity (with a guarantee of origin of electricity from renewable sources) in the total volume of electricity sold. The starting value was determined based on the expected planned sales assumption (1,518 GWh/8,706 GWh) and an estimate of the development of total consumption.	17.4%	25%	50%
5.	E1 Climate Change - Mitigation	Installing intelligent metering systems (IMS) at all consumption points is essential for electrification and decentralised electricity generation. <u>Metrics:</u> Number of new IMS installations.	IMS are used to optimise and develop the electricity market, providing data to market participants to create new products and services (virtual batteries, aggregation, flexibility), which contribute to increasing the efficiency of distribution, consumption, trading and integration of renewable energy sources. KPI is used to monitor the distribution system, to improve SAIDI (system average duration of electricity supply interruption), SAIFI (number of supply interruptions per customer per year) and to	15,000	18,000	20,700

			reduce km and downtime. The baseline value is an estimate based on current development. The planned values for 2030 and 2035 are estimated based on the expected development.			
6.	E1 Climate Change - Mitigation	Support installing small and local renewable energy sources (photovoltaics) in the residential segment. <u>Metrics:</u> 1. Cumulative power of installed RES (PV) solutions in the residential segment 2. Share the volume of electricity stored in the virtual battery and the volume of shared electricity in the total volume supplied to the household segment.	The KPI in support of energy self-sufficiency tracks the number of customers from the household segment whom ZSE has helped to install small and local renewable energy sources (mainly photovoltaic systems) through its non-commodity products (delivery of the work itself) or commodity products (buy-back and assumption of responsibility for deviation, buy-back product in the form of a virtual battery and sharing) or support services such as financing, consulting or installation and determines to which part of its portfolio the ZSE Group has provided funds to reduce dependence on central electricity supply. The baseline value was set based on the expected planned assumption for both parameters.	1. 17 MW 2. 2.2%	1. 40 MW 2. 10%	1. 60 MW 2. 25%
7.	E1 Climate Change - Mitigation	Increasing the number of public charging points in the ZSE Drive network. <u>Metrics:</u> Total number of DC charging	Low-emission transport with a developed infrastructure is needed to decarbonise transport. Supporting the development of e-mobility infrastructure includes planning and building charging stations and connecting	250	750	2,100

		points in the ZSE Drive public network.	them to the electricity grid. Building public infrastructure is a significant accelerator in the choice and transition to electric vehicles. Without a sufficiently developed network of public charging stations, e-mobility is challenging to access for apartment buildings, people without their own parking space, for longer journeys and travel. The baseline covers the estimate of the total number of own public charging points for fast charging (DC) in the ZSE Drive network in operation as of 31 December 2024.			
8.	E1 Climate Change - Adaptation	Reducing the system average interruption duration of electricity supply - SAIDI index (the System Average Interruption Duration Index identifies the average length of electricity outages per customer, per year) <u>Metrics:</u> The ratio of total downtime for all customers in minutes to the number of all customers (excluding disasters and planned work interruptions).	The KPI focuses on a long-term targeted concept of the system's technical design with a focus on increasing the reliability and quality of distribution. It assesses the distribution system's reliability from the end customer's perspective. The reliability of electricity supply is also related to adaptation to climate change and monitors the resilience of the energy infrastructure to extreme weather events. Thanks to this KPI, we monitor the readiness of the system and the speed of restoration of operation after outages caused by climate impacts. The transition to renewable sources and the growth of electrification increases the demands on the stability and reliability of the electricity system. Reliable electricity supply assesses not only the electricity infrastructure, but also its ability to adapt to climate risks. The baseline value was set	120	112	107

			based on the expected assumption for the year 2024.			

For Measures 1-3 (greenhouse gas emissions), the actual values achieved in 2024 based on the combined emission balance for 2024 were set as baseline values. For measures 4-8, estimated values were set based on the planned assumption for the reporting year. These targets are based on the ZSE Group's ESG strategy, which was adopted during the reporting period 2024.

Actual values achieved in 2024:

Measure 4: In the reporting year, green electricity (with a guarantee of origin of electricity from renewable sources) represented 17.9% of the total volume of electricity sold.

Measure 5: In the reporting year, 12,158 new intelligent metering systems (IMS) installations were installed at all consumption points with an essential level of electrification and decentralised electricity production.

Measure 6: In the reporting year, the cumulative capacity of installed RES (PV) solutions in the residential segment was 18.4 MW. The share of the volume of electricity stored in the Virtual Battery and the volume of shared electricity in the total volume of electricity supplied to the household segment was 2.4% in the reporting year.

Measure 7: The total number of DC charging points in the ZSE Drive public network was 302 in the reporting year.

Measure 8: The SAIDI (System Average Interruption Duration Index), which captures the share of total outage time for all customers in minutes per number of all customers (excluding disaster situations and interruptions during planned work), was 94 in the reporting year.

Energy consumption and energy mix (E1-5)

The total energy consumption related to the ZSE Group's activities in the reporting period was 2,364,987 MWh. The table presents information on energy consumption and energy mix. The supplier mixes of the suppliers ZSE Energia, VSE, SSE, MHTH Bratislava, MHTH Košice, and MHTH Trnava were used. The calculation used proper estimates for November and December 2024.

To decide energy intensity, the sectors defined in Commission Delegated Regulation (EU) 2022/1288 according to NACE codes were used:

D.35.11 electricity generation

D.35.13 electricity distribution

D.35.14 sale of electricity

D.35.23 sales of gas transported through pipelines

Energy consumption and energy mix	2024
1. Consumption of coal and coal products (MWh)	0
2. Fuel consumption from oil and oil products (MWh)	0
3. Fuel consumption from natural gas (MWh)	2,346,466
4. Fuel consumption from other fossil sources (MWh)	0
5. Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources (MWh)	6,657
6. Total energy consumption from fossil sources (MWh) (calculated as the sum of rows 1 to 5)	2,353,123
Share of fossil fuels in total energy consumption (%)	99.5
7. Consumption from nuclear sources (MWh)	5,044
Share of consumption from nuclear sources in total energy consumption (%)	0.21
8. Fuel consumption in the case of renewable sources including biomass (also industrial and municipal waste of biological origin, biofuels, biogas, pure hydrogen) (MWh)	315
9. Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources (MWh)	6,504

10. Consumption of self-produced non-fuel energy from renewable sources (MWh)	53
11. Total renewable energy consumption (MWh) (calculated as the sum of rows 8 and 9)	6,819
Share of renewable sources in total energy consumption (%)	0.29
Total energy consumption (MWh) (calculated as the sum of rows 6, 7 and 11)	2,364,987

Energy production from renewable and non-renewable sources (MWh)	2024
- from non-renewable sources (ZSE Elektrárne)	1,174,913
- from renewable sources (ZSE MVE)	4,613

Energy intensity on net income	2024
Total energy consumption from activities in sectors with a high climate impact per net revenue from activities in industries with a high climate impact (MWh/EUR thousand)	0.888

Net revenues from activities in sectors with a high climate impact used to calculate energy intensity	EUR 2,663,355 thousand
Net income (other)	n/a
Total net income (financial statements)	EUR 2,663,355 thousand

For simplicity, the ZSE Group considers total energy consumption to total net revenue. Since most energy consumption and revenue come from sectors with a significant impact on the climate, we do not separate them from the rest.

Gross Scope 1, 2, 3 emissions and total greenhouse gas emissions (E1-6)

Greenhouse gas emissions (tCO ₂ e)	2024
Scope 1	432,498.90
Scope 2 (location-based)	87,850.60
Scope 2 (market-based)	254,654.33
Scope 3 (location-based)	2,207,693.94
Scope 3 (market-based)	3,668,609.71
Total emissions (location-based)	2,728,043.44
Total issues (market-based)	4,355,762.94

Greenhouse gas emissions (tCO ₂ e)	2024
Scope 1	432,498.90
Scope 2 (location-based)	87,850.60
Scope 2 (market-based)	254,654.33
Scope 3 (location-based)	2,207,693.94 ¹
Scope 3 (market-based)	3,668,609.71
Total emissions (location-based)	2,728,043.44
Total emissions (market-based)	4,355,762.94

Emissions from electricity production at ZSE Elektrárne are subject to a regulated emissions trading system. The share of Scope 1 emissions that are part of the system is 98.84%.

In the reporting year 2024, the ZSE Group performed a carbon footprint calculation based on operational control, which means that it reports emissions from operations over which it has operational control.

ZSE is the parent company of the ZSE Group. The ZSE Group consists of Západoslovenská distribučná, a.s., ZSE Energia, a.s., ZSE Elektrárne, s.r.o., Východoslovenská energetika Holding a.s., Východoslovenská energetika a.s., Východoslovenská distribučná, a.s., ZSE Energy Solutions, s.r.o, ZSE MVE, s.r.o., ZSE Business Services, s.r.o., ZSE Energetické služby, s.r.o., VSE Solutions s.r.o., VSE Call centrum, s.r.o., VSE Ekoenergia, s.r.o., EKOTERM, s.r.o., and BK, a.s.

¹The number was rounded up by 0.01 for mathematical accuracy.

The ZSE Group's carbon footprint calculation included all consolidated companies over which the parent company has operational control, except for data assessed as insignificant due to their difficult availability and quantity compared to the rest of the data. These are the following data:

- EKOTERM: Scope 3 – goods and services
- BK: Range 1, 2 and 3
- Rented shared spaces at the following addresses:
 - Levočská 3, Prešov (Customer Centre, Východoslovenská energetika Holding a.s.), Scope 3
 - Legionárska 5, Trenčín (Sales Representative Office, Východoslovenská energetika Holding a.s.), Scope 3
 - Námestie slobody 5, Vranov (Customer Centre, Východoslovenská energetika a.s.), Scope 3
 - Alejová 2, Košice (Východoslovenská energetika a.s.), Scope 3
 - Rožňavská 24, Bratislava – VSE offices in Bratislava, (Východoslovenská energetika a.s.), Scope 3
 - Hollého 3, Košice, (VSE Call centrum, s.r.o.), Scope 2
 - Tolstého 1, Humenné (VSE Solutions s.r.o.), Scope 3

While considerable effort has been made to collect data from the above-mentioned emission sources through repeated contact with third parties who either collect the data from other partners or are solely responsible for the data, we could not obtain this data during the duration of the carbon footprint calculation project.

No emissions arise in the case of ZSE Energy Solutions, ZSE Business Services, ZSE Energetické služby, and VSE Ekoenergia, as the companies are either without assets, in liquidation, or only holders of shares in other subsidiaries and without employees.

Listing of entities within non-controlling interests (as of 18 December 2024)

- SPX, s.r.o.
- Energotel, a.s.
- Biogas Rozhanovce, s.r.o.
- TRANSELEKTRO spoločnosť s ručením obmedzeným Košice
- People2People, s.r.o.

In the reporting year, the entire upstream and downstream part of the ZSE Group's value chain was counted for the first time. Emissions for individual companies over which the ZSE Group has operational control, with the exceptions mentioned above, are available in the following table:

Company	Range	Greenhouse gas emissions in tCO ₂ e	
		Location-based	Market-based
EKOTERM, s.r.o.	Scope 1	22.29	22.29
	Scope 2	0.93	0.93
	Scope 3	6.53	6.91
	Total emissions	29.75	30.13
VSE Solutions s.r.o.	Scope 1	80.24	80.24
	Scope 3	33.42	33.42
	Total emissions	113.66	113.66
Východoslovenská distribučná, a.s.	Scope 1	2,293.62	2,293.62
	Scope 2	23,283.59	67,663.44
	Scope 3	20,274.37	21,392.21
	Total emissions	45,851.58	91,349.27
Východoslovenská energetika a.s.	Scope 1	675.61	675.61
	Scope 2	64.95	188.75
	Scope 3	859,784.64	1,315,703.40
	Total emissions	860 525.20	1,316,567.76
Východoslovenská energetika Holding a.s.	Scope 1	80.51	80.51
	Scope 2	150.18	252.75
	Scope 3	1,135.95	1,173.29
	Total emissions	1,366.64	1,506.55
Západoslovenská distribučná, a.s.	Scope 1	1,626.14	1,626.14

Company	Range	Greenhouse gas emissions in tCO ₂ e	
		Location-based	Market-based
	Scope 2	62,636.00	182,023.74
	Scope 3	54,891.68	57,900.84
	Total emissions	119,153.82	241,550.72
Západoslovenská energetika, a.s.	Scope 1	221.80	221.80
	Scope 2	233.27	218.85
	Scope 3	1,565.29	1,157.77
	Total emissions	2,020.36	1,598.42
ZSE Elektrárne, s.r.o.	Scope 1	427,478.53	427,478.53
	Scope 2	1,472.70	4,279.76
	Scope 3	72,849.78	72,920.48
	Total emissions	501,801.01	504,678.7711
ZSE Energia, a.s.	Scope 3	1,131,523.56	2,132,692.24
	Total emissions	1,131,523.56	2,132,692.24
ZSE MVE, s.r.o.	Scope 1	20.16	20.16
	Scope 2	8.98	26.11
	Scope 3	3.48	3.91
	Total emissions	32.62	50.18
Purchased goods and services (estimated amount for the entire ZSE Group)	Scope 3	65,625.24	65,625.24
	Total emissions	65,625.24	65,625.24
Scope 1		432,498.90	432,498.90

Company	Range	Greenhouse gas emissions in tCO ₂ e	
		Location-based	Market-based
Scope 2		87,850.60	254,654.33
Scope 3		2,207,693.9411	3,668,609.71
Total emissions		2,728,043.44	4,355,762.94

Within Scope 2, we present purchased energy - electricity and gas (MWh) for the ZSE Group:

- Purchased electricity: 16707.79821 MWh
- Purchased heat: 1759.79365 MWh
- Total: 18467.59186 MWh

The ZSE Group purchases energy from renewable sources, representing 0.02% of the total electricity purchased. This percentage is 100% covered by guarantees of origin.

Within Scope 3, the ZSE Group calculated emissions for significant categories that it considers a priority, considering the size of emissions for Scope 3, the availability of data and the importance for the business. Within Scope 3, the ZSE Group calculated based on information from internal systems and records, as well as using estimates. Data on emissions and emission factors from suppliers were not available. Estimates had to be made within the category of purchased products and services. Emissions were calculated using the expenditure-based method due to the many purchased items. Data on purchased products and services were collected from items with the highest emission intensity. The remaining emissions were estimated based on the total expenditure on products and services. In the ZSE Group, we did not find a significant share of greenhouse gas emissions in Scope 3 from cloud computing.

Category	2024 (tCO ₂ e)	Description	Inclusion in the carbon footprint	Reason for not being included in the calculation
Total gross indirect greenhouse gas emissions (Scope 3) according to the site-based method (tCO ₂ e)	2,207,693.94	N/A	N/A	N/A

Total gross indirect greenhouse gas emissions (Scope 3) under the market-based method (tCO ₂ e)	3,668,609.71	N/A	N/A	N/A
1. Purchased goods and services	106,231.93	Extraction, production and transportation of purchased goods and	Included	N/A
2. Capital goods	0.00	Extraction, production and transportation of capital goods purchased or acquired by the reporting company	Not included	Capital goods were included in the estimated number of products and services purchased and in the carbon footprint calculation in this category.
3. Fuel and energy related activities (not included in Scope 1 or Scope 2) according to the site-based method	1,160,691.36	Extraction, production and transport of fuels and energy not included in Scope 1 or 2, such as emissions from the production of fuels and energy from well-to-tank (WTT) and transmission and distribution (T&D) losses.	Included	N/A
3. Fuel and energy-related activities (not included in scope 1 or scope 2) according to the market-based method	2,621,968.03	Extraction, production and transport of fuels and energy not included in Scope 1 or 2, such as emissions from the production of fuels and energy from well-to-tank (WTT) and transmission and distribution (T&D) losses.	Included	N/A
4. Transportation and distribution to suppliers	0.00	Transportation and distribution of purchased products between scope 1 suppliers and the reporting company, T&D services purchased by the reporting company (e.g. products sold) and T&D between own facilities (always in vehicles and facilities that the company does not own or control)	Not included	The group has data on purchased products, and the price of transportation is almost always included in the price of the goods, so a separate calculation of this category would not be possible.

5. Waste generated within the scope of the activity	108.44	Disposal and management of waste generated at company operations (in facilities not owned or controlled by the reporting company)	Included	N/A
6. Business trips	228.82	Transportation of employees for business-related activities (in vehicles not owned or operated by the reporting company) and hotel stays	Included	N/A
7. Employee commuting	333.82	Transportation of employees between their homes and workplaces (in vehicles not owned or operated by the reporting company), working from home	Included	N/A
8. Assets leased to suppliers under the location-based method	2,375.85	Operation of property leased by the reporting company (lessee) and not included in scope 1 and 2	Included	N/A
8. Assets leased to suppliers under the market-based method	2,423.32	Operation of property leased by the reporting company (lessee) and not included in scope 1 and 2	Included	N/A
9. Transport to the customer	0.00	T&D of products sold by the reporting company between the reporting company and the final consumer (if not paid for by the reporting company) including retail and warehousing (in vehicles and facilities not owned or controlled by the reporting company)	Not included	Not relevant for the Group
10. Processing of sold products	0.00	Processing of intermediate products sold by downstream companies (e.g., manufacturers)	Not included	Not relevant for the Group

11. Use of sold products	937,307.57	Final use of goods and services sold by the reporting company in the reporting year	Included	N/A
12. Disposal of products sold, at the end of their useful life	0.00	Waste disposal and management of products sold by the reporting company (in the reporting year) at the end of their useful life	Not included	Not relevant for the Group
13. Assets leased to customers under the location-based method	416.15	Operation of assets owned by the reporting company (lessor) and leased to another entity that are not included in scope 1 and 2	Included	N/A
13. Assets leased to customers under the market-based method	7.78	Operation of assets owned by the reporting company (lessor) and leased to another entity that are not included in scope 1 and 2	Included	N/A
14. Franchise licenses	0.00	Franchise operations in the reporting year that are not included in scope 1 and 2 – reported by the franchisor	Not included	Not relevant for the Group
15. Investments	0.00	Investment operations (including equity and debt investments and project financing) in the reporting year that are not included in scope 1 and 2	Not included	Immaterial to the Group

Greenhouse gas intensity based on net income	2024
Total greenhouse gas emissions (according to the site-based method) per net revenue (t CO ₂ e)/thousand EUR)	1.024
Total greenhouse gas emissions (according to the market-based method) per net revenue (t CO ₂ e)/thousand EUR)	1.635
Net revenues used to calculate greenhouse gas intensity (financial statements)	EUR 2,663,355 thousand

Emission factors were used according to the categories and input data on the activity included in the carbon footprint calculation. If specific emission factors were available from the supplier, they were used for the calculation. If they were unavailable, emission factors from public databases were used. The latest available emission factors were used for the calculation.

Category	Emission factor type	Source of emission factor	Year
Fugitive emissions	Sulphur hexafluoride - SF6	DESNZ	2024
Stationary combustion	Natural gas	DESNZ	
	Diesel		
	Natural gas	Own calculation of the emission factor within the Greenhouse Gas Emissions from Regulated Emissions Trading System	
Vehicles	Diesel	DESNZ	
	Gasoline		
	Plug-in hybrid vehicles (PHEVs) - gasoline		
Purchased heat	Other - unspecified	DESNZ	2024
Purchased natural gas for	Natural gas	DESNZ	2024

Category	Emission factor type	Source of emission factor	Year
sale			
Electric vehicles	Electric vehicles (BEVs) - location-based	OKTE	2023
	Electric vehicles (BEVs) - market-based	AIB	2023
	Plug-in hybrid vehicles (PHEVs) - gasoline - location-based	OKTE	2023
	Plug-in hybrid vehicles (PHEVs) - gasoline - market-based	AIB	2023
Purchased electricity	Energy mix - location-based	OKTE	2023
	Energy mix - market-based	AIB	2023
	Renewable electricity sources - market-based	Custom calculation of emission factor	2023
	Purchased electricity for resale - location-based	OKTE	2023
	Purchased electricity for resale - market-based	Custom calculation of emission factor	2024
Purchased products	Products - cable, charger for electric vehicles (BEVs), concrete support points, steel support points, electricity meters, switchboards, air conditioning units, transformer, wires, fittings.	Exiobase	2022

Category	Emission factor type	Source of emission factor	Year
Purchased services	Services - electrical installation work, postal services, excavation and earthworks, construction of optical networks, construction and reconstruction of lines, reconstruction.	Exiobase	2022
Fuel and energy related activities (not included in Scope 1 or 2), including WTT and T&D.	WTT - Business travel - air transport, long-distance bus, local bus, car, train	DESNZ	2024
	WTT - Employee Commuting - Bus, Car, Motorbike, Taxi, Train		2024
	WTT - Purchased electricity - energy mix		2024
	WTT - Purchased heat - other - unspecified		2024
	WTT - Stationary combustion - natural gas, diesel		2024
	WTT - Vehicle combustion - diesel, gasoline, PHEVs		2024
	T&D - Purchased electricity - energy mix	Emission factor conversion: AIB, or EIB emission factor, loss rate, WTT emission factor from DESNZ	2023, 2024
	T&D - Purchased heat - other - unspecified	Emission factor conversion: DESNZ, loss rate, WTT emission factor with DESNZ	2023, 2024
	Purchased electricity - renewable	Reliable Information Disclosure Systems for Europe – Phase II	2013
Waste generated during the	Waste disposal - batteries, construction waste, electronic waste,	DESNZ	2024

Category	Emission factor type	Source of emission factor	Year
activity	glass, metal, organic waste, other waste, paper and cardboard, plastics, soil, wood		
	Waste disposal - wastewater	Ecoinvent	2024
Business trips	Business trips – air travel, long-distance bus, local bus, car, train	DESNZ	2024
	Business trips - hotel stays in Belgium, France, Germany, China, Italy, the Netherlands, Spain, Turkey, the United Kingdom.		
	Business trips - hotel stays in Slovakia	DESNZ	2021, 2024
Employee commuting	Employee commuting - bus, car, motorbike, train	DESNZ	2024

Greenhouse gas emissions were calculated following the GHG Protocol (2004 version), considering Commission Recommendation (EU) 2021/2279². A consulting company methodically calculated this for us following the contract terms. Therefore, it is not possible to provide further details of the method. Emissions included in the calculation of total emissions include CO₂, CH₄, N₂O, HFC, PFC, SF₆ and NF₃. When calculating CO₂ equivalent emissions in tons for greenhouse gases other than CO₂, the most recent global warming potential values from 2023 published by the IPCC were used³.

²Commission Recommendation (EU) 2021/2279 of 15 December 2021 on the use of environmental footprint methods to measure and communicate the environmental performance of products and the environmental performance of organisations throughout their life cycle (OJ L 471, 30.12.2021, p. 1).

³IPCC Panel, AR6 Synthesis Report: Climate Change 2023: <https://www.ipcc.ch/report/sixth-assessment-report-cycle/>

The table provides an overview of individual emitted gases, and their released amounts converted into CO2 equivalent.

Gas type	Location-based	Market-based
	Discharged quantity (in tCO2e)	Discharged quantity (in tCO2e)
CO2e – unknown structure of GHG gases	2,720,322.42	4,348,041.91
Carbon dioxide (CO2)	7,191.92	7,191.92
Methane (CH4)	4.53	4.53
Nitrous oxide (N2O)	76.90	76.90
Sulphur hexafluoride (SF6)	447.68	447.68
Total emissions	2,728,043.44	4,355,762.94

We do not burn biomass in the entities of the ZSE Group over which we have operational control. At the same time, we cannot accurately decide greenhouse gas emissions from the processing or transportation of biomass within the upstream and downstream parts of the value chain.

Total greenhouse gas emissions broken down by Scope 1, 2 and significant Scope 3 emissions

	Base year 2024	Comparison	2024
Scope 1 greenhouse gas emissions			
Gross Scope 1 greenhouse gas emissions (tCO ₂ e)	432,498.90	n/a	432,498.90
Percentage of Scope 1 Greenhouse gas emissions from regulated emissions trading (%)	98.84 %	n/a	98.84 %
Scope 2 greenhouse gas emissions			
Gross Scope 2 greenhouse gas emissions according to the site-based method (tCO ₂ e)	87,850.60	n/a	87,850.60
Gross Scope 2 greenhouse gas emissions under the market-based method (tCO ₂ e)	254,654.33	n/a	254,654.33
Significant Scope 3 greenhouse gas emissions			
Total gross indirect greenhouse gas emissions (Scope 3) according to the site-based method (tCO ₂ e)	2,207,693.94	n/a	2,207,693.94
Total gross indirect greenhouse gas emissions (Scope 3) under the market-based method (tCO ₂ e)	3,668,609.71	n/a	3,668,609.71
1. Purchased goods and services	106,231.93	n/a	106,231.93
2. Capital goods	0.00	n/a	0.00

	Base year 2024	Comparison	2024
3. Fuel and energy related activities (not included in scope 1 or scope 2) according to the site-based method	1,160,691.36	n/a	1,160,691.36
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2) according to the market-based method	2,621,968.03	n/a	2,621,968.03
4. Transportation and distribution to suppliers	0.00	n/a	0.00
5. Waste generated within the scope of the activity	108.44	n/a	108.44
6. Business trips	228.82	n/a	228.82
7. Employee commuting	333.82	n/a	333.82
8. Assets leased to suppliers under the location-based method	2,375.85	n/a	2,375.85
8. Assets leased to suppliers under the market-based method	2,423.32	n/a	2,423.32
9. Transport to the customer	0.00	n/a	0.00
10. Processing of sold products	0.00	n/a	0.00
11. Use of sold products	937,307.57	n/a	937,307.57
12. Disposal of products sold at the end of their useful life	0.00	n/a	0.00

	Base year 2024	Comparison	2024
13. Assets leased to customers under the location-based method	416.15	n/a	416.15
13. Assets leased to customers using the market-based method	7.78	n/a	7.78
14. Franchise licenses	0.00	n/a	0.00
15. Investments	0.00	n/a	0.00
Total greenhouse gas emissions			
Total greenhouse gas emissions (based on location) (tCO _{2e})	2,728,043.44	n/a	2,728,043.44
Total greenhouse gas emissions (market-based) (tCO _{2e})	4,355,762.94	n/a	4,355,762.94

Greenhouse gas emissions removed, and greenhouse gas emission reduction projects financed through carbon credits (E1-7)

The ZSE Group does not use mechanisms to remove greenhouse gas emissions or finance emission reduction projects through carbon credits. Efforts to reduce greenhouse gas emissions are focused on direct measures, such as investments in energy efficiency, switching to renewable energy sources and process optimisation. The company will continuously consider using carbon credits as a climate strategy. The primary way to progress in achieving climate goals in the ZSE Group is to prevent emissions, reduce them, increase energy efficiency and improve processes. To achieve the target values in 2030, compensation measures are planned for the remaining emissions within the framework of the voluntary carbon market.

Internal carbon pricing (E1-8)

Currently, ZSE Group does not apply internal carbon pricing systems. Our climate decision-making processes and implementation of policies to achieve greenhouse gas emission reduction targets are based on other tools and strategies, such as monitoring emissions, investing in low-carbon technologies, and considering legislative requirements. In the future, the company will assess the potential introduction of internal carbon pricing as part of climate action.

Expected financial impacts of significant physical and transformation risks and potential climate opportunities (E1-9)

Disclosures on the expected financial impacts of significant climate risks and opportunities are subject to the possibility of phased-in disclosure requirements under Appendix C of ESRS 1. The effects of extreme weather events, changes in weather patterns, pressure for decarbonisation, carbon pricing, and regulations to reduce emissions are monitored and assessed within processes and risk management. These factors and their further development may require investments in infrastructure, technology or process upgrades in the future to ensure compliance with regulatory requirements and support the sustainability of the ZSE Group's business. Based on the impact assessment, planned expenditure on measures has been defined, which includes steps to increase the resilience of distribution system assets and operations to extreme climate events. These steps will be considered when discussing the business strategy with the executive management of the ZSE Group. The ZSE Group is working on implementing sustainable technologies by developing renewable energy sources. All these factors are monitored to ensure that the processes within the ZSE Group are prepared to respond to potential challenges and opportunities associated with climate change.

Pollution (ESRS E2)

Description of processes for identifying and assessing material environmental pollution-related impacts, risks, and opportunities (IRO-1)

During the materiality process, air, water and soil pollution were identified as material sustainability aspects. Material impacts and risks were assessed at the site and asset level, taking into account the specifics of the locations where the ZSE Group's operations and assets are located. The distribution infrastructure, the Malženice CCGT power plant and the charging infrastructure for e-mobility were assessed as material sites. Critical infrastructure was assessed as material assets. Most impacts related to environmental pollution were identified in the ZSE's own operations and upstream, which shows that electricity distribution and electricity generation have the most material environmental and risk impact within the value chain. Affected groups, such as communities, non-profit organisations, and the public sector, were involved in the materiality process during the stakeholder dialogue (see chapter "Description of the processes to identify and assess material impacts, risks and opportunities link (ESRS 2 IRO-1)").

Activities related to electricity generation and distribution have the most considerable environmental impact within the ZSE Group's business activities, and their negative impact can have serious consequences for the environment and human health. Air pollution caused by the power plant's operation can deteriorate air quality and endanger the health of employees, residents near power plants, and the general public. Air pollution from upstream activities, such as electricity generation by our suppliers or gas trading, includes emissions of sulphur and nitrogen oxides, which damage ecosystems, and methane leaks or dust from mining, which deteriorate air quality. ZSE Group's activities pose a risk of water, air, and soil pollution associated with direct operational emissions and accidental leaks or spills. Such emissions can have a negative impact on the local environment and local communities if not effectively managed. Electricity distribution can cause transformer oil leaks from substations, which can cause soil contamination, pollute groundwater and lead to water system degradation. In upstream processes, improper handling or accidents at our contractors can cause air, water, and soil pollution, which can have serious negative environmental and health consequences. In terms of financial materiality, airborne pollutants affect transmission lines and can increase the risk of failures

due to transmission line corrosion, which was identified as the most material risk. The growth of e-mobility represents a major opportunity for long-term development. Other areas do not have a material financial impact and do not pose serious risks.

ZSE Group's business activities are subject to emission regulations, including local emission permits, as well as regional and international emission regulations. For projects for the construction of new power lines and facilities with expected environmental impacts, the ZSE Group conducts environmental impact assessments during the development phase to obtain construction and operating permits. The operation of the facilities is also monitored, and an inspection is made to ensure that the previous assessment was correct. In addition, a continuous dialogue is maintained with local stakeholders on several environmental issues. The ZSE Group has long been dedicated to identifying environmental aspects related to its activities as part of its ISO 14001 certification and the implemented environment management system. The identified factors emphasise the need for consistent environmental management. Potential impacts and risks and their materiality are reviewed under internal procedures to prevent and mitigate environmental pollution. When implementing the environmental management system, methodologies were established for assessing materiality, regularly reviewing aspects, their materiality, emergency situations, and their management. The internal assessment of aspects is tied to individual activities as well as the places where activities are performed, taking into account the local risk of threat or damage to the environment.

Environment pollution related policies (E2-1)

General pollution-related policies and regulations are implemented at the state legislation level, which ZSE Group companies strictly adhere to. Key ZSE Group sustainability aspects policies related to air, water, and soil pollution are mainly represented by the Environmental Protection Directive and its related managing acts for water management, air protection, nature and landscape conservation, inspections, incidents and emergency preparedness, documents related to storage and handling of hazardous substances and the established ISO 14001 environmental management system. Internal managing acts ensure compliance with requirements of applicable laws in the respective areas and operational documents (emergency plans) contain a list of pollutants and chemicals. The scope of the aforementioned policies concerns ZSE Group's own activities and the responsibility for their implementation lies with the ZSE Board of Directors, the directors of ZSD, VSD and ZSE Elektrárne, the OHS and Quality Department and the Environment Teams.

The environmental policy and the Occupational health and safety (OHS), environmental protection and quality policy (Integrated Management System) adopted by ZSD, VSD, and ZSE Elektrárne represent a framework and commitments with set objectives for environmental protection. In electricity distribution, operation, maintenance, repairs, reconstructions and construction of distribution networks and related services, ZSD, VSD and in electricity generation, ZSE Elektrárne have a well-established environmental management system (ISO 14001). An environmental management system for sourcing and selling electricity and gas and the design and implementation of energy solutions for B2B customers has also been established by our trading companies, VSE and ZSE Energia.

Internal management and operating acts contain procedures for the storage and handling of pollutants used, discharged or processed by the ZSE Group, as well as information on how these substances are controlled, monitored and how their impact on the environment is minimised. For each facility where substances that threaten water quality are handled, Emergency Water Contingency Plans are drafted and approved, which list and contain quantities of

substances present in the facility, as well as their storage and the procedure to be followed in the event of their leakage. Inspections and internal audits verify the implementation of the set procedures under applicable laws. External audits repeatedly confirm the high performance of the implemented environment management system and the continuous improvement trend. Executive management is regularly informed of audit results.

The ZSE Group is committed to creating healthy and safe working conditions in its Environmental policies to take preventive action, eliminate and/or minimise environmental risks, pay attention to the safe operation of our electrical facilities, raise employee awareness of environmental behaviour and working with pollutants. It also pays increased attention to environment-related Contractor management, mainly to minimise potential risks related to externally provided processes. Under the act, employees are provided with information about chemical substances used by making safety data sheets available on the intranet. Contractor requirements are defined in our General Terms and Conditions (GTC) and specific conditions subsequently in respective contracts. Risk management and emergency preparedness introduce procedures in the event of leaks and accidents, and emergency preparedness inspections are part of preventing environmental incidents. The ZSE Group complies with all applicable environmental protection-related laws and regulations, including national and international regulations related to chemicals and pollution. Since 2020, the ZSE Group has transparently disclosed information on pollution sources on its website and its sustainability reports (<https://www.elektaren-malzenice.sk/Uvod/Zverejnovanie%20udajov>, <https://www.skupinazse.sk/Uvod/Udrzatelnost/Reporty-udrzatelnosti>, <https://www.vseholding.sk/vseh/domov/udrzatelnost/reporty-udrzatelnosti>).

Measures and sources related to environmental pollution (E2-2)

In management its material impacts, risks and opportunities related to air, water and soil pollution, the ZSE Group focuses mainly on measures that are linked to the external ISO 14001 certification and contribute to the fulfilment of business and legislative frameworks. Information on future activities is part of internal planning and strategic documents, which are updated according to the development of regulation, market and internal priorities of the ZSE Group. To maintain competitiveness and protect strategic information, we provide disclosures regarding measures implemented in the reporting period. The ZSE Group annually sets qualitative goals and measures for systematic performance improvement within the framework of the environmental management system (ISO 14001).

Summary of key implemented measures and initiatives during the reporting period:

Measures	Measure contribution
Replacing old equipment and removing technology	Decreasing pollution sources
Reconstructions of facilities, which contain hazardous chemical substances	Decreasing pollution sources
Monitoring of all pollutants (such as SF6 leaks, quality and leaks of oil, analyses of wastewater, etc.)	Monitoring
Preventive maintenance and service	Monitoring and elimination of emission leaks
Regular training on environment and health protection related risks and threats	Education and improvement of professional training

The aforementioned key measures were aimed at preventing or mitigating material negative impacts and risks and promoting positive impacts and opportunities. The measures required capital and operating costs of approximately EUR 2 million during the reporting period.

Other material measures related to environmental pollution in the monitored year include installing and commissioning the first secondary medium voltage switch (MVS) without a SF6 fluorinated greenhouse gas content in Košice. Due to EU regulations, SF6 gas will be gradually limited. This is the first MVS without SF6 content in distribution grids in Slovakia.

In ZSE Group's operational facilities, where pollutants are used, internal procedures and established methods are developed for handling them and for proceeding in the event of their leakage and environmental threat. In the monitored year 2024, 189 inspections were conducted at our operational facilities (including pollution and pollutant inspections) and 626 inspections at construction sites (contractor inspections for environmental compliance).

Requirements for contractors are communicated when concluding contracts, the conditions are part of the contractual relationship, and when handing over the construction site, contractors are made aware of specific local areas and risks in terms of environmental threats. Contractors are trained on working conditions and environmental protection principles for the implementation of the works.

For released wastewater, if the sewage system is not connected to a public water system, the ZSE Group operates cleaning facilities - wastewater treatment plants for sewage and water containing oil with the quality of released water being monitored.

The ZSE Group monitors the production and quality of discharged wastewater as per permits issued by respective public authorities and under the terms and conditions set out in contractual relations with public sewerage operators. In addition, to prevent unexpected potential discharge of polluted wastewater, we monitor wastewater quality by analyses beyond the mandatory requirements.

In 2024, 68 mandatory analyses - 63 of wastewater discharged into a watercourse or into a catchment and 5 of water discharged into a public sewage system were performed, and 66 additional analyses above legal requirements were conducted in 2024. If exceeded values are detected, procedures are set up to implement measures to verify the reason for the increased pollution values and to adjust the wastewater treatment process so that the set values are not exceeded. The quality of water taken from our own water sources and the public water supply is also monitored beyond legal requirements for preventive reasons and to protect our employees' health. 47 water analyses were performed in 2024.

In case of environmental incidents, internal procedures based on legislative requirements are followed. All findings are reported, recorded and resolved as soon as possible. In the event of soil impact and contamination, immediate remedial work is conducted to prevent the spread of soil and water pollution. Contaminated soil is replaced with clean soil, the area is restored to its original condition and the suitability of the intervention is verified by soil analysis.

2. Metrics and targets

Environment pollution related targets (E2-3)

The ZSE Group sets annual qualitative targets for systematic performance improvement within the framework of the environment management system, which are regularly evaluated at 6-month intervals. In relation to pollution, in the reporting period, targets were set within the framework of the environment management system for the prevention of oil spills, the optimisation of used chemicals, the monitoring of sources of air and water pollution on an annual basis. The long-term environmental objectives of ZSD, VSD and ZSE Elektrárne include continuous improvement of environmental behaviour, ensuring pollution prevention and eliminating pollutants being discharges into the environment. The objectives are set annually according to the materiality of aspects within the established environmental management system and are required by law. Beyond the scope of legal requirement, they are set as voluntary objectives. Permitted emission values are monitored and are determined by permits issued by the respective public authorities. Verification of the fulfillment of the objectives is conducted continuously by regular sampling and analyses and, with air emissions at the Malženice CCGT power plant, by operating an automatic measurement system. For soil pollution, pollution values after a transformer oil leak, which is the most common cause of pollution in the ZSE Group in the event of a leak from equipment, are determined by law. No other voluntary target value related to soil pollution is monitored in the ZSE Group. For air and water pollution, the ZSE Group has set a voluntary measurable target, which also serves as a KPI for the pollution within the ZSE Group's ESG strategy. The set target concerns monitoring and disclosure of pollutants at the ZSE Elektrárne (Malženice CCGT power plant) site, within which emissions of pollutants into the air are monitored and disclosed. The quality of wastewater shall be continuously measured and disclosed starting in 2025.

Material topic	ESG Key Performance Indicator (ESG KPI)	Rationale	Baseline	Target	Target
			2024	2030	2035
E2 – Air and water pollution	1. Monitoring and disclosing air pollutant emissions at the ZSE Elektrárne (Malženice CCGT power plant) site. 2. Continuous Monitoring and disclosing wastewater quality at the ZSE Elektrárne (Malženice CCGT power plant) site. <u>Metric:</u> 1. NOx and CO emissions are monitored monthly, and the	1. The KPI measures whether NOx (nitrogen oxides) and CO (carbon monoxide) emission parameters are regularly and transparently disclosed monthly. Values are monitored against permitted limits. The aim is to ensure regular voluntary disclosure and, inform the public about the level of air pollution on time and maintain 100% disclosure throughout the year. ZSE thus demonstrates its commitment to reducing its impact on the environment and demonstrates transparency in monitoring and managing pollutant emissions.	1. 100% if all months within the year were disclosed on time (Measurement 1) 2. Purchase of measurement box and measurement since 2025	100% if all months within the year were disclosed on time (Measurements 1 + 2)	100% if all months within the year were disclosed on time (Measurements 1 + 2)

	data is always published by the 10th day of the following month on the ZSE Elektrárne website. 2. Discharged wastewater is monitored continuously, and the data is always published by the 10th day of the following month on the ZSE Elektrárne website.	2. The KPI measures whether the quality of discharged wastewater at the ZSE Elektrárne site (Malženice power plant) is continuously measured and whether wastewater quality data is regularly and transparently disclosed monthly. ZSE thus demonstrates its commitment to reducing its impact on the environment and demonstrates transparency in monitoring and managing pollutant emissions. A measuring box was purchased in 2024, and measurements have been underway since 2025.			

This objective monitors whether the parameters of NO_x (nitrogen oxides) and CO (carbon monoxide) emissions are regularly and transparently disclosed monthly. The values are monitored against permitted NO_x and CO limits (50mg/Nm³). The aim is to ensure regular voluntary disclosure and inform the public about the level of air pollution on time. From 2025, the quality of discharged wastewater will be continuously monitored, and data on wastewater quality will be regularly and transparently disclosed every month. During the reporting period, the supplier of the measuring box was selected, and from 2025, we will continuously measure the quality of discharged water at the Malženice CCGT power plant site. By setting this voluntary objective, the ZSE Group demonstrates its commitment to reducing its impact on the environment and demonstrates transparency in monitoring and managing pollutant emissions and wastewater quality. During the reporting period, no permitted parameter was exceeded in emissions or wastewater, and the measured data were published on a regular, monthly, basis on the website (<https://www.elektraren-malzenice.sk/Uvod/Zverejnovanie%20udajov>). In wastewater quality monitoring, based on the decision of the Slovak Environmental Inspection (*Slovenská inšpekcia životného prostredia* - SIŽP), effective from 15 November 2024, the scope of monitored wastewater parameters has changed and continuous wastewater quality measurement has been launched. The test operation will be completed by the end of February 2025.

The ZSE Group is obliged to monitor and report data on air emissions to respective authorities and disclose them beyond the legal obligation. The measurement obligation is given for large sources (Malženice CCGT power plant) and for medium-sized sources (diesel generators, boiler rooms), where calculations are made once a year. For small sources, only the amounts of fuel used are recorded. Greenhouse gas emissions are monitored when

substances leak from equipment, which is recorded as an environmental incident. The amount of leaked SF6 gas and FS gas in air conditioners is specified in section E1-6 Emissions.

The following emission limits apply to the Malženice CCGT power plant combustion equipment:

Equipment	EL [mg.m ⁻³]				Pollutant discharge point
	SP	SO ₂	NO _x	CO	
1. Combustion turbine	-	-	40	50	84 m chimney
2. Ancillary boiler	-	-	200	100	47 m chimney
3. Regulation station boilers	-	-	200	100	8.8 m chimney
4. Diesel generator station	130	-	1,000	650	4 x 4 m air shaft
5. Firefighting water pump diesel generator	130	-	1,000	650	2.5 m air shaft

Emission measurements for the combustion turbine are performed continuously using an automated measurement system (AMS/CEMS) installed on the turbine chimney at a height of 48.3 m. Discontinuous measurements are used to measure other sources of air pollution. Emission limits are set for combustion turbines, which must be complied with. Daily and annual emission averages for gas turbines are calculated based on continuous measurements. The daily average is a 24-hour average; the annual average is determined from the sum of hourly averages for the entire year. In discontinuous measurements, emission limits are deemed to be complied with if no value in the measurement series exceeds the specified limit. Measurement of emission values is conducted during normal operation, while start-ups and shutdowns are not considered. For devices operating at low load, emission limits for CO are indicative, while discontinuous measurements for NO_x and CO on steam boilers and gas boilers are conducted every 6 years. Measurement of NO_x and CO emissions is provided by an authorised person under applicable laws. The measuring points are located beyond the last stage of flue gas cleaning, where the waste gas composition is no longer changed. For devices such as the “Ancillary boiler” and the “Gas regulation station heating station”, discontinuous measurement is used to determine compliance with emission limits. The measurement of NO_x, SO₂ and TZL emissions is conducted at the nominal or maximum operating power, while the measurement of CO is also conducted at the lowest permitted thermal input. An extractive measuring system is used to monitor NO_x and CO emissions, as well as O₂, which ensures measurement in dry flue gasses under standard conditions. The measurement of the O₂ concentration allows the conversion of NO_x and CO concentrations to a reference state. The flue gas volume flow is not measured directly but is calculated based on the measured fuel consumption. The mass flows of NO_x and CO emissions are subsequently calculated based on the concentration and volume flow of the flue gas.

Air, water, and soil pollution (E2-4)

The ZSE Group operates the Malženice CCGT power plant, diesel generators and gas boilers, which produce pollutants, and thus operates 25 small and medium-sized sources and one large air pollution source (Malženice CCGT power plant). Data on the amount of pollutants is reported by ZSE power plants to the National Pollution Register (*Národný register znečisťovania* - NRZ).

Pollution sources related to ZSE Group's operational activities:

Total pollution-related emission in tons	2024
Solid pollutants (SP)	16,369
SO ₂	1,961
NO _X	110,064
CO	85,982
Organic gasses and vapours (TOC)	4,772

We report the volumes of pollutants even if the applicable threshold values set out in Annex II to Regulation (EC) No 166/2006 of the European Parliament and Council have not been exceeded. Due to negligible pollution from other sources, other pollutants are not included in the disclosures.

Expected financial impacts due to material risks and opportunities related to environmental pollution (E2-6)

The threat to energy infrastructure from airborne pollutants was identified as a material long-term risk in the materiality process. Currently, this risk does not significantly impact the economic performance and cash flows of the ZSE Group, nor is this expected to change in the next reporting period. ZSE can expect a financial impact due to replacing equipment containing the SF₆ greenhouse gas. Changes in legislation and regulations, new technologies and environmental factors may pose future risks to the ZSE Group. No fines were imposed on ZSD and VSD in connection with violations of legal requirements related to environmental protection in the reporting period. We apply the option of gradually introducing disclosure requirements under Appendix C ESRS 1 for quantitative disclosures in connection with the expected financial impacts of material risks and opportunities related to environmental pollution.

Biodiversity and ecosystems (ESRS E-4)**1. Strategy****Transformation plan and consideration of biodiversity and ecosystems in strategy and business model (E4-1)**

ZSE Group sees biodiversity as a source of stability and resilience. Protecting and restoring biodiversity and ecosystems is part of the ESG strategy and is integrated into projects in energy infrastructure and environmental protection. To reduce the negative impact on biodiversity, the effects of the Company's

activities are found to minimise negative impacts. Understanding biodiversity and ecosystems as part of the strategy and business model is key for the long-term sustainability and resilience to environmental and social challenges in the ZSE Group.

The activities of the ZSE Group have the most significant impact on biodiversity and ecosystems in constructing and operating energy infrastructure, which can disrupt natural habitats and animal migration routes. Within the scope of business activities, gas sales harm the combustion of fossil fuels, which produces greenhouse gases and pollutants contributing to climate change and ecosystem degradation. The distribution companies of the ZSE Group have an environmental management system (ISO 14001) in place, which monitors the impact of the Group's activities on biodiversity and ecosystems and identifies opportunities for improvement. Integrating biodiversity into the Company's strategy and business model enables the systematic adoption of responsible measures to minimise negative impacts and risks. This ensures continuous improvement of the Group's performance in this area. Assessment of ecological risks during planning new projects and investment decisions includes considering biodiversity in business and investment planning. Cooperation with experts and the creation of local projects for the protection of biodiversity are an integral part of the ZSE Group's activities within the framework of electricity distribution. The ZSE Group not only fulfils its legislative and environmental obligations but has also integrated proactive biodiversity protection and the integration of ecological and sustainable practices into its activities.

The resilience of the strategy to climate change, as well as the physical risks and risks associated with the transformation to low-emission business, is a key aspect for the long-term sustainability and success of the ZSE Group. The energy transformation aims to slow the climate change, posing risks for the ZSE Group's business, but mainly opportunities. Introducing measures to protect and restore biodiversity in electricity distribution, standing for a significant part of our business, will bring greater resilience to various regulatory and environmental pressures. The strength of the strategy and the energy transformation must go hand in hand with the protection of biodiversity and the preservation of ecosystems. Climate change affects the natural environment, disrupts the ecosystem balance and contributes to biodiversity loss. Investments in sustainable technologies that consider environmental aspects can help mitigate these negative impacts. Projects aimed at restoring the landscape, protecting endangered species and supporting ecological solutions in energy networks increase the benefit for biodiversity. Preserving functional ecosystems is not only an environmental goal, but also directly supports the long-term stability and resilience of the ZSE Group's business.

During the reporting period, a resilience analysis was carried out concerning its activities, which examined the impact of climate change on the technical equipment of the energy infrastructure and what adaptation measures must be implemented in this regard. The infrastructure of distribution companies is affected by various natural events, which are increasing in intensity under the ongoing climate change and occur much more often and in more extreme dimensions than in the past. The Climate Change Adaptation Action Plan documents how climate change affects the distribution system, intending to increase its resilience. The climate change impact assessment was prepared based on SHMÚ data, applies to one climate change scenario RCP 8.5 and covers time horizons 2050 and 2080. The document provides an overview of the expected effects of climate change and specific adaptation activities to reduce the vulnerability of critical infrastructure. The current system design creates assumptions of sensitivity to climate phenomena. The only found climate phenomenon with an expected regional-wide increase is heat. Concerning the regional perspective, other phenomena (wind, rain, snow and ice, erosion) should not change significantly. As a result of the increase in average daily temperatures, which results in higher volumes of tropical days, local climatic

phenomena may occur - later torrential rainfall of local storms combined with wind (>25 m/s). Soil dried by heat cannot absorb rain, and erosion or flooding may occur. Depending on the type of asset and its operation, we expect an increase in interruptions and an increase in the rate of outages.

Significant impacts, risks and opportunities and their interaction with strategy and business model (SBM 3)

In the significance process, the distribution infrastructure of ZSD and VSD was identified as significant in the electricity distribution segment within its activities. Therefore, from a biodiversity perspective, the entire distribution territory of ZSD and VSD in the regions of western and eastern Slovakia is a significant location. The operation of distribution lines of all voltage levels triggers the loss of biodiversity, in particular the loss of nesting opportunities (maintenance of protective zones, construction of power line networks, necessary felling), the deaths of protected animals (birds) during interventions and impacts on power lines, and the occupation of land by construction. We do not provide the list of locations due to the extent of the operated power lines and their location throughout the entire ZSD and VSD distribution territory.

Activities that negatively affect areas in terms of biodiversity:

- land area,
- network of linear obstacles (danger mainly for avifauna such as hits or an electric shock when a bird lands on an untreated console)
- wide protection zone at HV up to 40-45 m and associated maintenance (tree cutting, felling, damage during cutting)
- mulching
- milling (habitat damage)
- spraying against the spread of invasive plants
- excavations during reconstructions and construction of new lines (e.g., excavation next to trees and damage to the root system)

The register of environmental aspects describes all these activities and defines corrective measures and the level of significance.

Areas sensitive in terms of biodiversity within the distribution area of ZSD and VSD are protected areas, Natura 2000 sites, biosphere reserves and LIFE project areas (protected bird areas, protected areas, nesting habitats). A unique environmental management approach is followed in protected areas. Activities in protected areas are governed by legislation ensuring the protection of the area and its species. The Company's GIS system records and regularly updates all small-scale and large-scale protected areas. All activities in these areas follow the relevant permits, under the State Nature Conservation Agency (ŠOP) supervision. Information on protected areas is also provided to our suppliers who carry out activities there. Subsequently, the fulfilment of legislative obligations in these areas is checked.

When operating power lines in areas with a certain degree of protection, the following direct impacts on biodiversity have been identified:

- threat to birds from electric shock or collision resulting from the construction of power lines,
- disturbance of fauna when entering the area and performing maintenance and repair work,
- change in the composition of fauna and flora in the affected area,
- creating conditions for the spread of invasive species,

- damage to flora,
- possibility of disruption of the ability to keep and accumulate rainwater.

The significance assessment process found no significant negative impacts on landscape degradation, desertification, or soil compaction. The ZSE Group carries out activities that affect endangered avifauna species.

2. Managing impacts, risks and opportunities

Description of procedures for identifying and assessing significant impacts, risks, dependencies and opportunities related to biodiversity and the ecosystem (ESRS 2 IRO-1)

As part of identifying the ZSE Group's impacts on biodiversity and ecosystems, the ZSE Elektrárne, ZSE MVE and the ZSD and VSD distribution infrastructure sites were assessed. All impacts were identified in the electricity distribution segment within the scope of its activities. The significance process identified significant negative and positive effects. Significant positive impacts, such as bird protection, nesting boxes for the *Falco cherrug*, monitoring and removal of invasive trees or ecological management of corridors under power lines, emphasise the ZSE Group's commitment to the protection and restoration of biodiversity, support environmental sustainability and the country's adaptation to climate change. They have a positive impact on reducing bird mortality and strengthening their populations or improving the conditions for the species' survival. Negative impacts, particularly bird collisions with medium voltage power lines and reduced nesting opportunities, highlight areas requiring intensive mitigation measures to protect bird populations and mitigate biodiversity losses. Significant financial impacts are related to biodiversity conservation projects, which support ecological sustainability and highlight the strategic importance of environmentally responsible investments. Of the identified financial impacts, two opportunities related to impacts on species status were identified as significant, which bring potential long-term benefits to society - increasing species population size and reducing the global risk of species extinction. Investments in bird mortality reduction and conservation initiatives increase the credibility of the ZSE Group as a responsible environmental entity and strengthen its reputation.

Based on confirming the identified significant impacts, risks, and opportunities through stakeholder engagement, the final significant positive impact on biodiversity loss was confirmed, namely applying more environmentally friendly practices to replace classic corridor management (periodic felling of trees and shrubs). These practices minimise interference with fauna and flora, support biodiversity and contribute to the adaptation of the landscape to climate change. As part of the process for identifying significant impacts, risks, dependencies and opportunities, dependencies on biodiversity and ecosystems were assessed in the context of the ZSE Group's activities and in the upstream and downstream to understand how natural resources and ecosystem services are linked to the business model and functioning of the ZSE Group. At the same time, it was assessed which ecosystem services are disrupted or are at risk of disruption. The dependence on water consumption (electricity production by MVE), land and natural resources (network construction), the impact on the air (ZSE Elektrárne), upstream supply of raw materials and technologies for renewable sources and downstream increased demand for low-emission energy and environmental goals of customers were assessed. The dependencies were evaluated as insignificant without impacting the continuity of the ZSE Group's activities. Ecosystem services are not disrupted or at risk of disruption in the medium term.

Transformation risks are associated with transitioning to a low-carbon economy, including regulatory, technological, market and reputational risks. Introducing stricter environmental regulations, such as limits on the use of fossil fuels or mandatory measures to protect biodiversity, can increase costs. Insufficient engagement in biodiversity protection can damage the Company's image and weaken public trust. Physical risks are related to climate change, which directly affects biodiversity and ecosystems - extreme weather events can lead to ecosystem degradation and damage to infrastructure, the loss of ecosystem services such as soil degradation, deterioration of water quality or species extinction can affect the stability of the environment, which depends on healthy ecosystems. Climate change can support the spread of invasive species, negatively affecting native species and biodiversity. Projects aimed at protecting endangered species and restoring ecosystems strengthen the positive environmental impact of the ZSE Group. Implementing sustainable practices, such as ecological management of power line corridors, can support adaptation to climate change and improve biodiversity.

When identifying significant impacts, risks and opportunities, the loss of ecosystem services, decline in biological biodiversity, land use change and climate change were considered within the framework of systemic risks. Although these factors primarily act locally, the ZSE Group increases its resilience to these impacts by managing protection zones of high-voltage lines in the forest and outside areas registered as forest to minimise the adverse effects on local ecosystems and support the restoration of original biodiversity. This also includes working with local communities to protect natural resources and adopting approaches that consider long-term environmental trends. In assessing the dual significance, affected communities, non-profit organisations and the public sector were also involved in the dialogue with stakeholders. Cooperation with institutions, non-profit and community organisations, information and involvement of the public and customers in biodiversity protection projects allows us to jointly contribute to the protection of biodiversity and the sustainability of ecosystems.

The Biodiversity and Ecosystems Scenario Analysis tool has not yet been used to assess and identify significant risks and opportunities in the short, medium and long term. It has not been directly drawn from the Convention on Biological Diversity. The sites located in biodiversity-sensitive areas, where distribution lines of all voltage levels are operated, are not owned by the ZSE Group. Activities are carried out at these sites based on an established easement, which allows the implementation of the relevant activities following applicable legal regulations. The operation of the activities harms biodiversity, and these activities are eliminated by compensatory and mitigating measures, which are key measures of the ZSE Group in the field of biodiversity and ecosystems.

Biodiversity and ecosystem policies (E4-2)

The adopted policies regarding biodiversity and ecosystems focus on mitigating negative impacts, supporting climate change measures, responsible land use and species protection, thereby contributing to maintaining ecological balance. The basic policy for managing effects in biodiversity and ecosystems is within the framework of the established environmental management system (ISO 14001) in ZSD and VSD companies. The program and objectives for implementing the policy aim to reduce the mortality of protected birds and increase biodiversity in power line corridors. All activities, their level of significance, together with the relevant corrective measures, are included in the register of environmental aspects. The implemented system and its repeated audits confirm high performance and quality measures in biodiversity and ecosystem protection.

Another key policy is the internal environmental protection directive and the related management and operational documentation, which clearly define the obligations of distribution companies in the field of nature and landscape protection and the construction and operation of medium voltage powerlines. Internal management documentation ensures compliance with legislative requirements in the given areas. These procedures aim to establish a basic methodology and a unified system for managing and performing activities and responsibilities in nature and landscape protection. Protection of birds on overhead power lines is incorporated into internal technological and operational regulations, which set out the principles of constructing, modifying and operating power lines, emphasising minimising environmental impacts. As part of ecological management in power line corridors, the ZSE Group follows the methodology and management documentation of the parent company E.ON. These procedures and principles apply to all operating locations within the ZSD and VSD distribution systems. The ZSE Group's approach to bird protection and biodiversity promotion is also based on active participation in international initiatives and projects such as LIFE Eurokite and LIFE Danube Free Sky. Within these projects, the ZSE Group commits to achieving goals through concluded contracts and declarations that set out specific measures for nature protection.

The scope of policies in biodiversity and ecosystems applies to the Company's activities and the upstream part of the value chain. The selection of suppliers who cannot demonstrate sufficient qualifications and expertise for activities in protected areas and the protection zones of power lines is limited. All obligations arising from legislation and internal environmental protection requirements are defined in the Conditions of Work Performance, which are part of the contracts. Implementing policies in biodiversity and ecosystems is the responsibility of the Board of Directors of ZSE, the Directors of ZSD and VSD, the OSH and Quality Department and the environmental teams. Environmental protection policies are made available on the website of the ZSE Group (<https://www.skupinazse.sk/Uvod/Udrzatelnost/ESG-politiky>) and the websites of the distribution companies <https://www.zsdis.sk/Uvod/Spolocnost/Udaje-a-fakty/BOZP-a-zivotne-prostredie> and <https://www.vsds.sk/edso/domov/spolocnost>). Parent company E.ON is an exclusive partner of UNEP for the UN Decade on Ecosystem Restoration, which supports efforts to prevent, halt and reverse ecosystem degradation. E.ON has joined the LEAF coalition, which supports forest protection and reduction of deforestation.

The established environmental management policy also effectively addresses the social consequences of impacts on biodiversity and ecosystems, in particular through the involvement of local communities in the planning and implementation of measures that affect their environment, the introduction of ecological maintenance procedures for corridors that harmonise biodiversity protection with economic activities, and raising public awareness of the importance of biodiversity and ecosystems by publicising successful projects. Protecting and restoring ecosystems positively affects the quality of people's lives, providing them with essential services and protection against natural disasters.

Measures and resources related to biodiversity and ecosystems (E4-3)

In managing its significant impacts, risks and opportunities concerning biodiversity and ecosystems, the ZSE Group focuses on measures that impact the direct use of ecosystems. These are linked to operating procedures and external ISO 14001 certification, thereby contributing to the fulfilment of business and legislative frameworks. Every year, the ZSD and VSD distribution companies set qualitative objectives and measures for the systematic improvement of performance in the field of nature and landscape protection within the framework of the environmental management system (ISO 14001). Information on

future activities is part of internal planning documents and strategic materials, which are updated according to the development of regulation and the market and internal priorities of the ZSE Group. We present disclosures regarding measures implemented in the reporting period to protect strategic information.

The scope of key measures in own activities was implemented during the reporting period in the entire distribution area of ZSD and VSD in Western and Eastern Slovakia. Key measures related to biodiversity and ecosystems apply compensatory and mitigating measures. Measures within the framework of environmental management objectives are set on an annual basis. Activities within LIFE projects take place in the time horizons 2019-2027.

Key measures implemented in 2024:

Measures	Contribution of the measure
Greening of overhead lines	mitigating measure
Replacement of overhead lines by laying them in a cable in the ground (Cable installation)	preventive measure
Stork nest transshipments	compensatory measure
Nest box installations	compensatory measure
Protective zone maintenance (Ecological Corridor Management, ECM)	mitigating measure
Water retention measures	mitigating measure
LIFE projects	mitigating measure
Education	awareness raising

The measures required insignificant capital costs, operating costs, or other financial resources of about 500 thousand EUR during the reporting period.

Greening of overhead lines: The operation of distribution networks causes bird deaths, which is eliminated by greening overhead lines, namely by installing eco-protectors on power line poles and bird flight deflectors. Risk areas and measures are selected in cooperation with ornithologists. The efficiency of protective elements is monitored and evaluated. During the reporting period, 727 pieces eco-protectors were used to treat lines (approx. 63 km).

LIFE and other projects: Protection of birds on power lines is implemented by installing protective elements within the framework of the European projects LIFE Eurokite and LIFE Danube Free Sky. In 2024, more than 650 HV line support points were eco-friendly within these projects' framework by installing eco-protectors and re-insulating the baffles. In locations where birds crashed into power lines, bird flight deflectors were installed for their protection, almost 7 km long. The "Agát" (Acacia) project is currently underway. It aims to increase biodiversity in the corridors of 110 kV lines in cooperation with the University

of Prešov and the UPJŠ in Košice. During the reporting period, 648 pieces eco-protectors were used to treat lines (58 km) within the framework of investment activities in the LIFE projects.

Stork nest relocations: The locations are always located according to the occurrence of white storks on LV power line's support points in the built-up areas of cities and municipalities. During the reporting period, ZSD and VSD carried out 38 stork nest relocations to create new safe nests for storks. In cooperation with ornithologists, nest occupancy and potentially risky nests are monitored. White stork chicks are ringed at their own expense and in collaboration with ornithologists. Every year, ornithologists monitor white storks on LV power lines, supplemented by ringing. Thanks to the monitoring, it is possible to plan follow-up measures such as relocating new nests, dangerous ones, or modifying oversized ones.

Installation of nest boxes: Installations are carried out as compensation for the negative impact on biodiversity during the construction and operation of distribution lines, significantly interfering with the landscape, maintenance of protective zones results in the loss of natural nesting opportunities for birds. During the reporting period, nest boxes were installed for various bird species in locations within the protected area or outside, e.g. for songbirds (Tribeč Protected Bird Area), for the common buzzard and the Saker Falcon, the crested hoopoe (Panský diel protected area, Gajc nature reserve) or the white-tailed eagle (Medzibodrožie Region). The locations are selected in cooperation with ornithologists. Ringing the common buzzard in boxes at the HV is our initiative and in collaboration with ornithologists. As part of the compensation measures, 192 nesting boxes for birds of prey and songbirds were installed, of which 57 boxes were installed in 2024.

Ecological management of corridors under power lines: In the protection zones under power lines, ZSE groups manage the areas in such a way as to minimise the negative impact on local ecosystems while supporting and restoring the original biodiversity, which means mapping habitats in the location and subsequent planning and implementation of the most environmentally appropriate method of maintaining the given vegetation in the area. Within the framework of the Ecological Corridor Management (ECM) project of the parent company E.ON, the methodology and concept of ecological route management are applied to ecologically manage the vegetation under and near 110 kV high-voltage lines in the forest and outside the areas registered as forest. This creates conditions for the growth of vegetation that does not threaten the networks with its size and aggressive growth, and at the same time increases biodiversity in the given area. During the reporting period, 180,819 ha were implemented using this approach. Consistent ecological management also contributes to the elimination of the problem of invasive tree species.

Water retention measures: In the reporting period, as part of ecological corridor management, amphibian habitats were created in the HV protection zone in the protected area, which also serves as a water retention measure. This created new water areas that serve as watering places or optimal environments for amphibian reproduction.

Cooperation with stakeholders: The ZSE Group has been a long-term partner of the civic association Protection of Predators in Slovakia in LIFE projects and monitoring sites in sensitive areas for bird protection. The ZSE Foundation supports the BROZ organisation's projects. It cooperates with the third sector and organisations that deal with the nature and landscape protection agenda, such as the State Nature Conservation Agency (ŠOP SR). Nesting monitoring

cooperates with the UKF in Nitra, which monitors the vole population and evaluates the impact of locations equipped with nest boxes on vole populations and subsequent damage to farmers. The ZSE Group cooperates with the non-profit organisation SOS/BirdLife Slovakia to coordinate the international census of the white stork.

Education: Emergency training is carried out for employees every 2 years, including compliance with all legislative conditions in the environment during construction and other activities. Training is organised to enable the exchange of experience between scientists, local communities and other interested parties. An ecological approach to the maintenance of protective zones under power lines was presented by architects and state administration employees at the Horticultural Forum 2024 at SUA Nitra. VSD participated in preparing a guide to best practices in IVM in Europe (Integrated Vegetation Management). At the same time, as part of an environmental seminar organised for employees of district offices, VSD presented ecological approaches to the maintenance of protective zones under power lines. As part of the ringing of storks on power lines, the importance of ringing and nest relocations, and observation in the nest were explained to students of the Svinná and Chocholná Veľčice elementary schools in cooperation with ornithologists. A lecture on storks on power lines was given at the Stupava Ecocenter.

Cabling: As part of the cabling, we are replacing overhead (air) power lines with cables laid underground, which not only reduces visual pollution and improves the distribution system's resistance to weather conditions but also reduces our negative impact on birds. As part of the projects of significant public interest, ACON and Ingrid, cabling was carried out over a more than 70 km length. In addition, outside these projects, cabling was carried out over a length of more than 25 km of initially overhead lines.

Offsets were not used in our measures as certified compensatory measures aimed at repairing losses caused by negative impacts by supporting or creating new ecosystems or populations in other places.

Local communities are key partners in the planning and implementing ZSE Group measures. They are actively involved through public meetings, consultations, and workshops that allow them to share their knowledge, needs, and ideas. Communities are also motivated to cooperate through joint projects. When implementing measures, we emphasise solutions that use natural processes and landscape elements to support environmental balance. VSD has created an internal team of biologists and dendrologists for vegetation maintenance in the MV and HV line corridors, which maps and monitors vegetation, ensuring the use of natural landscape elements. ZSE Group's approach combines nature conservation with practical benefits for people, such as landscape resilience, climate risk prevention, and creating a less disturbed landscape.

3. Metrics and targets

Target values for biodiversity and ecosystems (E4-4)

The main long-term environmental goals of the ZSE Group distribution companies in nature and landscape protection include:

- integrated habitat management and creation of biodiversity under high voltage (HV) power lines (Ecological Corridor Management ECM)

- elimination of the growth of invasive and unwanted plants
- greening of overhead lines by installing protective elements

Within the framework of the established environmental management system (ISO 14001), short-term qualitative targets are set annually for these goals according to the significance of the aspects. The targets are required by law and are set as voluntary targets beyond the scope of the legislation. Installing eco-protectors and diverters is a legislative obligation under Act No. 543/2022 on the Protection of Nature and Landscape. When building and reconstructing overhead power lines, it is a legislative obligation to use a technical solution that prevents injury and killing of birds.

In connection with a significant aspect of sustainability—direct impacts on biodiversity loss and ecosystem use—the ZSE Group has set two voluntary measurable targets, which are also key performance indicators (KPIs) for biodiversity in its ESG strategy.

				Baseline	Target	Target
Nr.	Material topic	ESG Key Performance Indicator (ESG KPI)	Rationale	2024	2030	2035
1.	E4 Biodiversity and ecosystems	Applying ecological management in high-voltage power line corridors. <u>Metric:</u> The percentage of the corridors' total area with applied ecological management suits this maintenance approach.	The KPI focuses on the ecological maintenance of corridors under and near 110 kV high-voltage lines in the forest and outside areas registered as forest. Ecological maintenance means mapping habitats in the site and later planning and implementing the most environmentally proper method of maintaining the vegetation on the site. The KPI monitors the % of the HV line corridors maintained in this way in the total area of such corridors, which is 1660 ha. The aim is to manage these areas in such a way as to minimise our negative impact on local ecosystems while supporting and restoring the original biodiversity. By 2024, 254 ha had been implemented, while the total area of the HV protection zone named for ECM is 1,660 ha (excluding fields and pastures). The baseline for 2024 was set based on cumulative data for previous years.	15.30%	100%	100%

2.	E4 Biodiversity and ecosystems	Installation of protective elements on HV and MV lines to protect avifauna <u>Metric:</u> Number of km of VHV and HV power lines treated with protective elements such as conductor sleeves, insulator covers, eco-protectors and diversion elements.	The KPI focuses on protecting avifauna in areas with a substantial risk of collisions with power lines and minimising their mortality caused by collisions and interference. The goal is to minimise our negative impact on avifauna, reduce the number of incidents and increase bird safety in migratory areas and areas with a substantial risk of collisions. At the same time, we monitor compliance with environmental protection standards and reduce the risk of disruption to power line operations due to bird collisions. The baseline value was decided based on long-term treated line records and the number of protective elements used.	3,957 km	4,745 km	5,295 km

Measurable target values are linked to the criteria of significant contribution to biodiversity and the requirements of the "no significant disturbance" principle and express the percentage of sites and length of lines whose ecological integrity has improved. Environmental management in HV line corridors aims to minimise negative impact and compensate for biodiversity restoration. Greening of lines aims to reduce adverse effects on avifauna and compensate for biodiversity loss. We did not apply ecological thresholds when setting the target values. The target values are not based on the EU Biodiversity Strategy or other national legislation or policy of the Slovak Republic. The set target values are related to impacts and opportunities in the field of biodiversity and the ecosystem that were identified during the significance process within the framework of electricity distribution. They are concerned with protecting birds and invasive species, as well as ecological management of corridors under power lines, and they are direct factors that impact biodiversity loss. The scope of targets is determined by the distribution area of ZSD and VSD in the Western and Eastern Slovakia region; no offsets were used for the target values. Within the mitigation hierarchy, the targets set relate to prevention, minimisation of impacts and restoration.

Impact metrics related to biodiversity and ecosystem change (E4-5)

Due to the scope and location of the operated power lines throughout ZSD and VSD's distribution territory, we do not provide a list of places in or near areas sensitive to biodiversity. The location of the operated facilities concerning the territory's status in terms of its protection, biodiversity, and the occurrence of protected and endangered species is recorded in the company's information systems.

Locations in protected areas (PAs):	Area in ha/ length in km
area of overhead lines (MV, HV) located in the protected area	9,135.5 hectares

area of cable lines (MV and HV) in the protected area	666 km (area not said because maintenance is not performed on underground cable lines)

Expected financial impacts of significant risks and opportunities related to biodiversity and the ecosystem (E4-6)

Risks associated with damage to biodiversity and ecosystems can lead to excessive costs of restoration and remediation, can cause financial sanctions from regulators or courts and damage the company's reputation. Investments in projects that protect and restore ecosystems improve the reputation and perception of the ZSE Group by the public. No biodiversity risks with a significant fiscal impact have been identified; we do not expect this to change in the next reporting period. We apply the option of gradually introducing disclosure requirements under Appendix C of ESRS 1 for quantitative disclosures concerning the expected financial impacts of significant biodiversity and ecosystem risks and opportunities.

Resource use and circular economy - Waste (ESRS E-5)

1. Managing impacts, risks and opportunities

Description of procedures for identifying and assessing significant impacts, risks and opportunities related to resource use and the circular economy (ESRS 2 IRO-1)

The materiality assessment process concerning resource use and circular economy focused on the impacts of waste and its management in different parts of the Company's value chain, identifying both positive and negative aspects. We identified resource inflows, resource use, and resource outflows related to products and services as insignificant topics. Impacts, risks, and opportunities were assessed within our activities at the individual locations and assets level, considering the specificities of the locations where the ZSE Group's operations and assets are located. The distribution infrastructure, the PPC Malženice power plant and the charging infrastructure for electromobility were assessed as significant locations. Critical infrastructure was assessed as substantial assets.

Negative impacts were identified mainly related to waste generated in the Company's activities or those of its suppliers. Waste generation in electricity distribution harms the environment, contributes to climate change and requires practical solutions to reduce it. Hazardous electricity generation and distribution waste poses potential long-term financial impacts and can lead to serious environmental and health risks. Incidents related to its handling can cause contamination of natural resources, economic costs for remediation, fines, damage to the Company's reputation and reduced financial performance. In the upstream part of the supply chain, the impact of nuclear radioactive and other hazardous waste generated in electricity generation and waste generated from gas extraction and distribution was assessed. Negative impacts also include waste unsuitable for recycling or disposal of obsolete communication equipment, while electronic waste poses a threat due to the content of toxic substances.

Positive impacts include improving procurement policies towards sustainability, reducing the generation of mixed municipal waste and increasing the share of separated components. These measures support reducing environmental burden, improving the circular economy and mitigating climate change impacts. The green procurement policy in the ZSE Group, which includes a requirement for recycled materials and information on equipment disposal, represents a long-term opportunity. However, its significance was not marked as high. Adherence to green procurement principles supports a better perception of ZSE in the market but does not bring a direct and significant financial impact.

The overall assessment shows that most significant impacts are harmful, mainly located in the upstream part of the value chain, where radioactive and hazardous waste is generated, and in the company's operations, where hazardous waste is a key issue. Positive impacts show potential for improvement through sustainable procurement and recycling/waste recovery strategies. Affected communities, non-profit organisations and the public sector were also involved in the significance process. The areas related to resource use, circular and waste management are the responsibility of the management of the distribution companies ZSD and VSD. They are coordinated and covered by their environmental teams and the facility management function.

Policies on resource use and circular economy (E5-1)

Key policies related to the sustainability aspect of circular economy and waste in the ZSE Group are mainly represented by the environmental management system, General terms and Conditions and internal management documentation regarding waste management, dedicated products, protection and conservation of natural resources, storage and transport of waste, including hazardous waste, and inspection activities. The waste management process ensures compliance with obligations arising from legislation, optimisation of waste management, reduction of waste production, and maintenance of waste sorting. The scope of the above policies concerns the ZSE Group's activities and the external environment in which it operates, and the Board of Directors, directors of distribution companies, the OSH and quality department, and environmental teams are responsible for their implementation.

Following the environmental management policy and the ISO 14001 standard, the company has developed registers of ecological aspects, reports, general binding regulations, Slovak technical standards, a register of binding requirements, and a register of company connections, which manage all environmental impacts created by the company itself and its suppliers. We consider the waste management hierarchy in internal procedures and require suppliers to adhere to it in contracts with waste disposal/recycling.

The General Terms and Conditions determine the main principles and principles of the business relations of the ZSE Group and guide issues related to dedicated products, restrictions on placing goods on the market and legal regulations for managing the movement of hazardous waste. When selecting suppliers, the ZSE Group applies green purchasing or procurement criteria, which already sets the conditions for suppliers at the time of the announcement of the tender procedures so that goods and products are packaged in minimal and recyclable packaging. The environmental team also monitors Slovak legislation and EU legislative acts, such as the reduction of heavy metals in imported electrical equipment, legislation on reserved products, and their import into the territory of the Slovak Republic. When waste is generated at the end of the life cycle of goods and products, contractual relationships are set so that the waste is recycled or otherwise recovered. Within the supply chain, conditions are already set during the pre-qualification of the supplier, so the potential supplier must meet the requirements regarding environmental protection; otherwise, he is not allowed to qualify. Subsequently, all tenders for services that

generate waste are set and controlled by the environmental team. The supplier is admitted to the competition only after meeting the specific requirements of the given construction or project. He must complete environmental training with a written record and fulfil the conditions required to ensure work performance for the supplier organisations.

The ESG strategy is the ZSE Group's commitment to achieving sustainability goals in support of a just energy transition and the UN Sustainable Development Goals (SDGs), setting qualitative commitments and measurable targets for various aspects of sustainability, including circular economy and waste. It applies to all consolidated entities within the Group, ensuring a consistent approach to sustainability, accountability and transparency across the Group.

2. Metrics and targets

Targets for resource use and circular economy (E5-3)

In connection with the critical aspect of sustainability – waste, within the framework of resource use and circular economy, the ZSE Group has set a measurable goal of increasing the share of construction waste submitted for recovery. The scope of construction activities primarily influences waste production in the ZSE Group in connection with the maintenance and development of the distribution system. For this reason, the ZSE Group has also focused on waste within the ESG strategy. It has set a key performance indicator for construction waste, representing almost 90% of all waste produced. Targets for hazardous waste are not set due to the minimal production of this type of waste.

The set target focuses on improving the behaviour of the ZSE Group within the waste management hierarchy and diverting waste produced by the company from the most unsuitable method to a more environmentally friendly disposal method. Within the waste management hierarchy, the set target refers to the level of waste recovery and recycling. The aim is to reduce environmental impacts such as soil contamination, groundwater and greenhouse gas production from landfilling and to support the material recovery of construction waste. The percentage of construction waste (hazardous/NO and other construction waste/OO) submitted for recovery from the total amount of construction waste is monitored. The set target values are voluntary and go beyond the legal regulations, which stipulate the obligation to recycle or materially recover at least 70% of the weight of construction waste. The estimated value for 2024 was determined based on data from 2023. In the reporting year, the construction waste recovery rate was 98.6%. The achieved value exceeded the original estimates for the short, medium and long term, and these values will be adjusted in the disclosures for the reporting period 2025 to reflect current developments and a realistic view of further improvement. Based on the results for 2024, a review of the ESG strategy will be conducted in 2025 to ensure its relevance.

Material topic	ESG Key Performance Indicator (ESG KPI)	Rationale	Baseline	Target	Target
			2024	2030	2035

E5 Resource extraction and circular economy - Waste	Support for recycling, reuse and recovery of waste. Increase the recovery rate of construction waste. <u>Metrics:</u> The percentage of construction waste (CO and OO) submitted for recovery is based on the total amount of construction waste.	The KPI aims to improve the behaviour within the waste management hierarchy and divert waste produced by the company from the least suitable to a more environmentally friendly way of disposal. The goal is to reduce environmental impacts such as soil contamination, groundwater and greenhouse gas production from landfilling, and support material recovery of construction waste. The baseline value 2024 is calculated as a % of the total construction waste from 2023.	90%	92%	93%

In addition to the legislative obligation for business entities, cigarette butts are collected in selected locations of the company and kitchen waste from employees' production is collected. During excavation, a significant proportion of excavated soil is used for backfilling; it does not become waste that would have to be disposed of under the Waste Act and would increase the quantities produced. In the case of electrical equipment, concerning reducing the amount of waste produced, what can be disposed of according to the law and what can be reused is always considered.

As part of the commitments in the ZSE Group's ESG strategy regarding the acquisition and use of resources, the ZSE Group has committed to introduce the principles of a circular economy into the activities and thinking of the entire group. Target values for sustainable sourcing have not yet been set.

Nevertheless, several measures have been implemented, for example:

- reducing the use of natural resources (digitalisation of processes and paperless communication),
- increasing the share of recycled or renewable materials in the purchase of goods and products,
- reduction of carbon footprint associated with the purchase of certified electricity, rental of IT equipment,
- sourcing products with certificates (e.g. FSC, Energy Star),
- preferring local suppliers to minimise the environmental impact of transportation,
- reducing the use of non-durable consumer goods,
- reuse or further use of items that are no longer used (sale of discarded vehicles, furniture, IT equipment, etc.).

Resource outflows (E5-5)

Waste

The scope of construction activities primarily influences waste production in the ZSE Group, the end of the service life of power distribution networks or individual components from which power networks are built, or by replacing equipment with new technologies. A small amount of waste is generated from

performing necessary maintenance activities. The amount of waste from operations is minimal compared to the total produced. Hazardous and non-hazardous waste is generated during the operational activities of the ZSE Group and when specific equipment is decommissioned. Legal regulations and internal procedures govern waste management. Regular waste management checks are carried out as part of the inspection activity. At the same time, waste management checks are carried out at suppliers, mainly during construction work.

More than 90% of the waste generated within the ZSE Group's activities is construction waste, which arises from the implementation of construction, reconstruction and demolition works. A significant group are electrical and electronic items such as components arising from equipment replacement. Concrete and excavated soil predominate among the materials found in waste. The ZSE Group annually reports information on the types and quantities of waste generated to the relevant authorities. Particular attention is paid to the management of hazardous waste per legal requirements. The procured components of electrical distribution networks such as transformers and switches contain substances (mineral oil, SF6 gas), which generate hazardous waste at the end of the equipment's service life. Special care is taken with PCBs (polychlorinated biphenyls), for which professional disposal is provided, and with asbestos, the removal and disposal of which is carried out by an authorised organisation. All these hazardous materials and equipment in operation so far are disposed of only after their useful life has ended and they are decommissioned.

Total amount of waste generated:

Waste produced in 2024	tons
Total volume including construction waste	94,942.7
- of which hazardous waste	705.4
-of which non-hazardous waste	94,237.3

Construction waste produced in 2024	tons
Total volume	93,027.1
- of which hazardous waste	231.7
-of which non-hazardous waste	92,795.4

According to the legislation, the ZSE group's companies are waste generators. Based on contractual relations, the waste produced is transferred to companies authorised to handle it, namely for recovery or disposal (i.e., they have a facility for final waste management), waste collection or as a trader/broker for further handling. When selecting a supplier that does not operate a final waste management facility, proof of compliance with the waste management hierarchy is required, i.e. priority waste recovery. In particular, compliance with the obligation to recover construction waste is monitored. Records of the final method of waste management in the event of waste being handed over to the next holder are not carried out according to the legislation.

The following tables show the amount of waste and its management that was handed over to customers directly for recovery or disposal, where the share of recovered waste is also evaluated and separately the amount of waste handed over for further management to an authorised organisation in the collection, trader and intermediary regime, where the final method of management is not recorded.

Total amount of waste delivered **directly to a waste recycler** by weight diverted from disposal:

Hazardous waste (NO) for 2024	tons
Total volume including construction waste	390.9
- of which preparation for reuse	n/a
-of which recycling	15.7
- of which other recovery activities	375.2
% of recovered waste from the total volume of NO	90.4

Non-hazardous waste for 2024	tons
Total volume including construction waste	24,443.4
- of which preparation for reuse	n/a
-of which recycling	23,839.4
- of which other recovery activities	603.9
% of recovered waste from total volume (not NO)	98.6

Construction waste produced in 2024	tons
Total volume	24,324.9
- of which recycling	23,839.4
-of which other recovery activities	485.6
% of recovered construction waste	98.6

The ZSE Group prevents waste generation by reusing discarded vehicles, machines and components, IT equipment and furniture, which are offered for sale or donation to employees or third parties. In waste management, in addition to the type and quantity of waste, the infrastructure of facilities for further waste management located in the vicinity of the waste generation site is also considered. The aim is to ensure the most efficient waste transport to facilities and eliminate transport distances and CO2 production. The waste produced is collected and further management is ensured based on contractual relationships with authorised organisations. When selecting a supplier, permits issued for this activity are consistently checked. The construction contractor manages Waste from construction activities, who has the necessary license. The ZSE Group is actively looking for opportunities and partners for the best possible use of waste within the waste management hierarchy and financial profit from the sale of waste such as metals, waste oils, etc.

Total amount of waste delivered **directly to the waste disposer** by weight for disposal:

Hazardous waste for 2024	tons
Total volume	41.5
- of which combustion	0
-of which landfilling	20.4
- of which other disposal activities	21.2

Non-hazardous waste for 2024	tons
Total volume	341.6
- of which combustion	0
-of which landfilling	341.6
- of which other disposal activities	0

Waste sent to landfills accounted for 1.4% of all waste generated by the ZSE group. The reason for landfilling was the unavailability of equipment to recover the given type of waste, or technologies for separating components and their subsequent processing. An example is composite insulators.

Total amount of waste handed over to the **following waste holder** for further management:

Waste delivered for 2024	tons
Total volume including construction waste	69,726.3
- of which hazardous waste	272.9
-of which non-hazardous waste	69,452.3

Construction waste handed over for 2024	tons
Total volume	68,351.9
- of which hazardous waste	190.8
-of which non-hazardous waste	68,161.1

The ZSE Group annually statistically evaluates all types of waste it produces and meets the conditions set out in the Waste Act No. 79/2015 Coll. as amended and implementing regulations. All kinds of waste produced in the company are categorised by the regulation and collected and sorted so that they can be recovered. A uniform container system for the entire ZSE Group solves the waste sorting and collection system. Small quantities of hazardous waste are solved by storing them in dangerous waste warehouses.

All data regarding types, quantities, and waste processing are processed and analysed based on data from contracted and authorised companies for further waste management. The environmental teams of ZSD and VSD carry out waste records and reports. Waste management conditions are specified in the contract, which effectively eliminates the risk of inappropriate waste handling and prioritises waste recovery over landfilling. Waste analyses are performed to determine their correct classification. As the waste generator, the ZSE Group monitors only the subsequent holder in reports and records. Therefore, it is not possible to evaluate the method of final processing of this waste.

Expected financial impacts due to significant risks and opportunities related to resource use and the circular economy (E5-6)

Hazardous waste was identified as a significant risk in the materiality process, posing a risk of water, soil and air contamination and a threat to human health. No significant opportunities were identified. Incidents with hazardous waste can lead to liability claims, fines and reputational damage, negatively affecting financial performance. Negative behaviour about waste can damage the reputation of the ZSE Group and lead to a loss of trust from customers, investment partners and the public. Financial indicators depend on the market situation and price fluctuations. Waste recovery and disposal prices are increasing, affecting financial performance. This may also be affected by adopted EU regulations and directives and their implementation into legal regulations. Changes in legislation and the regulatory environment may affect conditions for the ZSE Group, e.g. within the supply chain. However, these risks do not significantly impact the economic performance and cash flows of the ZSE Group, nor do we expect this to change in the next reporting period. Significant environmental incidents associated with high remediation costs may negatively affect financial performance. In the event of environmental damage (level 4), the ZSE Group has secured financial coverage in the form of insurance. For quantitative disclosures concerning the expected financial impacts of significant risks and opportunities related to resource use and the circular economy, we apply ESRS 1 Appendix C List of phased-in disclosure requirements.

Own workforce (ESRS S1)

1. Strategy

Interests and views of stakeholders (ESRS 2 SBM-2)

Employee needs are integrated into the long-term strategy and business model of the ZSE Group. The Company creates fair, safe, diverse and respectful working environment, promotes job stability, career development and education, enabling employees to fully develop their potential. Strategic decisions take into account the impact on employees and their interests are protected through trade unions. High standards of occupational health and safety are a priority arising from the nature of the ZSE Group's activities, which is firmly embedded to its strategy. The Company respects all national and international employment laws, including privacy, equality and ban of discrimination. It has processes in place to protect employees' personal data to minimise the risks associated with its mishandling or loss. Employees are key to the ZSE Group's long-term success, so the Company creates conditions for their professional and personal growth, focusing on valuing them and developing their potential, and ensuring fair remuneration, social protection and benefits that support their motivation and satisfaction. To ensure the long-term development of the workforce, it focuses on attracting young talents and addressing the

retirement of older employees by investing in educational programmes and development activities. The ZSE Group uses procedures to identify, manage and resolve labour and human rights incidents which are in line with applicable laws, ethical principles and respect for employees. Regular surveys and feedback systems enable the Company to better understand the needs of its employees and the knowledge gained is used for the development of policies and action plans.

Material impacts, risks and opportunities and their interaction with strategy and business model (ESRS 2 SBM-3)

Material impacts, risks and opportunities associated with own workforce are based on the ZSE Group's strategy and business model, taking into account sustainability objectives, the Company's long-term performance and adaptation to current labour market challenges. Strategic priorities include compliance with laws, respect for labour and human rights, protection of employees' privacy, equal access, fair working conditions and care for safety, health and well-being of employees. These factors shape the business model that focuses on stability and efficiency of operations.

Negative impacts, such as safety risks in challenging working conditions or the consequences of shift work, are related to the nature of the core activities, in particular electricity distribution and generation. To mitigate them, measures are implemented to improve OSH, reduce risks and ensure sufficient recovery of employees. These actions support sustainability of the business model and increase its resilience.

Positive impacts result from the focus on improving working conditions and equal treatment. Adequate wage and regular pay rise are key to attracting and retaining talents, leading to higher productivity and loyalty of employees. Social benefits, work-life balance support and care for psychological health underline the commitment towards employees and their satisfaction. Training and skills development are strategic tools to increase competence, reduce safety risks and improve quality of services. These activities also promote equal opportunities and stability of the workforce. Reporting channels in place and promotion of fair working environment strengthen culture of trust, ethics and safety, creating fair working environment for all employees.

Material impacts, risks and opportunities related to own workforce are found in own operations. The materiality process identified two material negative impacts related to the working conditions of employees, in particular health and safety and working time. Risk working conditions have a medium-term negative impact, as they can lead to life-threatening accidents that endanger not only health of workers but also the continuity of the operation. This negative impact is particularly relevant for electricity distribution. Shift work, work in non-stop regime or on-call work mainly affect technicians, electrical fitters and electricians, dispatchers and has a negative short-term impact on health of employees. This type of working time reduces quality of sleep and causes chronic fatigue, which can lead to health problems of employees. These factors affect not only the physical but also mental well-being of workers, which has an impact on their productivity and quality of life.

Within the materiality assessment, positive impacts on own workforce, related to working conditions and equal treatment and opportunities for all, predominated. The ZSE Group has implemented a number of measures that positively impact working conditions and support employees in a number of areas. Adequate wage and regular salary rise, including a system of annual variable bonuses, improve the living standard of employees. Social benefits and promotion of work-life balance contribute to reducing stress and the risk of burn-out syndrome, which has direct impact on workers' well-being. Care for psychological health has positive impact on the overall well-being of employees. Regular training and skills development also play an important role, both

improving the professional readiness of employees and reducing safety risks, not only in the workplace but also in the wider community context. Reporting channels to address conflict and harassment in the workplace promote fair and safe working environment, thus contributing to equal treatment and the protection of workers' rights in the medium term. Ensuring minimum hours of rest for shift workers allows for sufficient recovery and reduces the negative impacts of irregular working hours. These measures promote productivity, job satisfaction and the long-term sustainability of the working environment.

Within the financial assessment, material opportunities outweigh the risks. Opportunities derive from supporting employees and optimising working conditions, while having positive impact on the performance and long-term sustainability of the organisation. Adequate wage is as a key factor in attracting and retaining top talents, while also motivating employees to perform better, leading to increased productivity and revenues in the short term. Promoting work-life balance through flexible working conditions and social benefits increases the attractiveness of the Company as an employer. In the long run, this can contribute to recruiting quality employees and foster innovative thinking within the organisation. Investing in training and skills development increases the qualification of the workforce, reduces the risk of mistakes and directly affects the quality of work. Flexible working conditions apply to administrative staff whose job description allows it; shift work applies to field workers, dispatchers and operators. Employees working in shifts or non-stop operation are, under Labour Code (Act no 311/2001 Z. z.), guaranteed minimum hours of rest, so that employees working on irregular schedules have sufficient time to recover. This strategy contributes to higher revenues and better sustainability of work processes, while at the same time help avoid high employee turnover, which is associated with recruitment and reskilling costs. Ensuring safe working conditions results in a reduced risk of work-related accidents, lower insurance and compensation costs, thus positively impacting the financial performance of the organisation. In addition, job stability promotes the retention of knowledge in the organization, which is key to business operations and process continuity. All these factors contribute to enhanced competitiveness and long-term efficiency.

The risks that have been identified as material are related to working conditions and equal treatment and may affect not only employees but also the overall operation of the Company. They mainly concern the activities of electricity distribution and non-commodity services. Work under hazardous conditions, such as work at height, handling heavy machinery, high voltage or dangerous substances, poses a safety risk that can lead to serious accidents resulting in human, ethical and financial consequences. In addition, these accidents can increase legal liabilities, insurance and legal costs, and cause interruptions in production, which negatively affects economic results. Trainings of employees, although they improve competence and safety in the workplace, entails increased costs for the Company, which can be material in the medium term. Another risk is the specific conditions for the installation of energy solutions. These risks not only endanger health of employees, but also lead to increased costs related to insurance, provision of appropriate personal protective equipment and potential losses due to interrupted operation. Overall management of these risks requires effective safety measures, emphasis on training and prevention, in order to minimise their negative impact on both employees and the Company.

The scope of disclosure includes all own employees who are in an employment relationship with ZSE Group's companies and persons provided by the undertakings engaged in "employment activities". Data on self-employed persons engaged in an operational activity were not available for the reporting period. Internal systems record them as contractors and it was not possible to determine which of them are involved in operational activities and which are in upstream value chain. For future reporting periods, we will set up systems to collect this information so that we can disclose the number of non-

employee workers in the undertaking's own workforce and are engaged in operational activities. Some internal processes do not apply to employees of BK and Ekoterm yet. ZSE Energy Solutions, ZSE Business Services, ZSE Energetické služby and VSE Ekoenergia have no employees.

Due to the nature of our business, risk working environment and shift work are standard and are a systemic part of our operations. Workers are exposed to the risk of accidents and other hazards, risks associated with work at height, work on and near electrical equipment and severe weather conditions. Due to the non-stop nature of our operations, shift work, non-stop regime, or on-call duty are a common practice in our business which can lead to health problems in the long-term. To eliminate these negative impacts, we have a good occupational health and safety management system in place (OHS) and we monitor and improve shift work conditions by providing rest and recovery opportunities for employees. This group of employees and non-employee workers is positively affected by sufficient time for recovery, safe working conditions and lower risk of work-related accidents. All employees of the ZSE Group are positively affected by good working conditions and support in many areas, such as social benefits, work-life balance support, psychological health care and skills development.

Within the context of transition to low carbon business, the ZSE Group focuses on training and growth of its employees. The ZSE Group's human resources strategy is designed so as to support the long-term success of the Company in a dynamic environment. This strategy places emphasis on the future of work, creating safe and quality working conditions, ensuring equal opportunities for all and on employees' development and education. It includes trainings to strengthen digital skills and reskilling initiatives to prepare employees for new challenges and opportunities presented by the changing energy industry. We do not expect any restructuring or job losses in connection with the transition to low carbon business. On the contrary, we see the trend towards decarbonisation and growth of the market with energy solutions as an opportunity to create new jobs and support employees by increasing their skills, thus ensuring sustainable development and strengthening their ability to adapt to changing market demands.

Working conditions are materially affected by the nature of the working environment and working time. In the electricity distribution segment, certain groups of employees work in challenging conditions, such as work at height, handling heavy machinery, working on and near live equipment, high temperatures or hazardous substances, and this work poses a risk to their safety and health. It mainly concerns technicians, electrical fitters and electricians. This group of employees is also affected by shift work and non-stop regime. Shift work also applies to dispatchers. Technical workers in the non-commodity services segment are also exposed to greater risk of harm.

Material risk arising from impacts on employees - hazardous working environment and material opportunity - flexible working conditions relate to specific groups of employees. Risk working environment concerns workers of distribution companies who carry out jobs in the field and employees active in non-commodity services. Flexible working conditions, including work from home, apply to administrative employees where their type of work allows to do so.

2. Impact, risk and opportunity management

Policies related to own workforce (S1-1)

The ZSE Group manages its material impacts on workforce and related risks and opportunities through a set of internal managing documents, guidelines and processes. These documents do not take the form of formal policies, but contain principles, rules and measures that constitute the basis for responsible workforce management. In this way, the Company ensures that its approaches and practices are consistent with both legislative requirements and its own values and strategy. The ZSE Group's key policies which are related to material aspects of sustainability relating to our own workforce are the Board of Directors' orders, the CEO's orders, collective agreements, Code of Conduct and occupational health and safety management systems (ISO 45001). These policies cover the identified material aspects of sustainability - in terms of working conditions: secure employment, working time, adequate wages, work-life balance, health and safety; and in terms of equal treatment and opportunities for all: training and skills development and measures against violence and harassment in the workplace. The scope of the above documents within the ZSE Group value chain relates to the Group's own activities and the responsibility for their implementation lies with the ZSE Board of Directors, Director of Human Resources Division and the HSE and Quality Department. Employees are a key stakeholder group concerned, expecting good working conditions, fair remuneration, safety at work and opportunities for personal development.

The ZSE Group complies with all obligations resulting from legislation, relating to labour law, as well as the rules and standards set by the relevant laws. Beyond the provisions of the Labour Code, the working conditions, rights and obligations of employees and the employer are regulated by collective agreements, which reflect the specificities of individual workplaces and provide for higher or additional labour, social, wage and other rights of employees, thus ensuring benefits and conditions for employees that go beyond the basic legal requirements. These agreements are the result of cooperation with employees' representatives and are aimed at promoting the long-term satisfaction and motivation of the workforce.

Internal managing documentation governs the remuneration policy, which is in line with the obligations arising from employment contracts, mandate agreements, collective agreements and applicable guidelines and rules on remuneration, and applies to all employees. Flexible working conditions are governed by agreements for work from home/telework, rules for flexible working models, part-time work or special leave. Internal managing documentation regulates hours of works and hours of rest. The documents of the Human Resources Division are available on the Company's intranet.

A quality social programme and care for employees is an important policy concerning own workforce. This programme applies to all employees of the ZSE Group. Promoting health, work-life balance and psychological health is part of the Company's comprehensive approach to caring for its employee. This approach includes the provision of various social benefits, organisation of programmes to promote physical and mental well-being, as well as the creation of flexible working conditions that allow employees to better balance their work and personal life. In addition, the Company offers psychological health counselling services and activities to promote healthy lifestyle.

Due to the nature of the ZSE Group's business, health and safety issues are a high priority and have long been firmly embedded in the corporate culture as well as in its organisational structures, policies and procedures. Strict safety standards are therefore particularly important for the ZSE Group. The ZSE Group has implemented the E.ON Group's overarching standard for health and safety risk assessment, as well as its own guidelines defining management roles, responsibilities and expectations, and how to report on occupational safety. Internal managing documentation regulates the processes relating to health and safety management, activities of the Health and Safety Committee and the appointed employees' safety representatives. The distribution companies have in place certified occupational health and safety management systems, in accordance with the international standard ISO 45 001. The standard 45 001 is in place in ZSE and its subsidiaries ZSE Energia, ZSE Elektrárne and VSE. Integrated management system in the ZSE Group includes management systems in accordance with ISO 9001 (quality), ISO 14 001 (environment) and ISO 50 001 (energy management).

Development and education in the ZSE Group is regulated by internal documentation. The education agenda includes legislative and mandatory trainings, language trainings, PC skills trainings, technical trainings, soft skills development, talent programmes, enabling every employee to access professional development opportunities. The training portal and information on the intranet provide employees and managers with an overview of available training activities, fostering an inclusive environment that offers everyone an opportunity to improve their skills and develop their potential.

The Code of Conduct and the Supplier Code of Conduct for self-employed persons promote the principles of equal treatment and protection against violence and harassment by including provisions on respect for human rights, respectful communication and ban of discrimination and harassment, and provisions concerning health protection and occupational health and safety. A whistleblowing system provides employees with an opportunity to safely report any inappropriate behaviour, including incidents of violence or harassment, thus actively contributing to the protection of their rights and dignity in the workplace.

The ESG strategy, as a commitment by the ZSE Group to support the UN Sustainable Development Goals (SDGs), sets measurable targets for creating a safe, supportive and diverse workplace with the aim of providing equal opportunities and creating an inclusive culture.

The ZSE Group complies fully with the relevant legislation on the protection of human rights. In the area of employment relationships, it respects the principle of equal treatment, which is laid down in the Labour Code and regulated in more detail by the Anti-Discrimination Act. The employment of minors is regulated by the Labour Code, and the prohibition of forced labour and child labour is provided for by laws and regulations. The human rights framework relevant to the ZSE Group's own workforce includes the ZSE Group Human Rights Protection Programme, Code of Conduct, Supplier Code of Conduct, personal data protection and the occupational health and safety management System in place. The documents are available on the Company's website. During the reporting period, a Human Rights Officer was established, that is the Director of Legal, Compliance and Data Protection Division. The Director is a non-permanent member of the Sustainability Committee and their appointment demonstrates ZSE's commitment to the protection of human rights, not only in relation to the workforce, but also in relation to suppliers/contractors and external partners.

The approach to employees' engagement is based on regular internal communication, meetings with the Company's management, satisfaction surveys and through various communication campaigns or the publication of guidelines and leaflets, to raise their awareness of respect for and observance of human rights and to involve them in issues that affect the working environment. As part of measures, the ZSE Group improves working conditions, promote mental well-being and place emphasis on protecting privacy and preventing from bullying and harassment. Opportunities for professional growth and development through trainings, talent programmes and e-learning are also part of this approach. To encourage engagement, a feedback system is in place that allows employees to voice their opinions, suggestions and proposals for improvement within a respectful and supportive environment. It also helps the trade unions effectively communicate the needs and views of employees.

Own workforce policies follow the UN Global Compact and its ten principles on human rights, working conditions, the environment and corruption, and include recognition of the International Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. They are not aligned with the United Nations (UN) Guiding Principles on Business and Human Rights and this alignment will begin to be assessed in the next reporting period.

The occupational health and safety management system in place (ISO 45001) is a key framework for avoiding accidents in the workplace, which is one of the main priorities of responsible management of the working environment. This system aims to minimise risks, prevent accidents and create safe working conditions for all employees. The Company continues to improve the level of occupational health and safety by promoting a 'culture of care' which encourages employees to report any potential safety risk.

The ZSE Group Code of Conduct is a fundamental document regarding respect for human rights and the principles of equal treatment, providing easy-to-understand guidelines on the prohibition of discrimination on the basis of colour, nationality, ethnicity, political affiliation, social origin, any disability, sexual identity and orientation, religious belief, sex or age, and the prohibition of physical, psychological, sexual or verbal harassment. The forthcoming Diversity, Inclusion and Equality Policy and the Anti-Discrimination Policy, which the Group plans to implement, will strengthen anti-discrimination measures, promote equal treatment and establish a framework for training on human rights protection, inclusion and measures against violence and harassment. Consequently, effective procedures will be established to monitor and prevent discrimination that may occur in various work activities such as access to employment and specific occupations, recruitment, training or benefits.

Processes for engaging with own workforce and workers' representatives about impacts (S1-2)

In activities and decisions aimed at managing impacts on employees, employees are engaged directly through surveys, workshops, face-to-face meetings or internal platforms where employees can express their views and make suggestions on a variety of topics, including working conditions and labour rights. The general process of employees' involvement is about working with employees' representatives who are actively engaged in any changes that are being prepared. Meetings between the management and the trade unions provide a platform for addressing labour issues, ensuring that the Company's decisions are made based on the needs and expectations of the workforce. There are three trade unions' organisations in the ZSE Group: OÖZE, OÖZE Nitra and ZO ECHOZ. Social protection in relation to these types of events is provided by the Labour Code and the Collective Agreement. The Collective Agreement covers

100 % of employees of ZSE, ZSD and ZSEE. 100% of the employees of VSEH, VSE and VSD are covered by the Corporate Collective Agreement. In total, 100% of all employees of the ZSE Group are covered by the Collective Agreement.

The corporate collective agreements set standards for working conditions that go beyond the law and protect employees from poor working conditions. They contain provisions relating to employment relationships, social policy and occupational health and safety, wage components and other incomes. The Collective Agreement is always a result of collective bargaining between employees and the employer, whereby the trade unions put forward its views and conditions, thus offering a platform for employees to express their views. Within the social dialogue, trade unions are involved already at the planning stage, e.g. in organisational changes or the development of internal managing documentation. Strategic decisions related to working conditions are discussed and employee feedback is taken into account through meetings with employee representatives. Feedback, whether verbal, written or on internal intranet platforms where employees can express their views, is monitored and recorded by the Human Resources Division, and is always discussed with employee representatives and integrated into management decision-making. Trade unions are also engaged in issues beyond the Labour Code. The frequency of engagement varies according to the need and nature of the topic. Employee surveys are carried out in the event of major changes or new initiatives. In the reporting period, one employee survey on the working environment was carried out, and quarterly employee surveys on various topics are being launched from 2025. Changes, their impact, new rules or tools, as well as the progress of negotiations and their results, are always published through internal communication channels (intranet. E-mails and regular team meetings) so that employees are always informed about measures adopted. Responsibility for engaging employees directly or through the trade unions as well as for taking the results into account lies with the Human Resources Division and the Company's management. Communication with employees' representatives helps the management understand where further adjustments are needed or where processes should be improved.

The Human Resources Division monitors various indicators of job satisfaction and performance such as turnover, absence and attendance. The ZSE Group does not specifically target vulnerable or marginalised groups. The ZSE Group fulfils conditions of the employment of the disabled by substituting the employment of the disabled in accordance with the law by awarding a contract to a sheltered workshop. Each company within the ZSE Group has a contract with a sheltered workshop. The ZSE Group has signed agreements at national level with the trade unions - ZZES/ECHOZ (energy business) and, has a guest mandate in the E.ON SE Workers Council for OOZE and ZO ECHOZ at VSE.

Processes to remediate negative impacts and channels for own workforce to raise concerns (S1-3)

The ZSE Group has mechanisms in place to address complaints and insights from its own workforce and monitors and evaluates their effectiveness. These channels are key to ensuring that employees can safely and discreetly report issues. An important part of reporting insights and complaints is guarantee that employees who report a problem are protected from retaliation. It offers multiple reporting methods so that employees can choose the one that is most appropriate for them. Employees can report concerns or incidents of improper working conditions and discrimination through their direct supervisor, the HR Business Partners Team, the whistleblower system, or through the telephone line. In addition, the Employee Advice Centre (provided for by Human Dynamic Europe) is in place where employees can also report their concerns and complaints. Employees can report complaints anonymously. Complaints received are analysed and corrective action is taken. The effectiveness of the system is monitored through feedback, assessment reviews with employees or internal

controls, for example whether informal retaliation is being taken. The reporting channels are accessible to all employees. Through internal communication, the Company actively informs employees of the options available, increasing visibility, accessibility and confidence of employees in the use of whistleblowing/reporting channels. The management and relevant ZSE Group managers are regularly informed through a compliance report summarising complaints received and follow-up actions.

The Human Resources Division oversees the handling of labour and human rights incidents and is the first point of contact for employees in the event of suspected human rights violations. The Human Resources Division is tasked with proactively monitoring a healthy working environment and healthy workplace relationships. For non-employees, the first contact is the Logistics Department and Purchasing Teams. Each allegation of a human rights violation is thoroughly reviewed, and the resolution process is individualized so that mental safety is maintained throughout the resolution phase of the allegation and the personal integrity of all parties involved is not compromised. Once a possible labour or human rights violation is reported, an internal investigation starts followed by implementation of corrective measures and transparent communication with the whistleblower about the outcome of the investigation and the steps taken, and a review in order to ensure continuous process improvement. The ZSE Group has a policy on whistleblowing and investigation of misconduct, including whistleblower protection, and this information is published in section Business conduct (ESRS G1).

In the context of occupational health and safety, employees are constantly reminded of their own responsibility to report any safety concern or dangerous occurrence immediately, with the possibility of using electronic tools to report these incidents. The handling of safety incidents is the responsibility of managers, with employees reporting safety incidents directly to their line manager. In the event of work-related accidents as well as dangerous occurrences, individual incidents are investigated, and adequate corrective measures are taken to prevent recurrence. Work-related accidents are investigated on a commission basis according to the requirements of legislation, more serious incidents are also investigated by means of the RCA methodology (Root Cause Analysis). In order to maintain impartiality, the members of the investigation committees are also employees' representatives responsible for safety and occupational health and safety committees.

Knowledge of the mechanisms for raising concerns and reporting problems and the level of employees' confidence in their effectiveness and safety is measured through feedback. Regular employee opinion surveys are planned to be introduced next year, which will also measure the use of and confidence in reporting channels. Meetings with trade unions provide a variety of perspectives and help identify areas where employees feel a lack of trust or information about existing processes.

Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (S1-4)

Measures, resources and monitoring processes help the ZSE Group ensure effective management of the material sustainability aspects related to own workforce, leading to improved satisfaction, safety and productivity. In managing its material impacts, risks and opportunities related to its own workforce, the ZSE Group focuses, in particular, on measures in the areas of good working conditions, health and safety, the social programme, education and development, talent support and career development, and the promotion of equal treatment and opportunities. The ZSE Group's key policies cover the

identified material aspects of sustainability - in terms of working conditions: secure employment, working time, adequate wages, work-life balance, health and safety; and in terms of equal treatment and opportunities for all: training and skills development and measures against violence and harassment in the workplace. They are linked to the Company's strategic objectives and performance indicators, thus contributing to the fulfilment of various business or legislative frameworks. Information on future activities is included in internal planning documents and strategic materials, which are updated according to regulatory and market development and internal priorities of business companies of the ZSE Group.

The ZSE Group introduced a number of measures and initiatives with the primary aim of achieving a positive impact on own workforce, as confirmed by the materiality process. In the area of remuneration, the Company offers competitive and fair wages, which are regularly updated depending on the performance and needs of the employees. Flexibility of working conditions is supported by the option to work from home. Initiatives to support employees include an emphasis on psychological health. In the area of training and development, the Company focuses on continuous employee education and these initiatives help employees maintain and improve their skills, positively impacting employee satisfactions' and productivity. The Company encourages employees to come up with new ideas and has effective reporting channels in place to resolve issues and conflicts in the workplace, which contributes to creating a fair and transparent working environment. Sufficient hours of rest are in place to ensure adequate recovery after shifts.

In the area of working conditions, these are measures aimed at the physical, mental and organisational well-being of employees, in particular to improve the environment, digitise processes, improve safety, promote work-life balance or support career development. Measures for health and safety in the workplace are very important and key activities include regular trainings and systematic trainings of employees, external certification and the purchase of protective equipment. The ZSE Group has a high standard of personal and protective equipment and devices made of high-quality materials, especially for live work, work near voltage and work at height. In addition to education, prevention include information campaigns to raise awareness among employees. OSH training includes training for the Company's management and programmes for managers in the operation, as well as trainings for employees and employees' safety representatives. Initial inductions for new-comers and refresher sessions are conducted through both face-to-face and online trainings.

A quality social programme and care for employees is an important part of employees' motivation. In addition to the Company's benefits, we also support employees in non-work environments or in special life situations.

- Childbirth allowance
- Long-term sickness allowance
- Death of an employee
- Employees' children's holidays
- Compensation for lost income during temporary sick-leave
- Jubilee and loyalty bonus
- Company car for private use
- Leave with compensation for pay

- Supplementary pension scheme
- Extra days off
- Personal account
- Catering allowance
- Discounts and benefits for employees
- Free and confidential counselling

The ZSE Group has a robust training programme in place, which includes legislative and mandatory trainings, language trainings, PC skills trainings, in-house technical trainings, soft skills development, talent programmes and e-learning, as well as a psychological health support programme and career development and growth programmes. Employees are offered a variety of health services as well as targeted health maintenance measures. In the area of prevention of civilisation diseases, a week of Health was held during which employees could undergo non-invasive examinations to screen for these diseases. Employees can take part in general preventive measures and can also take advantage of specific preventive measures. The Company also offers selected employees with preventive medical check-ups beyond the scope of law. In order to ensure that all employees feel comfortable and safe in their working environment, the ZSE Group places particular emphasis on psychological health. Employees can access a free counselling service and educate themselves through regular online lectures and events organised by the Coalition of Businesses for Mental Health.

In the context of ensuring a quality workforce, measures to promote dual education, which prepares students for careers according to specific needs and requirements in the workplace, are very important. Dual trainees get to know the working environment at the ZSE Group's sites and develop the work habits necessary for a successful career after graduation. The Company also offers students practical training and internship opportunities.

In the reporting period, the ZSE Group's companies engaged in recruitment and employment activities with a focus on talent acquisition and development. These included participation in job fairs, cooperation with job centres, conducting internal campaigns to recommend candidates and building awareness of the Company as an attractive employer.

In the reporting period, a key activity within the digitisation of human resources processes and employee services was the implementation of activities in the new comprehensive information system Humanet. The Human Resources Division and the Security Division are involved in the management of risks and opportunities in relation to employees.

Key measures implemented during the reporting period:

Measure	Benefits
Social programmes and benefits	Care, motivation, productivity - support of good working conditions, secure employment, working time, adequate wages, work-life balance

Training and development programmes and activities	Increasing effectiveness of managers' work, stabilising the functioning of teams, increasing the skills and competences - support of equal treatment and opportunities for all – training and skills development
Diversity Days	Promoting an inclusive working environment and equal treatment and opportunities for all, education, raising awareness on harassment in the workplace
Health care service and check-ups	Care and health promotion and work-life balance support
Week of Health	Care and health promotion and work-life balance support
Psychological health support	Promoting health and mental well-being, ensuring psychological safety, increasing productivity and supporting work-life balance
Week of psychological health	Promoting health and mental well-being, ensuring psychological safety, increasing productivity and supporting work-life balance
Recruitment activities, fairs	Strengthening the employer brand, reaching target groups
Processes digitisation	Increasing efficiency, simplifying processes and improving access to services for employees
OHS trainings	Maintaining and improving employees' qualification in the area of OHS, meeting legislative requirements and supporting safe working environment and education
OHS campaigns	Raising OHS awareness and supporting safe working environment
OHS personal protective equipment	Health protection against various factors arising from work and the working environment, and supporting safe working environment
OHS external audit	Proactive approach to systemic security risk management and supporting safe working environment

During the reporting period, the measures required operating costs of around EUR 7 million.

Significant measures taken, ongoing and planned to prevent work-related accidents and OHS incidents and to ensure safe shift work include:

- Implementation of internal OSH guidelines and standards that reflect legislative requirements and the specifics of the operations,
- Updating mandatory trainings on occupational health and safety,
- Equipping employees with modern personal protective equipment made of materials that protect against the effects of electric arcs and falls from height,
- Hazard assessment and risk assessment in all Company's workplaces,
- A system of regular monitoring of safety in the workplace through inspections of work procedures, equipment, working environment and audits,
- System of managers' safety walks to create opportunities for open dialogue on OSH topics,
- Introduction of electronic tools to record and analyse OSH incidents, dangerous occurrences and unsafe conditions,
- Campaigns to raise awareness of occupational safety, especially in risk environments or shift work, when working with display units,
- Specific training for employees working in difficult conditions,
- Strengthening programmes to promote physical and psychological health of employees.

In the reporting year, measures were implemented to improve working conditions, provide home from work, OSH prevention, psychological health promotion and elimination of OSH risks. All OHS incidents are investigated to find root causes and share lessons learned. If employees find themselves in a situation, they consider potentially dangerous, they are given clear instructions to stop work immediately and leave the workplace, if necessary. In particular, serious incidents and incidents caused by an electric arc or a fall from height are thoroughly investigated through an in-depth Root Cause Analysis (RCA). It is particularly important to continuously explain to ZSE Group's employees the requirements of OSH management as well as their own responsibilities. They must take care of themselves and their colleagues and report any identified safety risk immediately. For several years now, the Company has been building a culture of mutual care aimed at continuously reducing accident frequency.

Monitoring of working conditions, OSH walks and inspections, risk identification and assessment, and regular dialogue with employees are used to identify necessary measures. Managers of the ZSE Group take over the responsibility in the area of occupational health and safety also through the so-called Go-See-Talks. During a minimum of 12 visits in the workplaces per year, they have an opportunity to visit workplaces, talk directly to employees, and deepen their understanding of OSH issues, including risks. Evaluation of the effectiveness of the measures in place is monitored mainly through feedback from employees and non-employees, and during employee assessment interviews. Internal and external audits of working conditions and safety at work assess whether the measures taken are achieving their objectives and are effective.

Measures planned to promote material opportunities include, in particular, initiatives to improve working conditions and support for employees, providing opportunities for flexible working hours and work from home, adapting the training programmes to current trends and market needs, and introducing further digitisation of human resources processes. The ZSE Group's objective is to retain employees and their expertise, and to offer them an opportunity to develop even further professionally, thus maintaining their performance and employability in the future.

By monitoring and evaluating processes that may affect employees, it is monitored whether these processes cause material negative impacts on the workforce. These procedures include regular internal audits, assessment of the work environment and identification of OHS risks associated with working conditions. In relation to the use of data, the ZSE Group strictly ensures compliance with legislative and ethical standards, particularly in relation to the protection of employees' personal data. The ZSE Group informs employees and other stakeholders about possible solutions and the reasons for decisions taken.

3. Metrics and targets

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S1-5)

In relation to managing material impacts, risks and opportunities on own workforce, targets were set during the reporting period through which the ZSE Group aims to achieve improvement while monitoring and evaluating performance and progress in the area of safe working conditions, employee

engagement and creating a fair and inclusive work environment with equal treatment and opportunities for all. In addition to setting objectives, the need for the development and adoption of new policies, in particular anti-discrimination and diversity, equality and inclusion policies, as well as the need to develop a methodology and purchase of a tool for conducting surveys and expanding education for inclusive leadership.

Within the health and safety management system in place, the ZSE Group set long-term qualitative objectives (ISO 45001):

- To create, on the basis of identified hazards and risks, healthy and safe working conditions in order to act preventively,
- To eliminate or minimise risks causing harm to physical and psychological health and property,
- To enable employees to submit proposals and recommendations aimed at improving OHS, by creating proper communication channels, setting up an OHS Committee and through the appointed safety representatives,
- To comply with legal and other binding requirements to ensure OSH,
- To create necessary technical, organisational, financial and personnel conditions for safe working environment, prevention of occupational diseases,
- To raise employee awareness of the OSH culture with an emphasis on the prevention of potential risks,
- To improve and continuously advance the level of management of the occupational health and safety system.

Evaluation of performance and achievement of the objectives of the health and safety management system is part of regular external audits.

These measurable targets were set on the new legislative requirements for sustainability disclosures, materiality due to the nature of our business of the ZSE Group, internal audits, monitoring and evaluation of data to date, as well as employees' complaints and feedback. The setting of objectives was carried out with the engagement of senior management and with the participation of the specific units responsible for the area. The objectives set were presented as part of the ZSE Group's ESG strategy to the Sustainability Committee and were approved by the Company's management. The ZSE Group's key measurable objectives cover the identified material aspects of sustainability - in terms of working conditions and satisfaction of employees: secure employment, working time, adequate wages, work-life balance, health and safety; and in terms of equal treatment and opportunities for all: training and skills development. In the reporting year, metrics and targets for measures against violence and harassment in the workplace was not in place. In the future, the ZSE Group plans to implement an anti-discrimination policy, which will introduce a target for monitoring performance in this area. Separate targets have not been set for the topics that are met on the basis of legislative obligation, beyond the monitoring of employee satisfaction, as monitoring them would not bring relevant importance for the ZSE Group. The measurable objectives were therefore set primarily at the level of material topics and sub-topics focusing, in particular, on their impact and materiality in the context of the ZSE Group, business nature and line with the ESG strategy.

The following objectives have been set:

1. Participation in and completion of trainings for managers on diversity, equality and inclusion (DEI).
2. Employees' satisfaction and engagement. Conducting regular employee opinion surveys.
3. Improving health and safety at work. Monitoring the frequency of work-related injuries leading to lost time and reducing this indicator's figure.

4. Improving health and safety at work. Monitoring the total number of recorded work-related incidents and accidents and reducing this indicator's figure.

The baseline for 2024 was set within the preparation and adoption of the ESG strategy based on planned or expected assumptions. In the disclosures for the 2025 reporting period, the 2024 baseline will be adjusted to the actual value achieved in 2024 and will thus already reflect current developments and a realistic view of further improvements. Based on the actual 2024 results, a review of the ESG strategy will be undertaken in 2025 to ensure that it is up-to-date.

Overview of measurable targets:

Nr.	Material topic	ESG Key Performance Indicator (ESG KPI)	Rationale	Baseline	Target	Target
				2024	2030	2035
1.	S1 Own workforce – Equal treatment and opportunities for all	Participation in and completion of trainings for managers on diversity, equality and inclusion (DEI). <u>Metric:</u> Percentage of managers completing one training per year.	KPI aims to raise awareness and importance of DEI topics by educating “leaders” as “role models” within the Company. The training provides practical tools and insights on how to promote equality and diversity in the workplace and within teams, leading to better results and a more positive work environment. The KPI tracks the proportion of male and female managers who are required to complete at least one DEI training session during the year and specifies specific roles. The baseline was set based on the expected assumption for 2024.	50% of directors of divisions and heads of departments	70% of directors of divisions and heads of departments and 20% of team leaders	60% of all managers

2.	S1 Own workforce - Working conditions	Employee satisfaction and engagement. Conducting regular employee opinion surveys (2025/2026). <u>Metric:</u> 2024: Selection of a supplier and calibration of a tool (response rate a/and overall satisfaction), 2025: Pilot surveys, as from 2026 setting of goal.	KPI focuses on effectively obtaining regular feedback and monitoring employee satisfaction and engagement in various areas such as work environment, benefits, management, motivation, psychological safety, level of inclusion, satisfaction with supervisors. For the baseline year, the selection of a supplier and calibration of the tool was set as a goal. For 2025, the goal was set to conduct at least 1 survey with a response rate of 50% of all employees and to set targets for 2026, 2030 and 2035.	Selection of a supplier and calibration of a tool	tbd	tbd
3.	S1 Own workforce - Working conditions	the Lost Time Injury Frequency/LTIF and reducing the value of this indicator. <u>Metric:</u> Number of LTIs incidents per million hours worked, including contractors. Calculation: LTIs incidents / total number of hours worked x 1,000,000.	The KPI focuses on the injury rate development with regard to the implementation of systematic measures and the strengthening of the safety culture in the workplace, which should lead to a reduction in the injury rate. A lower LTIF value indicates a lower number of work-related incidents, which means better protection for employees and a safer work environment. The baseline was set on the basis of statistical trends over the last 10 years.	2.0	1.8	1.5
4.	S1 Own workforce - Working conditions	Monitoring Total Recordable Incidents Frequency/TRIF and reducing the value of this indicator. <u>Metric:</u> Number of TRIs incidents per million hours worked, including contractors. Calculation: TRIs	The KPI focuses on a wider range of incidents and injuries and therefore gives a more comprehensive picture of safety and health risks in the workplace with a view to implementing systematic measures and strengthening the safety culture that should lead to a reduction in injury rate. A lower TRIF value indicates a lower number of work-related incidents, which means better	3.0	2.8	2.5

		incidents / total number of hours worked x 1,000,000.	protection for employees and a safer working environment. The baseline was set on the basis of statistical trends over the last 10 years.			

Progress achieved in 2024:

2. The “Inclusive Leadership” training was conducted on four dates and all B-1 and B-2 level managers (directors of divisions, heads of departments) were invited. The training was attended by 49.4% of the invited B-1 and B-2 level managers of the entire ZSE Group.
3. In 2024, a tool for conducting periodic surveys was selected and calibrated. The tool named “Arnold” was selected, and it meets the IT technical/Security and content requirements for collecting feedbacks from employees. Its launch is currently planned for late Q1/early Q2. The first surveys will aim to be 'Pulse Checks' which bring an overview of the current employee experience. Initial topics will include employee climate/satisfaction, motivation and engagement. In the near future, the topics will be expanded, as well as the use of this tool.
4. In the reporting period, LTIF was 1.9.
5. In the reporting period, TRIF was 2.4. The value achieved exceeded the original estimates for the short, medium and long horizon and these values will be adjusted in the 2025 reporting period disclosures to reflect current developments and a realistic view of further improvement.

Characteristics of the undertaking’s employees (S1-6)

Structure of employees	2024
Situation (HC) as at 31 December 2024	3,889
Average number of employees	3,839.92
New recruits	354
- of which graduates	30
Number of employees who left the Company during the reporting period	334
- of which voluntary turnover	104
Turnover rate	8.70%

Average age of employees	44.55
Average number of years of service	15.08

Voluntary turnover includes employee-initiated departures but does not include retirements or departures for health reasons or parental/paternity leave.

Data related to the description of key characteristics of own workforce employees are provided as an average over the reporting period. To compile the data, we use the number of employment contracts in the ZSE Group's companies (the so-called Head Count) as the number of people. We calculate the workload of employees in relation to full-time equivalent (FTE).

In the context of working hours, 1 FTE represents a full-time employee, which, in this case, means 37.5 hours per week. This standard FTE (100%) serves as the basis for the calculation of part-time jobs. The breakdown of jobs and their equivalent in FTEs is as follows:

- Full-time job (100%): The employee works 37.5 hours per week, equivalent to 1.00 FTE.
- Part-time job (50%): The employee works 18.75 hours per week, equivalent to 0.50 FTE.
- Three-quarter-time job (75%): The employee works 28 hours per week, equivalent to 0.75 FTE.
- 90%-time job: The employee works 34 hours per week, equivalent to 0.90 FTE.

Number of employees by gender (FTE)	2024
Man	2,697.15
Woman	1,142.77
Other	n/a
In total	3,839.92

Number of employees by contract type, broken down by gender	Man	Woman	Total
Number of employees (number of employees / full-time equivalent)	2,712/2,697.15	1,177/1,142.77	3,889/3,839.92
Number of permanent employees (number of employees / full-time equivalent)	2,629/2,614.15	1,069/1,034.77	3,698/3,648.92
Number of temporary employees (number of employees / full-time equivalent)	83	108	191
Number of non-guaranteed hours employees (number of employees / full-time equivalent)	0	0	0
Number of full-time employees (number of employees / full-time equivalent)	2,687/2,677.77	1,156/1,129.53	3,843/3,807.30
Number of part-time employees (number of employees / full-time equivalent)	25/19.38	21/13.23	46/32.61

Number of employees by contract type, broken down by region	West Slovakia	East Slovakia	Total
Number of employees (number of employees / full-time equivalent)	2,279/2,237.24	1,610/1,602.678	3,889/3,839.92
Number of permanent employees (number of employees / full-time equivalent)	2,279/2,237.24	1,419 / 1,411.678	3,698/3,648.92
Number of temporary employees (number of employees / full-time equivalent)	n/a	191	191
Number of non-guaranteed hours employees (number of employees / full-time equivalent)	n/a	n/a	n/a
Number of full-time employees (number of employees / full-time equivalent)	2,251/2,221.79	1,606/1,599.516	3,857/3,821.3
Number of part-time employees (number of employees / full-time equivalent)	42/29.45	4/3.162	46/32.61

Characteristics of non-employee workers in the undertaking's own workforce (S1-7)

The most common types of non-employees of the Company are the self-employed persons. However, a large proportion of self-employed workers are in the upstream or downstream value chain and these categories of workers are included in the ESRS S2 Disclosure - Workers in the Value Chain. Data on these workers are not available in the reporting period, since the internal systems record them as contractors, and it was not possible to determine which of them are involved in operational activities and which are in upstream value chain. In the next reporting period, the systems will be set up to collect this information. For the reporting period, we estimate the number of self-employed people who are part of own labour force, and, in line with rounding requirements, we report the resulting number to the nearest ten. This figure includes 14 persons identified on the basis of actual data and approximately 10 persons based on an estimate.

Own workforce non-employees	2024
Self-employed persons in total	20
Persons provided by undertakings engaged in "employment activities") (number of employees)	75

Adequate wages (S1-10)

The ZSE Group respects legal principles of fair wage and all employees are paid in accordance with the applicable benchmarks - applicable legislation, minimum requirements (minimum wage) and corresponding to the complexity of the work performed.

Social protection (S1-11)

In the event of loss of income due to major life events, employees of the ZSE Group are covered by social protection:

- a) Compensation of income during sick-leave under the Labour Code and assistance provided for continuous sick-leave in excess of 3 months under the Collective Agreement,
- b) Severance pay under the Labour Code and the Collective Agreement in the event of loss of employment (e.g. due to redundancy),
- c) Severance pay under the Labour Code and the Collective Agreement in the event of loss of employment due to health reasons,
- d) Parental leave under the Labour Code and Collective Agreement,
- e) Retirement pay under the Labour Code and increased retirement pay under the Collective Agreement.

Social protection in relation to these types of events is provided by the Labour Code and the Collective Agreement. The Collective Agreement covers 100% of the employees of ZSE, ZSD and ZSEE. 100% of the employees of VSEH, VSE and VSD are covered by the Corporate Collective Agreement. In total, 100% of all employees are covered by social protection under Labour Code. The disclosure does not apply to employees of Ekoterm and BK.

Training and skills development metrics (S1-13)

Every full-time employee of the ZSE Group undergoes performance and career development review; this is regulated by Collective Agreement, internal managing documentation. Regular performance assessment by the line manager are carried out annually, half-yearly, quarterly or monthly, depending on the type of position, on the basis of pre-determined performance and development targets communicated to employees. The assessment includes setting objectives for the next period. A record of the planned assessment dialogue is available to each employee in the internal application - Assessment and Remuneration System. The assessment is always linked to performance review (bonus) and the employee does not have to agree with the review. Every employee must be assessed, even in the event of departure or other circumstances. During the reporting period, 100% of employees underwent performance review 2023 and 100% of the planned reviews for 2024 were set. The disclosure does not apply to employees of Ekoterm and BK.

It was not possible to provide a breakdown of the average number of training hours per employee by gender and category for the reporting period. From 2025 onwards, data collection on development and education will be adapted, and this information will be published for 2025.

Training and skills development metrics *)	2024
The percentage of employees who have participated in regular performance and career development review	100%
Average number of training hours per employee	28.72 hours

*) excluding of employees of Ekoterm and BK

Health and safety metrics (S1-14)

To the end of the reporting period, health and safety management system (ISO 45001) in the ZSE Group applied to 100% employees of distribution companies (ZSE, VSD), business companies (ZSE Energia, VSE) and ZSE Elektrárne, which represents 85% own workforce of the entire ZSE Group. Health and safety management system (ISO 45001) is subject to external certification which was conducted in the reporting year in the distribution company VSD and is valid until 30 June 2027.

Health and safety metrics *)	2024
Number of deaths due to work-related accidents or work-related ill health	0
Number and rate of recordable work-related accidents (other workers working on the worksites of the Company, such as workers in the value chain, if they work on the worksites of the Company, to be included too)	19/1.89
Number of cases of demonstrable work-related ill health - of which non-employees	0
Number of days not worked due to work-related injuries and deaths resulting from work-related accidents, work-related ill health and ill health-related deaths	730

**) excluding of employees of Ekoterm and BK*

Work-life balance metrics (S1-15)

The ZSE Group is committed to ensuring that its employees have a good work-life balance. Fully in line with the Labour Code all employees are entitled to family-related leave, which includes maternity leave, paternity leave and parental leave. Carers' leave has not yet been transposed into national legislation, but employees have the possibility to take other forms of leave if they need to care for.

Family-related leave *)	2024
Maternity leave	35
Paternity leave	74
Parental leave	89
- of which women	69
- of which men	20

Carers' leave	n/a
% share of family-related leave in total number of employees	5.1%
% share of family-related leave in total number men	3.5%
% share of family-related leave in total number women	8.8%

**) excluding of employees of Ekoterm and BK*

Incidents, complaints and severe human rights impacts (S1-17)

In the reporting period, there were 9 cases of harassment and no case of discrimination within own workforce. In the ZSE Group, any inappropriate behaviour in the workplace is considered harassment. Discrimination includes unequal treatment based on sex, racial or ethnic origin, nationality, religion or belief, disability, age and sexual orientation. The harassment cases did not involve fines or compensation. In the reporting period, no complaint was reported to the ZSE Group by non-employees that would relate to severe impacts on human rights.

Incidents, complaints and severe human rights impacts*)	2024
Total number of discrimination cases	0
Total number of harassment cases	9
Total number of complaints submitted via whistleblowing system	7
Total amount of fines, sanctions and compensations as a result of the complaints above	0

**) excluding of employees of Ekoterm and BK*

Value chain workers (ESRS S2)

1. Strategy

Interests and views of stakeholders (ESRS 2 SBM-2)

The needs of value chain workers are integrated into the ZSE Group's long-term strategy and business model, which is based on ethical practices and compliance with labour law, including safe and fair working conditions, and takes into account the interests and rights of its own workforce, contractors' workers and everyone involved. Value chain workers are considered an important stakeholder group, as their expertise and involvement are crucial for achieving the company's goals.

Material impacts, risks and opportunities and their interaction with strategy and business model (ESRS 2 SBM-3)

The ZSE Group's long-term strategy focuses on commitments to safety, health, employee satisfaction, compliance with standards and regulations, ethical business practices, corporate social responsibility, and environmental responsibility. These areas are among ZSE's key priorities. The strategy is focused on cooperation with contractors who have demonstrated compliance with safety standards, ethical rules, environmental protection, quality and management through established ISO and other standards. The ZSE Group creates sustainable contractor relationships, emphasises the prevention of risks associated with criminal liability and verifies its business partners within the KYC process (Know Your Counterparty). It improves the contractor management system to protect the health of contractors' workers. It prefers long-term partnerships with companies that actively implement safety measures and protect the health of their employees. Implementing consistent norms, standards, and controls prevents risks of endangering the business model, which depends on reliable contractors and stable supplies. Risks arising from impacts on value chain workers are directly linked to strategy and business model, as they can affect reputation, financial costs and operational stability.

The materiality process assessed material negative impacts and risks related to value chain workers and, based on these, identified working conditions and the protection of the health and safety of workers in the supply chain as a material topic. As part of the materiality assessment, we also focused on workers' rights in the value chain, including protection from child labour and forced labour, which are prohibited by law. The ZSE Group is gradually implementing processes to integrate human rights protection into the internal environment and the supply chain. When assessing materiality, this effort was perceived as a positive impact. The most material negative impacts and risks to contractors' employees include health risks (exposure to hazardous substances and chemicals), occupational risks (working with electricity and at heights), work equipment (regular inspection of work equipment is essential to reduce the risk of accidents and legal problems) and shortcomings in safety measures at contractors. These risks confirm the need for strict oversight of safety standards and their consistent compliance. These risks confirm the need for strict supervision of safety standards and their consistent compliance and are intricately linked to the business activities and strategy of the ZSE Group. The basis of the ZSE Group's business model is a safe, reliable, and efficient supply of energy, which requires consistent supervision of quality and safety standards throughout the supply chain. Therefore, the ZSE Group emphasizes strict control mechanisms and requirements when selecting and evaluating contractors and integrates occupational safety principles into supplier requirements and contractual terms while supporting continuous improvement of safety standards throughout the value chain.

The scope of the disclosure includes workers in the upstream and downstream parts of the value chain who are affected by the activities of the ZSE Group and through its business relationships. This also includes workers not part of the ZSE Group's own workforce. These are primarily workers of regular contractors who are involved in the logistics and purchasing processes of the ZSE Group, perform activities related to the business of the ZSE Group and on whom the policies, processes and work organisation of the ZSE Group have a real impact. Workers of business partners (for example, employees of contractors or intermediaries from whom the ZSE Group purchases a commodity) are not included in the scope of disclosure because the ZSE Group's impact in terms of health and safety and the working environment is indirect. Interaction with them is at the level of business transactions, while the KYC system ensures that the ZSE Group only cooperates with partners who comply with its business principles and legislative requirements.

Workers in the supply chain that the ZSE Group can materially influence are primarily contractors' workers and business partners who are directly involved in the ZSE Group's own activities. Through business relationships, workers in the supply chain are mainly affected by the supply of materials, works or services, with the key identified impact being their working conditions and the protection of their health and safety at work. The impact is mainly manifested in minimising safety risks for these workers, including training and providing necessary personal protective equipment. Requirements for work and safety standards and conditions within the ZSE Group's business relationships are key. The occupational health and safety (OHS) of contractors' workers is a primary responsibility, which includes ensuring safe working conditions, providing necessary training and protective equipment, and supervising compliance with safety standards. A responsible approach to managing relationships with upstream partners includes monitoring their working conditions, compliance with safety standards, and supporting the implementation of improvements in occupational health and safety. In the downstream, we emphasise adhering to ethical practices among our partners within the sales network.

Brief description of workers affected by our activities in the field of OHS:

- Workers working in our operations: employees of contractors (not self-employed individuals) who are involved in various activities such as maintenance, construction work, logistics, and specialised technical services;
- Workers working in the upstream part of the value chain: employees of first-tier key contractors and self-employed individuals involved in activities related to the supply of inputs, goods, works or services necessary for operations and business. This includes, in particular, employees of contractors supplying energy materials such as cables, transformers, switchboards, and electricity meters needed for the proper operation of the distribution system and other manufacturers and entities that provide the required resources at the beginning of the value chain;
- Workers working in the downstream part of the value chain: employees involved in activities that ensure the transportation, distribution, sales support and sale of products and services, in particular workers of logistics and marketing companies, retailers or other entities that mediate our products or services to end customers;
- Employees working in joint venture operations: in joint venture operations within non-controlling interests (SPX, Energotel, Bioplyn Rozhanovce, Transelektro, People2People), we apply the ZSE Group OHS methodology;
- Particularly vulnerable workers: We do not monitor this Group separately, and the same legislative rules and working conditions apply to all other contractor workers.

No special system is in place to describe the main types of workers in the ZSE Group value chain affected by working conditions and occupational health and safety. The basic framework is the subject of the contract, according to which the type of work can be identified. Self-employed persons are recorded in internal systems as regular contractors and are not divided into operational or upstream/downstream activities. Data will gradually be collected in internal records and systems for more detailed characteristics of contractor's employees to identify the categories of those affected by the negative impacts of the ZSE Group's activities and who are particularly vulnerable to risks. In this way, it will be possible to better monitor and map the overall impact of the ZSE Group on the workforce within the value chain.

Given the nature of the ZSE Group's activities, the negative impacts on contractors' employees are primarily occupational safety, weak preventive measures, and inappropriate personal protective equipment. Hence, contractors are required to have a sound OHS system in place, conduct regular safety training for their employees, and conduct safety procedure inspections regularly to minimise risks and ensure a safe working environment for all workers in the ZSE Group's value chain. Systemic material negative impacts in the context of child or forced labour or in connection with incidents or specific business relationships have not been identified. Potential consequences resulting from the transition to low-carbon business were considered in the materiality process and were not recognised as material.

Through the materiality process, the active implementation of a human rights policy and processes to integrate human rights protection not only into the internal environment of the ZSE Group but also into its supply chain was assessed, and this effort was assessed as a positive impact that strengthens the ZSE Group's commitment to ethical business principles. However, the materiality of this positive impact was not confirmed when identifying material sustainability aspects. Long-term exposure to hazardous materials increases contractor workers' risk of serious health problems. Working with contractors who do not comply with safety regulations and insufficient implementation of control measures can threaten business continuity and lead to delivery delays and higher costs. These material risks concern workers in the upstream part of the value chain in particular.

Workers who work in specific conditions or perform specific activities may be exposed to a higher risk of occupational health and safety. For this reason, the ZSE Group's approach to occupational health and safety (OHS) is also adapted to employees' specific needs and special attention is paid to their regular training and inspections in these areas. Workers in the ZSE Group's operations face an increased risk of injuries and work-related accidents, especially when working on or near live equipment, at height, during maintenance, construction work and in specialised technical services. These activities include handling heavy materials, working in risky environments such as construction and industrial sites, and in contact with hazardous substances, technologies or equipment. All these workers, who are exposed to specific risks in the upstream part of the value chain, are key actors in the approach to occupational health and safety. The ZSE Group is committed to providing them with the necessary protection and ensuring they have access to adequate training, equipment and support to minimise the risk of injury and illness.

2. Management of impacts, risks and opportunities

Policies related to value chain workers (S2-1)

Key policies related to aspects of value chain workers in the ZSE Group are the Supplier Code of Conduct, the General Terms and Conditions (GTC), and the Occupational Health and Safety Policy. The above standards cover an essential aspect of sustainability – health and safety in the working conditions of workers in the value chain. The scope of the above policies concerns the upstream part of the value chain, and the responsibility for their implementation lies with the ZSE Board of Directors and the individual Division Directors.

To manage material impacts, risks and opportunities related to value chain workers, the ZSE Group has implemented standard General Terms and Conditions (GTC). The GTC contain strict criteria that contractors must meet to ensure sustainability and protection of the labour rights of their employees. Another

adopted policy is the Contractor Code of Conduct, which contains provisions regarding worker safety, transparency of working hours and remuneration, and the prohibition of child, forced and other involuntary labour, discrimination and harassment, and describes a whistleblowing system. Contractors undertake to comply with the Contractor Code of Conduct for their employees, as well as subcontractors they deploy in connection with the fulfilment of their contractual obligations towards the ZSE Group, immediately after concluding the Contract with ZSE. Upon request, Contractors shall submit evidence of the commitment of their employees and subcontractors to this effect. It is an integral part of contracts with contractors, and its compliance is regularly reviewed and, in agreement with contractors, inspected on-site. It is a legally binding document for all contractors of the ZSE Group. The Contractor Code of Conduct encourages contractors to inform their employees about the ZSE Group's whistleblowing mechanism (whistleblower system). It encourages them to use this system if they do not have their own. Both policies are published on the company's website in the public section of the Contractor Portal.

Under applicable laws, the ZSE Group applies the E.ON Group standard in supply chain management, which is implemented in the ZSE Group's internal guidelines. The guidelines describe the supply chain's functions and the management of procurement processes and tenders. During the reporting period, an extension of existing social indicators was implemented, and their monitoring and evaluation will be set as a condition for tenders through a system solution from 2025. Social criteria will be extended to include aspects of occupational health and safety and education – more specifically, statistical accident rate indicators and their comparison and information on the training of the contractor's employees. The system solution is based on the contractor's contractual obligation to send this information at a certain time. The obligation is part of the tender conditions as part of the company's contractual terms and conditions.

The ESG strategy is the ZSE Group's commitment to achieving sustainability goals in support of a just energy transition and the UN Sustainable Development Goals (SDGs), setting measurable targets for various aspects of sustainability, including sustainable supply chain management. It applies to all consolidated entities within the Group, ensuring a consistent approach to sustainability, accountability and transparency across the Group. The ESG strategy is published on the company's website.

The standards for protecting human rights relevant to value chain workers are defined in the Contractor Code of Conduct, which applies to all contractors and plays a leading role in the relationship between ZSE Group companies and their respective contractors in terms of human rights. The ZSE Group Contractor Code of Conduct is aligned with the UN Global Compact initiative. The ten UN Global Compact principles are derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio de Janeiro Declaration on Environment and Development and the UN Convention against Corruption. We also publish this document on the contractor portal. The policies regarding value chain workers are not aligned with the international document United Nations (UN) Guiding Principles on Business and Human Rights. Compliance shall be ensured in 2025 as part of a thorough assessment. There was 1 Contractor Code of Conduct violation recorded in the upstream and downstream parts of our value chain during the reporting period.

Processes for engaging with value chain workers about impacts (S2-2)

The gradual introduction of upstream and downstream value chain monitoring monitors whether the business model and strategy ensure a positive working environment for contractors' employees. This monitoring also includes direct communication and obtaining feedback from contractors' employees. Based on this, measures are taken, particularly in changing contractor requirements within the framework of the General Terms and Conditions (GTC) and the Contractor

Code of Conduct, which are the most significant policies of the ZSE Group for contractor management. At the same time, contractors are provided with support in implementing good working conditions, which includes training and education in OHS, and they are also supported in improving their performance in terms of sustainability. Through dialogue and obtaining feedback, we identify needs from contractors' employees they believe the ZSE Group should address.

In contractor management-related activities and decisions, value chain workers are directly involved through communication with contractors and their employees, through safety training, regular on-site inspections or in several contractor forums, and through the Contractor Portal, where contractor workers can express their opinions and submit suggestions on various topics, including working conditions and labour rights. Based on the feedback received from contractors' workers, measures are taken, such as extending the aspects of social criteria in tenders or changing the requirements for contractors within the General Terms and Conditions (GTC) and the Contractor Code of Conduct. The stages of contractor worker involvement are different - they must complete mandatory safety training before starting work, safety inspections are carried out during work, and the company receives feedback through direct communication even after the job is completed. The responsibility for involving value chain workers lies with the Purchasing and Logistics Department. Under the General Terms and Conditions, ZSE Group contractors undertake to provide information on the fulfilment of their obligations in working conditions. This information is being collected, monitored and verified on an ongoing basis. From 2025, ZSE Group plans to collect data on the characteristics of contractors' employees as well as information on contractors' performance in the social area (introduction of codes of conduct, introduction of a whistleblower system, introduction of a diversity, equality and inclusion policy and an anti-discrimination policy) within the contractor register.

Processes to remediate negative impacts and channels for value chain workers to raise concerns (S2-3)

In case of occupational accidents involving contractors' workers and unsafe conditions, the ZSE Group treats them in the same way it does with its own employees. Investigation of individual incidents is ensured, and adequate corrective measures are adopted to prevent the recurrence of similar events. Work-related accidents of suppliers' workers are investigated by a commission in compliance with legal requirements, and more serious events are also investigated using the RCA (Root Cause Analysis) methodology. To address complaints and suggestions from value chain workers regarding working conditions and occupational health and safety, the ZSE Group has a "concern" mechanism in place. Contractors' workers can report their concerns or cases of inappropriate working conditions through contact persons of the Purchasing and Logistics Department, the OHS, Quality and Security Department or the whistleblowing system. The received claims are analysed, and corrective actions are taken. This process is described in internal management acts. The Contractor Code of Conduct supports the availability of the whistleblower system. It defines the requirements for contractors in reporting concerns with an emphasis on their accessibility, anonymity and protection of the whistleblower. To assess the knowledge of these mechanisms among value chain workers, the ZSE Group plans to gradually introduce a process in 2025 through which the system's use, trust and effectiveness will be determined. Here, contractors will be asked to provide information about their reporting processes. Through anonymous questionnaires and/or on-site inspections, the Purchasing and Logistics Department will gradually target contractor employees to assess their perceptions of the reporting structure, educate them, and improve communication with contractors.

Taking action on material impacts on value chain workers (S2-4)

As part of managing its material impacts on value chain workers, the ZSE Group focuses on measures to protect the safety and health of contractors' employees and improve the safety of the working environment. These measures are linked to the company's strategic objectives, KPIs and external ISO certification, thereby contributing to the fulfilment of various business or legislative frameworks. Information on future activities is part of internal planning documents and strategic materials, which are updated according to the development of regulation, market, and internal priorities of the ZSE Group. For this reason, we provide disclosures regarding measures implemented in the reporting period.

Key measures to address material impacts on value chain workers include procurement procedures that include rigorous selection and assessment of contractors based on clearly defined criteria. Contractors must provide evidence of compliance with labour standards and commitments to improve working conditions. Professional qualifications, financial, and economic standing are inspected, and the assessment is recorded in records and published with the Public Procurement Office (*Úrad pre verejné obstarávanie - ÚVO*) and the Regulatory Office for Network Industries (*Úrad pre reguláciu sieťových odvetví - ÚRSO*). This process includes regular audits to verify compliance with these requirements. Internal procedures include internal audits, implementation of corrective actions when problems are identified, active communication, support and training of contractors, complaint tracking, compliance with standards, external third-party assessments, sharing best practices with contractors, and collaboration to improve conditions throughout the value chain. All these measures aim to ensure that working conditions throughout the value chain comply with legislation and international standards and that negative impacts on workers are actively prevented in the value chain. In 2025, we are preparing to adjust the business partner due diligence system (KYC processes) in connection with the integration of human rights requirements. Regular safety training for contractors and inspections focused on safety procedures are preventive measures to reduce the risk of contractor accidents. Establishing responsibility for incidents involving contractor workers and taking prompt corrective action after each incident is key to increasing worker safety in the value chain.

ZSE Group uses a systematic approach to identify and implement measures that respond to specific or potential negative impacts on value chain workers. This process includes regular risk assessments, work environment analyses, obtaining feedback from contractors' workers and active communication with contractors. Identified areas requiring specific measures are addressed with an emphasis on prevention and continuous work environment improvement. ZSE Group focuses on minimising negative impacts by adjusting internal processes, cooperating with partners, and involving subjects in the value chain. As part of its purchasing procedures, the ZSE Group has introduced strict requirements for contractors regarding compliance with safety and labour standards. Their fulfilment is regularly monitored and evaluated, including inspecting workplace safety measures, using personal protective equipment, and work procedures compliant with applicable laws. Each incident, accident or risk report is analysed to identify the causes and implement preventive measures. The ZSE Group supports the prevention of occupational risks at contractors through training and educational programs focused on risk management, competence development and compliance with safety and labour standards. These activities include the exchange of best practices and the introduction of innovations to increase worker safety. The ZSE Group also participates in initiatives to improve safety standards and support sustainability, for example, by implementing green procurement.

In the materiality process, health risks and insufficient safety standards were identified as material risks to value chain workers. To mitigate them, external and internal audits were carried out during the reporting period to ensure compliance with OHS rules at contractors, where discrepancies with applicable laws or safe working practices were identified, corrective measures were determined to introduce compliance with working procedures, which are regularly inspected, and in the event of repeated violations of applicable laws, sanction procedures were applied following the applicable Conditions for the Provision of Works. Before starting the planned work, the ZSE Group organises joint meetings to identify and analyse safety risks to ensure safe workplaces and a communication channel for resolving OSH issues. Induction training is being extended to all supply chain workers, joint working meetings are being held to resolve OHS issues at workplaces, and a higher standard of personal work equipment is being introduced when working on and near live equipment. With regard to material opportunities, the ZSE Group continues to integrate human and labour rights protection into the supply chain.

Overview of key measures and initiatives:

Measures	Measure contribution
Contractor assessment app	tracking, monitoring and quality control
Regular assessment and inspections	monitoring, inspections
Contractor OHS events	prevention and awareness-raising
OHS workshops and training for contractors at a higher risk at work	prevention, raising OHS awareness
Audits, Certification	verifying the compliance with applicable laws
Training and education of workers from the Purchasing and Logistics Department	improving skills

The above key measures, aimed at preventing or mitigating material negative and positive impacts on value chain workers, did not require significant capital expenditures, operating costs or other financial resources during the reporting period.

No serious human rights issues were reported during the reporting period, and no business relationships were terminated due to violations of the ZSE Group's Contractor Code of Conduct. No formal concerns related to the upstream and downstream parts of the value chain were reported through the reporting system. Responsibility for managing impacts on value chain workers lies with the Leaders of the Strategic Purchasing and Public Procurement Teams in the Purchasing and Logistics Department. The teams are trained in labour standards, human rights, working conditions, occupational safety and other relevant areas. We provide safety training to contractors. We use SAP and internal system applications to collect data and assess contractors.

3. Metrics and targets

Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities (S2-5)

Intending to reduce negative impacts and promote positive impacts on value chain workers, the ZSE Group set itself the goal of improving the working conditions of contractors' workers through extended social criteria in procurement and tendering procedures in the reporting year. The set target covers an important aspect of sustainability – safe working conditions for value chain workers. At the same time, this target aims to increase the share of social purchases in the total number of contracts and tenders in the ZSE Group. The baseline was set from historical data on monitoring social aspects set in contractual terms and conditions, such as payment terms of subcontractors. This target monitors the effectiveness of integrating social aspects into the ZSE Group's purchasing and supply decisions and expands existing social indicators, their monitoring and evaluation. The set target should lead the supplier to improve the working conditions of its employees actively. The suppliers' employees were directly involved in its setting through consultations and feedback. The set target is an ESG KPI; its targets were set for short-term, mid-term and long-term and submitted to the Sustainability Committee. The company's management approved them as part of its ESG strategy. During the reporting period, the share of social purchases was 47.46% of the total number of contracts in the ZSE Group. The achieved value exceeded the original estimates for the short, medium, and long term and these values shall be adjusted in the disclosures for the reporting period 2025 to reflect current developments and a realistic view of further improvement. Based on the actual results for 2024, a review of the ESG strategy will be conducted in 2025 to ensure its relevance.

Nr.	Material topic	ESG Key Performance Indicator (ESG KPI)	Rationale	Baseline	Target	Target
				2024	2030	2035
18.	Value chain workers (ESRS S2)	Improving working conditions of contractors' workers through extended social criteria in procurement and tendering procedures <u>Metric:</u> Increase the number of social purchases on the overall number of orders (tenders)	The KPI monitors the effectiveness of integrating social aspects into our purchasing and contractor decisions. We will systematically extend the social criteria to include aspects of OHS and training - specifically statistical accident rate indicators and their comparison, as well as information on the training of the contractor's employees. The system solution will be based on the contractor's contractual obligation to send this information at a certain time. The obligation will be anchored in the terms of tender procedures as part of the company's general terms and conditions. The baseline value was set based on the expected assumption for 2024.	24%	34%	44%

CONSUMERS AND END-USERS (ESRS S4)

1. Strategy

Interests and views of stakeholders (ESRS 2 SBM-2)

The ZSE Group systematically considers the interests, opinions and rights of consumers and end-users in its strategy, business model and processes; compliance with their rights (consumer protection) and respect for their human rights (personal data protection) are key. In the internal value setting of the ZSE Group, "the customer is at the centre of attention and services, and products are provided to them simply, sustainably and digitally". The ZSE Group strictly complies with the legislation on consumer protection and competition while having a functional system of submissions and a protector of customer rights (customer ombudsman) in place and, where necessary, actively cooperates with regulatory and supervisory authorities, such as the Regulatory Authority for Network Industries (*Úrad pre reguláciu sieťových odvetví – ÚRSO*) and the State Trade Inspection (*Štátna obchodná inšpekcia – ŠOI*).

Consumers and end-users are key stakeholder Groups, and their needs were identified as significant within the materiality process. The company's strategy, business model and processes are aimed at minimising negative impacts on consumers and promoting positive effects, for example, by ensuring and providing reliable, accessible and high-quality services (Customer Experience), protecting consumer rights and ensuring equal access to products and services. The identification and assessment of impacts included analysing key areas such as personal data protection, access to good information, personal safety when using the company's products and services, and responsible marketing practices. The strategy of the ZSE Group's sales companies towards the consumer is measured through the customer experience indicator (Net Promoter Score/NPS) on a regular basis. The ZSE Group's sales companies, including online stores (sales companies), take appropriate measures to address material impacts. These are specific steps such as process modifications, improving communication channels, implementing higher data protection standards, or introducing additional measures to support service availability.

Material impacts, risks and opportunities and their interaction with strategy and business model (ESRS 2 SBM-3)

The dual materiality assessment included an assessment of several positive and negative impacts across business segments and the value chain. The evaluation results highlight significant issues related to the products and services provided by ZSE Group companies. All identified and assessed impacts, risks and opportunities are located within ZSE Group's own activities and the electricity and gas sales, electricity distribution, administrative activities (e.g. call and customer service centres) and non-commodity services segments. The materiality process identified significant actual and potential impacts, risks, and opportunities arising from ZSE Group's strategy and business model, which are related to the diverse interactions of ZSE Group companies with consumers. These impacts reveal key areas for service improvement risk minimisation and, at the same time, contribute to adapting the strategy and business model to consider consumer needs and contribute to business sustainability.

The potential negative short-term impact is represented by risks related to personal data violations, where there is a risk of loss, confidentiality, availability and integrity, which could lead to a violation of consumer privacy, legal consequences or damage to the reputation of the ZSE Group. The strategy reflects this impact by implementing robust data protection and cybersecurity measures that minimise risks and strengthen consumer trust.

Positive impacts include various aspects of consumer interaction that the business has identified as significant. These include:

- Disclosing true and correct information, ensuring transparency and fostering trust;
- Responsible marketing processes and fair behaviour, eliminating the risk of misleading consumers and supporting customer loyalty;
- customer access to good information through tools such as a customer rights officer (ombudsman), who serves as a point of contact for resolving customer disputes and questions;
- Consumer health and safety are part of the company's strategy, with quality standards ensuring the safety of products and services.

The relationship between material impacts, risks, opportunities and the business model of the ZSE Group is based on adaptability and the ability to respond to consumer impacts. The strategy, business model and processes are continuously adjusted to mitigate identified risks and exploit opportunities to strengthen customer trust and foster sustainable growth. In this way, ZSE Group companies actively respond to consumer needs and contribute to enhancing customer relationships.

In connection with the requirement to describe the types of consumers and/or end-users who are impacted by ZSE Group companies' products and services, the basic framework is the sales segment, within which we divide customers into:

- Households (residential segment)
- Small and medium enterprises (SMEs)
- Key customers

Consumers and/or end-users are customers of the residential segment (households) who use the services of the ZSE Group's sales companies in electricity distribution and supply, gas supply, non-commodity services and administrative activities, such as customer centres. ZSE Group customers from the household segment are users of services that potentially negatively affect their rights to privacy and personal data protection and require accurate and accessible information about ZSE Group's products or services. We do not separately monitor the category of consumers who are particularly vulnerable to health, privacy, marketing, and sales strategies or with other special characteristics. Still, access to them is regulated by internal management acts.

Within the basic framework, the types of consumers and/or end-users of products and services of ZSE Group companies can be divided into:

- Electricity consumers
- Gas consumers
- Electricity distribution customers (connection, reliable electricity distribution, electricity distribution services, electricity metering)
- End-users of energy solutions (photovoltaics, air conditioners, heat pumps, boilers, battery storage, EV charging)
- End-users of energy and additional services
- End-users of e-mobility charging stations

The products and services of ZSE Group companies and the provision of electricity distribution and related services do not directly harm people, nor do they increase the risk of chronic diseases. They indirectly impact greenhouse gas emissions, which the company is trying to limit through decarbonisation measures such as purchasing guarantees of origin. Non-commodity services associated with the supply of works (photovoltaics, air conditioners, heat pumps, boilers, etc.) may contain fluorinated gases or operate with high DC voltages.

When delivering commodities, ZSE Group companies provide customers with advice. When delivering works (non-commodity services), ZSE Group companies provide complete instructions for use and information about the risks associated with the product. We provide customers with instructions and product labels on the websites www.vse.sk and www.zse.sk and when installing selected energy solutions. When providing distribution services, we provide customers with complete advice, available at www.vsdas.sk and www.zsdis.sk.

The protection and relations of the supplier with vulnerable consumers are regulated by law. ZSE Group companies comply with the Code of Conduct of the Advertising Council (*Rada pre reklamu*) and do not apply or target advertising to children and financially vulnerable persons. ZSE Group companies and cooperating advertising agencies cooperate in resolving complaints sent to the Advertising Council and respect the decisions of the self-regulatory body. Vulnerable consumers may be affected by price changes in commodities in wholesale markets. However, these risks are mitigated by national regulation of commodity prices for vulnerable and selected vulnerable consumers, and the ZSE Group's active involvement is minimal.

Consumers are affected by personal data protection, which was identified as a material potential negative impact in the materiality process. Impacts related to the processing of consumer personal data were identified mainly in administrative services and activities. ZSE Group companies collect customers' personal data exclusively for specific purposes and on legal grounds that are transparently communicated to the data subjects. Each company takes appropriate technical and organisational measures to protect data from risks related to the loss of their confidentiality, availability and integrity. Personal data protection is considered a systemic impact, requiring comprehensive approaches, such as internal control mechanisms, regular audits and training, which minimise the risk of loss, misuse or theft of data and ensure compliance with data protection regulations. It can also be characterised as an extended impact, as it concerns the entire data processing system, which is integral to providing products and services. Measures related to personal data protection are also transferred to intermediaries, typically external suppliers or partners, who are involved in data processing.

The ZSE Group contributes to consumer social inclusion, safety, and awareness through various activities that positively affect the entire household segment. Ensuring equal access to products and services without discrimination was assessed as a positive impact. Although the materiality of this impact was marked as lower, the ZSE Group promotes equality in access to services. Fair and responsible behaviour in marketing activities was identified as having a positive impact and is material in terms of public and environmental safety. Responsible marketing practices and informing consumers about the risks of business activities are essential to ensure their safety and trust. Through responsible marketing practices, the ZSE Group's sales companies ensure transparent communication and implement fair marketing campaigns without misleading consumers. They also enable flexible payment plans for people in difficult financial situations and support the use of renewable energy sources. Consumer and end-user safety has been identified as material distribution and non-commodity services and is focused, for example, on the maintenance and modernisation of the distribution network, thereby minimising the risk of outages and failures and ensuring

access to energy. With regard to the impact of information on consumers and end-users, the ZSE Group's sales companies provide their customers with clear and understandable information, invoices with all necessary data, offer online tools and mobile applications for monitoring energy consumption and expenses, also provide information on energy savings and efficient use of appliances, and ensure transparent communication on the possibilities of using renewable energy sources. The availability of information has been identified as having a material positive impact on the activities of customer service centres, as the energy sector requires transparent and responsible disclosure of information. The Customer Rights Officer (Ombudsman), as a protector of customer rights, serves as a contact point for providing responsible and reliable information to customers resolving complaints, and this positive impact has been identified in the activities of electricity distribution and electricity and gas supply, where customers appreciate the opportunity to resolve their problems effectively and impartially. Thanks to the above activities, the ZSE Group strengthens the position of its customers and helps them make informed decisions that lead to reduced costs, higher safety, and a better quality of life.

The financial assessment identified and assessed risks and opportunities with different effects on the company, with personal data protection representing a material risk. A data protection violation may have legal consequences, such as fines and other sanctions for violation of obligations set out in the GDPR of up to 4% of the total turnover of the ZSE Group, as well as the obligation to compensate for material or non-material damage to the affected individuals, which could lead to increased costs. It is also possible to perceive the potential financial impacts associated with the loss of reputation and trust on the part of customers and employees.

Other assessed factors, such as access to energy and unethical marketing practices, were identified as immaterial risks and opportunities in terms of materiality but are still significant from the perspective of sustainable business and the long-term reputation of ZSE Group companies. Access to energy was assessed as an opportunity that stems from ensuring affordable, reliable, sustainable energy for all and positively impacting economic results. Energy transformation and the transition to renewable energy sources generate business opportunities for the company. This factor supports higher demand for products and services and electricity in the context of the shift away from fossil fuels, which can lead to revenue growth and a positive impact on the company's cash flows and overall performance. Misleading information represents a risk that arises from unethical marketing practices and their possible consequences. Responsible marketing practices informing customers about business activities' risks ensure their trust and safety. Consumers also benefit from fair and ethical behaviour in information and advertising, strengthening their loyalty and supporting the company's long-term reputation.

Personal data protection is a fundamental right of all consumers without distinction. Therefore, it is impossible to define specific groups that are more exposed to harm in this area. This principle applies universally, and the ZSE Group ensures the same level of personal data protection for all its consumers. Personal data protection as an identified material risk concerns all consumers and end-users of products and services offered by ZSE Group companies. In terms of age, it can be stated that ZSE Group companies do not direct their services to the segment of persons under the age of 16 when personal data processing may be associated with specific risks and procedures. In terms of the special characteristics of consumers, there is a group of so-called vulnerable customers to whom special conditions for the provision of services may apply pursuant to Act No. 251/2012 Z.z. on Energy, as amended.

2. Management of impacts, risks and opportunities

Policies related to consumers and end-users (S4-1)

The basic policies regarding consumer protection are implemented at the state legislation level. These policies include the regulation of vulnerable and selected vulnerable consumers, ensuring their protection through applicable laws and regulatory frameworks. ZSE Group companies strictly comply with personal data protection regulations such as Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons about personal data processing and on the free movement of such data, and repealing Directive 95/46/EC (GDPR), Act No. 18/2018 Z.z. on Personal Data Protection and on the amendment of certain acts, consumer rights, protection against discrimination, quality standards and other legal norms that guarantee the protection of consumer rights.

The key policies in the ZSE Group related to material aspects of sustainability related to consumers are the rules for ensuring personal data protection, our Code of Conduct and internal management acts on consumer rights, product development and marketing communication. The above rules and guidelines cover the identified material aspects of sustainability – information impacts on consumers and end-users – privacy and access to reliable information, personal safety of consumers and end-users – health and safety and social inclusion of consumers and end-users – responsible marketing practices. The scope of the above policies within the value chain of the ZSE Group concerns the downstream and own activities, and the responsibility for their implementation lies with the ZSE Board of Directors and individual Division Directors. As a key stakeholder group, consumers are the end users of the ZSE Group's products and services, expecting good, safe, and ethical practices.

To protect consumers' rights regarding personal data protection, the ZSE Group has implemented an Order of the Board of Directors on Ensuring personal data protection, the purpose of which is to define the responsibility and procedures for protecting personal data against unauthorised or unlawful processing as well as accidental loss, destruction or damage. The policy applies to the entire value chain, and the ZSE Board of Directors is responsible for its implementation. Information on personal data processing, including the methods of exercising the rights of the data subject under the GDPR, is disclosed on the ZSE Group's website. In connection with providing products and services, the ZSE Group collects and uses the personal data of interested parties, customers, newsletter subscribers, application users and, where applicable, other natural persons. The document "Personal Data Protection" is disclosed on individual companies' websites and provides information on the conditions for processing customers' personal data under the GDPR Regulation and the Personal Data Protection Act. Consumers thus have an overview of what personal data the company uses, what it does with them, to whom it provides them, and to understand their rights, through which they can exercise control over processing their personal data.

The standards for protecting human rights relevant to consumers and/or end-users are defined in the Code of Conduct, which defines responsible and ethical behaviour towards consumers and plays a leading role in the relationship between ZSE Group companies and their customers in human rights. The ZSE Group places maximum emphasis on compliance with consumer protection legislation. Correct behaviour towards customers is key, as is the importance of offering them appropriate and effective solutions. ZSE Group provides customers with transparent, understandable, and complete information so that no issues

important to their decision-making are omitted. The ZSE Group does not apply deceptive or misleading practices to customers. The Code of Conduct is aligned with the UN Global Compact initiative, and this document is disclosed on the ZSE website.

The ZSE Group has fully implemented policies for protecting all consumers' privacy and personal data without distinction and for Data Protection Impact Assessment (DPIA). The personal data protection policy and the personal data protection notice ensure personal data protection. The appointment of a customer rights officer (customer ombudsman) in the distribution companies of the ZSE Group represents an internal system for processing and resolving consumer complaints and problems, which allows them to communicate their concerns. If their rights are violated, rectification can be ensured. This position represents a contact point for written submissions and overall customer assistance. Internal management acts regulate the entire process and set a deadline for handling complaints within 30 days.

Internal management acts regulate the development of new products while marketing communication consumer rights are regulated in the complaint procedure; for online services, these are the terms of use of web services. Among the policies, the policy of continuous education of sales and service channels and, for the development of scientific and research projects, the introduction of a quality management system (ISO 9001), occupational health and safety management (ISO 45001) and environmental management system (ISO 14001) in the VSE and ZSE Energia sales companies, which confirm compliance with international standards, are worth mentioning.

The ZSE Group's general approach to consumer engagement is to measure consumer feedback through customer experience (NPS) or by measuring satisfaction and feedback directly after interaction with a ZSE Group company, providing advice and education through campaigns and "direct" emails. Measures regarding protection and rectification related to human rights impacts adopted in ZSE Group's business companies support fair and ethical behaviour towards customers. ZSE Group's policies on consumers and/or end-users are not aligned with the international document United Nations (UN) Guiding Principles on Business and Human Rights. Compliance will be ensured in 2025 as part of a thorough assessment. In the downstream part of ZSE Group's value chain, no violations of the Code of Conduct concerning customers or cases of non-compliance with the UN Guiding Principles on Business and Human Rights that would affect consumers and/or end users were recorded during the reporting period. There were no significant changes in consumer-related policies during the reporting period.

Processes for engaging with consumers and end-users about impacts (S4-2)

Consumer engagement processes are a key tool for improving customer relationships in the ZSE Group. These processes enable consumers to actively participate in decision-making, improve products and services, and meet their needs and expectations. Key consumer engagement processes include:

- Customer support allows consumers to get help with problems, questions, or requests, ensuring their needs are addressed immediately. Customer service for ZSE Group companies includes a telephone line, email support, and online chat.
- Collecting consumer feedback through various channels such as satisfaction surveys, reviews, and polls or directly through customer support lines allows consumers to express their opinions, rate services and products, and suggest improvements.

- The Customer Rights Officer (Ombudsman) allows consumers to express complaints and requests for rectification when they are dissatisfied with the services of the ZSE Group.
- Before launching new products, market research and consumer tests help ZSE Group companies obtain information about consumer needs, preferences and opinions, allowing them to adapt products or services to customer expectations better.
- Providing reliable information and educational materials regarding products, services, and their proper use, as well as energy consumption and saving, helps consumers make informed decisions.
- Social media consumer engagement and real-time interaction actively engage consumers, where they can express their opinions, ask questions, and engage in discussions about products and services. These platforms foster customer dialogue, contributing to a better understanding of consumer needs and expectations.

Consumer engagement is diverse and depends on specific processes, products or services and customer relationships. Each phase and type of engagement has a different frequency and intensity, aiming to improve the consumer experience and ensure long-term relationships and business success. The main framework is the pre-purchase phase of the service, the purchase phase and the post-purchase phase, and it can be a one-off or regular engagement. Product development includes customer engagement in pilot projects in preparation for launching new products ad hoc. Customer engagement in piloting new products is implemented in the internal process of VSE; in other areas, a general consumer engagement process is not yet in place; the timeframe for implementing a general consumer engagement process in the ZSE Group is 2026.

Customer surveys are conducted regularly to track the development of customer satisfaction indicators (CSAT). Feedback on the resolution of customer requests is collected in cooperation with an external company, and this activity is carried out on a daily basis.

The responsibility for consumer engagement and results-based approach of ZSE Group companies lies with the directors of ZSE Group companies. The effectiveness of consumer engagement processes is assessed through various quantitative and qualitative indicators directly linked to business results, such as engagement rates, satisfaction, loyalty and sales growth.

Processes to remediate negative impacts and channels for consumers and end-users to raise concerns (S4-3)

The legislative, regulatory instrument of Quality Standards governs the general approach and process for providing or contributing to rectification in the event of significant adverse impact on consumers and/or end-users. The ZSE Group's strategy is to eliminate the consequences of the adverse impact as soon as possible.

The general approach and processes for providing rectification in the event of a loss of personal data are to ensure a rapid response and minimise adverse consequences, including an assessment that the rectification provided is adequate. In the ZSE Group, this is ensured by the Data Protection Officer, who is involved in all matters related to personal data protection. In the event of a data breach, each controller in the ZSE Group is required by law to notify the supervisory authority and, where applicable, the data subjects without undue delay and, where possible, no later than 72 hours after becoming aware of the

data breach. For this purpose, there is a process for detecting, reporting and assessing the risk of incidents involving a personal data breach and reporting them to the Office for Personal Data Protection and, where relevant, to the data subjects.

We have the following mechanisms in place to address complaints and concerns and to ensure the remediation of negative impacts on consumers and end-users:

1. Customer centres (face-to-face contact)
2. Call centre (telephone access in some companies with AI support)
3. Website and related forms (Electronic access, online chat and chatbot)
4. Electronic personalised forms
5. Back office (letters)
6. Customer rights officer (ombudsman) to deal with customer complaints
7. Direct access to DPO / Data Protection Officer

Consumers can also report their concerns or needs through a reporting system, which protects individuals from retaliation. Within their business relationships, ZSE Group companies support the availability of such channels where they can easily express their concerns, needs and requests through customer services, online support, websites and support via mobile applications.

Ensuring the effectiveness of these channels and evaluating the problems solved is carried out in the ZSE Group, for example, through daily feedback on customer requirements in cooperation with an external company, through regular customer surveys, analysis (also with AI support) of customer contacts and requirements, or through training and development of employees in customer communication and problem-solving. As part of these contacts with consumers, their trust and knowledge of these tools for expressing their concerns or needs is also verified.

Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions (S4-4)

In managing its material impacts, risks, and opportunities in relation to consumers and end-users, the ZSE Group focuses on measures for personal data protection, access to energy and transparent consumer information through the sale of products, supported by responsible marketing and transparent provision of reliable information to consumers. The key measures of the ZSE Group cover the identified material aspects of sustainability - information impacts on consumers and end users - privacy and access to reliable information, personal safety of consumers and end users - health and safety and social inclusion of consumers and end users - responsible marketing practices. They are linked to the company's strategic objectives and KPIs, thereby contributing to the fulfilment of various business or legislative frameworks. Information on future activities is part of internal planning documents and strategic materials, which are updated according to the development of regulations and the market and internal priorities of the ZSE Group's sales companies. We provide disclosures regarding the implemented measures to maintain competitiveness and protect strategic information. The ZSE Group's sales companies follow mid-term plans and predictions to minimise risks and impacts on the market, thereby ensuring access to safe, reliable and affordable energy. Part of the issue is addressed by national energy price regulation, which the company fully complies with and supports. Commodity price development predictions are made in customer

segments that are not subject to regulation, and through appropriate product consulting, the ZSE Group sales companies try to reduce the impact of changes in commodity prices on end customers.

To prevent significant negative impacts on consumers, as well as to manage material risks related to the protection of consumers' personal data, we at the ZSE Group focus mainly on assessing the risks associated with the processing of personal data, conducting a data protection impact assessment (DPIA) where required by GDPR, adopting technical and organisational measures to ensure personal data protection and regularly reviewing them according to current risks, raising employee awareness of risks and their obligations in relation to personal data protection, performing inspections and informing management.

The ZSE Group has implemented several actions and initiatives intending to improve consumers' living conditions and access to essential services and products and promote social equality. The main actions include providing affordable and reliable access to energy, supporting sustainability and reducing energy costs for households. In addition, the ZSE Group companies offer products that contribute to environmental sustainability and reduce energy consumption. The ZSE Group operates foundations to support social, educational and other projects, and their activities also include supporting sustainable projects through the Green Electricity product in ZSE Energia and Green Energy in VSE. VSE has introduced price benefits for the blind and visually impaired. For customers with limited financial resources, VSE and VSD offer a prepaid product for electricity supply. Trading companies advise on setting up advance payments, the correct rate, instalment schedules and payment deferrals. They also responsibly inform consumers about available products and services, thereby improving their awareness and choice. Through a customer ombudsman and regular surveys focused on customer needs and satisfaction, the ZSE Group ensures that their requirements are addressed, thereby contributing to improving social inclusion and the protection of consumer rights. In marketing communication, we comply with the ZSE Group Code of Conduct rules and refrain from unfair advertising practices.

The effectiveness of the implemented measures and initiatives is monitored by the sales and distribution companies of the ZSE Group through the measurement of customer parameters and feedback, e.g. through the NPS indicator, and assessed through annual reporting of collected contributions and by re-evaluating supported organisations.

The ZSE Group has implemented comprehensive processes to identify the necessary actions for protecting personal data. These processes include regularly reviewing internal procedures and identifying risks associated with personal data processing within marketing and sales. The general approach of the ZSE Group is to comply with applicable personal data protection laws and take into account best practices in data protection, which also includes the implementation of security measures at all levels of data processing. ZSE Group companies take measures where necessary at their level and in cooperation with other relevant parties, such as regulatory authorities or industry associations, to ensure personal data protection on a broader framework. Specific corrective measures are developed for each identified issue and are subsequently implemented and monitored for effectiveness. The processes for providing rectification are clearly defined and accessible to consumers, thus enabling a quick and effective resolution of any breaches of personal data protection. All these measures are part of a broader strategy to protect consumers and ensure their rights in personal data processing.

Overview of key implemented measures and initiatives during the reporting period:

Measures	Measure contribution
GDPR activities (legislation)	reducing the negative impact and risk associated with information
Marketing measures (ZSE solar roofs scheme, Green energy in VSE)	positive impact on the social inclusion of consumers
Campaigns (Photovoltaics campaign, Solar roofs, green energy)	positive impact on the social inclusion of consumers
Product and service development (Developing photovoltaics, green electricity / green energy, and virtual battery products)	positive impact on the personal safety of consumers
Process digitalisation (Automation and digitalisation of small and local source connection processes)	positive impact related to information provided to consumers

The measures required material capital, operating costs, or other financial resources during the reporting period. We are not yet tracking financial resources by individual measures.

Key actions aimed at consumers include measures and activities in GDPR, responsible marketing and transparent disclosure of information, as well as in relation to consumer safety and health. In marketing communication, we comply with the ZSE Group Code of Conduct rules, refrain from unfair advertising practices, do not apply comparative advertising, and avoid controversial communication topics. Actions within energy consulting are also key, and we provide support to clients in switching to environmentally friendly and low-emission appliances, especially in heating and drinking water heating and electricity generation from renewable sources and in supporting e-mobility.

We disclose transparent product information on our websites and communication channels. Each product contains business and contractual terms and conditions; if it is a HW product, we provide instructions for use. Sales and service channel employees have all the information disclosed on the internal "knowledge" portal. At the same time, we have a system in place to measure customer satisfaction through the NPS indicator (Net Promoter Score). These activities aim to strengthen consumer trust and protect them under legislative requirements and ethical standards.

ZSE Group companies do not sell, purchase or disclose personal data for marketing purposes. Personal data processing for marketing purposes is conducted on the legal basis of the consent of the data subject or legitimate interest. In both cases, the data subject has the right to withdraw consent or object to such processing. When marketing communication is carried out via electronic communication networks (by telephone, email), we proceed pursuant to the

provisions of Section 116 of Act No. 452/2021 Z.z. on electronic communications and, where necessary, we use the marketing prefix 0888 when making calls as a registered entity.

In connection with transparent disclosure of information, responsible marketing practices and access to reliable information, the ZSE Group companies publish price lists, business conditions and relevant market information on time and provide advice at points of sale and through sales representatives. Consumers are provided with instructions for use of all products and services with the potential for negative impacts. In the case of the use of door-to-door sales and telecommerce, the ZSE Group companies have control and corrective mechanisms in place that significantly reduce the risks of fraud and other negative impacts. Within the framework of online solutions, the ZSE Group applies the principles of personal data protection, contact policy, authentication policies and cybersecurity standards.

The ZSE Group records personal data breaches separately for each controller. If a personal data breach may lead to a risk for the data subjects, such a breach is reported to the Personal Data Protection Office of the Slovak Republic (*Úrad na ochranu osobných údajov SR*). 1 such personal data breach was reported in the reporting period. We publish more information in the section “Cybersecurity: Justified complaints regarding violation of customer privacy and the loss of customer data”.

The ZSE Group's approach to managing significant impacts, significant risks, and utilising significant opportunities related to consumers is based on the principles of responsibility, respect for consumer rights and strategic risk assessment to ensure the long-term prosperity of the ZSE Group without jeopardising consumer interests.

1. Personal data protection:

- strict compliance with legislation, including ensuring consumer consent
- clear and transparent communication about the collection, use and protection of consumers' personal data
- informing consumers about their rights concerning data processing
- training of employees who come into contact with personal data
- regular security audits and tests to identify possible vulnerabilities that could compromise personal data protection.

2. Transparent information disclosure:

- Clear and understandable communication
- regular updating of information about products, services and policies
- timely disclosure of price lists, terms and conditions and relevant market information
- availability of information (websites, mobile applications, social networks, printed materials and customer lines)
- regular publication of assessments through sustainability reports

3. responsible marketing practices:

- strict compliance with legislation and monitoring of upcoming European regulations
- training employees in customer communication
- accuracy and truthfulness of advertisements and campaigns
- transparency of prices and conditions
- non-misleading sales techniques
- compliance with ethical norms and standards
- consumer rights such as the right to information, the right to withdraw from the contract and the right to a fair resolution of complaints or product problems
- support for sustainability and social responsibility

4. access to reliable information

- publishing detailed information about products and services, including their features, benefits, risks, prices, availability and terms of provision
- printing and distribution of leaflets, brochures, product certificates
- customer support and advice
- providing "guides" such as the website www.zse.sk, which contains subpages to support energy efficiency through products Green Electricity/Green Energy for Households, Energy Certificate for Households, Charging Stations/EV Charging, Photovoltaics) or www.setri.sk – ZSE Green Ideas, which is a specialised portal on energy efficiency, the aim of which is to educate users towards sustainability and more responsible behaviour towards nature
- providing clear information on the possibilities of filing a complaint or exercising claims for redress in case of problems or disagreement with services or products

5. consumer health and safety:

- provision of user manuals, technical parameters or certificates for products and services

6. access to affordable and reliable energy

- provision of products and services that save customers on electricity consumption costs and, support the use of electricity from renewable sources or smart energy savings in households, and support the shift away from fossil fuels
- additional services help customers avoid unexpected expenses, make their lives easier and increase their comfort
- Among the positive results of measures related to access to energy, it is necessary to mention the decrease in electricity consumption in Slovakia, when the work of individual energy market participants combined with the economic downturn generated a positive trend in electricity consumption.

3. Metrics and targets

Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities (S4-5)

As for managing negative impacts, promoting positive impacts and managing significant risks and opportunities related to consumers and end users, the ZSE Group's business companies have a set goal to increase the satisfaction of residential customers with the products and services provided. The set goal covers essential aspects of sustainability – consumer privacy, access to reliable information, consumer personal safety and responsible marketing practices, while it also supports customer engagement. We do not currently have a separate metric and target value for consumer privacy protection as an aspect of sustainability with an impact on human rights, as our existing processes and measures in personal data protection ensure compliance with applicable laws and internal standards. In the future, we will consider introducing a relevant metric to monitor performance in this area. Customer satisfaction is measured by the NPS (Net Promoter Score) indicator, which measures the level of customer satisfaction with products and services offered by ZSE Group companies and the willingness of customers to recommend the company to others. NPS measures consumer loyalty and brand perception and provides a long-term view of the customer experience, thus reflecting their perception of access to information and fairness and transparency of marketing communication. The difference in the NPS between the ZSE Group and the market leader at the time of measurement determines the targets. Improving the customer experience helps to identify areas where customers are dissatisfied and focus on their improvement. Satisfied customers are more likely to remain loyal and recommend the company to others. Since the indicator value itself is a number that is influenced by cultural, national market and socioeconomic variables, and therefore, there is no globally set value, the ZSE Group decided to evaluate the target as the difference in the indicator between the ZSE Group and the market average at the time of measurement. The measurement is carried out by a survey based on a representative sample of customers from the residential segment through an independent research agency. The survey is carried out twice a year, with the targets being the average of the results of both measurements.

Nr.	Material topic	ESG Key Performance Indicator (ESG KPI)	Rationale	Baseline	Target	Target
				2024	2030	2035
19.	S4 Consumers	Customer satisfaction with provided products and services. <u>Metric:</u> We measure customer satisfaction with the NPS indicator. We measure the difference in the NPS indicator	This KPI measures the level of customer satisfaction with the products and services provided by the company. Improving the customer experience helps identify areas where customers are dissatisfied and focus on improving them. We measure customer satisfaction with the Net Promoter Score (NPS). The baseline is the actual "gap to market basket" value for NPS for the household segment in 2024.	Difference +1 (36 vs. 35)	Interval difference (-5/+5)	Interval difference (4/+5)

		between the ZSE group and the market average at the time of measurement.				

In the baseline year, the value shown is the actual measurement result achieved in the reporting year. In 2024, both ZSE and VSE brands achieved NPS +1 point above the market average.

Business conduct (ESRS G1)

1. Governance

The role of the administrative, supervisory and management bodies (ESRS 2 GOV-1)

The ZSE Group carefully promotes ethical principles and values in all aspects of its business activities. The ZSE's administrative, management and supervisory bodies play a key role in ensuring responsible business conduct and effective corporate governance. As the supreme body, the General Meeting decides on the company's fundamental issues determined by the Articles of Association, the Commercial Code or special laws. The Board of Directors manages the company's activities, decides on all issues not reserved to other bodies and ensures compliance with the established rules of business conduct. The Supervisory Board, as a controlling body, supervises the activities of the Board of Directors and the Company's business activities. The organisation and management of the Company is governed by the Organisational Manual, which serve as the basic document setting out the rules of organisation and internal management. The management model is supported by a system of internal documentation, which includes the Orders of the Board of Directors, Chief Executive Officer and the Division Directors, as well as directives, manuals and work procedures. The internal control and risk management system in place supports compliance with legal and ethical standards. The organisational structure includes a Compliance Team and an Internal Audit Department that assess the effectiveness of internal control systems, management processes, and identify operational risks. Accountability, compliance with legal ethical standards are fundamental pillars of ZSE's business conduct and corporate culture. The Company continuously improves its compliance standards and strengthens its compliance programme, thus promoting responsible management and long-term credibility.

Members of the administrative, management and supervisory bodies are subject to the requirements of the Commercial Code (integrity, legal capacity) and there are no requirements regarding business conduct within the current corporate and internal documentation.

2. Impact, risks and opportunities management

Description of the processes to identify and assess material impacts, risks and opportunities (ESRS 2 IRO-1)

The identification of material impacts, risks and opportunities in business conduct is based on shared values, ethical principles and transparency that define expected behaviour and reinforce trust in the Company's business practices. They also foster positive relationships with customers, partners and

stakeholders, contributing to long-term credibility and integrity. The business conduct assessment considered aspects such as corporate culture, whistleblower protection, political engagement, supplier relationship management including payment practices, corruption prevention and employee training on business conduct and compliance. The identified impacts, risks and opportunities were mainly related to the electricity distribution, gas and electricity supply, administrative and non-commodity services segments. Within the value chain, the identified impacts, risks and opportunities were mainly in the downstream part of the value chain and in the own activities.

The system of the whistleblowers protection is an essential part of the efficient business conduct management. The anonymity of whistleblowers is guaranteed and their protection from retaliation is a priority. Failure to comply with this policy could jeopardise employee safety, undermine corporate culture and cause a loss of trust. Ensuring whistleblowers anonymity and protection contribute to corporate culture and internal control mechanisms.

In the area of political engagement, ZSE strictly rejects any form of financial or non-financial support to political parties, their representatives or candidates for political office. This approach eliminates the risk of conflicts of interest, reduces the risk of corruption and maintains transparency and public trust. Political influence and lobbying activities were not identified as a material topic in the materiality process as part of the disclosure requirements. Supplier relationship management is key to developing mutually beneficial cooperation that promote quality and efficiency. Published rules and policies, such as General Terms and Conditions (GTC), procurement principles, sample contracts and Supplier Code of Conduct, set the framework for evaluating, selecting and engaging with suppliers, thus fostering confidence in the entire supply chain. Efficient supplier relationship management enhances the quality and effectiveness of the cooperation. The Company actively implements anti-corruption measures, including employee training and the principle of zero tolerance to corruption. These measures minimize the risks of corruption incidents, protect the Company's reputation and promote transparency, competition and strengthen public trust.

The ZSE Group has identified a number of short-term risks, including risks related to whistleblower protection which may lead to legal and financial consequences, mismanagement of supply relationships with potential supply chain disruptions and cost increases, as well as geopolitical factors. Failure to address incidents can lead to legal actions, fines and reputational damage. On the other hand, the implementation of preventive measures against corruption and regular employee training represents a material medium-term opportunity. These initiatives increase public trust, improve the Company's reputation and minimise the costs associated with corruption incidents. Consistently managing risks and taking advantage of these opportunities are key to ensuring the long-term stability and effectiveness of the Company.

Business conduct policies and corporate culture (G1-1)

Key policies related to aspects concerning business conduct in the ZSE Group are mainly the Code of Conduct, Supplier Code of Conduct, Occupational Health and Safety Policy, Environmental Responsibility Policy, General Terms and Conditions (GTC), Incorporation of Green Procurement Aspects into Individual Contracts, Rules for submitting, reviewing and registering of complaints related to the whistleblower protection, Compliance Management in the ZSE Group, ESG strategy as well as internal management documentation concerning, for example, protection of consumer rights. Corporate social responsibility policies are covered in the Community Development Programmes and Community Engagement Programmes. All of the above policies cover

the identified material aspects of sustainability - corporate culture, whistleblower protection, management of relationships with suppliers including payment practices, corruption and bribery - prevention and detection including training, and corruption and bribery - incidents. The scope of the above policies covers the ZSE Group's own activities and the external environment in which the ZSE Group operates, and the responsibility for their implementation rests with the ZSE's Board of Directors and divisions' directors.

Responsibility and compliance with legal and ethical standards are for the ZSE Group crucial as its business itself, constitute one of the essential components of the Company's corporate culture and represent attributes of quality management of the ZSE Group's companies. The primary goal of Compliance in the ZSE Group is to prevent violation of rules by the companies of the ZSE Group, detect them and respond to them reasonably. With respect to the above, it is in the interest of the ZSE Group and our responsibility not to act in a misleading or fraudulent way towards customers, business partners, investors or other stakeholders. The ZSE Group sees negligence or wilful violation of the rules very sensibly since such conduct could lead not only to the fines but also to breach of trust of our partners towards the ZSE Group or damage of our reputation which we have been building on the market in the long-run.

The ZSE Group's Code of Conduct is a fundamental document on business conduct, providing easy-to-understand guidance on all key compliance topics relevant to the ZSE Group. These include human rights, anti-corruption, fair competition, fair relations with business partners and corporate criminal liability. The ZSE Group Code of Conduct obliges all employees to contribute to a non-discriminatory and safe working environment and to respect human rights. Every employee is obliged in their employment contract to behave in accordance with the rules of the Code of Conduct. As part of the Code of Conduct, the ZSE Group has adopted Anti-Corruption Measures which, where applicable, also takes into account the UN Convention against Corruption.

Other relevant internal regulations are the Orders of the Board of Directors concerning the reporting and investigation of unlawful conduct (including incidents of business conduct) or conduct in conflict with the Code of Conduct, including whistleblower protection under Act No. 54/2019 Z. z. on the Protection of whistleblowers, as amended. The ZSE Group's anti-corruption and anti-bribery policy is covered by the Anti-Corruption Measures policy within the Code of Conduct. The internal document Compliance Management includes a regulation describing education and training on compliance rules and business conduct. In terms of relevant regulations, the ZSE Group has adopted a Programme in the area of protection against money laundering and terrorist financing (within the meaning of Act No. 297/2008 on protection against money laundering and terrorist financing, as amended).

The ZSE Group has adopted and implemented a Code of Conduct and a Supplier Code of Conduct, taking into account the ZSE Group's focus on corporate responsibility and sustainability principles. The ZSE Group shapes and reinforces its corporate culture from the top (*"tone from the top"*), emphasising the application of the Code of Conduct in practice, and communicates the Code of Conduct to ZSE Group employees on an annual basis. The values are further communicated to employees by lower management and executives. Culture development is implemented in the ZSE Group by training employees about ethics in business and responsible behaviour. Employee awareness is also continuously built up through promotion and internal communication of compliance topics on the intranet via articles, newsletters and emails. The ZSE Group also promotes its corporate culture by introducing an internal whistleblowing system, including the adoption of an internal regulation and the designation of independent persons from the Compliance Team to review whistleblowers' reports. Violations of the Code of Conduct and relating internal regulations are considered a breach of work discipline in the ZSE Group.

Strengthening the corporate culture is also done through internal “board chats” where employees can directly address their questions to the Company’s management. A survey on the development and wider implementation of corporate culture in the ZSE Group was conducted at a management conference in October 2024. Managers answered questions such as “Which of the following expressions best describes the culture in which you work?” and “What would you like to improve in the Company?”. Answers offered a choice between values such as stability, flexibility, diversity, equal opportunity, customer focus, innovation, sustainability, transparency, safety, collaboration, trust, etc. This survey will allow to effectively assess and develop the corporate culture based on specific needs and opinions, and all levels of the employee structures will be included in the ongoing activities.

The ZSE Group has clear and transparent mechanisms in place to identify, report and investigate concerns about illegal conduct or conduct that is in conflict with the Code of Conduct, the Supplier Code of Conduct or other internal regulations. The Code of Conduct is available on the Companies' websites and covers a number of compliance topics relevant to the ZSE Group. Another goal of the ZSE Group is to actively promote internal guidelines directly by employees, raising awareness about ethical dilemma or whistleblowing. Employees, as well as external stakeholders, have the opportunity to safely report suspicions through multiple communication channels. The whistleblowing system of ZSE Group companies offers an opportunity to report violations of laws, regulations and other misconduct to ZSE Group’ employees as well as to third parties such as suppliers, their employees or other third parties. If employees have a reasonable suspicion of conduct that is not in compliance with our internal regulations, laws or Code of Conduct, they are encouraged to report their suspicions immediately through the ZSE Group companies' internal channels. Each complaint is carefully assessed and reviewed by the Compliance Team or other relevant units. The ZSE Group's internal policies guarantee the anonymity of whistleblowers and protect them from any retaliation. The Company also informs internal and external parties of the possibilities to make complaints and how to protect them, thus promoting trust in processes and strengthening the integrity of the corporate culture.

In the ZSE Group, the review of complaints is carried out by the relevant responsible person from the Compliance Team, together with the Investigation Committee. The responsible person is independent and bound by confidentiality. In the ZSE Group, there is zero tolerance for retaliation against whistleblowers who make a complaint in good faith. There is zero tolerance for any obstruction of whistleblowing too. This rule is part of the ZSE Group's internal guidelines. In the event that retaliatory measures are taken against a whistleblower, the whistleblower has the option of reporting the matter to the responsible person who will investigate the matter, similar to other complaints. In addition to the above, the responsible person shall also carry out checks on a sample of whistleblowers to ensure that retaliatory measures are not applied in an informal way.

Complaints are received through dedicated separate reporting channels - web form, email, mail, or in person, if the whistleblower is an employee or other internal whistleblower. The person responsible will register and record all received whistleblowing reports in a special registry, with emphasis on the protection of the whistleblower's identity and confidentiality. Throughout the investigation process, strict confidentiality is maintained regarding the identity of the whistleblower, the persons concerned and the facts found. If the complaint requires additional information or evidence, the person responsible contacts the whistleblower without delay (if it is not an anonymous complaint). If, following the review by the person responsible, the whistleblowing report is to be submitted to authorities, the person responsible shall ensure protection of the whistleblower's identity, in line with the laws. The whistleblower's

consent is needed to submit the report to authorities; should the whistleblower refuse to grant such consent, anonymised report will be submitted. In the ZSE Group, whistleblowing and whistleblowing review procedures (including investigations) also cover incidents of business conduct as well as corruption and bribery. These incidents are also dealt with by the responsible person in cooperation with the Investigation Committee.

Training on business conduct is mandatory for all newly hired employees of the ZSE Group. The form of training is via e-learning. In terms of content, this training covers an introduction to compliance and the ZSE Group's Code of Conduct, with regard to the key issues - anti-corruption measures, conflict of interest and whistleblowing. Subsequently, annual retraining (either in the form of e-learning or retraining in person) is conducted for employees each year). The content of the training is primarily related to the compliance rules contained in the ZSE Group Code of Conduct, including anti-corruption measures. Whistleblowing and related issues are also part of the annual compliance training. Training is also provided to responsible persons, who can participate in the external training offered annually, and/or workshops within the compliance community of experts in the E.ON Group.

The functions that are most vulnerable to corruption and bribery in the ZSE Group, mainly due to their access to sensitive information, influence on decision-making processes, control over financial and material flows, contact with the public sector and third parties (suppliers, customers), include:

1. Boards of Directors (governing bodies) and supervisory boards of the ZSE Group
2. Executives (teams leaders, department heads, heads of unions, including divisions' directors)
3. Finance's units
4. Corporate Development & Public Affairs Division
5. HSEQ & Security Division
6. Regulation's units
7. Purchase's units
8. Sales and Trade's units
9. Facility Management's units
10. Asset management's unit (including telecommunication infrastructure)
11. Management, operation and construction's units in distribution companies of the ZSE Group
12. Customer relations' units (including inspection of grid connection)

Management of relationships with suppliers (G1-2)

In accordance with applicable law of the ZSE Group, the E.ON Group standard are applied to manage supply chain management, which has been implemented through our internal guidelines and managing documentation. They describe supply chain functions as well as the management of procurement processes and tenders. Standards for human rights, working conditions, environmental protection and sound business practices are defined in the Supplier Code of Conduct which applies to all contractors and plays a key role in the relationship between ZSE Group companies and their contractors. We require our contractors to deliver high quality goods, labour and services, reliable deliveries, and timely payment of debts to their subcontractors, the Social Insurance Institution or the Tax Administration. All tenders, including detailed terms and conditions and technical specifications, are regularly

published on the websites of ZSE Group companies, specifically on the Supplier Portal. Transparent and sustainable business relationships are of paramount importance to the ZSE Group. As part of our supplier care, we are working on the development of a new supplier assessment application, prioritising occupational health and safety, which the suppliers will be able to use to self-manage the necessary documentation. The companies of the ZSE Group organise an annual supplier workshop targeting contractors with higher occupational risk or those who have had an accident at our sites and facilities, or have been sanctioned during the year for a breach of OHS rules.

The General Terms and Conditions (GTC) define payment terms across the board, for all common suppliers, and do not specify the relationship to small and medium-sized enterprises. The ZSE Group usually makes payments to its normal suppliers within 60 days of receipt of the invoice. In line with the Company's payment discipline and thanks to the implemented internal system, the established contractual payment terms are consistently respected and a formalised policy to prevent late payments is not in place. The ZSE Group's companies select their suppliers on the basis of transparent, objective and non-discriminatory criteria. However, they also pay attention to the performance of contractors in the area of HSE, provision of appropriate working conditions, environmental aspect, respect for human rights, labour and other general binding standards or anti-discrimination and anti-corruption policies.

The ZSE Group is obliged to ensure that there is no conflict of interest in tendering procedures that could distort or restrict competition or violate the principle of transparency and the principle of equal treatment. Within the context of the ZSE Group, the person concerned is an employee of the ZSE Group who is directly involved in the preparation or implementation of the tender or another person who provides supporting activities in the preparation or implementation of the tender, a person with decision-making powers who can influence the outcome of the tender without necessarily being involved in its preparation or implementation. If the person concerned becomes aware of a conflict of interest, he or she shall report it to his or her superior who shall be obliged to take appropriate measures and remedies to prevent the conflict of interest from persisting. This shall be confirmed by a declaration on honour from a member of the selection board. Before entering into a contractual relationship with the successful tenderer and after checking the partner from a compliance perspective, the contract shall be signed.

The ZSE Group reviews identity and integrity of its potential contractors (Know Your Counterparty/KYC) in order to ensure that the ZSE group's contractors meet the standards related to the rules concerning the areas such as corruption, money laundering, tax and underpayments, economic sanctions and terrorist financing. If suppliers are found to be in violation of environmental standards or our corporate principles, the Company requires them to take corrective action. The Company strives to identify relevant risks and their regular assessments help to detect actual or expected violations. At the same time, the Company checks whether new contractors meet minimum requirements, thus reducing potential risks in the areas of health, safety, environmental and corporate social responsibility. Depending on the size of the transaction and the risk, contractors must complete one or more questionnaires. Suppliers may also be required to obtain environmental and other certifications (ISO 14001 or EMAS, ISO 45001). In the reporting period, no business relationships were terminated in the ZSE Group due to breaches of the Supplier Code of Conduct. In the reporting period, the goods purchased from local suppliers (seated in Slovakia) accounted for 56% of the total value of the goods.

In its business strategies, the ZSE Group emphasises the systematic integration of sustainability and translates this approach into its procurement policies and procedures. In order to improve the value chain in the area of social aspects of employees of ZSE Group's suppliers, new social aspects were adopted during the reporting period and incorporated into the sample contracts and the database was expanded to include a record of them. The Company's goal is to ensure that procurement practices are not only efficient and transparent, but contribute to long-term sustainability and good working conditions for workers within the value chain too. The Company expects its suppliers to commit to minimum ESG standards, including respect for human rights. In 2025, the Company plans to introduce due diligence to review and assess the social conduct of suppliers within its workforce. In the reporting period, we executed made 345 orders with a green or social criterion, which represents 51% of the total number of orders.

The training of employees in the field of purchasing takes the form of education and participation in professional training courses. In 2024, purchasing staff participated in training that focused on sustainable procurement, the use of green procurement and socially responsible procurement tools, and the setting of environmental and social criteria within the procurement. Incentives for procurement staff will be translated into key performance indicators (KPIs). In general, the linking of KPIs to evaluation is motivating.

Prevention and detection of corruption and bribery (G1-3)

The system for preventing allegations or incidents of corruption and bribery in the ZSE Group includes, in particular, measures to help ensure that all stakeholders are aware of the anti-corruption policies, understand their content and are aware of the consequences of violating them. Among the most important are:

- Communication with employees, regular training, publication of anti-corruption policies on the intranet, ensuring that these documents are regularly updated and easily searchable, distribution of the Code of Ethics (printed or online version), which includes anti-corruption policies, to all employees upon joining the Company;
- Including provisions on anti-corruption policies in contracts with suppliers, partners and other external entities, clearly defining the consequences of non-compliance with these policies, including possible termination of the contract or legal action, requiring acceptance of the Supplier Code of Conduct, which includes anti-corruption commitments;
- Posting the anti-corruption policy on the Company's publicly accessible website, including contact information for reporting potential violations;
- A system for reporting and addressing corrupt practices for employees, contractors and third parties without fear of retaliation;
- Internal audits and controls to monitor compliance with anti-corruption rules;
- Plain, clear language in anti-corruption documents to make them easy to understand for target groups.

In the ZSE Group, the review of complaints is carried out by the relevant responsible person from the Compliance Team, together with the Investigation Committee. Throughout the investigation process, strict confidentiality is maintained regarding the identity of the whistleblower, the persons concerned and the facts found. If the complaint requires additional information or evidence, the person responsible contacts the whistleblower without delay. A report on the investigation for the management of the relevant ZSE Group company is drafted. In addition to the report, the management will also receive a proposal for recommendations and corrective measures in order to remedy the situation and prevent the undesired situation from recurring (for example

recommended organisational changes, changes in IT systems, drawing responsibility for employees who violate the regulations, etc.). The person responsible and the members of the Investigation Committee are identified in the internal documentation. These are representatives from the Compliance Team, Internal Audit Department and the Division of Law, Compliance and Data Protection. The members of the Investigation Committee are not members of the management of ZSE Group companies.

Corruption and bribery policies relevant to employees are published in the ZSE Group's internal applications. At the same time, employees are informed about the policies on the ZSE Group's intranet, e.g. also in the form of articles and graphics summarising internal whistleblowing rules or anti-corruption measures. Information relevant to suppliers and business partners regarding corruption is published in the General Terms and Conditions (GTC) and the Supplier Code of Conduct, both of which are available on the Company's website in the Supplier Portal and are a binding part of contractual relations.

The ZSE Group has introduced mandatory annual training for all employees (including senior employees and executive management of the ZSE Group) on the Code of Conduct and Compliance Rules with the aim of ensuring Company-wide awareness of the rules and to build a common culture of integrity, responsible business conduct and zero tolerance for illegal conduct. In the future, the Company plans to introduce a special training for the positions at risk of corruption and bribery, which will be a follow-up of the Company-wide training. The current content of the Company-wide training includes an introduction to the topic of compliance and the Code of Conduct, the issue of corruption and bribery with regard to anti-corruption measures, the topic of conflicts of interest and whistleblowing on illegal and unethical conduct in the ZSE Group (including reporting channels and whistleblower protection). The topics are further discussed through basic definitions, current internal regulations in force in the ZSE Group, practical examples and clarification of the consequences for breaches of the rules. The e-learning training module also includes test questions to test the knowledge of employees and management.

All persons holding the positions at risk of corruption and/or bribery are subject to Company-wide training on compliance rules and the Code of Conduct, which also covers anti-corruption measures. In the ZSE Group, 12 positions at risk of corruption or bribery have been identified and of all persons holding these at-risk positions participate in annual training on the Code of Conduct and compliance rules, which means that the percentage of positions at risk covered by training programmes is 100%. The Company-wide training requirement on compliance rules and the Code of Conduct, which also covers anti-corruption measures, is applied to all senior members of the Board of Directors (nominees of E.ON). The members of the ZSE Group's Supervisory Boards nominated by E.ON or elected by employees undergo the above-mentioned training too.

3. Metrics and targets

As part of its ESG strategy, the ZSE Group also focused on business conduct as a material aspect of sustainability and set two performance indicators (KPIs) for employees' trainings in the area of compliance and implementation of corruption and bribery training for the Company's risk positions. Both objectives cover important aspects of sustainability - corporate culture, whistleblower protection and corruption and bribery. The ZSE Group's targets with respect sustainability material aspect - management of relationships with suppliers are set out in ESRS S2. Metrics and targets for payment practices were not set in the reporting period as the ZSE Group makes payments systematically within the established due dates and in accordance with the contractual terms (see G1-6) and this standard will continue to be maintained by the ZSE Group.

				Baseline	Target	Target
Nr .	Material topic	ESG Key Performance Indicator (ESG KPI)	Rationale	2024	2030	2035
20 .	G1 Governance	Regular re-training of employees in the Code of Ethics and compliance rules. <u>Metric:</u> Percentage of employees who underwent the training, out of the total number of employees	By introducing training and monitoring participation through KPIs, we spread awareness and build the knowledge of our employees in the prevention of collusion and unethical conduct. The KPIs help ensure that employees are aware of both the employer's ethical and internal policies and the importance of adhering to these policies. The training also promotes integrity, ensures compliance with legal regulations and reduces the risk of ethical and legal misconduct. The baseline has been set based on the expected assumption for 2024.	At least 90% of all employees	At least 90% of all employees	At least 90% of all employees

21	G1 Governance	Prevention of corruption/bribery among employees who are exposed to an increased risk of corruption and bribery by a special training. <u>Metric:</u> Percentage of employees who underwent a training (positions exposed to corruption/ bribery risk)	Selected at-risk positions can be exposed to an increased risk of corruption or bribery. Through the KPIs, we deepen employee awareness of risk activities, thus aiming to reduce the likelihood of corruption or bribery occurring in employee activities in the workplace. Training as a preventive element also contributes to building a culture of ethical behaviour and responsible business conduct. For the baseline year, the development of a training concept for at-risk positions has been set as an objective. For 2025, the implementation of training for at-risk positions was set as a target, and from 2026 onwards, a minimum participation rate of 80% was set as a target of employees holding the position exposed to corruption/bribery risks.	Development of a training concept for employees holding the positions exposed to corruption/ bribery risk	At least 90% of employees holding the positions exposed to corruption/bribery risk	At least 90% of employees holding the positions exposed to corruption/bribery risk

In the reporting period, 98% of all ZSE Group employees underwent a training on compliance. As part of the development of the concept for training for risk functions, a concept was being developed in the reporting year with the aim of implementing training for risk functions in 2025.

Cases of corruption and bribery (G1-4)

No cases of convictions, sanctions or other breaches of anti-corruption regulations were recorded in the reporting period in the ZSE Group. In view of the above, no measures have been taken in the Group to address violations of anti-corruption and anti-bribery procedures and standards. The key measures taken to prevent violations of anti-corruption and anti-bribery procedures and standards in the ZSE Group are mainly measures to minimize the likelihood of future violations, such as improving anti-corruption training and education of employees, updating internal rules such as the Code of Conduct, anti-corruption policies and procedures, strengthening processes for due diligence of suppliers and partners, and strengthening internal controls and audits to identify and prevent corrupt practices.

Payment practices (G1-6)

The ZSE Group does not keep a standard supplier category register or a category of vulnerable suppliers. For internal purposes, a distinction is made between common suppliers in the context of logistics and purchasing processes and commodity suppliers in the context of trading activities. The ZSE Group usually makes payments to its common suppliers within a maximum of 60 days after receipt of the invoice and this payment procedure applies to all common suppliers regardless of their category (small, medium or large enterprises). This standard ensures a level playing field for all common suppliers of logistics and purchase. The outgoing payment process follows a standard procedure based on the due date of invoices. The process is uniform and does not differentiate between the type of enterprise, whether small, medium or large, or the category of supplier. Suppliers have the option of using 'supplier financing', which is a mechanism that allows them to prefinance before the invoice due date. Within this process, the bank will pay the supplier earlier,

taking into account the fee for this service. The Group then pays the invoice to the bank on the original due date. An analysis of a sample of payments from ZSE Group distribution companies showed that the average invoice payment period ranges from 47 to 60 days.

As part of its electricity sales and gas sales activities, the ZSE Group signs specific business contracts - framework contracts for the supply and takeover of electricity and gas for members of the European Federation of Energy Traders (EFET) - for the provision of input commodities. The standard payment terms in the framework contract are the 20th day of the calendar month or the 5th working day following the receipt of the invoice. Since it is a trading activity, purchasing procedures and available capacity are determined by the rules of the trading locations and the specific liquidity at that location or market, and the specific payment terms are determined on a case-by-case basis in accordance with the risk management processes. It was not possible to provide the average invoice maturity for this category of suppliers for the reporting period.

All payments in the ZSE Group are always made in accordance with standard terms and conditions and there are no delays or deviations. The above standard payment terms also apply to contractual partners from other countries or geographical regions. The percentage of payments made by the ZSE Group in accordance with the standard terms and conditions is 100%. The ZSE Group has no pending legal proceedings for late payments in the reporting period. A late payment within the meaning of the Commercial Code is a payment that has not been made within the contractual or statutory due date. A late payment shall not be deemed to be a payment that the Company has not paid because the contractual partner failed to meet its contractual obligations (breach of contract, failure to comply with the terms of the contract or pending litigation) or where the Company is not liable for the delay for other legitimate reasons.

Cybersecurity (entity specific topic)

1. Strategy and management of impacts, risks and opportunities

Cybersecurity is of critical importance to the ZSE Group as it protects energy systems, digital assets, sensitive employee and customer data, and ensures the smooth operation of the Company. It plays a key role in electricity distribution, energy production, energy trading, electromobility, customer services, and internal processes. Information on cybersecurity, which was identified as a significant specific topic during the process of materiality assessment, is disclosed in accordance with the Global Reporting Initiative standards (GRI 3-3, GRI 418) and meets the qualitative requirements defined in Annex B of ESRS 1.

Stakeholder engagement

In the materiality process, cybersecurity was confirmed as a final significant aspect of the ZSE Group's sustainability through stakeholder engagement. Stakeholder engagement is a key element of our strategy and everyday work. We use various tools and mechanisms to involve them and ensure awareness of the implemented measures and their effectiveness, such as through sustainability reports. Regular warnings about incidents and vulnerabilities come from the holding company E.ON, the National Security Authority (*Národný bezpečnostný úrad, NBÚ*), and the Slovak National Cybersecurity Centre (*Slovenské národné centrum kybernetickej bezpečnosti, SK-CERT*). It is the ZSE Group's responsibility to report the status in our IT environment and any measures taken. Shareholders are regularly informed about the security status and related activities. We sign so-called cybersecurity agreements with suppliers of critical IT

solutions, which outline provisions containing security requirements for the delivered solutions. We engage employees through the intranet and specific communication campaigns.

Actual and potential, negative and positive impacts on the economy, the environment, and people, including impacts on their human rights

Cybersecurity presents both challenges and opportunities that can affect economic stability, public trust, and data protection. Negative impacts include inadequate protection against cyber threats, leaks or misuse of personal and sensitive data, and cyberattacks on the critical infrastructure. On the other hand, positive impacts include protection of digital assets and sensitive information, effective management of cyber risks, and robust protection of systems and personal data.

Inadequate cybersecurity protection can lead to financial losses, legal consequences, fines, or disruption of citizens' daily lives, while long-term protection of employee and customer data has positive medium-term significance. The increasing sophistication of cyberattacks threatens critical infrastructure, which could lead to power outages and security breaches. Digitalisation and smartification of systems therefore require robust measures to minimise risks. Effective management of cyber risks strengthens public trust, improves the Company's image, and supports its financial stability. Neglecting cybersecurity could lead to serious legal and financial issues that would threaten the long-term stability of the Company. ZSE Group is actively working to minimise these risks and seize opportunities to strengthen protection and build trust with investors and customers.

Cybersecurity is a complex challenge that impacts all parts of the value chain within the ZSE Group. Effective risk management not only provides protection against negative impacts but also offers significant opportunities to strengthen trust and stability within the Company. It plays a crucial role across all business segments of the ZSE Group. In the electricity distribution, electricity generation, and gas and electricity trading segments, the biggest challenges are the protection of critical infrastructure and prevention of outages. Administrative services and internal processes also face the misuse of data. These activities are most closely linked with negative impacts. In our own activities, we place emphasis on protecting employee and customer data, ensuring the availability of information, and managing cyber threats, which are present across several segments. In the upstream part of the value chain, cybersecurity risks are linked to technologies and infrastructure provided by partners, where contractors can represent a weak link, and inadequately secured systems could threaten the integrity of energy infrastructure. This can include the use of unsecured systems by contractors or the penetration of cyber threats through external connections. In the downstream part of the value chain, the impacts of cybersecurity are reflected at the customer and consumer level, where the protection of consumer personal data is an absolutely crucial area. The stability and quality of electricity supply, along with informing consumers about risks and prevention, are essential for the daily lives of consumers.

Policies, principles, or commitments related to cybersecurity

The ZSE Group's security policy establishes the basic framework for managing assets essential to the operation of networks and information systems, and defines the key roles and responsibilities within the information security management system. It includes procedures and responsibilities for reviewing security documentation and implementing security measures throughout the entire lifecycle of operational subsystems.

The ZSE Group's cybersecurity strategy includes:

- Developing the Information Security Management System (ISMS);
- Compliance with the legislation;
- Developing the Cybersecurity Team and Security Operations Centre (SOC);
- Effective detection of cybersecurity incidents;
- Cybersecurity projects.

The ZSE Group is a so-called operator of essential services according to the Cybersecurity Act No. 69/2018 Z.z. One of the conditions for meeting legislative requirements is undergoing an audit. In 2023, a repeat audit of compliance with legal requirements was conducted by an independent external company and auditors certified by the National Security Authority (NBÚ). The results of the audit confirmed the high compliance of the implemented measures with the requirements of the Act. The next audit will be conducted in 2025.

The roles and responsibilities within the ZSE Group regarding cybersecurity and data protection are defined in an internal set of policies and guidelines. The entire ZSE Group adheres to information security standards established in 2018, which are based on the Cybersecurity Act, as well as a series of ISO 27000 standards. Documents such as orders of the Board of Directors and orders of directors specify how security activities should be carried out, define specific security requirements for handling differently classified information, and regulate the basic responsibilities of employees regarding data protection. These documents define measures, procedures, and competencies related to data protection. Each of the ZSE Group companies has implemented a system to receive complaints from customers and other data subjects regarding the protection of privacy and processing of personal data.

Cybersecurity is an integral part of the entire organisational structure. The Cybersecurity Team works closely with other departments such as IT (information technology, or office world) and OT (operational technology, such as control systems in the distribution system). In both distribution companies, the so-called Cyber Security Manager is appointed under the Cybersecurity Act. Such approach ensures that cybersecurity is part of the day-to-day operations and decision-making processes across the entire organization. A Data Protection Officer (DPO) has been appointed in each ZSE Group company where this is necessary given the nature, scope or purposes of the processing activities. Their task is not only to monitor the compliance of the processing of personal data with the EU's General Data Protection Regulation (GDPR), but also to carry out other activities set out in Article 39 of the GDPR.

Measures taken to manage the related impacts

With the right strategy, technology, implemented measures, and trained employees, the ZSE Group is able to manage negative impacts, defend against cyberattacks, eliminate the adverse effects of incidents, and ensure an uninterrupted supply of electricity to our customers. The integration of cybersecurity into the Company's processes is an inseparable part of our activities.

The ZSE Group pays great attention to the protection of personal data of employees and customers, ensuring their privacy, providing accurate and transparent information about services, risks, and business activities in the energy sector, and raising public awareness. This includes the implementation of

strong authentication algorithms, the use of cryptography, and penetration testing to verify the protection of personal data. These activities represent key measures in relation to the positive impacts of the ZSE Group. The Company has implemented a central tool for logging the activities of networks, information systems, and their users. This tool ensures security monitoring of the internal cyber space and system operations.

Overview of key measures:

Measures	Contribution
SIEM analytics	Detecting security events
Phishing campaigns	Prevention
Developing ISMS	Management
Developing SOC	Monitoring
Security campaigns	Prevention and awareness raising
Segregation and monitoring of technical networks	Firewall renewal
Education	Expert training

Resources are continuously invested in the area of cybersecurity. The measures for the reporting period required significant capital expenditures as well as operational costs, totalling approximately EUR 1.2 million.

- We use advanced SIEM (Security Information and Event Management) analytics to detect security events of higher complexity, which arise from identifying unusual behaviour and correlations of events related to known attacks. SIEM registered nearly 10,000 security events over the course of the year.
- Automated phishing campaigns are part of our preventive activities. Since 2023, we have deployed a so-called phishing bot that sends tailor-made phishing emails and, with the help of artificial intelligence, assists in training employees and raising awareness about phishing cyberattacks. In 2024, four campaigns were carried out for all users, resulting in a total of over 48,000 phishing emails and 28,000 educational emails.
- In 2024, the cybersecurity department focused on further developing the security systems implemented in previous periods, specifically the building of the Information Security Management System (ISMS).
- The Security Operations Center (SOC) ensures the monitoring, detection, analysis, and response to cyber threats and security incidents in real time and is responsible for protecting the ZSE Group's infrastructure from cyberattacks. It ensures that the appropriate response is made to security incidents.
- A security concept is being prepared for the SCADA system upgrade project, which will ensure that all security requirements are met during the upgrade of the information system. The plan includes the implementation of a tool for monitoring vulnerabilities in the SCADA information system and technologies. This tool will identify technical vulnerabilities in information systems and their components, enabling better management of security risks.

- Proper protection of systems and networks within the ZSE Group is crucial for ensuring the stability of the electricity supply. The Company collaborates with expert organisations on audits, forensic analyses, and penetration tests, as well as with government agencies and other key partners to share information about potential threats and monitor best practices in security.
- The cybersecurity unit focused on increasing security awareness among employees. In 2024, an intensive "Oktokyber" communication campaign took place as part of Cybersecurity Awareness Month. The Company places emphasis on employee education through e-learning and specialised training.

Processes for monitoring the effectiveness of implemented measures

We systematically monitor the effectiveness of the implemented measures and use the following processes for this purpose:

1. Network and information system security monitoring: the implementation of a central tool for logging the activities of networks, information systems, and their users. This tool ensures security monitoring of the internal cyber space and system operations;
2. Log outage control: the supplier continuously monitors missing and inactive log sources, which are grouped according to the duration of the outage;
3. Managing documentation in the area of data protection: the Company has implemented orders of the Board of Directors and directors' orders that define the basic responsibilities of employees in relation to data protection. These documents outline measures, procedures, and competencies related to data protection;
4. Internal audits and sustainability reports: as part of internal audits, we monitor the performance of processes and their parameters, such as the complexity of mutually influencing factors. We transparently publish information in sustainability reports;
5. Gradual digitalisation and the introduction of innovations lead to the redesign of affected processes and open up opportunities for improving resource utilisation efficiency.

2. Metrics and target values

Targets and indicators of progress

The main long-term goals of the ZSE Group in the field of cybersecurity include developing the Information Security Management System (ISMS), monitoring information security, data protection, and increasing security awareness.

The ESG strategy represents the ZSE Group's commitment to cybersecurity and defines a performance indicator (KPI) as a voluntary measurable target in relation to training. This KPI for cybersecurity tracks the percentage of employees who have successfully completed e-learning training in cybersecurity and data protection. The goal is to maintain an annual training repetition rate with a success level of at least 80% for all employees, prospectively until 2030 and 2035. The participation rate in the reporting period was 80%.

				Baseline	Target	Target
Nr.	Material topic	ESG Key Performance Indicator (ESG KPI)	Rationale	2024	2030	2035
22.	Cybersecurity – Data protection (Entity specific topic)	Completion of e-learning at the required level in the areas of data protection and cybersecurity. <u>Metric:</u> The percentage of employees who successfully completed the e-learning on cybersecurity and data protection out of the total number of employees to whom the training was assigned.	The KPI tracks the proportion of employees who successfully completed the e-learning training compared to all ZSE Group employees to whom the training was assigned, ensuring they are familiar with the rules and procedures for protecting Company data and systems. The training is regularly repeated on a yearly basis. The required level means the test was successfully completed. The target is to have at least 80% of employees successfully complete the test in the given calendar year. The initial value was set based on the 2024 expectation.	80%	80%	80%

Justified complaints regarding violation of customer privacy and the loss of customer data

In the reporting period, a total of 161 data protection breaches were reported. Out of this number, 1 breach was reported to the Office for Personal Data Protection due to the risk posed to the affected individuals. This incident was detected internally and was not filed as a complaint regarding violation of privacy or data loss. In other cases, the concerns were raised by external parties (customers), and the risk was deemed negligible; it was therefore not necessary to report them to the Office for Personal Data Protection. In none of the mentioned cases was the risk assessed as relevant from the cybersecurity perspective.

Annexes

Individual Financial Statements and Independent Auditors' Report - 31 December 2024

Consolidated Financial Statements and Independent Auditors' Report - 31 December 2024

Západoslovenská energetika, a.s.

**Separate Financial Statements
and Independent Auditors' Report**

31 December 2024

March 2025

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KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

Tel +421 (0)2 59 98 41 11
Web www.kpmg.sk

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

Independent Auditors' Report

**To the Shareholders, Supervisory Board and Board of Directors of
Západoslovenská energetika, a.s.**

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Západoslovenská energetika, a.s. (the "Company"), which comprise:

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

and, for the period then ended:

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

and

- notes to the separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate 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 separate 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.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

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

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

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 separate financial statements and our auditors' report thereon. Our opinion on the separate financial statements does not cover the other information in the Annual Report.

In connection with our audit of the separate 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 separate financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited separate financial statements or our knowledge obtained in the audit of the separate 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 separate financial statements prepared for the same financial year, and whether the Annual Report, excluding Sustainability Reporting requirements, contains information required by the Act on Accounting.

With regard to the Sustainability Reporting, which constitutes a separate part of the Annual Report, we performed a limited assurance engagement, the results of which were presented in a separate assurance report with an unmodified conclusion.

Based on the work undertaken in the course of the audit of the separate 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 separate financial statements prepared for the same financial year; and



- the Annual Report contains information required by the Act on Accounting, excluding Sustainability Reporting requirements.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the separate 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 regard.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of Západoslovenská energetika, a.s. on 6 June 2024 on the basis of approval by the General Meeting of Západoslovenská energetika, a.s. held on 6 June 2024. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 4 years.

Consistency with the additional report to the audit committee

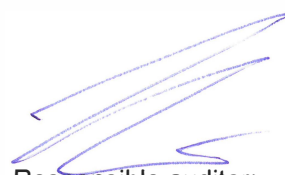
Our audit opinion as expressed in this report is consistent with the additional report to the audit committee of the Company, which was issued on 24 March 2025.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Company in conducting the audit.

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




Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Bratislava, 27 March 2025

Západoslovenská energetika, a.s.
Separate Statement of Financial Position

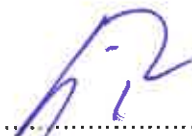
<i>In thousands of EUR</i>	Note	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	6	45,534	33,395
Intangible assets	7	1,266	1,392
Investment properties	8	16,829	15,565
Right-of-use assets	9	2,413	2,791
Investments in subsidiaries and joint venture	10	1,180,846	1,910,402
Finance lease receivables	11	3,396	2,929
Trade and other receivables	14	1,629	1,483
Loans provided to subsidiary	12	627,964	623,991
Deferred income tax receivables	19	1,478	1,327
Total non-current assets		1,881,355	2,593,275
Current assets			
Inventories	13	3,403	4,306
Loans provided to subsidiary and accrued interest	12	8,791	8,689
Trade and other receivables	14	123,593	7,590
Current income tax refund receivable	19	1,274	-
Finance lease receivables	11	694	692
Receivables from cash pooling	23	290,631	7,334
Cash and cash equivalents	15	193,800	247,612
Assets held for sale and discontinued operations	34	8,486	8,486
Total current assets		630,672	284,709
TOTAL ASSETS		2,512,027	2,877,984
EQUITY			
Share capital	16	282,467	282,467
Legal reserve fund	17	56,520	56,520
Other funds	16	662,581	662,581
Retained earnings		370,289	159,520
TOTAL EQUITY		1,371,857	1,161,088

Západoslovenská energetika, a.s.
Separate Statement of Financial Position

<i>In thousands of EUR</i>	Note	31 December 2024	31 December 2023
LIABILITIES			
Non-current liabilities			
Issued bonds	18	314,320	314,008
Borrowings	24	314,904	314,648
Lease liabilities	9	5,547	5,377
Trade and other payables	22	9,555	7,010
Post-employment defined benefit obligations	20	830	385
Provisions for liabilities and charges		139	-
Other long term employee benefits	21	198	161
Total non-current liabilities		645,493	641,589
Current liabilities			
Issued bonds and accrued interest on issued bonds	18	4,294	4,294
Borrowings	24	60,198	-
Lease liabilities	9	1,243	1,216
Trade and other payables	22	138,149	876,462
Current income tax liability	42	-	1,344
Liabilities from cash pooling	23	219,162	169,573
Provisions for liabilities and charges		275	-
Liabilities related to assets held for sale and discontinued operations	34	71,356	22,418
Total current liabilities		494,677	1,075,307
TOTAL LIABILITIES		1,140,170	1,716,896
TOTAL LIABILITIES AND EQUITY		2,512,027	2,877,984

These separate financial statements have been approved for issue by the Board of Directors on 27 March 2025.


.....
Markus Kaune
Chairman of the Board of Directors and CEO


.....
Jura Krajcár
Member of the Board of Directors

Západoslovenská energetika, a.s.
Separate Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of EUR</i>	Note	2024	2023
Revenues from contracts with customers	25	26,976	19,656
Compensation		40	432
Raw material, energy and other consumption	26	(5,681)	(5,052)
Employee benefits	27	(16,229)	(11,598)
Depreciation of property, plant and equipment and investment properties	6, 8	(2,594)	(2,324)
Amortisation of intangible assets	7	(367)	(321)
Depreciation of right-of-use assets	9	(549)	(524)
Other operating expenses	0	(634,795)	(9,908)
Other operating income	30	10,638	16,232
Dividend income	29	937,334	103,777
Income from subleases		295	108
Own work capitalised		489	351
Operating profit		315,557	110,829
Finance income / (costs)			
Interest income calculated using the effective interest method	32	31,141	26,742
Interest costs and similar expense	31	(27,962)	(24,634)
Finance income, net		3,179	2,108
Profit before tax		318,736	112,937
Income tax expense	19	(1,278)	(2,045)
Profit for the year		317,458	110,892
Other comprehensive income / (loss)			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Actuarial remeasurements of post-employment defined benefit obligations	20	(214)	193
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	19	51	(41)
Changes in the fair value of hedge instruments		(965)	-
Total other comprehensive income / (loss) for the year		(1,128)	152
Total comprehensive income for the year		316,330	111,044

Západoslovenská energetika, a.s.
Separate Statement of Cash Flows

<i>In thousands of EUR</i>	Note	2024	2023
Cash flows from operating activities			
Profit before tax		318,736	112,937
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment and investment properties	6, 8	2,594	2,324
- Loss / (gain) on disposal of property, plant and equipment	6	3	(6,626)
- Amortisation of intangible assets	7	367	321
- Depreciation of right-of-use assets	9	549	524
- Amortization of government grant deferred income		(452)	(1,490)
- Loss on decrease of investment in subsidiaries	10	30,357	-
- Interest income		(31,141)	(26,742)
- Interest and similar expense		27,962	24,634
- Dividend income	29	(937,334)	(103,777)
- Provision for financial investments		592,514	-
- ECL allowance for loan provided to subsidiary		(995)	(1,340)
- Other non-cash items		(765)	(593)
Cash generated from operations before changes in working capital		2,395	172
Changes in working capital:			
- Inventories		903	(3,169)
- Trade and other receivables		(4,564)	(1,110)
- Trade and other payables		8,701	2,775
- Lease liabilities		(351)	(108)
- Provisions for liabilities and charges		488	6
Cash (used in)/generated from operations before interest and taxes		7,572	(1,434)
Interest income received		31,094	23,489
Interest expense paid		(26,735)	(26,475)
Income tax refund/ (paid)	42	(3,996)	(899)
Net cash (used in)/from operating activities		7,935	(5,319)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(12,317)	(6,807)
Dividend income received	29	314,140	103,777
Receipts from finance lease receivables		989	800
Cash received as a result of government grant		701	1,925
Proceeds from sale of property, plant and equipment and intangible assets	6	87	12,002
Receivables from cash pooling	23	(187,803)	-
Payment for investments increase in subsidiaries	10	(4,900)	-
Net cash from investing activities		110,897	111,697
Cash flows from financing activities			
Dividends paid	16	(105,561)	(72,727)
Repayment of principal of lease liabilities	37	(1,137)	(1,157)
Repayments of borrowings	24	(65,946)	195,087
Liabilities from cash pooling	23	-	313,806
Expenditure on repayment of issued bonds		-	(315,000)
Net cash used in financing activities		172,644	120,009
Net change in cash and cash equivalents		(53,812)	226,387
Cash and cash equivalents at the beginning of the year		247,612	21,225
Cash and cash equivalents at the end of the year	15	193,800	247,612

1 Introduction

These individual financial statements have been prepared under the Slovak Accounting Act (Act No. 431/2002 Coll. as amended) and in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2024 for Západoslovenská energetika, a.s. (hereinafter “The Company” or “ZSE”).

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 15 October 2001. The Company was incorporated in the Commercial Register of the Municipal Court Bratislava III on 1 November 2001.

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

The Company's principal subsidiaries are as follows: Západoslovenská distribučná, a.s. which operates electricity distribution network in Western Slovakia, ZSE Energia, a.s. which supplies electricity and gas to its retail and wholesale customers, Východoslovenská energetika a.s. which supplies electricity and gas to customers, Východoslovenská energetika Holding a.s. which provides supporting services, Východoslovenská distribučná, a.s. which operates electricity distribution network in Eastern Slovakia, ZSE Energy Solutions, s.r.o. which is in engineering business, ZSE MVE, s. r. o. which operates two small hydroelectric power plants, ZSE Business Services, s. r. o. which is a trading company and ZSE Energetické služby, s.r.o. which are companies providing services, ZSE Elektrárne, s.r.o., which operates gas fired steam turbine power plant. All of the subsidiaries are incorporated in the Slovak Republic and are wholly owned by the Company.

On May 4, 2023, E.ON and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, as shareholders of the Group, signed the Addendum to the Memorandum of Understanding dated July 30, 2020 (the "Memorandum"), on the basis of which the Slovak Republic had the right, until 31 December 2024, to request E .ON to request the transfer of a 100% share in the company ZSE Elektrárne, s.r.o.. During the year 2023, the Slovak Republic exercised the option to acquire a business share, thereby expressing its interest in the purchase of the share in ZSE Elektrárne, s.r.o. which will be realized for a usual market value and under standard market conditions and in accordance with all legal regulations. Considering the above facts and the highly probable purchase of the business share in the company ZSE Elektrárne, s.r.o. within one year, as of 31 December 2024, the Company classified this investment in current assets as assets held for sale according to IFRS 5 Long-term assets held for sale and discontinued operations (Refer to Note 34).

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

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

Ownership structure at 31 December 2024. Ministry of Economy of the Slovak Republic owns 51% of the Company's shares (31 December 2023: 51% of the Company's shares), E.ON Slovensko, a.s. owns 24.17% of the Company's shares (31 December 2023: 24.17% of the Company's shares), E.ON Beteiligungen GmbH owns 10% of the Company's shares (31 December 2023: 10% of the Company's shares) and E.ON International Participations N.V owns 14.83% of the Company's shares (31 December 2023: 14.83% of the Company's shares).

The Company is jointly controlled by E.ON and the Slovak government as a result of a shareholders' agreement, which requires the parties to act jointly together to direct the activities that significantly affect the returns of the reporting entity. Refer to Note 16.

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

Number of employees. The Company employed 225 staff on average during 2024 (2023: 182 employees on average). Number of employees at 31 December 2024 was 242, of which 14 were management (31 December 2023: 188 employees, of which 9 were management).

2 Significant Accounting Policies

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union under the historical cost convention. The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented. The financial statements have been prepared on accrual basis and under the going concern assumption. The transactions are recognized in the financial statements in the period to which they relate. The Board of Directors may propose to the Company’s shareholders to amend the separate financial statements until their approval by the general shareholders meeting. However, § 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity’s accounting records after the financial statements are approved by the general shareholders’ meeting. If, after the financial statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entities to restate comparative information in the reporting period in which the relevant facts are identified.

These separate financial statements have been prepared in addition to the consolidated financial statements of the Západoslovenská energetika, a.s. Group. The separate financial statements should be read in conjunction with the consolidated financial statements to obtain a complete understanding of the Company’s results of operations and financial position. These consolidated financial statements can be obtained from the Company at its registered address.

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

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

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

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

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

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

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

2 Significant Accounting Policies (continued)

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

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

Right-of-use assets are measured at cost at the commencement date of a lease, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct (transaction) costs, and
- costs to restore the asset to the conditions required by lease agreements upon handover to the lessor at the end of the lease.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

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

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

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

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

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

2 Significant Accounting Policies (continued)

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Intangible assets. Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

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

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

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

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

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

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

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

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

2 Significant Accounting Policies (continued)

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

- fixed payments (including in-substance fixed payments), less any lease incentives payable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be receivable by the Company under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Finance lease receivables are initially recognised at commencement of lease term, using a discount rate implicit in the lease to measure net investment in the lease.

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

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

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

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

- fixed payments, less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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

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

2 Significant Accounting Policies (continued)

To determine the incremental borrowing rate, the Company:

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

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

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

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

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

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

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

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

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

2 Significant Accounting Policies (continued)

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

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

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

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

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

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected. The purpose of the business model of the Company is to hold the financial assets to collect cash flows.

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

2 Significant Accounting Policies (continued)

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

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

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

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

Receivables measured at AC, contract assets and finance lease receivables are presented in the statement of financial position net of the allowance for ECL.

The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses a matrix approach for the calculation of lifetime expected loss on trade receivables that takes into account the ageing of the receivables, loss rate for each ageing category of the receivables and the amount of receivables written off. Given that almost all receivables are due from group companies, the Company has considered the expected payment discipline for the next 12 months. On the basis of these indicators, it was decided that the creation of provisions for trade receivables based on historical data is sufficient, as the development of forward looking indicators corresponds to the development in previous periods. Receivables from third parties are insignificant.

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

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

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

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

2 Significant Accounting Policies (continued)

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

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any transaction costs incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any transaction costs incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

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

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest (“SPPI”).

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the share issue. The amount of compensation received for the issued shares above the nominal value of the issued shares is reported by the Company as share premium in Other funds in equity.

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

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

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

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

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

2 Significant Accounting Policies (continued)

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

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the respective reporting period and apply to the period when the related deferred income tax asset will be realised, or the deferred income tax liability will be settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Post-employment and other long term employee benefits. The Company contributes to state and private defined contribution pension and social benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are expensed when incurred.

As agreed with the trade unions, the Company also has (a) a post-employment defined benefit obligation to pay one to eight monthly salaries to each employee upon retirement depending on the number of years worked for the Company and (b) an obligation to pay work and life anniversary long service bonuses (c) an obligation to pay one-off compensation in case of the death of an employee during the performance of the employment, as a result of an occupational disease or outside the performance of the employment.. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

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

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

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

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

2 Significant Accounting Policies (continued)

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

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

Provisions / Contingent liabilities. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

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

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

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

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

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

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

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

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

Financial guarantees. Financial guarantees require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised as a liability at fair value and a corresponding receivable for the future fees due from the debtor with excess, if any, increasing the cost of investment (as a contribution in kind in substance) in the subsidiary whose obligations are guaranteed. This liability is then amortised to other operating income on

2 Significant Accounting Policies (continued)

a straight line basis over the life of the guarantee. At the end of each reporting period, the liabilities for the issued guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed

exposure determined based on the expected credit loss model and (ii) the remaining unamortised balance of the amount of the liability recognised at initial recognition. In addition, an ECL loss allowance is recognised in profit or loss for fees receivable that are recognised in the statement of financial position as an asset.

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

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

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

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

3 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2024, but did not have any material impact:

Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.).

Amendments to IAS 1, Presentation of Financial Statements - Non-Current Liabilities with Covenants (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted. Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments.).

Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures: Supplier Finance Arrangements (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.).

Amendments to IFRS 16, Leases - Lease Liability in a Sale and Leaseback (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.).

4 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for annual periods beginning on or after 1 January 2024, and which the Company has not early adopted:

a) New or amended Standards and Interpretations, as endorsed by the EU as at 20 January 2025, that are effective for annual periods beginning after 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:

4 New Accounting Pronouncements (continued)

- 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 Company assessed the impact of the amendments on its individual financial statements as not relevant.

b) New or amended Standards and Interpretations that are effective for annual reporting periods beginning after 1 January 2024, not yet endorsed by the EU as at 20 January 2025

IFRS 18, Presentation and Disclosure in Financial Statements (Effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.). 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:

4 New Accounting Pronouncements (continued)

- 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.). IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19.

A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:

- it does not have public accountability,
- its parent produces consolidated financial statements under 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, Financial Instruments and IFRS 7, Financial Instruments: Disclosures: Amendments to the 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.

4 New Accounting Pronouncements (continued)

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.

Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures: Contracts Referencing Nature-dependent Electricity (Effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.). The amendments enable nature-dependent electricity contracts, which are sometimes referred to as renewable power purchase agreements (PPAs), to be better reflected in the financial statements. The amendments:

- clarify the application of the own use exemption to these contracts.
- amend the hedge accounting requirements to allow contracts for electricity from nature-dependent renewable energy sources to be used as a hedging instrument if certain conditions are met.
- introduce additional disclosure requirements to enable investors to understand the impact of these contracts on a company's financial performance and future cash flow.

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

Annual Improvements to IFRS Standards – Volume 11 (Effective for annual reporting periods on or after 1 January 2026. Earlier application is permitted. The amendment on derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied).

In this volume of improvements, the IASB makes minor amendments to IFRS 9, Financial Instruments, and to a further four accounting standards (IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures, 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 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.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Trade receivables. The Company applies a simplified approach to trade receivables under IFRS 9, ie it measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the ageing of receivables, loss rate for each ageing category, and the amount of receivables written off.

The Company has considered the expected payment discipline for the next 12 months. Based on these indicators, it was decided that the expected loss allowance for trade receivables based on historical data is sufficient, as the development of the forward looking indicators corresponds to the development of previous periods. Possible developments of macroeconomic indicators do not have significant impact on expected credit losses from trade receivables.

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

ECL allowance for receivables from cash pooling due from the subsidiaries and related issued guarantees. The Company also recognised an allowance for receivables from cash pooling due from the subsidiaries (Note 23). The Company calculates ECL based on internal rating model of subsidiaries that is derived from risk rating of Západoslovenská energetika, a.s. and after considering various qualitative criteria the ECL for particular entity is adjusted. The estimate of this allowance is based on cost of debt of 0.32% p.a. (2023:0.95% p.a.), that is part of the market data derived weighted average cost of capital ("WACC"). The Company also estimated the amount of the provision for guarantees of ZSE Elektrárne's liabilities to its suppliers (Note 42) based on the difference between this cost of debt and the Company's market interest rate as a guarantor, which should reflect the value of credit risk enhancement from the guarantee holder's perspective.

Lease extension and termination options. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, equipment and vehicles, the following factors are normally the most relevant:

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

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. The estimated lease term was not revised during the current reporting period.

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

Control over ZSE Elektrárne, s.r.o. On May 4, 2023, E.ON and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, as shareholders of the Group, signed the Addendum to the Memorandum of Understanding dated July 30, 2020 (the "Memorandum"), on the basis of which the Slovak Republic had the right, until 31 December 2024, to request the transfer of a 100% share in ZSE Elektrárne, s.r.o. from E.ON. During the year 2023, the Slovak Republic exercised the option to acquire the share, thereby expressing its interest in the transfer of the share in ZSE Elektrárne, s.r.o., which will be carried out for a fair market value determined under usual market conditions and in accordance with all applicable legal regulations.

The Company's management considered that the Company still has control over ZSE Elektrárne, s.r.o. until the day of the transfer of the business share because its view is that the Memorandum is non-binding, it was signed by E.ON and not by Západoslovenská energetika, a.s. and it is therefore not directly enforceable against the Company and its governing bodies.

In considering of the expressed interest of the Slovak Republic and claim the option to acquire a business share in the company ZSE Elektrárne, s.r.o. the management of the Company consider that the sale of the investment is highly probable within one year. As of 31 December 2023 the Company reclassified this investment as current assets as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (Note 34).

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

6 Property, Plant and Equipment

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

<i>In thousands of EUR</i>	Land	Buildings	Equip-ment, vehicles and other assets	Capital work in progress	Total
Cost at 1 January 2023	1,582	25,224	16,967	4,158	47,931
Accumulated depreciation and impairment losses	-	(9,312)	(10,306)	-	(19,618)
Carrying amount at 1 January 2023	1,582	15,912	6,661	4,158	28,313
Transfer to investment property	(12)	(209)	-	-	(221)
Additions	-	-	-	7,153	7,153
Transfers	-	1,266	1,394	(2,660)	-
Depreciation charge	-	(665)	(1,084)	-	(1,749)
Disposals	(20)	(81)	-	-	(101)
Cost at 31 December 2023	1,550	25,941	18,319	8,651	54,461
Accumulated depreciation and impairment losses	-	(9,718)	(11,348)	-	(21,066)
Carrying amount at 31 December 2023	1,550	16,223	6,971	8,651	33,395
Transfer to investment property	(211)	(784)	-	-	(995)
Additions	-	-	-	15,216	15,216
Transfers	-	3,576	3,408	(6,984)	-
Depreciation charge	-	(680)	(1,263)	-	(1,943)
Disposals	-	(6)	-	(133)	(139)
Cost at 31 December 2024	1,339	28,209	21,301	16,750	67,599
Accumulated depreciation and impairment losses	-	(9,880)	(12,185)	-	(22,065)
Carrying amount at 31 December 2024	1,339	18,329	9,116	16,750	45,534

6 Property, Plant and Equipment (continued)

The Company holds insurance against damages caused by natural disasters up to EUR 379,556 thousand for buildings and up to amount of EUR 17,815 thousand for equipment, fixtures, fittings and other assets (2023: EUR 328,019 thousand and EUR 10,043 thousand).

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

<i>In thousands of EUR</i>	2024	2023
Net book value of assets disposed of	90	301
(Loss) / gain on disposal of property, plant and equipment	(3)	6,626
Income from the sale of property intended for future repurchase	-	5,075
Proceeds from disposals	87	12,002

7 Intangible Assets

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

<i>In thousands of EUR</i>	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2023	27,757	543	28,300
Accumulated amortisation and impairment losses	(27,054)	-	(27,054)
Carrying amount at 1 January 2023	703	543	1,246
Additions	-	467	467
Transfers	517	(517)	-
Amortisation charge	(321)	-	(321)
Cost at 31 December 2023	28,274	493	28,767
Accumulated amortisation and impairment losses	(27,375)	-	(27,375)
Carrying amount at 31 December 2023	899	493	1,392

7 Intangible Assets (continued)

<i>In thousands of EUR</i>	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2024	28,274	493	28,767
Accumulated amortisation and impairment losses	(27,375)	-	(27,375)
Carrying amount at 1 January 2024	899	483	1,392
Additions	-	241	241
Transfers	51	(51)	-
Amortisation charge	(367)	-	(367)
Cost at 31 December 2024	28,325	683	29,008
Accumulated amortisation and impairment losses	(27,742)	-	(27,742)
Carrying amount at 31 December 2024	583	683	1,266

8 Investment Properties

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

<i>In thousands of EUR</i>	2024			2023		
	Investment properties owned by Company	Right-of- use property that was subleased	Total	Investment properties owned by Company	Right-of- use property that was subleased	Total
Cost at 1 January	25,776	-	25,776	25,563	-	25,563
Accumulated depreciation and impairment losses	(10,211)	-	(10,211)	(9,574)	-	(9,574)
Carrying amount at 1 January	15,565	-	15,565	15,989	-	15,989
Transfer from property, plant and equipment to investment property	995	-	995	221	-	221
Transfer from investment property to finance lease receivables	-	-	-	-	-	-
Additions	920	-	920	130	-	130
Depreciation charge and impairment	(651)	-	(651)	(575)	-	(575)
Disposals	-	-	-	(200)	-	(200)
Cost at 31 December	28,085	-	28,085	25,776	-	25,776
Accumulated depreciation and impairment losses	(11,256)	-	(11,256)	(10,211)	-	(10,211)
Carrying amount at 31 December	16,829	-	16,829	15,565	-	15,565

8 Investment Properties (continued)

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

In 2019, The Company verbally agreed with its lessees Západoslovenská distribučná, a.s. and ZSE Energia, a.s., that it will allow them to annually renew the office leases at the then prevailing market level rent for up to 15 years. These leases were classified as operating leases.

Rental income of investment properties is presented in Note 30. Direct operating expenses of investment properties were EUR 6,072 thousand (2023: EUR 4,512 thousand) and these are recharged to the lessees in the lease.

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

<i>In thousands of EUR</i>	2024	2023
Due during:		
- year 1	8,443	8,192
- year 2	8,148	7,964
- year 3	8,148	7,964
- year 4	8,148	7,964
- year 5	8,148	7,964
- periods after year 5	32,519	39,752
Total future investment properties operating lease payments receivable	73,554	79,800

9 Right-of-use Assets and Lease Liabilities

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

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

<i>In thousands of EUR</i>	Buildings	Energy buildings and equipment	Vehicles	Total
Carrying amount at 1 January 2023	-	2,999	143	3,142
Additions	-	-	180	180
Disposals	-	-	(7)	(7)
Depreciation charge	-	(460)	(64)	(524)
Impairment	-	-	-	-
Carrying amount at 31 December 2023	-	2,539	252	2,791
Additions	59	-	112	171
Disposals	-	-	-	-
Depreciation charge	(4)	(460)	(85)	(549)
Carrying amount at 31 December 2024	55	2,079	279	2,413

9 Right-of-use assets and lease liabilities (continued)

The Company recognised lease liabilities as follows:

<i>In thousands of EUR</i>	2024	2023
Short-term lease liabilities	1,243	1,216
Long-term lease liabilities	5,547	5,377
Total lease liabilities	6,790	6,593

Interest expense on lease liabilities is presented in Note 31.

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

<i>In thousands of EUR:</i>	2024	2023
Expense relating to short-term leases	25	15
Expense relating to leases of low-value assets that are not as short-term leases	253	117

Total cash outflows for leases were as follows:

<i>In thousands of EUR:</i>	2024	2023
Short-term lease payments	25	15
Payments for leases of low-value assets other than short-term leases	253	117
Repayment of principal of lease liabilities	1,137	1,157
Interest from leasing paid	231	175
Total cash outflows for leases	1,646	1,464

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

As at 31 December 2024, potential future cash outflows of EUR 0 thousand (2023: EUR 0 thousand) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

10 Investments in Subsidiaries and Joint Venture

<i>In thousands of EUR</i>	2024	2023
Total non-current investments at 1 January	1,910,402	292,663
Additions	4,900	1,626,224
Disposals	(111,585)	-
Loss on decrease of investment in subsidiaries	(30,357)	-
Provision for investment in subsidiaries	(592,514)	-
Reclassification of investment into assets held for sale (spol. ZSE Elektrárne, s.r.o. Note 34)	-	(8,486)
Other	-	1
Total non-current investments at 31 December	1,180,846	1,910,402

<i>In thousands of EUR</i>	% *	Activities	2024	2023
Západoslovenská distribučná, a.s.	100	Distribution of electricity	276,684	276,684
ZSE Energia, a.s.	100	Trade in electricity / gas	6,725	6,725
ZSE Energy Solutions, s.r.o.	100	Engineering	200	200
ZSE MVE, s. r. o.	11.3**	Electricity production	1	1
ZSE Business Services, s. r. o.	100	Trading activities	5	5
ZSE Elektrárne, s.r.o.	100	Electricity production	-	-
ZSE Energetické služby, s.r.o.	100	Services	4 905	5
Východoslovenská energetika Holding a.s.	100	Services	30,722	765,178
Východoslovenská energetika a.s.	100	Trade in electricity / gas	276,578	276,578
Východoslovenská distribučná, a.s.	100	Distribution of electricity	584,468	584,468
Total investments in subsidiaries			1,180,287	1,909,844
Energotel, a.s.	20	Telecommunication services	525	525
Total investments in joint ventures			525	525
Other investments			33	33
Total investments in subsidiaries and joint venture			1,180,846	1,910,402

* Ownership interest and voting rights held.

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

On April 8, 2022, E.ON SE (hereinafter referred to as "E.ON") and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic (hereinafter referred to as the "State"), concluded the Agreement on Future Consolidation, based on which the end of 2023 realized the consolidation of ZSE and Východoslovenská energetika Holding a.s. (hereinafter referred to as the "VSEH"). Subsequently, the Extraordinary General Meeting of Západoslovenská energetika, a.s. held on 28 August 2023 approved the implementation steps related to the consolidation process of the ZSE and VSEH.

10 Investments in Subsidiaries and Joint Venture (continued)

In connection with the resolution of the Extraordinary General Meeting of the Company on 23 November 2023, the Company acquired 100% of the share capital of the subsidiary Východoslovenská energetika Holding a.s. and thereby gained control through its ability to cast a majority of votes at a general meeting of shareholders. The transaction was carried out through the contribution of shares to the Company's equity, while the previous shareholders and partners of the subsidiary VSEH, which are the Ministry of Economy of the Slovak Republic and E.On First Future Energy Holding B.V. acquired for exchange shares in the Company (Note 16).

As part of the consolidation process of the ZSE and VSEH, the Company acquired business shares in the following companies, thereby becoming their direct shareholder:

- 100% of the shares of Východoslovenská distribučná, a.s. in the purchase price determined on the basis of valuation by an experts' report in the amount of 584,468 thousand. EUR. The transfer of shares was registered in the Central Securities Depository of the Slovak Republic on 24 November 2023.
- 100% of the shares of Východoslovenská energetika a.s. in the purchase price determined on the basis of an appraisal by an experts' report in the amount of 276,578 thousand. EUR. The transfer of shares was registered in the Central Securities Depository of the Slovak Republic on November 24, 2023.

This share transfers were approved by the General Meeting on 28 August 2023 and realized under standard market conditions and in accordance with all legal regulations.

On 19 August 2024, the Extraordinary General Meeting of the Company approved the decrease of the share capital of the subsidiary VSEH in the amount of EUR 111,585 thousand, the decrease of the reserve fund of VSEH in the amount of EUR 5,625 thousand, the decrease of other funds in the amount of EUR 12,946 thousand and the payment of an extraordinary share in the profit of previous periods in the amount of EUR 604,623 thousand and subsequently the offsetting of receivables from the acquisition of a business interest in the company VSEH with the liabilities listed above. Based on the implemented decisions, the Company recognized a provision for financial investment in the subsidiary VSEH in the amount of EUR 592,514 thousand and loss on decrease on investment in subsidiary in amount of EUR 30,357 thousand (Note 28).

11 Finance Lease Receivables

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

<i>In thousands of EUR</i>	2024	2023
Due during		
- the 1 st year	772	765
- the 2 nd year	772	765
- the 3 rd year	669	755
- the 4 th year	634	637
- the 5 th year	451	637
Later than 5 years	1,155	512
Total undiscounted finance lease payments receivable	4,636	4,071
Unearned finance income	(546)	(450)
Finance lease receivable	4,090	3,621

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

12 Loans Provided to Subsidiary

An overview of loans provided to subsidiary is as follows:

<i>In thousands of EUR</i>	2024	2023
Loan 1 provided to Západoslovenská distribučná, a.s. - principal	315,000	315,000
Loan 2 provided to Západoslovenská distribučná, a.s. - principal	315,000	315,000
Allowance for possible impairment of the long term loan (ECL)	(2,036)	(6,009)
Total loans provided to subsidiary – non-current	627,964	623,991
Loan 2 provided to Západoslovenská distribučná, a.s. - principal	-	-
Accrued interest on loans provided to subsidiary due within one year	8,820	8,773
Allowance for possible impairment of the long term loan (ECL)	(29)	(84)
Total loans provided to subsidiary – current	8,791	8,689
Total loans provided to subsidiary	636,755	632,680

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

<i>In thousands of EUR</i>	Credit loss allowance	Gross carrying amount
At 1 January 2023	6,174	630,000
Reassessment of ECL during the reporting period	(81)	-
At 31 December 2023	6,093	630,000
Reassessment of ECL during the reporting period	(4,028)	-
At 31 December 2024	2,062	630,000

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

Loan 1 has maturity on 2 March 2028 and carries interest rate of 2.00% p.a.. In 2023, the Company extended the maturity of loan 2, originally due on 1 October 2023 considering the maturity of bank borrowings received for bond refinancing. Loan 2 has maturity on 15 October 2026 and carries interest rate of 4.5% p.a..

As the loans are due from a related party without any significant increase in risk of default since their origination, the loans expected loss allowance was calculated on a 12-month basis.

13 Inventories

The inventory items included material, spare parts and goods and are shown net of provision for slow-moving materials and spare parts of EUR 0 thousand (2023: EUR 83 thousand). The cost of inventories recognized as expense and included in 'Raw materials, energy and other consumption' is disclosed in Note 26. No inventories have been pledged as collateral.

13 Inventories (continued)

<i>In thousands of EUR</i>	2024	2023
Material and spare parts	3,403	4,355
Goods	0	34
Provision for inventories	0	(83)
Total inventories	3,403	4,306

14 Trade and Other Receivables

<i>In thousands of EUR</i>	2024	2023
Trade receivables	1,629	1,483
Less allowance for possible impairment of trade receivables	-	-
Total non-current trade and other receivables, net	1,629	1,483

<i>In thousands of EUR</i>	2024	2023
Trade receivables	5,409	6,771
Less allowance for possible impairment of trade receivables	(304)	(189)
Current trade receivables, net	5,105	6,582
Prepayments	1,279	1,008
Receivables from the reduction of the share capital and reserve fund of subsidiary	117,209	-
Total current trade and other receivables	123,593	7,590

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

<i>In thousands of EUR</i>	2024	2023
Allowance for impairment at 1 January	189	137
Impairment loss expense	116	55
Amounts written off during the year as uncollectible	(1)	(3)
Allowance for impairment at 31 December	304	189

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

The Company has a concentration of credit risk towards its subsidiaries and other related parties. Refer to Note 42. The percentage of expected losses for each category of receivables was determined in the model on the basis of the expected settlement, which is based on the ageing analysis for the previous periods, taking into account the probability of repayment in subsequent periods.

14 Trade and Other Receivables (continued)

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

<i>In thousands of EUR</i>	31 December 2024				31 December 2023			
	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Non-current	0.00%	1,629	-	1,629	0.00%	1,483	-	1,483
Total non-current trade receivables		1,629	-	1,629		1,483	-	1,483
Current	0.00%	4,589	-	4,589	0.00%	6,414	-	6,414
<i>Past due:</i>								
- less than 30 days overdue	4.88%	451	22	429	5.22%	134	7	127
- 31 to 60 days overdue	19.61%	51	10	41	21.74%	23	5	18
- 61 to 90 days overdue	60.00%	5	3	2	66.67%	6	4	2
- 91 to 120 days overdue	50.00%	4	2	2	57.14%	7	4	3
- 121 to 180 days overdue	59.21%	76	45	31	60.00%	10	6	4
- 181 to 360 days overdue	69.44%	36	25	11	66.67%	42	28	14
- over 360 days overdue	100.00%	197	197	-	100.00%	135	135	-
Total current trade receivables		5,409	304	5,105		6,771	189	6,582
Total trade receivables		7,038	304	6,734		8,254	189	8,065

15 Cash and Cash Equivalents

<i>In thousands of EUR</i>	2024	2023
Cash and valuables	(2)	-
Current accounts with banks	73,802	97,612
Short-term bank deposits	120,000	150,000
Total cash and cash equivalents in the statement of financial position	193,800	247,612

The Company has a concentration of cash and cash equivalents balances towards 7 banks (2023: 6 banks).

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

<i>In thousands of EUR</i>	2023	2023
<i>Items without significant increase in credit risk (stage 1)</i>		
Cash in current accounts and on hand	(2)	-
Credit rating Aa3 by Moody's	2,757	76
Credit rating A2 by Moody's	60,196	227,496
Credit rating A3 by Moody's	110,517	-
Credit rating Baa1 by Moody's	20,332	20,040
Total cash and cash equivalents	193,800	247,612

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

16 Share Capital

The Company issued and has outstanding 91,431,953 ordinary shares, whereas 5,934,594 ordinary shares (2022: 5,934,594 shares) with a nominal value of EUR 33.19 per share and 85,497,359 ordinary shares (2022: 0 shares) with nominal value of EUR 1 per share. All issued shares are fully paid in.

Based on the decision of the General Meeting of the Company dated on 28 August 2023, the Company increased the share capital by writing off 85,497,359 new ordinary shares with a nominal value of EUR 1 per share and an issue rate of EUR 8,9497 per share, while the total issue rate of new shares refer to EUR 765,178 thousand. From the total issued price of the new shares, the amount of EUR 662,581 thousand is reported as the share premium.

The new issued shares of the Company were fully paid by non-monetary contributions in the form of a deposit of shares of the company Východoslovenská energetika Holding a.s. in the purchase price of EUR 765,178 thousand.

The change in the Company's share capital was registered in the commercial register of the Bratislava III Municipal Court on 23 November 2023.

Based on the valid shareholders agreement, the Company is jointly controlled by the shareholders, E.ON and the Slovak republic. The Company's strategic plan is approved by all shareholders of the Company. At the same time, all decisions of the general meeting must be made jointly by the existing shareholders, because a qualified two thirds majority of votes is required to pass any decision, while contractual restrictions exist for transfer of shares to parties not under control of existing shareholders.

The general meeting of the Company's shareholders approved the Company's prior year separate financial statements and declared dividends of EUR 105,561 thousand or EUR 12.40 per share with a nominal value of EUR 33.19 and EUR 0.37 per share with a nominal value of EUR 1 (2023: dividends of EUR 72,727 thousand or EUR 12,25 per share). The declaration of dividends by the General Meeting and their payout to the Company's shareholders took place in 2023 before the Company increased its share capital by issuing 85,497,359 new ordinary shares with a nominal value of EUR 1 per share. Slovak legislation identifies distributable reserves as retained earnings reported in these separate financial statements of the Company.

17 Legal Reserve Fund

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

Due to the changes in share capital, the General Meeting of the Company on 28 August 2023 agreed to increase the Company's legal reserve fund by the amount of EUR 17,099 thousand. The replenishment of the legal reserve fund was fully paid as part of a non-monetary deposit in the form of a deposit of shares in the company Východoslovenská energetika Holding a.s.

18 Issued Bonds

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

Amortised cost carrying value of the bonds is as follows:

<i>In thousands of EUR</i>	2024	2023
Issued bonds – non-current principal and deferred transaction costs	314,320	314,008
Issued bonds – current principal, accrued interest payable within one year and deferred transaction costs	4,294	4,294
Total carrying value of the bonds	318,614	318,302

Considering the current situation on the capital markets, the Company on 18 April 2023 prematurely repaid bonds (ISIN: XS0979598462) with a nominal value of EUR 315,000 thousand including the relevant coupon which were originally due in October 2023 and refinanced them through non-current bank loans (Note 24).

19 Income Taxes

Income tax expense comprises the following:

<i>In thousands of EUR</i>	2024	2023
Current tax at standard rate of 21% (2023: 21%)	1,378	3,189
Current tax for previous periods	-	-
Deferred tax	(100)	(1,144)
Total income tax expense	1,278	2,045

In 2024, the applicable standard income tax rate was 21% (2023: 21%). A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates is as follows:

<i>In thousands of EUR</i>	2024	2023
Profit before tax	318,736	112,937
Theoretical tax charge at applicable tax rate of 21% (2022: 21%)	66,935	23,717
Non-deductible expenses / (non-taxable income) for which deferred tax was not recognised		
- dividend income not subject to tax	(196,840)	(21,793)
- expenses not deductible for tax purposes	6,690	312
Impact of change applicable tax rate to 24% from 1 January 2025	(17,960)	-
Impact of change in unrecognised deferred tax asset from deductible temporary differences	142,203	-
Other	250	(191)
Income tax expense for the period	1,278	2,045

19 Income Taxes (continued)

The deferred taxes are expected to be recovered or settled after more than twelve months after the end of the reporting period because income tax returns are due annually, that is, the deferred tax outstanding at 31 December 2024, that will become current tax in 2025, will be settled in 2026 upon filing the 2025 tax return. The corporate tax advance payments are calculated based on prior year taxes and are thus unrelated to deferred tax balances or the current tax expense expected for subsequent years.

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

Deferred taxes are attributable to the following temporary differences:

<i>In thousands of EUR</i>	2024	2023
Differences between tax base and carrying value of property, plant and equipment	(1,146)	(1,028)
Post-employment defined benefit obligation and other long term and short term employee benefits	1,180	384
Other liabilities	178	384
Provision for impairment of trade receivables and loans	1,267	1,299
Other	-	288
Total net deferred tax assets, net	1,478	1,327

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (51) thousand (2023: EUR (41) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

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

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

20 Post-Employment Defined Benefit Obligations

As agreed with the trade unions, the Company has a post-employment defined benefit obligation to pay one to eight monthly salaries (2023: one to seven) to each employee upon retirement depending on the numbers of years worked for the Company. The movements in the present value of defined benefit obligation are:

<i>In thousands of EUR</i>	2024	2023
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	385	550
Current service cost	(42)	55
Interest cost	15	16
Past service costs due to changes in the defined benefit plan rules from continuing operations	52	-
Total expense (Note 27)	25	71
<i>Actuarial remeasurements:</i>		
attributable to changes in financial assumptions	30	(13)
attributable to changes in demographic assumptions	11	(90)
attributable to experience adjustments	173	(90)
Total actuarial remeasurements recognised in other comprehensive income	214	(193)
Benefits paid during the year	(40)	(43)
Other	246	-
Present value of unfunded post-employment defined benefit obligations at the end of the year	830	385

The principal actuarial assumptions were as follows:

	2024	2023
Number of employees at 31 December	242	188
Staff turnover	4.61%	4.29%
Expected salary increases short-term	6.00%	7.55%
Expected salary increases long-term	2.50%	2.50%
Discount rate	3.45%	3.30%

Changes in the actuarial assumptions would lead to the following changes in the present value of the post-employment defined benefit obligations:

	2024		2023	
<i>In thousands of EUR</i>	Increase	Decrease	Increase	Decrease
Staff turnover (change by 10%)	(44)	47	(15)	16
Expected salary increases long-term (change by 10%)	25	(24)	10	(10)
Discount rate (change by 0.5%)	(46)	49	(17)	18

21 Other Long Term Employee Benefits

The Company makes EUR 1,400 (2023: EUR 1,400) payment to each employee at the age of 50, subject to 5 year continuous service (2023: 5 years) and EUR 776 to each employee at the age of 50, subject to 5 -14 years continuous service (2023: EUR 1,400 payment to each employee at the age of 50, subject to 5 year continuous service) vesting condition. In addition, the Company pays regular long term work anniversary bonuses in general every 10 years in amounts between EUR 400 to EUR 1,250 (2023: between EUR 400 to EUR 1,250) and one-time compensation in case of the death of an employee during the performance of the profession or as a result of an occupational disease in the value of EUR 20,000 (2023: EUR 20,000) and compensation in case of the death of an employee outside the performance of the profession in the value of EUR 13,300 (2023: EUR 13,300).

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

22 Trade and Other Payable

<i>In thousands of EUR</i>	2024	2023
Other financial liabilities	5,759	5,417
Non-current financial liabilities	5,759	5,417
Deferred revenues	3,796	1,593
Total non-current trade and other payables	9,555	7,010
<i>In thousands of EUR</i>	2024	2023
Trade payables	8,782	5,192
Other accrued liabilities	3,356	2,479
Liabilities of purchase of investment in subsidiaries	117,209	861 047
Liabilities from derivative financial instruments	965	-
Other financial liabilities	51	7
Total current financial instruments within trade and other payables	130,363	868,725
Employee benefits payable	816	476
Social security on employee benefits	496	371
Accrued staff costs	2,295	1,554
Value added tax payable	422	211
Liabilities of issued guarantees	2,825	2,465
Grants	692	2,529
Other payables	240	131
Total current trade and other payables	138,149	876,462

The Company had overdue trade payables of EUR 10 thousand (2023: EUR 6 thousand).

23 Receivables and Liabilities from Cash Pooling

<i>In thousands of EUR</i>	2024	2023
<i>Receivables from subsidiaries</i>		
Západoslovenská distribučná, a.s.	132,674	-
ZSE MVE, s. r. o.	246	787
ZSE Business Services, s. r. o.	2,488	1,638
ZSE Energetické služby, s.r.o.	12,628	4,909
Východoslovenská distribučná, a.s.	143,090	-
VSE Ekoenergia	476	-
VSE Solutions	2,062	-
Total receivables from cash pooling gross	293,664	7,334
ECL allowance for possible impairment of receivables from cash pooling	(3,033)	-
Total receivables from cash pooling	290,631	7,334
<i>Liabilities to subsidiaries</i>		
ZSE Energia, a.s.	127,911	116,635
ZSE Energy Solutions, s.r.o.	250	246
Západoslovenská distribučná, a.s.	-	52,692
Východoslovenská energetika Holding a.s.	7,084	-
Východoslovenská energetika a.s.	83,757	-
VSE Call centrum	160	-
Total liabilities from cash pooling	219,162	169,573

The Company has concluded with its subsidiaries a cash pooling agreement. Based on this agreement the available cash is managed by the Company. In case of additional financing needs the cash from the cash pool of the Company is made available to subsidiaries. The interest rate on receivables from cash pooling in 2024 was €STR* +0.4% p.a., at least 0.4% p.a. (2023: 0.4% p.a., at least 0.4% p.a.). The interest rate on liabilities from cash pooling in 2024 for Tatra banka was at the level 0.9% of €STR, which was changed at monthly intervals and ranged from 2.832% p.a. up to 3.518% p.a.. (2023: 0.9% of €STR, changed at monthly intervals, in range 2.61% p.a. up to 3.515% p.a.. For VÚB banka, the interest rate on liabilities from cash pooling in 2024 was €STR - 0.2% p.a. (2023: €STR - 0.2% p.a.).

*euro short-term rate

In 2024 the Company recognised ECL allowance for receivable from cash pooling due from the subsidiary Západoslovenská distribučná, a.s. of EUR 429 thousand, Východoslovenská distribučná, a.s. a.s. of EUR 462 thousand and ZSE Energetické služby, s. r. o. of EUR 2,142 thousand.

The Company assessed other cash pooling receivables as due on demand; the counterparties are subsidiaries with sufficient assets. ECL on other receivables on cashpool is not material. Subsidiaries do not have an external credit rating and the Company does not consider the receivables due from the subsidiaries to have significant increase in credit risk since origination (stage 1). Refer also to Note 5.

23 Receivables and Liabilities from Cash Pooling (continued)

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

<i>In thousands of EUR</i>	Credit loss allowance	Gross carrying amount
At 1 January 2023	1,175	129,383
New receivables from cash pooling	-	-
ECL allowance change due to cash pooling receivables movement	(1,175)	(122,049)
At 31 December 2023	-	7,334
ECL allowance change due to cash pooling receivables movement	(3,033)	283,297
At 31 December 2024	3,033	290,631

24 Borrowings

<i>In thousands of EUR</i>	2024	2023
Bank loans	315,000	315,000
Accrual of loan-related transaction costs	(96)	(352)
Total non-current borrowings	314,904	314,648
Revolving loan	-	-
Overdraft loan	60,322	-
Accrual of loan-related transaction costs	-124	-
Total current borrowings	60,198	-
Total borrowings	375,102	314,648

24 Borrowings (continued)

Additional informations on the Company's borrowings as at 31 December 2024 are presented in the following:

In thousands of EUR

Creditor	Credit withdrawal	Credit line	Interest rate in % p.a.	Date of validity of the credit line	Collateral
Tatra banka-non-current borrowings	78,750	78,750	1M Euribor+0,9%	15.10.2026	-
ČSOB- current borrowings	78,750	80,000	3,84%	15.10.2026	-
UniCredit Bank- current borrowings	157,500	157,500	1M Euribor+0,89%	15.10.2026	-
VUB - overdraft loan	50,007	80,000	1M Euribor+0,44%	no earlier than 90 days after delivery of the summons	-
ČSOB - overdraft loan	10,315	40,000	1M Euribor+0,50%	no earlier than 90 days after delivery of the summons	-
Tatra banka – overdraft loan	-	50,000	1M Euribor+0,85%	31.03.2026	-
Slovenská sporiteľňa - overdraft loan	-	50,000	€STR+0,65%	15.12.2026	-
Citibank Europe plc	-	72,000	1M Euribor+0,55%	29.9.2025	-
ING Bank N.V.	-	20,000	1M Euribor+0,45%	no earlier than 60 days after delivery of the summons	-
Slovenská sporiteľňa,a.s.	-	40,000	1M Euribor+0,55%	no earlier than 90 days after delivery of the summons	-
Total	375,322	668,250	-	-	-

24 Borrowings (continued)

Additional informations on the Company's borrowings as at 31 December 2023 are presented in the following:

In thousands of EUR

Creditor	Credit withdrawal	Credit line	Interest rate in % p.a.	Date of validity of the credit line	Collateral
Tatra banka – revolving loan	78,750	78,750	1M Euribor+0,9%	15.10.2026	-
ČSOB- current borrowings	78,750	80,000	3,84%	15.10.2026	-
UniCredit Bank- current borrowings	157,500	157,500	1M Euribor+0,89%	15.10.2026	-
Tatra banka – overdraft loan	-	50,000	1M Euribor+0,85%	31.03.2026	-
Slovenská sporiteľňa - overdraft loan	-	50,000	€STR+0,65%	15.12.2026	-
Total	315,000	416,250	-	-	-

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

In 2024, ZSE took over the bank loan agreements of VSEH. By taking over the financing, the group consolidated its external credit financing so that the parent company became the only debtor to the banks.

The financial needs of all companies within the group are secured in the form of intra-group financing through the cashpooling framework.

Analysis of the Company's borrowings movements during the accounting period is reported Note 37.

25 Revenues from Contracts with Customers

Revenues comprise the following:

<i>In thousands of EUR</i>	2024	2023
Services provided to subsidiaries, joint venture and to the shareholder	20,266	15,349
Other revenues	6,710	4,307
Total revenues from contracts with customers *	26,976	19,656

* The revenues shown in the table above are included in segment other in the segment reporting (Note 0)

Revenue recognition pattern is as follows:

<i>In thousands of EUR</i>	2024	2023
At a point in time	4,293	2,768
Over time	22,683	16,888
Total revenues from contracts with customers	26,976	19,656

26 Raw Materials, Energy and Other Consumption

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

<i>In thousands of EUR</i>	2024	2023
Energy consumption	1,528	2,121
Purchases of electricity for resale	2,905	1,777
Consumption of other materials and spare parts	1,248	1,154
Total raw materials, energy and other consumption	5,681	5,052

27 Employee Benefits

<i>In thousands of EUR</i>	2024	2023
Wages and salaries	10,360	7,614
Defined contribution pension costs	1,521	1,268
Post-employment defined benefit plan expense (Note 20)	25	71
Other long-term employee benefit plans - current service and interest cost	10	42
Actuarial remeasurements of other long-term employee benefit plans	46	(27)
Other social costs	4,267	2,630
Total employee benefits expense	16,229	11,598

28 Other Operating Expenses

<i>In thousands of EUR</i>	2024	2023
Information technology and software maintenance costs	880	744
Repairs and maintenance costs	931	720
Postal and telecommunication services	51	42
Security services	1,440	1,535
Advertising and marketing services	944	832
Facility management expenses	1,317	967
Project management expenses	170	106
Travel expenses	189	142
Gifts	116	226
Insurance	275	177
Advisory services	1,402	1,783
Statutory audit	155	356
Other assurance services	106	-
Non-audit services provided by the audit firm	-	1
Central services	801	646
Call center services	212	121
Metrology	98	63
Communication services	863	376
Other operating expenses	385	468
Property and motor vehicle tax	246	205
Impairment loss expenses on loans provided, trade receivables and receivable from cash pooling	(879)	(1,201)
Expenses relating to short-term leases	25	15
Expenses relating to leases of low-value assets	253	117
Other purchased services	1,944	1,467
Impairment loss expenses on investment in subsidiaries	592,514	-
Loss on decrease of investment in subsidiaries	30,357	-
Total other operating expenses	634,795	9,908

28 Other Operating Expenses (continued)

The KPMG network provided to the Company non-audit services in the amount of EUR 106 thousand (2023: EUR 1 thousand) in 2024. In 2024, these services represented assurance services of ESG reporting. The services were approved by the Audit Committee of the Company.

29 Dividend Income

<i>In thousands of EUR</i>	2024	2023
Západoslovenská distribučná, a.s.	125,329	56,082
ZSE Energia, a.s.	86,558	47,627
Energotel, a.s.	81	68
Východoslovenská energetika a.s.	4,029	-
Východoslovenská energetika Holding a.s.	28,587	-
Východoslovenská distribučná, a.s.	69,556	-
Decrease of share capital of VSEH*	623,194	-
Total dividend income	937,334	103,777

*Decrease of share capital of VSEH – the amount of €623,194 thousand represents other funds of €12,946 thousand, retained earnings of €604,623 thousand and reserve fund of €5,625 thousand.

30 Other Operating Income

<i>In thousands of EUR</i>	2024	2023
Operating lease income from investment properties (Note 8)	3,197	2,568
Operating lease income – related services	4,688	3,878
Operating lease income from other assets (Note 6)	785	857
(Loss) / gain on disposal of property, plant and equipment	(3)	6,626
Income from fees for guarantees issued for subsidiaries	1,343	661
Grants	455	1,490
Other	172	152
Total other operating income	10,638	16,232

31 Interest and Similar Expenses

<i>In thousands of EUR</i>	2024	2023
Interest expense on bonds	5,513	9,172
Amortisation of bonds transaction costs and similar expenses	312	429
Interest expense on bank loans	14,588	9,839
Amortisation of loans transaction costs	128	96
Interest expense on the cash pooling	6,459	3,304
Interest expense on lease liability	231	175
Other interest expense	357	385
Other finance costs	374	1,234
Total interest and similar expenses	27,962	24,634

32 Interest Income Calculated Using the Effective Interest Method

<i>In thousands of EUR</i>	2024	2023
Interest income from loans due from Západoslovenská distribučná, a.s.	20,522	19,616
Interest income from the bank deposits	7,231	6,445
Other interest income	3,388	681
Total interest revenue calculated using the effective interest method	31,141	26,742

33 Segment Reporting

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

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

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

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

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

As a result of regulation of the distribution business and partial regulation of the supply business approximately 75% (2023: 84%) of the Group’s EBITDA and 65% of the Group’s EBIT (2023: 83%) were generated from sales to customers who are subject to the price regulation. As well, approximately 83% of the EBITDA (2023:86%) and 76% of the Group’s EBIT (2023:85%) from continuing activities for the year 2023 (excluding discontinued activities) were made up of sales to customers within the framework of price regulation.

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

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

The segment also realizes electricity production in two small hydroelectric power plants, trading activities and generates also some external revenues from projecting and engineering activities in investment construction and in heat management, operation and maintenance of small-scale electrical networks, air conditioning, photovoltaics, electrical installations and facility management services and and other customer solutions for third parties.

33 Segment Reporting (continued)

Reportable segment information for 2024 is as follows:

<i>In thousands of EUR</i>	Distribution	Supply	Production	Other	Eliminations / consolidation adjustments	Total Group
Revenue from external customers	262,275	2,129,383	6,044	42,906	-	2,440,608
Inter-segment revenues	350,046	136,081	188,246	49,743	(724,116)	-
Total segment revenues	612,321	2,265,464	194,290	92,649	(724,116)	2,440,608
Compensation	54,829	167,768	-	40	-	222,637
Purchases of electricity, natural gas for electricity production and related fees	(244,594)	(1,702,251)	(158,382)	(40,672)	675,139	(1,470,760)
Purchases of natural gas for sale	-	(536,326)	-	(95)	68	(536,353)
Employee benefits expense	(123,109)	(29,949)	(2,007)	(35,035)	-	(190,100)
Other operating expenses	(88,739)	(35,982)	(5,620)	(641,492)	670,579	(101,254)
Dividend income	-	-	-	937,839	(937,677)	162
Other operating income	13,768	8,760	10,005	10,536	(10,063)	33,006
Income from subleases	-	-	-	295	(295)	-
Own work capitalized	38,394	-	-	1,176	1,137	40,707
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	262,870	137,484	38,286	325,241	(325,228)	438,653
Depreciation of property, plant and equipment and investment properties	(120,619)	(442)	(4)	(3,530)	(2,282)	(126,877)
Amortisation of intangible assets	(9,679)	(6,820)	-	(1,374)	(1,759)	(19,632)
Depreciation of right-of-use Assets	(8,890)	(1,724)	-	(1,130)	(7,119)	(4,625)
Earnings before interest and taxes (EBIT)	123,682	128,498	38,282	319,207	(322,150)	287,519
Capital expenditures	230,000	3,778	3,347	22,915	-	260,040

33 Segment Reporting (continued)

Reportable segment information for 2023 is as follows:

<i>In thousands of EUR</i>	Distribution	Supply	Production	Other	Eliminations / consolidation adjustments	Total Group
Revenue from external customers	195,033	1,765,208	9,055	32,743	-	2,002,039
Inter-segment revenues	233,482	242,634	135,288	25,859	(637,263)	-
Total segment revenues	428,515	2,007,842	144,343	58,602	(637,263)	2,002,039
Compensation	253,394	210,411	-	432	-	464,237
Purchases of electricity, natural gas for electricity production and related fees	(291,130)	(1,694,209)	(126,630)	(32,233)	613,323	(1,530,879)
Purchases of natural gas for sale	-	(372,236)	-	(119)	1,203	(371,152)
Employee benefits expense	(78,471)	(17,857)	(1,727)	(18,450)	1	(116,504)
Other operating expenses	(38,396)	(22,426)	(6,455)	(13,418)	24,757	(55,938)
Dividend income	-	-	-	104,097	(104,029)	68
Other operating income	8,124	3,420	466	246,473	(239,973)	18,510
Income from subleases	-	-	-	108	(108)	-
Own work capitalized	24,915	-	-	388	578	25,881
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	306,951	114,945	9,997	345,880	(341,511)	436,262
Depreciation of property, plant and equipment and investment properties	(76,356)	(70)	76,095	(2,719)	(66,569)	(69,619)
Amortisation of intangible assets	(5,399)	(1,927)	(178)	(413)	(1,677)	(9,594)
Depreciation of right-of-use Assets	(7,492)	(1,085)	-	(732)	5,653	(3,656)
Earnings before interest and taxes (EBIT)	217,704	111,863	85,914	342,016	(404,104)	353,393
Capital expenditures	158,344	2,273	1,989	8,374	(286)	170,694

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

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

<i>In thousands of EUR</i>	2024	2023
Total EBIT for all operating segments	287,519	353,393
Interest income of the Group	7,664	7,038
Interest and similar expense of the Group	(26,877)	(21,681)
Elimination of impact of consolidation of subsidiaries	50,430	(225,813)
Profit before tax of the Company	318,736	112,937

33 Segment Reporting (continued)

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

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

<i>In thousands of EUR</i>	2024	2023
Total capital expenditures for all operating segments	260,040	170,694
Carbon dioxide emissions quota purchases	21,720	20,283
Assets acquired but not paid for	(70,256)	(38,911)
Payments for assets acquired in prior periods	23,901	22,644
Elimination of impact of consolidation of subsidiaries	(223,088)	(167,903)
Payments for purchases of property, plant and equipment and intangible assets	12,317	6,807

At 31 December 2024 the property, plant and equipment ("PP&E") of the electricity distribution segment represents 95% of the total Group's PP&E (2023: 96%).

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

34 Assets Held for Sale and Discontinued Operations

On May 4, 2023, E.ON and the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, as shareholders of the Group, signed the Addendum to the Memorandum of Understanding dated July 30, 2020 (the "Memorandum"), on the basis of which the Slovak Republic had the right, until 31 December 2024, to request the transfer of a 100% share in ZSE Elektrárne, s.r.o. from E.ON. During the year 2023, the Slovak Republic exercised the option to acquire the share, thereby expressing its interest in the transfer of the share in ZSE Elektrárne, s.r.o., which will be carried out for a usual market value determined under usual market conditions and in accordance with all applicable legal regulations.

Considering the above facts and the highly probable purchase of the business share in the company ZSE Elektrárne, s.r.o. within one year, as of 31 December 2024, the Company classified this investment in current assets as assets held for sale according to IFRS 5 Long-term assets held for sale and discontinued operations.

The Company for the reporting to disclose the subsidiary in the Financial statements using the short-cut method. ZSE Elektrárne, s.r.o. for the year 2024 generated profit amounted to EUR 14,522 thousand (2023: profit EUR 81,138 thousand).

Assets classified as held for sale are as follow:

<i>In thousands of EUR</i>	2024	2023
Investment in subsidiary ZSE Elektrárne, s.r.o.	8,486	8,486
Total	8,486	8,486

34 Assets Held for Sale and Discontinued Operations (continued)

Liabilities associated with assets classified as held for sale are as follows:

<i>In thousands of EUR</i>	2024	2023
Liabilities from cash pooling to the subsidiary held for sale (ZSE Elektrárne, s.r.o.)	71,356	22,418
Total	71,356	22,418

35 Financial Risk Management

The Company's activities are exposing it to certain financial risks: market risks, credit risk and liquidity risk. The Company's principal financial instruments comprise trade receivables and payables, cash and cash equivalents, issued bonds, loans provided to subsidiary, receivables and payables from cash pooling, and short-term bank deposits and borrowings.

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

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

Interest rate risk. The Company is exposed to a certain risk from changes in market interest rates. In 2023, the Company's management concluded several new agreements for long-term loans with a floating interest rate, which changes depending on market interest rates, such as euribor. In this context, in 2024, the company started using an interest hedging product that covers a significant part of long-term loans with a variable interest rate. The impact resulting from a reasonably possible change in the interest rate is insignificant for the Company (see table below). The analysis of borrowings including maturities is presented in Note 24. Borrowings are carried at amortized cost using the effective interest method.

Sensitivity analysis to the risk of interest rate changes:

<i>In thousands of EUR</i>	31 December 2024		31 December 2023	
	Interest rate increase/(decrease) (%)	Impact on profit before tax	Interest rate increase/(decrease) (%)	Impact on profit before tax
1M Euribor (EUR)	0.25	-	0.25	(425)
1M Euribor (EUR)	(0.25)	-	(0.25)	425

Commodity price risk. The Company is not exposed to significant commodity price risk because it does not have material commodity contracts.

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

Exposure to credit risk arises as a result of the Company's sales of services on credit terms and other transactions with counterparties giving rise to financial assets. From 1 July 2007 after legal unbundling, the subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. are the main customers of the Company. The Company's maximum exposure to credit risk at the end of the reporting period is represented by the carrying value of cash and cash equivalents (Note 15), receivables from cash pooling (Note 23), loans provided to subsidiary (Note 12), finance lease receivables (Note 11), the amount guaranteed of subsidiaries' liabilities (Note 42) and borrowings (Note 24).

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

35 Financial Risk Management (continued)

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

As at 31 December 2024 and 2023, there is a significant concentration of credit risk with respect of receivables of the Company towards Západoslovenská distribučná, a.s., ZSE Energia, a.s. ., Východoslovenská energetika Holding a.s., Východoslovenská energetika a.s. a Východoslovenská distribučná, a.s.. The Company manages this exposure through cash-pooling agreements. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Company beyond the provisions already recorded. As the Company provides supporting services for its subsidiaries and other related parties; currently there is no significant impact from increased overdue receivables.

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

The Company regularly monitors its liquidity position and uses cash pooling with subsidiaries to optimize the use of cash balances within the Company. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 60 days, while the maturity of customer's invoices is 14 days on average. Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Company, and (b) expected future cash outflows securing operation of the Company and leading to settlement of all liabilities of the Company, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Company to make short-term bank deposits.

The table below analyses the Company's undiscounted amount of financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The maturity analysis is as follows at 31 December 2024:

<i>In thousands of EUR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Issued bonds – principal due	-	-	-	315,000	-	315,000
Issued bonds – future interest payments	-	5,513	-	16,5370	-	22,050
Borrowings (Note 24)	60,198	-	-	314,904	-	375,102
Borrowings-future interest payments	1,025	1,925	8,950	9,258	-	21,158
Lease liabilities (including future interest payments)	114	228	1,026	5,472	448	7,288
Trade payables (Note 22)	4,065	4,022	115	-	-	8,782
Other accrued liabilities (Note 22)	2,674	615	67	-	-	3,356
Liabilities of purchase of investment in subsidiaries (Note 22)	-	-	117,209	-	-	117,209
Non-current other financial liabilities (Note 22)	-	-	-	5,759	-	5,759
Other financial liabilities (Note 22)	51	-	-	-	-	51
Liabilities from cash pooling (Note 23)	219,162	-	-	-	-	219,162
Liabilities from cash pooling (Note 23)	71,356	-	-	-	-	71,356
Issued guarantees (Note 42)	505,199	-	-	-	-	515,199
Total future payments, including future principal and interest payments	863,844	12,303	127,367	669,930	448	1,670,892

35 Financial Risk Management (continued)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The maturity analysis is as follows at 31 December 2023:

<i>In thousands of EUR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Issued bonds – principal due	-	-	-	315,000	-	315,000
Issued bonds – future interest payments	-	5,513	-	22,050	-	27,563
Borrowings (Note 24)	-	-	-	314,648	-	314,648
Borrowings-future interest payments	1,212	2,424	10,910	25,812	-	40,358
Lease liabilities (including future interest payments)	111	222	999	5,328	460	7,120
Trade payables (Note 22)	3,032	2,067	93	-	-	5,192
Other accrued liabilities (Note 22)	2,125	328	26	-	-	2,479
Liabilities of purchase of investment in subsidiaries (Note 22)	-	-	861,047	-	-	861,047
Non-current trade and other payables (Note 22)	-	-	-	5,417	-	5,417
Other financial liabilities (Note 22)	7	-	-	-	-	7
Liabilities from cash pooling (Note 23)	169,573	-	-	-	-	169,573
Liabilities from cash pooling (Note 34)	22,418	-	-	-	-	22,418
Issued guarantees (Note 42)	672,201	-	-	-	-	672,201
Total future payments, including future principal and interest payments	870,679	10,554	873,075	688,255	460	2,443,023

36 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company manages capital reported under IFRS as adopted by the EU as equity amounting to EUR 1,371,857 thousand at 31 December 2024 (2023: EUR 1,161,088 thousand). In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

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

37 Reconciliation of Movements in Liabilities from Financing Activities

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

<i>In thousands of EUR</i>	Issued bonds	Borrowings	Lease liabilities	Total
At 1 January 2024	318,302	314,648	6,593	639,543
Non-cash movements				
New leases	-	-	1,612	1,612
Interest expense	5,513	14,576	231	20,320
Amortisation of bonds and loans transaction costs	312	128	-	440
Other	-	-	(278)	(278)
Cash payments				
Interest expense paid	(5,513)	(14,576)	(231)	(20,320)
Increase in bank loans	-	-	-	-
Transfer of VSEH loans to ZSE	-	126,268	-	126,268
Drawing of principal	-	4	-	4
Bank loans and bonds paid	-	(65,946)	-	(65,946)
Amortisation of loans transaction costs	-	-	-	-
Lease principal repayments	-	-	(1,137)	(1,137)
At 31 December 2024	318,614	375,102	6,790	700,506

<i>In thousands of EUR</i>	Issued bonds	Borrowings	Lease liabilities	Total
At 1 January 2023	635,600	119,465	6,907	761,972
Non-cash movements				
New leases	-	-	975	975
Interest expense	9,172	9,839	175	19,186
Amortisation of bonds transaction costs	429	96	-	525
Other	-	-	(132)	(132)
Cash payments				
Interest expense paid	(11,899)	(9,839)	(175)	(21,913)
Increase in bank loans	-	315,000	-	315,000
Bank loans and bonds paid	(315,000)	(119,465)	-	(434,465)
Payment of transaction costs from loans	-	(448)	-	(448)
Lease principal repayments	-	-	(1,157)	(1,157)
At 31 December 2023	318,302	314,648	6,593	639,543

38 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2024:

	Gross amounts before offsetting in the state- ment of financial position	Gross amounts set off in the state- ment of financial position	Net amount after offsetting in the state- ment of financial position	Amounts not set off in the statement of financial position	Cash Financial collateral instruments received	Net amount of exposure
<i>In thousands of EUR</i>	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
ASSETS						
Loans provided to subsidiary	636,755	-	636,755	-	-	636,755
Receivables from cash pooling	290,631	-	290,631	219,162	-	71,469
TOTAL ASSETS SUBJECT TO POSSIBLE OFFSETTING AND SIMILAR ARRANGEMENT	927,386	-	927,386	219,162	-	708,224
LIABILITIES						
Liabilities from cash pooling	219,162	-	219,162	219,162	-	-
TOTAL LIABILITIES SUBJECT TO POSSIBLE OFFSETTING, AND SIMILAR ARRANGEMENT	219,162	-	219,162	219,162	-	-

38 Offsetting Financial Assets and Financial Liabilities (continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2023:

	Gross amounts before offsetting in the state- ment of financial position	Gross amounts set off in the state- ment of financial position	Net amount after offsetting in the state- ment of financial position	Amounts not set off in the statement of financial position	Cash Financial collateral instruments received	Net amount of exposure
<i>In thousands of EUR</i>	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
ASSETS						
Loans provided to subsidiary	632,680	-	632,680	52,692	-	579,988
Receivables from cash pooling	7,334	-	7,334	7,334	-	-
TOTAL ASSETS SUBJECT TO POSSIBLE OFFSETTING AND SIMILAR ARRANGEMENT	640,014	-	640,014	60,026	-	579,988
LIABILITIES						
Liabilities from cash pooling	169,573	-	169,573	60,026	-	109,547
TOTAL LIABILITIES SUBJECT TO POSSIBLE OFFSETTING, AND SIMILAR ARRANGEMENT	169,573	-	169,573	60,026	-	109,547

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

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

39 Fair Value Disclosures

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

39 Fair Value Disclosures (continued)

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

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

<i>In thousands of EUR</i>	31 December 2024			31 December 2023		
	Level 1 fair value	Level 2 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Carrying value
ASSETS						
Loans provided to subsidiary including accrued interest (Note 12)	-	616,503	634,755	-	616,296	632,680
Trade receivables and other receivables, net (Note 14)	-	123,943	123,943	-	8,065	8,065
Finance lease receivable (Note 11)	-	4,090	4,090	-	3,621	3,621
Receivables from cash pooling (Note 23)	-	290,631	290,631	-	7,334	7,334
Cash and cash equivalents (Note 15)	-	193,800	193,800	-	247,612	247,612
TOTAL ASSETS	-	1,230,967	1,249,219	-	882,928	899,312
LIABILITIES						
Issued bonds (Note 18)	302,846	-	318,614	296,363	-	318,302
Borrowings (Note 24)	-	314,005	314,904	-	316,159	314,648
Trade payables (Note 22)	-	8,782	8,782	-	5,192	5,192
Other accrued liabilities (Note 22)	-	3,356	3,356	-	2,479	2,479
Other financial liabilities (Note 22)	-	117,260	117,260	-	861,054	861,054
Issued financial guarantees (Note 42)	-	1,930	2,825	-	1,731	2,465
Liabilities from cash pooling (Note 23)	-	219,162	219,162	-	169,573	169,573
TOTAL LIABILITIES	302,846	664,495	984,903	296,363	1,356,188	1,673,713

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

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

The fair value of issued bonds was determined at the quoted market price of the bonds (Note 18).

The fair values of other financial assets and liabilities approximate their carrying amounts.

40 Presentation of Financial Instruments by Measurement Category

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

41 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management’s interpretation of the Company’s business activities may not coincide with the interpretation of these activities by the tax authorities, but the extent of this risk cannot be reasonably quantified. The fiscal years from 2020 to 2024 remain open to tax inspection, however, for transfer pricing issues of cross-border transactions, earlier periods are also subject to tax inspection.

Capital expenditure commitments. At 31 December 2024, the Company had outstanding contractual commitments for purchases of property, plant and equipment of EUR 46,838 thousand (2023: EUR 50,508 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 57 thousand (2023: EUR 250 thousand).

42 Balances and Transactions with Related Parties

The primary related parties of the Company are (a) its shareholders which have joint control over the Company as explained in Notes 0 and 16: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel and (c) its subsidiaries and joint venture. The Company applies the exemption from disclosing transactions with the Slovak government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, other purchases from an entity in which the Slovak government has a significant shareholding and other transactions presented below.

The related party transactions and outstanding balances were as follows for 2024:

<i>In thousands of EUR</i>	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak govern- ment*	Subsi- diaries (Note 10)	Joint venture (Note 10)
<i>Revenue, compensation, finance and other operating income</i>	40	161	7	68	52,781	844
<i>Dividend income</i>	-	-	-	-	314,059	81
<i>Purchases and expenses</i>	-	112	1,360	193	8,215	25
<i>Receivables other than taxes</i>	-	-	-	199	938,524	-
<i>Liabilities other than taxes</i>	-	-	381	-	294,837	-
<i>Dividends declared and paid</i>	53,836	25,514	26,211	-	-	-

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

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

42 Balances and Transactions with Related Parties (continued)

Income taxes are disclosed in the statement of financial position, statement of profit or loss and other comprehensive income, in the statement of cash flows and are also analysed in Note 19. Outstanding value added tax payable is presented in Note 22. Property and motor vehicle taxes are disclosed in Note 0.

Information on loans provided to the subsidiary is presented in Note 10. Information on receivables and liabilities from cash pooling is presented in Note 23.

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

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

The income tax paid was as follows:

<i>In thousands of EUR</i>	2024	2023
Current income tax expense at standard rate of 21% (2023: 21%) – refer to Note 19	(1,378)	(3,189)
Unpaid withholding tax on interest income	-	587
Current income tax refund (liability) / receivable at the beginning of the period	(1,344)	359
Current income tax refund (receivable) / liability at the end of the reporting period	(1,274)	1,344
Income tax refund / (paid)	(3,996)	(899)

The related party transactions and outstanding balances were as follows for 2023:

<i>In thousands of EUR</i>	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak govern- ment*	Subsi- diaries (Note 10)	Joint venture (Note 10)
Revenue, compensation, finance and other operating income	432	160	76	37	43,880	815
Dividend income	-	-	-	-	103,709	69
Purchases and expenses	-	-	642	252	7,382	24
Receivables other than taxes	257	3	-	38	651,411	78
Liabilities other than taxes	-	-	361	52	1,057,219	14
Dividends declared and paid	37,091	28,363	7,273	-	-	-

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

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

42 Balances and Transactions with Related Parties (continued)

The Company issued financial guarantees of liabilities of subsidiaries arising from their purchases and their credit transactions as follows:

<i>In thousands of EUR</i>	31 December 2024			31 December 2023		
	Maximum guaranteed amount	Guaranteed liabilities at period end	Carrying value / provision*	Maximum guaranteed amount	Guaranteed liabilities at period end	Carrying value / provision*
ZSE Energia, a.s.	199,099	-	928	109,101	31,246	670
ZSE Elektrárne, s.r.o.	-	-	-	110,000	14,779	77
EKOTERM, a.s.	14,600	12,517	365	14,600	9,786	402
Východoslovenská energetika a.s.	181,500	30,629	1,244	76,500	17,517	605
Východoslovenská distribučná, a.s.	110,000	110,000	288	110,000	110,000	563
Východoslovenská energetika Holding a.s.	-	-	-	252,000	78,871	148
TOTAL	505,199	153,146	2,825	672,201	262,199	2,465

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

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

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

<i>In thousands of EUR</i>	2024	2023
<i>Board of directors and other key management personnel</i>		
Salaries and other short-term employee benefits	1,220	643
Defined contribution pension costs	191	96
Total remuneration of board of directors and other key management personnel	1,411	739
<i>Supervisory board</i>		
Salaries and other short-term employee benefits	154	153
Defined contribution pension costs	25	25
Total remuneration of supervisory board	179	178

43 Events after the End of the Reporting Period

After 31 December 2024, no other significant events have occurred that would require recognition or disclosure in these separate financial statements.

Západoslovenská energetika, a.s.

**Consolidated Financial Statements
and Independent Auditors' Report**

31 December 2024

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KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

Tel +421 (0)2 59 98 41 11
Web www.kpmg.sk

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

Independent Auditors' Report

**To the Shareholders, Supervisory Board and Board of Directors of
Západoslovenská energetika, a.s.**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Západoslovenská energetika, a.s. (the "Company") and its subsidiaries (together, the "Group"), which comprise:

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

and, for the year then ended:

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

and

- notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements, and we have fulfilled



our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following key audit matters:

Estimated revenue from sales of electricity and distribution services

The estimated revenue from the sale of electricity and distribution services for the year ended on 31 December 2024 amounted to EUR 298,211 thousand (31 December 2023: EUR 194,652 thousand).

Refer to the consolidated financial statements: Note 2 and Note 5.

Key audit matter	Our response
Estimated revenue from the sale of electricity and distribution services represents a material portion of the Group's annual revenue. The majority of the Group's electricity is purchased in the market and immediately distributed to end customers. As described in Notes 2 and 5 to the consolidated financial statements, consumption meters for small business customers and households are read at various dates throughout the year. Consequently, management must estimate revenue from electricity and distribution services to those customers for periods not yet covered by meter readings. The revenues estimate is determined at the individual contract level, primarily based on: - Each customer's historical consumption, - Electricity losses in the distribution network, and - Unit price per contract, as capped by government regulations. Given the large customer base, multiple customer categories, and varied meter reading dates, the revenue estimation process is complex. The Group must therefore establish reliable controls over: • The accuracy and integrity of the data used in the estimation process, and • The effectiveness of the estimation methodology itself.	Our audit procedures in the area, performed assisted by our own information technology (IT) audit specialists, included, among others: • Updating our understanding of the Group's electricity supply and related revenue recognition processes; • Testing design, implementation and operating effectiveness of selected IT-based controls within the revenue recognition process, such as those over the prices applied, consumption measurement and data transfers between the Group's systems, among other things. • Tracing the key data used in making the revenue estimate to the Group's internal systems and external sources. Among other things, we traced the unit prices applied to publicly available market regulator's resolutions. • Evaluating the Group's ability to develop reliable estimates of the customers' electricity consumption by comparing its prior year's estimate of total consumption to actual subsequent consumption. • Based on the inputs such as electricity volumes purchased and sold, expected losses in the distribution network, and contractual prices, developing our own independent expectation of total revenue from the sale of electricity and distribution services for the year to small businesses and households, including the estimated portion,



Due to the complexity and estimation uncertainty, we determined this matter to be associated with a significant risk of material misstatement, requiring increased audit attention and effort. Therefore, it was considered a key audit matter.

and comparing it to the amount recognized by the Group.

- Evaluating the appropriateness and completeness of the disclosures in the Group's consolidated financial statements in respect of the estimated revenue from the sale of electricity against the relevant financial reporting requirements.

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

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

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information in the Annual Report.

In connection with our audit of the consolidated 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 consolidated financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited consolidated financial statements or our knowledge obtained in the audit of the consolidated 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 consolidated financial statements prepared for the same financial year, and whether the Annual Report, excluding Sustainability Reporting requirements, contains information required by the Act on Accounting.

With regard to the Sustainability Reporting, which constitutes a separate part of the Annual Report, we performed a limited assurance engagement, the results of which were presented in a separate assurance report with an unmodified conclusion.



Based on the work undertaken in the course of the audit of the consolidated 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 consolidated financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting, excluding Sustainability Reporting requirements.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the consolidated 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 regard.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of Západoslovenská energetika, a.s. on 6 June 2024 on the basis of approval by the General Meeting of Západoslovenská energetika, a.s. held on 6 June 2024. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 4 years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the audit committee of the Company, which was issued on 24 March 2025.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Group in conducting the audit.

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



Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Bratislava, 27 March 2025

Západoslovenská energetika, a.s.

Consolidated financial statements for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and approved for issue by the Board of Directors on 27 March 2025.



.....
Markus Kaune
Chairman of the Board of Directors and CEO



.....
Mgr. Juraj Krajcár
Member of the Board of Directors

Západoslovenská energetika, a.s.
Consolidated Statement of Financial Position

<i>In thousands of EUR</i>	<i>Note</i>	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,012,623	1,901,877
Intangible assets	7	478,600	476,304
Investment properties	8	-	1,149
Right-of-use assets	9	30,207	28,397
Equity method investments	10	3,485	3,485
Deferred income tax assets	18	7,152	8,164
Trade and other receivables	12	11,630	6,837
Other non-current assets		132	132
Total non-current assets		2,543,829	2,426,345
Current assets			
Inventories	11	41,486	51,593
Trade and other receivables	12	298,190	355,658
Current income tax refund receivable		3,573	-
Cash and cash equivalents	13	213,841	284,024
Assets held for sale and discontinued operations	33	75,048	83,805
Total current assets		632,138	775,080
TOTAL ASSETS		3,175,967	3,201,425
EQUITY			
Share capital	14	282,467	282,467
Legal reserve fund	15	56,520	56,520
Share premium	14	662,581	662,581
Retained earnings		346,444	282,555
Total equity attributable to owners of the parent company		1,348,012	1,284,123
Non-controlling interests	35	667	1,496
TOTAL EQUITY		1,348,679	1,285,619
LIABILITIES			
Non-current liabilities			
Issued bonds	16	314,320	314,008
Borrowings	17	380,320	427,061
Lease liabilities	9	25,518	23,881
Deferred income tax liabilities	18	199,342	177,837
Trade and other payables	23	51,839	25,153
Post-employment defined benefit obligations	19	14,711	13,952
Other long-term employee benefits	20	2,193	2,277
Provisions for liabilities and charges	21	2,818	-
Contract liabilities from connection fees	22	142,527	121,676
Total non-current liabilities		1,133,588	1,105,845
Current liabilities			
Issued bonds and accrued interest on issued bonds	16	4,294	4,294
Borrowings	0	114,006	84,622
Lease liabilities	9	5,160	4,609
Trade and other payables	23	477,001	597,041
Current income tax liabilities		-	47,928
Provisions for liabilities and charges	21	9,938	17,113
Contract liabilities from connection fees	22	11,204	9,850
Liabilities directly associated with assets held for sale and discontinued operations	33	72,097	44,504
Total current liabilities		693,700	809,961
TOTAL LIABILITIES		1,827,288	1,915,806
TOTAL LIABILITIES AND EQUITY		3,175,967	3,201,425

Západoslovenská energetika, a.s.
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of EUR</i>	Note	2024	2023
Continuing operations			
Revenue from electricity and other related revenue	24	1,847,650	1,598,480
Revenue from natural gas	24	398,668	259,216
Compensation	25	222,637	464,237
Purchases of electricity, natural gas for electricity production and related fees	26	(1,312,340)	(1,404,688)
Natural gas purchased for sale		(536,353)	(371,152)
Employee benefits	0	(188,093)	(114,777)
Depreciation of property, plant and equipment and investment properties	6, 8	(126,873)	(65,307)
Amortization of intangible assets	7	(19,632)	(9,415)
Depreciation of right-of-use assets	9	(4,611)	(3,642)
Other operating expenses	28	(98,177)	(51,645)
Share of profit of equity method investments	10	162	68
Other operating income	29	23,001	18,044
Own work capitalised		40,707	25,881
Profit from operations		246,746	345,300
Finance income / (costs)			
Interest and similar income	30	7,664	7,038
Interest and similar expense	31	(26,877)	(21,681)
Finance costs, net		(19,213)	(14,643)
Profit before tax		227,533	330,657
Income tax expense	18	(77,919)	(82,188)
Profit for the year from continuing operations		149,614	248,469
Profit for the year from discontinued operations	33	32,420	4,629
Profit for the year		182,034	253,098
Other comprehensive income / (loss)			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Changes in the fair value of hedging financial instruments		(10,524)	-
Actuarial remeasurements of post-employment defined benefit obligations	19	(2,300)	2,234
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	18	1,227	(470)
Total other comprehensive income / (loss) for the year		(11,597)	1,764
Total comprehensive income for the year		170,437	254,862
Profit / (loss) for the year is attributable to:			
- owners of the parent company		182,220	253,349
- non-controlling interest	35	(186)	(251)
Total comprehensive income / (loss) for the year is attributable to:			
- owners of the parent company		170,623	255,113
- non-controlling interest	35	(186)	(251)
Total comprehensive income for the year:			
- from continuing operations		138,017	250,233
- from discontinued operations	33	32,420	4,629

Západoslovenská energetika, a.s.
Consolidated Statement of Changes in Equity

<i>In thousands of EUR</i>	Attributable to owners of the parent company				Total	Non-controlling interests (Note 35)	Total equity
	Share capital	Legal reserve fund	Share premium	Retained earnings			
Balance at 1 January 2023	196,969	39,421	-	100,169	336,559	1,978	338,537
Profit / (loss) for the year	-	-	-	253,349	253,349	(251)	253,098
Other comprehensive income for the year	-	-	-	1,764	1,764	-	1,764
Total comprehensive income / (loss) for 2023	-	-	-	255,113	255,113	(251)	254,862
Dividends declared and paid (Note 14)	-	-	-	(72,727)	(72,727)	(231)	(72,958)
New shares issued by the Company (Note 14)	85,497	17,100	662,581	-	765,178	-	765,178
Other	1	(1)	-	-	-	-	-
Balance at 31 December 2023	282,467	56,520	662,581	282,555	1,284,123	1,496	1,285,619
Profit / (loss) for the year	-	-	-	182,220	182,220	(186)	182,034
Other comprehensive loss for the year	-	-	-	(11,597)	(11,597)	-	(11,597)
Total comprehensive income / (loss) for 2024	-	-	-	170,623	170,623	(186)	170,437
Dividends declared and paid (Note 14)	-	-	-	(105,561)	(105,561)	(222)	(105,783)
Acquisition of non-controlling interest in subsidiaries (Note 35)	-	-	-	(1,173)	(1,173)	(421)	(1,594)
Balance at 31 December 2024	282,467	56,520	662,581	346,444	1,348,012	667	1,348,679

Západoslovenská energetika, a.s.
Consolidated Statement of Cash Flows

<i>In thousands of EUR</i>	Note	2024	2023
Cash flows from operating activities			
Profit before tax from continuing operations		227,533	330,657
Profit before tax from discontinued operations	33	40,773	8,093
Profit before tax		268,306	338,750
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment and investment properties	6, 8	126,877	69,619
- Depreciation of right-of-use assets	9	4,625	3,656
- (Gain) / loss on disposal of property, plant and equipment and intangible assets	6, 29	(986)	(7,088)
- Charge for carbon dioxide emissions to be settled by quotas	21	27,799	25,579
- Amortisation of government and other grants deferred income	29	(2,171)	(2,781)
- Amortisation of intangible assets	7	19,632	9,594
- Interest and similar income		(7,664)	(7,038)
- Interest and similar expense		26,877	21,678
- Contract assets – deferred sales commissions		(116)	558
- Share of profit of equity method investees		(162)	(68)
- Income from non-current assets acquired free of charge		(3,660)	(1,710)
- Other non-cash items		3,271	253
Cash generated from operations before changes in working capital		462,628	451,002
Changes in working capital:			
- Inventories		9,414	(7,467)
- Trade and other receivables		50,317	240,437
- Trade and other payables		(112,351)	77,121
- Provisions and contract liabilities		(13,300)	(31,652)
Cash generated from operations before interest and taxes		396,708	729,441
Interest income received		7,664	3,814
Interest expense paid		(25,277)	(23,601)
Income tax paid	42	(110,959)	(43,602)
Net cash from operating activities		268,136	666,052
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(213,685)	(154,427)
Purchase of emission quotas	7	(21,720)	(20,283)
Dividend income received from equity method investees		162	68
Proceeds from sale of property, plant and equipment and intangible assets	6	5,408	13,908
Grants received		26,985	5,343
Acquisition of a subsidiary, net of cash acquired		(450)	-
Amount of cash and cash equivalents in the subsidiaries over which control is obtained	34	-	5,316
Acquisition of non-controlling interest in subsidiaries	35	(3,228)	-
Net cash used in investing activities		(206,528)	(150,075)
Cash flows from financing activities			
Dividends paid	14	(105,783)	(72,958)
Repayment of received borrowings	17, 38	(69,973)	(207,758)
Received borrowings	17, 38	49,887	321,573
Transaction costs related to received borrowings	17, 38	-	(448)
Repayment of issued bonds	16, 38	-	(315,000)
Repayment of principal of lease liabilities	9	(5,922)	(5,456)
Net cash used in financing activities		(131,791)	(280,047)
Net change in cash and cash equivalents		(70,183)	235,930
Cash and cash equivalents at the beginning of the year		284,024	48,094
Cash and cash equivalents at the end of the year	13	213,841	284,024

1 Introduction

These consolidated financial statements have been prepared under the Slovak Accounting Act (Act No. 431/2002 Coll. as amended) and in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2024 for Západoslovenská energetika, a.s. (hereinafter “The Company” or “ZSE”) and its subsidiaries (the “Group”).

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 15 October 2001. The Company was incorporated in the Commercial Register of the City Court Bratislava III on 1 November 2001.

Principal activity. The Group provides electricity distribution and supply services primarily in the western and eastern Slovakia region. In addition, the Group provides natural gas supply services as a supplement to the supply of electricity. The Group also operates two small hydroelectric power plants and the combined cycle gas turbine (“CCGT”) power plant and is engaged in some ancillary activities such as electricity network construction, operation and maintenance related projects and heat management, air conditioning, photovoltaics, electrical installations, facility management and other customer solutions services for third parties.

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

The Group’s principal subsidiaries are as follows:

Business name	Ownership interest	Description of the main scope of business
Západoslovenská distribučná, a.s.	100.00%	Operation of electricity distribution network in western Slovakia
Východoslovenská distribučná, a.s.	100.00%	Operation of electricity distribution network in eastern Slovakia
ZSE Energia, a.s.	100.00%	Supply of electricity and natural gas to retail and wholesale customers
Východoslovenská energetika a.s.	100.00%	Supply of electricity and natural gas to retail and wholesale customers
Východoslovenská energetika Holding a.s. (VSEH, a.s.)	100.00%	Services
ZSE Energy Solutions, s.r.o.	100.00%	Engineering business
ZSE MVE, s. r. o.	100.00%	Operation of small hydroelectric power plants
ZSE Business Services, s. r. o.	100.00%	Trading company
ZSE Elektrárne, s.r.o. (Note 5)	100.00%	CCGT power plant operation
ZSE Energetické služby, s. r. o.	100.00%	Holding company for energy services companies
EKOTERM, s.r.o.	100.00%	Services
BK, a.s.	73.89%	Services
VSE Solutions s.r.o.	100.00%	Services
VSE Call centrum, s.r.o.	100.00%	Services
VSE Ekoenergia, s.r.o.	100.00%	Electricity networks operation and maintenance

All the Group’s subsidiaries are incorporated in the Slovak Republic.

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

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

Ownership structure. Ministry of Economy of the Slovak Republic owns 51% of the Company’s shares, E.ON Slovensko, a.s. owns 24.17%, E.ON International Participations N.V. owns 14.83% and E.ON Beteiligungen GmbH owns 10% of the Company’s shares at 31 December 2024 and 31 December 2023. The Company is jointly controlled by E.ON SE and the Slovak Government as a result of a shareholders agreement, which requires the parties to act jointly together to direct the activities that significantly affect the returns of the reporting entity. Refer to Note 14. These consolidated financial statements are available directly at the seat of the Company.

1 Introduction (continued)

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

Number of employees. The Group employed 3,840 staff on average during 2024 (2023: 2,316 employees on average). Number of employees of the Group at 31 December 2024 was 3,860, of which 129 were management (31 December 2023: 3,835 employees, of which 133 were management).

2 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under the historical cost convention.

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

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

The Board of Directors may propose to the Company's shareholders to amend the consolidated financial statements until their approval by the general shareholders meeting. However, § 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity's accounting records after the financial statements are approved by the general shareholders' meeting. If, after the financial statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entities to restate comparative information in the reporting period in which the relevant facts are identified.

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

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

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

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

2 Significant Accounting Policies (continued)

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

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

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

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

The Group recognises the non-current assets acquired free of charge initially measured at fair value using qualified estimate or expert valuation. This primarily includes customer contributions, which are paid mainly for capital expenditures made on behalf of customers and include access network assets transferred to the Group by its customers free of charge. The contributions are non-refundable and are recognised as other operating income on a one-off basis.

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

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

2 Significant Accounting Policies (continued)

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

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

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

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

	Useful lives in years
Electricity distribution network buildings	30 – 60 years
Office buildings	30 – 50 years
Power lines	15 – 60 years
Switching stations	4 – 20 years
Other network equipment	4 – 25 years
Vehicles	4 – 15 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

2 Significant Accounting Policies (continued)

Goodwill was recognised in the consolidated financial statements of the Group as a result of the business combinations – acquisitions of the subsidiaries (Note 34 and 7). The amount of goodwill represents the difference between fair value of the subsidiary's business and fair value of identifiable assets and liabilities that belong to the subsidiary.

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

Intangible assets other than goodwill. Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

Customer base was acquired as part of several business combinations upon acquisitions of subsidiaries. Customer base is recognised at fair value at the date of business combination in line with IFRS 3 standard and is subsequently amortised on a straight-line basis over the entire useful life, which was determined by the estimated duration of contracts with customers based on assumed churn rates. The useful life of individual customer bases is in range from 3 to 33.3 years.

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

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

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

2 Significant Accounting Policies (continued)

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

Right-of-use assets are measured at cost at the commencement date of a lease, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct (transaction) costs, and
- costs to restore the asset to the conditions required by lease agreements upon handover to the lessor at the end of the lease.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

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

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

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

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

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

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

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

2 Significant Accounting Policies (continued)

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

Hedging financial instruments. Hedging financial instruments are only used for economic hedging purposes and not as speculative investments. However, where hedging financial instruments do not meet the hedge accounting criteria, they are classified as “held for trading” for accounting purposes and are accounted for at fair value through profit or loss.

The full fair value of hedging financial instruments is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability where the remaining maturity of the hedged item is less than 12 months. Trading financial instruments are classified as a current asset or liability.

Hedging financial instruments are initially recognised at fair value on the date when a contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The effective portion of changes in the fair value of hedging financial instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Certain hedging financial instruments do not qualify for hedge accounting. Changes in the fair value of any hedging financial instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and the hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical financial instrument method to assess effectiveness.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, and so the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. Since all critical terms matched during the year, there is an economic relationship.

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

2 Significant Accounting Policies (continued)

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

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

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

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

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

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

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected. Business model used by the Group is intended to hold financial assets until maturity and to collect contractual cash flows.

2 Significant Accounting Policies (continued)

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

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

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

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

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

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

The Group applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss for trade receivables a provision matrix that takes into account the ageing of the receivables, loss rate for each ageing category of the receivables and the amount of receivables written off.

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

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

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

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

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

2 Significant Accounting Policies (continued)

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any transaction costs incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any transaction costs incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

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

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

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest ("SPPI").

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the share issue. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

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

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

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

2 Significant Accounting Policies (continued)

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

- fixed payments, less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

2 Significant Accounting Policies (continued)

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

Current income tax also includes a special levy on profits in regulated industries. The basis for the special levy is calculated as profit before tax * (revenues from regulated activities/total revenues). The special levy rate of 4.356% p.a. applies from 2021. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the respective reporting period and apply to the period when the related deferred income tax asset will be realised, or the deferred income tax liability will be settled.

The special levy on profits is chargeable on profits determined in accordance with Slovak GAAP and hence, a deferred tax in relation to special levy arises only where there is a temporary difference between Slovak GAAP and IFRS carrying values of assets and liabilities. Such deferred taxes arose for the first time in 2016 when the Slovak parliament enacted a law making the levy applicable indefinitely as explained above.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Post-employment and other long term employee benefits. The Group contributes to state and private defined contribution pension and social benefit plans under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are expensed when incurred.

As agreed with the trade unions, the Group also has (a) a post-employment defined benefit obligation to pay one to eight monthly salaries to each employee upon retirement, depending on the number of years worked for the Group, (b) an obligation to pay work and life anniversary long service bonuses and (c) an obligation to pay one-off compensation in case of the death of an employee during the performance of the employment, as a result of an occupational disease or outside the performance of the employment. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

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

2 Significant Accounting Policies (continued)

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

Contract liabilities from connection fees. Over time, the Group received fees or contributions from customers for the construction of the electricity distribution network, in particular for the new municipal connections and networks. The Group's customers thus contribute towards the cost of their connection in the form of connection fees. Connection fees are recognised at their fair value where there is a reasonable assurance that the fees will be received. Connection fees relating to the acquisition of property, plant and equipment are deferred and subsequently recognised as revenue over the life of acquired depreciable asset.

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

Trade payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within less than one year, or within the entity's operating cycle. All other accounts payable are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions / contingent liabilities. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

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

Restructuring provision. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions for onerous contracts. The Group recognizes provisions for onerous contracts based on the assumption that the future costs of purchasing commodities intended for delivery resulting from contractual obligations to deliver the commodity to customers, will exceed the economic benefits arising from these contracts.

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

2 Significant Accounting Policies (continued)

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

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

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

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

Revenue from the sale of electricity on the spot market and the settlement of variations in consumption and cross - border profile recharges represent sales of electricity purchased on the short-term market for regular customers due to short-term deviations in their consumption diagrams and fees paid by the regular customers for deviating from the planned consumption curve. All these revenues realised on the spot market are recognised when the electricity is delivered, or the contract is fulfilled.

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

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

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

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

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

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

Foreign currency translation. These financial statements are presented in thousands of EUR, which is the Group's presentation currency. The functional currency of all entities within the Group is EUR.

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

2 Significant Accounting Policies (continued)

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

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

3 Adoption of New or Amended Standards and Interpretations

The following new standards, interpretations and amendments became effective for the Group from 1 January 2024, but did not have any material impact:

Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.).

Amendments to IAS 1, Presentation of Financial Statements - Non-Current Liabilities with Covenants (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted. Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments.).

Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures: Supplier Finance Arrangements (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.).

Amendments to IFRS 16, Leases - Lease Liability in a Sale and Leaseback (Effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.).

4 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for annual reporting periods beginning after 1 January 2024, and which the Group has not early adopted:

a) New or amended Standards and Interpretations, as endorsed by the EU as at 20 January 2025, that are effective for annual reporting periods beginning after 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 Group assessed the impact of the amendments on its consolidated financial statements as not relevant.

b) New or amended Standards and Interpretations that are effective for annual reporting periods beginning after 1 January 2024, not yet endorsed by the EU as at 20 January 2025

IFRS 18, Presentation and Disclosure in Financial Statements (Effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.). 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.

4 New Accounting Pronouncements (continued)

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 Group is currently assessing the impact of the standard on its consolidated 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.). IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19.

A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:

- it does not have public accountability,
- its parent produces consolidated financial statements under 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 Group is currently assessing the impact of the standard on its consolidated financial statements.

4 New Accounting Pronouncements (continued)

Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures: Amendments to the 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 Group is currently assessing the impact of the amendments on its consolidated financial statements.

4 New Accounting Pronouncements (continued)

Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures: Contracts Referencing Nature-dependent Electricity (Effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.). The amendments enable nature-dependent electricity contracts, which are sometimes referred to as renewable power purchase agreements (PPAs), to be better reflected in the financial statements. The amendments:

- clarify the application of the own use exemption to these contracts.
- amend the hedge accounting requirements to allow contracts for electricity from nature-dependent renewable energy sources to be used as a hedging instrument if certain conditions are met.
- introduce additional disclosure requirements to enable investors to understand the impact of these contracts on a company's financial performance and future cash flow.

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

Annual Improvements to IFRS Standards – Volume 11 (Effective for annual reporting periods on or after 1 January 2026. Earlier application is permitted. The amendment on derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied).

In this volume of improvements, the IASB makes minor amendments to IFRS 9, Financial Instruments, and to a further four accounting standards (IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures, 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 Group is currently assessing the impact of the amendments on its consolidated 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 Group assessed the impact of the amendments on its consolidated financial statements as not relevant.

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

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Unbilled electricity. The unbilled revenue from distribution and delivery represents an accounting estimate based on estimated volume of delivered and distributed electricity expressed in MWh for low voltage network and estimated unit price that will be billed in the future.

The Group uses a software application Enersim to estimate the unbilled deliveries based on assumed customer demand profiles and which amounted to EUR 298,211 thousand at 31 December 2024 (2023: EUR 194,652 thousand). This accounting estimate is based on:

- (a) the estimated volume delivered and distributed to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period;
- (b) the consumption estimate utilising the time patterns of consumption of various customer profiles observed on a sample basis;
- (c) the estimated losses in the distribution network; and
- (d) the unit price in EUR/MWh, that will be applied to billing the electricity delivery and distribution.

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

<i>In thousands of EUR</i>	31 December 2024	31 December 2023
Accrued receivables from distribution and delivery of electricity as part of item "Trade and other receivables"	16,189	18,030
Accrued liabilities from distribution and delivery of electricity as part of item "Trade and other payables"	58,667	60,310

Should the estimate of total network losses be lower by 0.1%, representing approximately 14.2 GWh of electricity (2023: 22.0 GWh), with other parameters unchanged, the revenues for commodity and distribution services would increase by EUR 1,728 thousand (2023: EUR 3,842 thousand).

Unbilled gas. The unbilled revenue from distribution and delivery represents an accounting estimate based on estimated volume of distributed and delivered gas expressed in MWh and estimated unit price that will be billed in the future. This accounting estimate is based on:

- (a) the estimated volume distributed and delivered to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period;
- (b) the consumption estimate utilising the time patterns of consumption of various customer profiles; and
- (c) the unit price in EUR/MWh, that will be applied to billing the gas delivery and distribution.

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

<i>In thousands of EUR</i>	31 December 2024	31 December 2023
Accrued receivables from distribution and delivery of gas as part of item "Trade and other receivables"	7,811	5,055
Accrued liabilities from distribution and delivery of gas as part of item "Trade and other payables"	22,553	20,102

Should the estimated volume of distributed and delivered gas be higher by 10 GWh (2023: higher by 10 GWh), with other parameters unchanged, the revenue from distribution and delivery of gas would increase by EUR 697 thousand (2023: EUR 493 thousand).

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

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

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

If the estimated useful life of network assets had been shorter by 10% than management's estimates at 31 December 2024, the Group would have recognised an additional depreciation of network assets of EUR 10,465 thousand (2023: EUR 6,394 thousand).

ECL measurement of receivables. The Group applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss for trade receivables a provision matrix that takes into account the ageing of receivables, loss rate for each ageing category, and the amount of receivables written off. The Group has considered the expected payment discipline for the next 12 months.

Based on these indicators, it was decided that the expected loss allowance for trade receivables based on historical data is sufficient, as the development of the forward looking indicators corresponds to the development of previous periods. Possible developments of macroeconomic indicators do not have significant impact on expected credit losses from trade receivables.

Lease extension and termination options. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land, buildings, energy equipment and vehicles, the following factors are normally the most relevant:

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

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

At 31 December 2024, potential future cash outflows of EUR 0 thousand (undiscounted) (2023: EUR 0 thousand) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is really exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. The estimated lease term was not revised during the current accounting period.

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

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Control over ZSE Elektrárne, s.r.o. On 4 May 2023, E.ON and the Slovak Republic represented by the Ministry of Economy of the Slovak Republic, as the shareholders of the Group, signed an Addendum to the Memorandum of Understanding dated 30 July 2020 (the "Memorandum"), on the basis of which the Slovak Republic had the right, until 31 December 2024, to request the transfer of a 100% share in ZSE Elektrárne, s.r.o. from E.ON. During the year 2023, the Slovak Republic exercised the option to acquire the share, thereby expressing its interest in the transfer of the share in ZSE Elektrárne, s.r.o., which will be carried out for a fair market value determined under usual market conditions and in accordance with all applicable legal regulations.

The Group's management considered that the Group still has control over ZSE Elektrárne, s.r.o. until the day of the transfer of the share, because its view is that the Memorandum is non-binding, it was signed by E.ON and not by Západoslovenská energetika, a.s. and it is therefore not directly enforceable against the Group and its governing bodies. Considering of the expressed interest of the Slovak Republic and exercising its option to acquire a share in ZSE Elektrárne, s.r.o. the Group's management considers that the sale of ZSE Elektrárne, s.r.o. is highly probable within one year and thus the related assets and liabilities were reclassified to current items as assets and liabilities held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (Note 33)

Management also did not recognise deferred tax on investments in ZSE Elektrárne, s.r.o. since in case of a sale the carrying amount of the investment would also be a tax expense deductible against sales proceeds and thus there is no temporary difference, on which deferred tax would be necessary to recognise. The difference between the carrying amount of ZSE Elektrárne, s.r.o.'s net assets and tax expense deductible against sales proceeds at 31 December 2024 is EUR 102,369 thousand (2023: EUR 65,447 thousand).

Deferred income tax asset recognition. Management applied judgement and recognised deferred tax asset of EUR 6,058 thousand (2023: EUR 13,732 thousand) in respect of deductible temporary differences between carrying value and tax base of CCGT power plant in Malženice, based on projections of future taxable profits over periods covered by forward market commodity prices. Commodity pricing forecasts and forecasting uncertainties related to later subsequent periods do not provide sufficient convincing evidence to support recognition of further potential deferred tax asset of up to EUR 56,884 thousand (2023: EUR 49,444 thousand) in respect of the remainder of the deductible temporary differences related to this power plant.

Impairment of goodwill. Further information on goodwill is presented in Note 7 and 34. The Group tests goodwill for impairment on an annual basis or earlier, when impairment indicators arise. The carrying value of the segment containing the goodwill is compared to the recoverable amount, which is the higher of fair value and value in use using discounted cash-flow method. To determine the carrying amount, the Group allocates the working capital and non-current assets to each segment. In case the carrying amount of the segment would be higher than the recoverable amount, the Group would recognize impairment of non-current assets of the segment. The value of EBITDA and investments are in line with the plan approved by the Group's management for period of 5 years and, in the terminal year, with the growth rate stated below. In case of an increase/decrease in WACC by 0.01%, the value of projected discounted future cash flows will decrease/increase by EUR 10 million.

Based on used methodology, management of the Group has not identified any impairment of goodwill. Overview of assumptions used for each segment is in the following table:

	Supply	Distribution
WACC (pre-tax)	7.0%	4.9%
Terminal growth rate	1.25%	1.25%

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows during 2024:

<i>In thousands of EUR</i>	Land	Network buildings	Power lines	Switching stations and network equipment	CCGT power plant	Other assets - for own use*	Other assets - leased to other parties	Capital work in progress	Total
Cost at 1 January 2024	45,599	177,884	1,412,768	707,385	-	174,969	24,503	176,432	2,719,540
Accumulated depreciation and impairment losses	-	(53,600)	(348,278)	(295,769)	-	(100,349)	(19,667)	-	(817,663)
Carrying amount at 1 January 2024	45,599	124,284	1,064,490	411,616	-	74,620	4,836	176,432	1,901,877
Additions	-	-	-	-	-	-	-	237,017	237,017
Reallocations	-	(2,526)	(10,811)	(153,765)	-	167,102	-	-	-
Capitalised borrowing costs**	-	-	-	-	-	-	-	3,369	3,369
Transfers	251	5,378	83,220	27,175	-	88,827	279	(205,130)	-
Depreciation charge	-	(6,540)	(59,541)	(28,106)	-	(32,164)	(499)	-	(126,850)
Disposals	(1,159)	(25)	-	(45)	-	(2,106)	-	(430)	(3,765)
Termination of the lease by the purchase of an asset	-	145	609	215	-	-	-	-	969
Transfer from investment properties to property, plant and equipment (Note 8)	-	-	-	-	-	6	-	-	6
Cost at 31 December 2024	44,691	180,721	1,482,772	573,129	-	428,346	24,734	211,258	2,945,651
Accumulated depreciation and impairment losses	-	(60,005)	(404,805)	(316,039)	-	(132,061)	(20,118)	-	(933,028)
Carrying amount at 31 December 2024	44,691	120,716	1,077,967	257,090	-	296,285	4,616	211,258	2,012,623

* Other assets for own use comprise machinery, non-network and administrative buildings, vehicles and other assets.

** Capitalisation rate of borrowing costs was approximately 3.24% p.a. for 2024 (2023: for the period from 1 January 2023 to 31 October 2023 was approximately 3.07% p.a. and for the period from 1 November 2023 to 31 December 2023 approximately 3.24% p.a.).

In relation with the received bank loans, the Group pledged as collateral at 31 December 2023 an administrative building with a carrying amount of EUR 2,400 thousand and a related land with a carrying amount of EUR 537 thousand in favour of the bank.

The Group holds insurance against damages caused by natural disasters up to EUR 1,988,902 thousand for buildings and up to amount of EUR 1,599,996 thousand for machinery, equipment, fixtures, fittings and other assets (2023: EUR 1,623,370 thousand and 1,623,359 thousand, respectively).

6 Property, Plant and Equipment (continued)

Movements in the carrying amount of property, plant and equipment were as follows during 2023:

<i>In thousands of EUR</i>	Land	Network build- ings	Power lines	Switching stations and network equip- ment	CCGT power plant	Other assets - for own use*	Other assets - leased to other parties	Capital work in progress	Total
Cost at 1 January 2023	27,690	160,284	874,555	504,119	32,446	127,888	24,413	107,499	1,858,894
Accumulated depreciation and impairment losses	-	(64,233)	(325,783)	(277,401)	(8,243)	(79,143)	(19,192)	-	(773,995)
Carrying amount at 1 January 2023	27,690	96,051	548,772	226,718	24,203	48,745	5,221	107,499	1,084,899
Additions	-	-	-	-	-	-	-	161,199	161,199
Capitalised borrowing costs**	-	-	-	-	-	-	-	2,012	2,012
Transfers	1,671	14,957	75,992	31,697	11,059	8,984	92	(144,452)	-
Depreciation charge	-	(4,729)	(26,366)	(26,453)	(4,129)	(7,425)	(477)	-	(69,579)
Disposals	(108)	-	(77)	(30)	-	(303)	-	(81)	(599)
Termination of the lease by the purchase of an asset	-	133	1,462	215	-	-	-	-	1,810
Transfer from investment properties to property, plant and equipment (Note 8)	-	-	-	-	-	-	-	-	-
First time consolidation of VSEH, a.s. (Note 34)	16,877	18,882	464,707	179,678	-	25,057	-	51,753	756,954
Transfer to assets held for sale and discontinued operations (Note 33)	(531)	(1,010)	-	(209)	(31,133)	(438)	-	(1,498)	(34,819)
Cost at 31 December 2023	45,599	177,884	1,412,768	707,385	-	174,969	24,503	176,432	2,719,540
Accumulated depreciation and impairment losses	-	(53,600)	(348,278)	(295,769)	-	(100,349)	(19,667)	-	(817,663)
Carrying amount at 31 December 2023	45,599	124,284	1,064,490	411,616	-	74,620	4,836	176,432	1,901,877

* Other assets for own use comprise machinery, non-network and administrative buildings, vehicles and other assets.

** Capitalisation rate of borrowing costs was approximately 3.07% p.a. for the period from 1 January 2023 to 31 October 2023 and for the period from 1 November 2023 to 31 December 2023 approximately 3.24% p.a.

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

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

<i>In thousands of EUR</i>	2024	2023
Net book value of disposals	4,885	599
Net book value of emission quotas sold	-	1,245
Transfer of emission quotas to National registry of emission quotas	-	5,897
Usage of provision for CO ₂ emissions	-	(5,897)
Gain/(Loss) on sale of property, plant and equipment, intangible assets and investment properties (Note 29)	986	7,088
Income from the sale of property, plant and equipment intended for future repurchase	-	5,075
Other	(463)	(99)
Proceeds from disposals	5,408	13,908

6 Property, Plant and Equipment (continued)

Rental income from the property, plant and equipment leased to other parties, mainly represented by optical lines and related technology, is presented in Note 29. Future rental income from non-cancellable leases is due as follows:

<i>In thousands of EUR</i>	2024	2023
Due:		
- within 1 year	187	194
Total future rental payments to be received	187	194

7 Intangible Assets

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

<i>In thousands of EUR</i>	Carbon dioxide emission quotas	Goodwill	Valuable rights	Customer base	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2023	18,830	1,139	10,643	4,259	76,786	7,827	119,484
Accumulated amortisation and impairment losses	-	-	(7,450)	(674)	(63,858)	-	(71,982)
Carrying amount at 1 January 2023	18,830	1,139	3,193	3,585	12,928	7,827	47,502
Additions	20,283	-	-	-	-	8,195	28,478
Capitalised borrowing costs	-	-	-	-	-	6	6
Transfers	-	-	1,551	-	10,036	(11,587)	-
Amortisation charge	-	(1,139)	(971)	(952)	(6,532)	-	(9,594)
Disposals	(7,142)	-	-	-	-	-	(7,142)
First time consolidation of VSEH, a.s. (Note 34)	-	289,769	12,472	132,364	8,409	7,354	450,368
Transfer to assets held for sale and discontinued operations (Note 33)	(31,971)	-	(67)	-	(970)	(306)	(33,314)
Cost at 31 December 2023	-	290,908	24,572	136,623	93,905	11,489	557,497
Accumulated amortisation and impairment losses	-	(1,139)	(8,394)	(1,626)	(70,034)	-	(81,193)
Carrying amount at 31 December 2023	-	289,769	16,178	134,997	23,871	11,489	476,304
Additions	4,510	-	-	-	-	17,418	21,928
Reallocations	-	-	(5,808)	5,808	-	-	-
Capitalised borrowing costs	-	-	-	-	-	-	-
Transfers	-	-	1,810	-	9,005	(10,815)	-
Amortisation charge	-	-	(2,692)	(6,592)	(10,348)	-	(19,632)
Disposals	-	-	-	-	-	-	-
Cost at 31 December 2024	4,510	290,908	20,529	142,432	101,673	18,092	578,144
Accumulated amortisation and impairment losses	-	(1,139)	(11,041)	(8,219)	(79,145)	-	(99,544)
Carrying amount at 31 December 2024	4,510	289,769	9,488	134,213	22,528	18,092	478,600

Assets not yet available for use primarily include software upgrades and improvements to the functionality of customer, financial, security and other in-house information systems. Further information on goodwill is presented in Note 34.

8 Investment Properties

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

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

<i>In thousands of EUR</i>	2024			2023		
	Land	Buildings	Total	Land	Buildings	Total
Cost at 1 January	129	1,124	1,253	129	1,124	1,253
Accumulated depreciation and impairment losses	-	(104)	(104)	-	(64)	(64)
Carrying amount at 1 January	129	1,020	1,149	129	1,060	1,189
Transfer from investment properties to property, plant and equipment	-	(6)	(6)	-	-	-
Additions	-	-	-	-	-	-
Depreciation charge	-	(23)	(23)	-	(40)	(40)
Disposals	-129	(991)	(1,120)	-	-	-
Cost at 31 December	-	-	-	129	1,124	1,253
Accumulated depreciation and impairment losses	-	-	-	-	(104)	(104)
Carrying amount at 31 December	-	-	-	129	1,020	1,149

The Group's management estimates that fair value of the investment properties at the balance sheet date is not materially different from their carrying amount. The Group's rental income from investment properties leased to third parties for 2024 amounted to EUR 112 thousand (2023: EUR 173 thousand). Direct operating expenses of investment properties (including repairs and maintenance) for 2024 amounted to EUR 52 thousand (2023: EUR 87 thousand) and these are recharged to the lessees in the lease.

The future minimum lease payments receivable under operating leases of investment properties are as follows:

<i>In thousands of EUR</i>	2024	2023
Due during:		
- year 1	-	96
- year 2	-	31
Total undiscounted operating lease payments receivable at 31 December	-	127

9 Right-of-use Assets and Lease Liabilities

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

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

<i>In thousands of EUR</i>	Land	Office buildings	Energy buildings and equipment	Vehicles	Total
Carrying value at 1 January 2023	343	7,626	11,180	4,858	24,007
Additions	-	3,061	2,003	1,063	6,127
Disposals	-	(164)	-	(124)	(288)
Depreciation charge	(17)	(1,208)	(692)	(1,739)	(3,656)
Reduction in value	-	(666)	-	(7)	(673)
Termination of the lease by the purchase of an asset (Note 6)	-	-	(1,810)	-	(1,810)
First time consolidation of VSEH, a.s. (Note 34)	41	1,250	2,946	732	4,969
Transfer to assets held for sale and discontinued operations (Note 33)	(279)	-	-	-	(279)
Carrying value at 31 December 2023	88	9,899	13,627	4,783	28,397
Additions	-	1,872	2,871	2,854	7,597
Disposals	-	(54)	-	(78)	(132)
Depreciation charge	(11)	(1,745)	(949)	(1,906)	(4,611)
Reduction in value	(8)	(1)	(42)	(24)	(75)
Termination of the lease by the purchase of an asset (Note 6)	-	-	(969)	-	(969)
Carrying value at 31 December 2024	69	9,971	14,538	5,629	30,207

The Group recognised lease liabilities as follows:

<i>In thousands of EUR</i>	31 December 2024	31 December 2023
Short-term lease liabilities	5,160	4,609
Long-term lease liabilities	25,518	23,881
Total lease liabilities	30,678	28,490

Interest expense on lease liabilities included in interest and similar expense for 2024 was EUR 953 thousand (2023: EUR 574 thousand).

Expenses relating to short-term leases and to leases of low-value assets (from continuing operations) that are not short-term leases (included in other operating expenses – Note 28):

<i>In thousands of EUR</i>	2024	2023
Expense relating to short-term leases	668	283
Expense relating to leases of low-value assets that are not shown above as short-term leases	1,498	1,123

9 Right-of-use Assets and Lease Liabilities (continued)

Total cash outflows for leases were as follows:

<i>In thousands of EUR</i>	2024	2023
Short-term lease payments	692	358
Payments for leases of low-value assets other than short-term leases	1,500	1,124
Repayment of principal of lease liabilities	5,922	5,456
Interest expense on lease liabilities paid	953	574
Total cash outflows for leases	9,067	7,512

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

10 Equity Method Investments

<i>In thousands of EUR</i>	2024	2023
Energotel, a.s. - 40% investment in joint venture	2,297	2,297
SPX, s.r.o.	135	135
Bioplyn Rozhanovce, s.r.o. - 34% investment in joint venture	876	876
TRANSELEKTRO spoločnosť s ručením obmedzeným Košice – associate	13	13
Other	164	164
Total equity method investments	3,485	3,485

11 Inventories

<i>In thousands of EUR</i>	2024	2023
Natural gas	21,751	24,123
Materials and spare parts	14,340	19,847
Work-in-progress	1,581	2,478
Merchandise	2,792	4,123
Land held for sale	1,022	1,022
Total inventories	41,486	51,593

The inventory items are shown net of provision for slow-moving materials and spare parts of EUR 870 thousand (2023: EUR 633 thousand) and merchandise of EUR 1 thousand (2023: EUR 65 thousand). Natural gas is held in an underground gas storage facility controlled by a related party under significant influence of the Slovak Government. No inventories have been pledged as collateral.

12 Trade and Other Receivables

<i>In thousands of EUR</i>	2024	2023
Trade receivables	11,175	5,665
Less impairment provision adjusting trade receivables to their present value using the effective interest method (discounting)	(1,054)	(121)
Non-current trade receivables, net	10,121	5,544
Contract assets - dealers commission costs	1,509	1,293
Total non-current trade and other receivables	11,630	6,837

12 Trade and Other Receivables (continued)

<i>In thousands of EUR</i>	2024	2023
Trade receivables	284,671	322,898
Less impairment provision for trade receivables	(22,963)	(20,167)
Current trade receivables, net	261,708	302,731
Commodity contracts at FVTPL	-	-
Contract assets - dealers commission costs	1,196	1,296
Receivables from hedging financial instruments (Note 23)	12	1,040
Compensation and grants	18,815	30,071
Prepayments	14,117	14,183
Other	2,342	6,337
Total current trade and other receivables	298,190	355,658

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

<i>In thousands of EUR</i>	2024			2023		
	For non-current receivables	For current receivables	Total	For non-current receivables	For current receivables	Total
Provision for impairment at 1 January	121	20,167	20,288	55	20,127	20,182
Impairment loss expense (Note 28)	933	3,890	4,823	66	964	1,030
Amounts written off during the year as uncollectible	-	(1,094)	(1,094)	-	(911)	(911)
Transfer to assets held for sale and discontinued operations (Note 33)	-	-	-	-	(13)	(13)
Provision for impairment at 31 December	1,054	22,963	24,017	121	20,167	20,288

12 Trade and Other Receivables (continued)

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

	31 December 2024				31 December 2023			
		Gross carrying amount	ECL	Net carrying amount		Gross carrying amount	ECL	Net carrying amount
<i>In thousands of EUR</i>	Loss rate				Loss rate			
<i>Non-current trade receivables:</i>								
Not past due	9.43%	11,175	1,054	10,121	2.14%	5,665	121	5,544
Total non-current trade receivables		11,175	1,054	10,121		5,665	121	5,544
<i>Current trade receivables:</i>								
Not past due	1.20%	253,777	3,039	250,738	0.93%	293,827	2,739	291,088
<i>Past due:</i>								
- 1 to 30 days	7.44%	7,912	589	7,323	2.22%	8,368	186	8,182
- 31 to 60 days	11.93%	2,212	264	1,948	5.07%	1,598	81	1,517
- 61 to 90 days	22.68%	1,270	288	982	8.65%	763	66	697
- 91 to 120 days	67.34%	349	235	114	37.12%	326	121	205
- 121 to 180 days	70.59%	1,299	917	382	49.73%	374	186	188
- 181 to 360 days	90.59%	2,052	1,859	193	77.16%	1,112	858	254
- over 360 days	99.82%	15,800	15,772	28	96.37%	16,530	15,930	600
Total current trade receivables		284,671	22,963	261,708		322,898	20,167	302,731
Total trade receivables		295,846	24,017	271,829		328,563	20,288	308,275

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

<i>In thousands of EUR</i>	2024	2023
At 1 January	2,589	3,147
Additions	1,771	1,240
Amortization	(1,655)	(1,798)
Total contract assets at 31 December	2,705	2,589

Out of the carrying value of contract assets, EUR 1,196 thousand (2023: EUR 1,296 thousand) will be amortized over the next year and the rest has a remaining amortization period of up to 5 years. The impairment allowance calculated based on the expected loss rate for the above asset was immaterial.

At 31 December 2024, in relation with the received borrowings (Note 17), the Group pledged as collateral the receivables in amount of EUR 333 thousand (2023: EUR 2,367 thousand) in favour of its creditors.

12 Trade and Other Receivables (continued)

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

<i>In thousands of EUR</i>	31 December 2024		31 December 2023	
	Carrying value	Insured value	Carrying value	Insured value
Trade receivables under credit insurance	108,937	108,937	98,423	98,423
Trade receivables not secured	152,771	-	204,308	-
Current trade receivables, net	261,708	108,937	302,731	98,423

Non-current trade receivables are not under credit insurance.

13 Cash and Cash Equivalents

<i>In thousands of EUR</i>	2024	2023
Cash on hand	6	8
Current accounts with banks	93,824	134,016
Short-term bank deposits	120,000	150,000
Cash in transit	11	-
Total cash and cash equivalents in the statement of financial position	213,841	284,024
Less restricted cash balances	-	-
Total cash and cash equivalents in the statement of cash flows	213,841	284,024

The Group has a concentration of cash and cash equivalents balances towards eight banks (2023: eight banks).

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

<i>In thousands of EUR</i>	2024	2023
<i>Neither past due nor impaired</i>		
Credit rating Aa3 by Moody's	8,347	7,890
Credit rating A1 by Moody's	219	7
Credit rating A2 by Moody's	64,210	238,506
Credit rating A3 by Moody's	111,002	-
Credit rating Baa1 by Moody's	30,046	37,613
Unrated	17	8
Total cash and cash equivalents	213,841	284,024

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

14 Share Capital

The Company issued and has outstanding 5,934,594 ordinary shares with a nominal value of EUR 33.19 and 85,497,359 ordinary shares with a nominal value of EUR 1 per share. All issued shares are fully paid in.

Based on the decision of the general meeting dated on 28 August 2023, the Company increased its share capital by issuing 85,497,359 new ordinary shares with a nominal value of EUR 1 per share and an issue rate of EUR 8.949726623 per share, while the total issue rate of new shares amounts to EUR 765,178 thousand. From the total issue rate of the new shares, the amount of EUR 17,099 thousand was added to the legal reserve fund, and the amount of EUR 662,581 thousand is reported as the share premium of new shares. The issue of Company's new shares was fully paid in by an in-kind contribution of Východoslovenská energetika Holding a.s. shares in the amount of EUR 765,178 thousand to the Company's equity, while the previous shareholders of Východoslovenská energetika Holding a.s., they acquired shares in the Company in exchange. The result of the transaction was a change in the Company's ownership structure.

The change in the Company's share capital was registered in the Commercial Register of the City Court Bratislava III on 23 November 2023.

Based on the valid shareholders agreement, the Company is jointly controlled by the shareholders, E.ON and the Slovak republic. The Company's strategic plan is approved by all shareholders of the Company. At the same time, all decisions of the general meeting must be made jointly by the existing shareholders, because a qualified two thirds majority of votes is required to pass any decision, while contractual restrictions exist for transfer of shares to parties not under control of existing shareholders.

The general meeting of the Company's shareholders approved the Company's prior year separate financial statements and declared dividends of EUR 105,561 thousand or EUR 12.40 per share with a nominal value of EUR 33.19 and EUR 0.37 per share with a nominal value of EUR 1 (2023: dividends of EUR 72,727 thousand or EUR 12.25 per share. The declaration of dividends by the general meeting and their payout to the Company's shareholders took place in 2023 before the Company increased its share capital by issuing 85,497,359 new ordinary shares with a nominal value of EUR 1 per share.). Slovak legislation identifies distributable reserves as retained earnings reported in the separate financial statements of the Company which amount to EUR 370,289 thousand (2023: EUR 159,520 thousand).

15 Legal Reserve Fund

The legal reserve fund represents appropriations of profits of the Company required by Slovak legislation. The Company is obliged to appropriate at least 10% of its profit until the legal reserve fund achieves at least 20% of the Company's share capital. This fund is not distributable and exists to cover future losses. The legal reserve fund of the Company was supplemented by EUR 17,099 thousand in 2023 (Note 14).

16 Issued Bonds

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

Amortized cost carrying value of the bonds is as follows:

<i>In thousands of EUR</i>	2024	2023
Issued bonds – non-current principal and deferred transaction costs	314,320	314,008
Issued bonds – current principal, accrued interest payable within one year and deferred transaction costs	4,294	4,294
Total carrying value of the bonds	318,614	318,302

Considering the situation on the capital markets, on 18 April 2023, the Group prematurely repaid the bonds (ISIN: XS0979598462) of EUR 315,000 thousand, including the corresponding coupon, which were originally due in October 2023, and refinanced them through non-current bank loans (Note 17).

17 Borrowings

<i>In thousands of EUR</i>	2024	2023
Bank loans	373,242	419,368
Other borrowings	7,078	7,693
Total non-current borrowings	380,320	427,061
Bank loans	113,391	84,315
Other borrowings	615	307
Total current borrowings	114,006	84,622
Total borrowings	494,326	511,683

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

<i>In thousands of EUR</i>	2024	2023
Tatra banka	-	-
Slovenská sporiteľňa	-	-
Total revolving loans	-	-
Citibank	7	7
Tatra banka	17	517
Slovenská sporiteľňa	3,898	1,820
UniCredit Bank	-	-
ČSOB	10,315	45,351
VÚB banka	50,007	35,938
ING Bank	-	682
Total bank overdrafts	64,244	84,315
Slovenská sporiteľňa	50,074	48,318
Tatra banka	78,691	78,657
ČSOB	78,742	78,738
UniCredit Bank	214,882	213,655
Total standard bank loans	422,389	419,368
National Development Fund II., a.s. *	7,693	8,000
Total other borrowings	7,693	8,000
Total borrowings	494,326	511,683

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

17 Borrowings (continued)

Further information on the Group's borrowings at 31 December 2024 is presented in the following table:

In thousands of EUR

Creditor	Borrowing drawn	Credit line	Interest rate in % p.a.	Maturity date of credit line	Guarantee
Tatra banka – revolving loan	-	50,000	1M Euribor+0.85%	31.3.2026	-
Slovenská sporiteľňa – revolving loan	-	50,000	€STR+0.65%	15.12.2026	-
Tatra banka – bank overdraft	-	4,000	1M Euribor+1.30%	notice period 90 days	Pledge on receivables
VÚB banka – bank overdraft	-	6,000	1M Euribor+0.65%	notice period 60 days	-
Slovenská sporiteľňa – bank overdraft	3,898	4,335	1M Euribor+1.25%	31.12.2029	Pledge on receivables, promissory note
VÚB banka – bank overdraft	50,007	80,000	1M Euribor+0.44%	notice period 90 days	-
Slovenská sporiteľňa – bank overdraft	-	40,000	1M Euribor+0.55%	notice period 90 days	-
ČSOB – bank overdraft	10,315	40,000	1M Euribor+0.50%	notice period 90 days	-
Citibank – bank overdraft	-	72,000	1M Euribor+0.55%	29.9.2025	-
ING Bank – bank overdraft	-	20,000	1M Euribor+0.45%	notice period 60 days	-
Slovenská sporiteľňa – bank loan	507	634	3M Euribor+1.30%	31.12.2028	Pledge on receivables
Slovenská sporiteľňa – bank loan	419	500	3M Euribor+1.30%	31.12.2029	Pledge on receivables
Tatra banka – long-term loan	78,750	78,750	1M Euribor+0.90%	15.10.2026	-
ČSOB – long-term loan	78,750	78,750	3.84%	15.10.2026	-
UniCredit Bank – long-term loan	157,500	157,500	1M Euribor+0.89%	15.10.2026	-
UniCredit Bank – long-term loan	60,000	60,000	1.163%	26.6.2026	-
Slovenská sporiteľňa – long-term loan	50,000	50,000	0.701%	9.7.2025	-
National Development Fund II., a.s. – borrowing	4,866	5,000	EUR 20Y IRS+1.1%	30.9.2042	Pledge on receivables
National Development Fund II., a.s. – borrowing	2,827	3,000	EUR 10Y IRS +1.25%	30.9.2032	Pledge on receivables
Revaluation of long-term borrowings to fair value ("unwinding")	(3,313)	-	-	-	-
Deferred transaction costs related to long-term loans	(224)	-	-	-	-
Accrued interest payable within one year	7	-	-	-	-
Tatra banka – credit cards	17	-	-	-	-
Total	494,326	800,469			

The Group plans to extend the maturity of the credit line for some current borrowings, where the maturity date of their credit line expires in 2025 only in case, if the Group will continue to need these credit sources or will not replace them with other credit sources.

17 Borrowings (continued)

Further information on the Group's borrowings at 31 December 2023 is presented in the following table:

In thousands of EUR

Creditor	Borrowing drawn	Credit line	Interest rate in % p.a.	Maturity date of credit line	Guarantee
Tatra banka – revolving loan	-	50,000	1M Euribor+0.85%	31.3.2026	-
Slovenská sporiteľňa – revolving loan	-	50,000	€STR+0.65%	15.12.2026	-
Tatra banka – bank overdraft	517	4,000	1M Euribor+0.75% up to EUR 3 mil. resp. +0.95% over EUR 3 mil.	notice period 3 months	Pledge on receivables, pledge on property, plant and equipment
VÚB banka – bank overdraft	3,076	6,000	1M Euribor+0.65%	notice period 60 days	-
Slovenská sporiteľňa – bank overdraft	1,152	3,100	1M Euribor+1.25%	31.12.2024	Pledge on receivables, promissory note
VÚB banka – bank overdraft	32,862	80,000	1M Euribor+0.15%	indefinite period	-
Slovenská sporiteľňa – bank overdraft	668	50,000	1M Euribor+0.45%	indefinite period	-
ČSOB – bank overdraft	39,999	40,000	0.00%	15.2.2024	-
ČSOB – bank overdraft	5,352	40,000	1M Euribor+0.50%	indefinite period	-
Citibank – bank overdraft	-	72,000	1M Euribor+0.55%	30.9.2024	-
ING Bank – bank overdraft	657	20,000	1M Euribor+0.45%	indefinite period	-
Slovenská sporiteľňa – bank loan	634	3,500	3M Euribor+1.25%	31.12.2029	Pledge on receivables
Tatra banka – long-term loan	78,750	78,750	1M Euribor+0.90%	15.10.2026	-
ČSOB – long-term loan	78,750	78,750	3.84%	15.10.2026	-
UniCredit Bank – long-term loan	157,500	157,500	1M Euribor+0.89%	15.10.2026	-
UniCredit Bank – long-term loan	60,000	60,000	1.163%	26.6.2026	-
Slovenská sporiteľňa – long-term loan	50,000	50,000	0.701%	9.7.2025	-
National Development Fund II., a.s. – borrowing	5,000	5,000	EUR 20Y IRS+1.1%	30.9.2042	Pledge on receivables
National Development Fund II., a.s. – borrowing	3,000	3,000	EUR 10Y IRS +1.25%	30.9.2032	Pledge on receivables
Revaluation of long-term borrowings to fair value (“unwinding”)	(5,914)	-	-	-	-
Deferred transaction costs related to long-term loans	(352)	-	-	-	-
Accrued interest payable within one year	32	-	-	-	-
Total	511,683	851,600			

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

At 31 December 2024 and at 31 December 2023, the Group has complied with all the covenants that it is obliged to fulfil according to the provisions of the borrowing agreements. For an analysis of movements of the Group's borrowings for each of the accounting periods presented, refer to Note 38. In relation with the borrowings, the Group has pledged as collateral part of its property, plant and equipment (Note 6) and certain groups of receivables (Note 12) in favour of its creditors.

18 Income Taxes

Income tax expense comprises the following:

<i>In thousands of EUR</i>	2024	2023
Current tax at standard rate of 21% (2023: 21%)	46,307	60,963
Special levy on profits from regulated activities	8,547	15,213
Deferred tax	31,418	9,476
Income tax expense for the year	86,272	85,652
Income tax expense from continuing operations	77,919	82,188
Income tax expense from discontinued operations	8,353	3,464

In 2024, the applicable standard income tax rate was 21% (2023: 21%). Starting from 2025, a new corporate income tax rate of 24% is introduced. This rate applies to those legal entities that generate taxable income exceeding EUR 5 million in the relevant tax period. From 2017 new methodology for calculating of the special levy applies, where the basis for the special levy is calculated as profit before tax per Slovak GAAP x (revenues from regulated activities/total revenues). The special levy rate of 4.356% p.a. applies from 2021. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

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

	2024	2023
Standard income tax rate for the year	21.000%	21.000%
Special levy rate	4.356%	4.356%
Effect of deductibility of special levy from standard rate*	(1.058%)	(1.058%)
Tax rate applicable on profits generated by regulated industry operations	24.298%	24.298%

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

The Group includes activities or subsidiaries taxed at the standard tax rate of 21% or at the 24.298% rate (2023: 24.298%) applicable to regulated industry operations. The applicable tax rate of 22.183% (2023: 22.708%) is used in the below effective tax reconciliation and represents a weighted average of the tax rates for regulated and unregulated industries. The applicable tax rate changed compared to prior year due to changes in the mix of profits from regulated and unregulated industry operations (2023: due to changes in the mix of profits from regulated and unregulated industry operations).

18 Income Taxes (continued)

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

<i>In thousands of EUR</i>	2024	2023
Profit before tax from continuing operations	227,533	330,657
Profit before tax from discontinued operations	40,773	8,093
Profit before tax	268,306	338,750
Theoretical tax charge at applicable tax rate of 22.183% (2023: 22.708%)	59,518	76,923
Non-deductible expenses /(non-taxable income) for which deferred tax was not recognised		
- income from equity method investees not subject to standard tax	(34)	(14)
- expenses not deductible for standard tax but deductible for special levy purposes	7,279	3,686
Effect on deferred tax of change in tax rate to 24% from 1 January 2025	23,597	-
Recognition of a previously unrecognised deferred tax asset	-	1,306
Other	(4,088)	3,751
Income tax expense for the reporting period	86,272	85,652

The deferred taxes are expected to be recovered or settled after more than twelve months after the end of the reporting period because income tax returns are due annually, that is, the deferred tax outstanding at 31 December 2024, that will become current tax in 2025, will be settled in 2026 upon filing the 2025 tax return. The corporate tax advance payments are calculated based on prior year taxes and are thus unrelated to deferred tax balances or the current tax expense expected for subsequent years. Deferred income tax assets and liabilities are not offset among different entities of the Group because the Group is not considered a single taxable entity for tax purposes.

Deferred taxes are attributable to the following temporary differences:

<i>In thousands of EUR</i>	2024	2023
Differences between tax base and carrying value of property, plant and equipment, including deferred tax arising from special levy	212,562	184,188
Post-employment defined benefit obligation and other long-term and short-term employee benefits	(7,152)	(2,722)
Other liabilities	(4,773)	(5,719)
Allowance for credit losses on trade receivables	(1,032)	3,181
Other	(263)	(1,091)
Total net deferred tax liability	199,342	177,837

<i>In thousands of EUR</i>	2024	2023
Differences between tax base and carrying value of property, plant and equipment, including deferred tax arising from special levy	(1,612)	2,340
Post-employment defined benefit obligation and other long-term and short-term employee benefits	1,915	940
Other liabilities	4,126	2,851
Allowance for credit losses on trade receivables	2,653	2,126
Other	70	(93)
Total net deferred tax asset	7,152	8,164

18 Income Taxes (continued)

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR 1,227 thousand (2023: EUR (470) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

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

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

19 Post-Employment Defined Benefit Obligations

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

<i>In thousands of EUR</i>	2024	2023
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	13,952	7,714
Current service cost	51	764
Interest cost	551	230
Past service costs due to changes in the defined benefit plan rules	(529)	-
Total expense (Note 0)	73	994
<i>Actuarial remeasurements:</i>		
- attributable to changes in financial assumptions	(592)	(76)
- attributable to changes in demographic assumptions	466	(927)
- attributable to experience adjustments	2,426	(1,231)
Total actuarial remeasurements recognised in other comprehensive income	2,300	(2,234)
Benefits paid during the year	(1,604)	(1,096)
First time consolidation of VSEH, a.s. (Note 34)	-	8,574
Other changes	(10)	-
Present value of unfunded post-employment defined benefit obligations at the end of the year	14,711	13,952

19 Post-Employment Defined Benefit Obligations (continued)

The principal actuarial assumptions were as follows:

	2024	2023
Number of employees at 31 December	3,860	3,835
Staff turnover	4.61% p.a.	4.29% p.a.
Expected salary increases short-term	6.00% p.a.	7.55% p.a.
Expected salary increases long-term	2.50% p.a.	2.50% p.a.
Discount rate	3.45% p.a.	3.30% p.a.

Changes in the actuarial assumptions would lead to the following changes in the present value of the post-employment defined benefit obligations:

<i>In thousands of EUR</i>	2024		2023	
	Increase	Decrease	Increase	Decrease
Staff turnover (change by 10%)	(624)	661	(452)	479
Expected salary increases long-term (change by 10%)	363	(352)	337	(326)
Discount rate (change by 0.5%)	(658)	706	(626)	667

20 Other Long Term Employee Benefits

The Group pays an amount from EUR 623 to EUR 1,400 (2023: from EUR 623 to EUR 1,400) to each employee at the age of 50, depending on the number of years worked for the Group, subject to 5-year service vesting condition (2023: 5-year). In addition, the Group pays regular long term work anniversary bonuses in general every 10 years in amounts between EUR 400 to EUR 1,250 (2023: between EUR 400 to EUR 1,250) and one-off compensation in case of the death of an employee during the performance of the employment or as a result of an occupational disease in amount of EUR 20,000 (2023: EUR 20,000) and compensation in case of the death of an employee outside the performance of the employment in amount of EUR 13,300 (2023: EUR 13,300). The liability for other long-term employee benefits was estimated using the Projected Unit Credit Method.

21 Provisions for Liabilities and Charges

<i>In thousands of EUR</i>	2024	2023
Provision for legal proceedings	8,275	17,113
Restructuring provision – current	1,663	-
Restructuring provision – non-current	2,818	-
Total provisions for liabilities and charges	12,756	17,113

At 31 December 2024 and 2023, the Group has recognized a current provision for known and quantifiable risks relating to disputes against the Group, that represent the best possible estimate of amounts that are more likely than not to be paid. Actual amounts to settle the provision, if any settlement will be required, depend on a number of different conditions and circumstances that may occur in the future and the outcome of which is uncertain and therefore the amount of the provision may change in the future. Refer also to Note 41.

Movements in provisions for liabilities and charges are as follows:

<i>In thousands of EUR</i>	2024				2023			
	Provision for legal proceedings	Restructuring provision	Provision for CO2 emissions	Total provisions	Provision for legal proceedings	Provision for onerous contracts	Provision for CO2 emissions	Total provisions
At 1 January	17,113	-	-	17,113	44,496	4,321	5,859	54,676
Additions recognized in profit or loss	4,149	4,481	-	8,630	-	-	25,179	25,179
Usage of provision	-	-	-	-	(2,658)	(4,321)	(5,897)	(12,876)
Reversal of provision	(12,987)	-	-	(12,987)	(28,546)	-	-	(28,546)
First time consolidation of VSEH, a.s. (Note 34)	-	-	-	-	3,821	-	-	3,821
Transfer to liabilities directly associated with assets held for sale and discontinued operations (Note 33)	-	-	-	-	-	-	(25,140)	(25,140)
Other	-	-	-	-	-	-	(1)	(1)
At 31 December	8,275	4,481	-	12,756	17,113	-	-	17,113

As a matter of prudence and based on assessment of the internal risk arising from disputes over tariff for electricity producers' access to the distribution system, the Group regularly reassess the amount of the provision created for potential legal proceedings. In 2024, the Group reversed the provision for legal proceedings in amount of EUR 12,987 thousand (2023: EUR 20,496 thousand) due to sentences in favour of the Group becoming valid, certain actions being withdrawn by the claimants or the expiration of legal claims against the Group. Refer also to Note 41.

Of the above-mentioned total reversal of provisions for legal proceedings, in 2024 the amount of EUR 10,404 thousand was recognised as an increase of revenue and the amount of EUR 2,583 thousand as a decrease of expenses (2023: EUR 20,496 thousand as an increase of revenue and EUR 8,050 thousand as a decrease of expenses).

The goal of the ongoing integration of the companies of ZSE Group and former VSEH Group is to create a larger, more stable, and financially stronger organization that can serve its' customers more effectively. In the next 3 years (2025-2027) various organizational changes are anticipated in the new ZSE Group. For this purpose, the Group created a restructuring provision at 31 December 2024, which assumes the amount of future payouts to employees related to organizational changes. The provision is based on the expected number of job positions, average wages, and the resulting expected impact on severance payout. The expected usage of the non-current restructuring provision is EUR 902 thousand in 2026 and EUR 1,916 thousand in 2027. The Group created a restructuring provision in accordance with the requirements of International Accounting Standard IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The recognition of a provision meets the criteria set out in this accounting standard.

22 Contract Liabilities from Connection Fees

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

<i>In thousands of EUR</i>	2024	2023
Non-current		
Contract liabilities - connection fees	142,527	121,676
Total non-current contract liabilities	142,527	121,676
Current		
Contract liabilities - connection fees	11,204	9,850
Total current contract liabilities	11,204	9,850
Total contract liabilities	153,731	131,526

Connection fees are paid by customers to connect them to the electricity network. The fees are recognised as contract liabilities and are released to revenue over the useful lives of related assets of approximately 20 years.

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

<i>In thousands of EUR</i>	Non-current	Current
At 1 January 2023	85,215	6,368
Additions	12,702	-
Transfers	(6,969)	6,969
Recognized in revenue	-	(6,417)
First time consolidation of VSEH, a.s. (Note 34)	30,728	2,930
At 31 December 2023	121,676	9,850
Additions	32,055	-
Transfers	(11,204)	11,204
Recognized in revenue	-	(9,850)
At 31 December 2024	142,527	11,204

22 Contract Liabilities from Connection Fees (continued)

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

<i>In thousands of EUR</i>	2024	2023
<i>At 31 December due</i>		
<i>Current:</i>		
Less than 12 months	11,204	9,850
<i>Non-current:</i>		
From 12 months to 5 years	45,831	43,541
Over 5 years	96,696	78,135
Total non-current	142,527	121,676
Total at 31 December	153,731	131,526

23 Trade and Other Payables

<i>In thousands of EUR</i>	2024	2023
Trade payables	151	41
Other financial liabilities	5,759	5,417
Total financial instruments within non-current trade and other payables	5,910	5,458
Grants	45,929	19,695
Total non-current trade and other payables	51,839	25,153

<i>In thousands of EUR</i>	2024	2023
Trade payables	76,308	219,747
Other accrued liabilities	161,604	129,383
Commodity contracts at FVTPL	-	-
Payables from hedging financial instruments	11,230	961
Other financial liabilities	4,240	5,007
Total financial instruments within current trade and other payables	253,382	355,098
Contract liabilities – electricity and natural gas and related distribution fees	82,957	81,081
Employee benefits payable	9,620	7,422
Social security on employee benefits	6,092	6,243
Accrued staff costs	17,860	15,456
Advance payments	50,241	70,004
Value added tax payable	46,499	49,113
Other payables	7,390	8,515
Grants	2,601	3,909
Excise duty payable	359	200
Total current trade and other payables	477,001	597,041

23 Trade and Other Payables (continued)

The Group had overdue current trade payables of EUR 180 thousand (2023: EUR 1,012 thousand) and overdue non-current trade payables of EUR 0 thousand (2023: EUR 0 thousand). None of the payables are overdue more than 30 days at 31 December 2024 and at 31 December 2023.

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

<i>In thousands of EUR</i>	2024	2023
At 1 January	81,081	67,611
Additions	82,957	81,081
Recognized in revenues	(81,081)	(67,611)
At 31 December	82,957	81,081

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

The Group recognised the following (receivables) / payables from hedging financial instruments in the consolidated statement of financial position:

<i>In thousands of EUR</i>	2024	2023
Receivables from hedging financial instruments	(12)	(1,040)
Payables from hedging financial instruments	11,230	961
Receivables and payables from hedging financial instruments at 31 December, net	11,218	(79)

The table below sets out an analysis of net movements of (receivables) / payables from hedging financial instruments for each of the periods presented:

<i>In thousands of EUR</i>	Commodity cash flow hedge	Commodity fair value hedge	Interest rate cash flow hedge	Currency cash flow hedge	Total
At 1 January 2023	-	(222)	-	-	(222)
First time consolidation of VSEH, a.s.	-	(6,168)	-	-	(6,168)
Change in fair value of hedging financial instrument recognised in other comprehensive income	-	-	-	-	-
Change in fair value of hedging financial instrument recognised in profit or loss	-	6,311	-	-	6,311
At 31 December 2023	-	(79)	-	-	(79)
Change in fair value of hedging financial instrument recognised in other comprehensive income	11,647	-	965	(2,088)	10,524
Change in fair value of hedging financial instrument recognised in profit or loss	1,006	(233)	-	-	773
At 31 December 2024	12,653	(312)	965	(2,088)	11,218

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2024 and 2023.

23 Trade and Other Payables (continued)

The following amounts were recognised in consolidated profit or loss in relation to hedging financial instruments:

<i>In thousands of EUR</i>	2024	2023
Net gain/(loss) on commodity cash flow hedging financial instrument not qualifying as hedges included in profit or loss	(1,006)	-
Change in fair value of hedging financial instrument recognised in profit or loss	233	(6,311)
Total	(773)	(6,311)

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

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

<i>In thousands of EUR</i>	2024	2023
Revenue recognised at a point in time	71,101	47,001
Revenue recognised over time	2,175,217	1,810,695
Total revenue from electricity and other related revenue and revenue from natural gas	2,246,318	1,857,696

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

Revenue comprises the following:

<i>In thousands of EUR</i>	2024	2023
Sales of electricity to industrial and other commercial customers	656,504	752,745
Sales of electricity to residential customers	316,800	217,864
Total sales of electricity	973,304	970,609
Distribution fees for electricity distribution to industrial and other commercial customers	437,106	350,571
Distribution fees for electricity distribution to residential customers	311,518	187,227
Revenue for reserved capacity from electricity producers	6,989	4,886
Accrued increase / (decrease) in revenue from customer returns	10,404	20,554
Total distribution fees	766,017	563,238
Revenue from natural gas	398,668	259,216
Revenues for connection work and testing fees	12,844	6,906
Other revenue	95,485	57,727
Total revenue from electricity and other related revenue and revenue from natural gas	2,246,318	1,857,696

25 Compensation

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 high prices of energies on the market. From the beginning of year 2023, the energy sector companies are compensated the difference between the sales price and “price cap” price of energies by the Ministry of Economy of Slovak Republic.

Additionally, the Group received some compensation to cover the higher expenses for purchase of electricity consumed in its own buildings.

The Group recognized this income separately in the consolidated statement of profit or loss and other comprehensive income as compensation.

<i>In thousands of EUR</i>	2024	2023
Compensation to electricity distributors in connection with the introduction of maximum electricity prices	54,614	251,808
Compensation to electricity suppliers in connection with the introduction of maximum electricity prices for businesses	2,070	68,063
Compensation to gas suppliers in connection with the introduction of maximum gas prices for businesses	3,265	4,047
Compensation to gas suppliers in connection with the introduction of maximum gas prices for households	162,281	138,301
Compensation to heat suppliers in connection with the introduction of maximum prices for regulated heat supply for selected end customers	153	-
Compensation to cover the higher expenses of businesses as a result of the increase in electricity prices based on the state aid scheme to support businesses	254	2,018
Total compensation	222,637	464,237

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

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

<i>In thousands of EUR</i>	2024	2023
Purchase of electricity from domestic producers and traders	633,861	843,946
Purchase of electricity on the spot market	309,653	302,167
Total purchases of electricity and natural gas for electricity production	943,514	1,146,113
Electricity transmission fees, system access and ancillary service charges, tariff for system operation and system services and related fees	368,826	258,575
Total purchases of electricity, natural gas for electricity production and related fees	1,312,340	1,404,688

27 Employee Benefits

<i>In thousands of EUR</i>	2024	2023
Wages and salaries	123,608	78,311
Defined contribution pension costs	20,688	13,670
Post-employment defined benefit plan expense (Note 19)	73	994
Other long-term employee benefit plans – current service and interest cost (Note 20)	248	526
Actuarial remeasurements of other long-term employee benefit plans (Note 20)	(113)	(301)
Other social costs	43,589	21,577
Total employee benefits expense	188,093	114,777

28 Other Operating Expenses

<i>In thousands of EUR</i>	2024	2023
Information technology and software maintenance costs	16,565	8,489
Repairs and maintenance costs	12,126	7,818
External works on grid provided by third parties	10,941	3,096
Expenses relating leases of low-value assets and short-term leases	2,166	1,406
Postal and telecommunication services	5,110	3,490
Call centre services	2,054	2,637
Security services	2,283	2,195
Advertising services	3,433	2,713
Travel expenses	2,418	1,578
Statutory audit	516	552
Other services	10,510	8,232
External dealers commission	1,811	1,719
Project management	170	106
Advisory services	3,415	3,555
Marketing	891	808
Operation and maintenance of telecommunication network	474	496
Provisions for legal proceedings (Note 21)	1,566	(10,650)
Facility management expenses	1,632	1,108
Impairment loss on trade and other receivables (Note 12)	4,823	1,030
Adjustments to financial investments	700	-
Bad debt write-offs	118	196
Property and motor vehicle tax	1,673	909
Gifts	656	528
Insurance	1,971	958
Other operating expenses	10,155	8,676
Total other operating expenses	98,177	51,645

28 Other Operating Expenses (continued)

The KPMG network (KPMG Slovensko spol. s r.o. is auditor of the Group) provided the following services to the Group:

<i>In thousands of EUR</i>	2024	2023
Statutory audit of individual and consolidated financial statements of the Company	166	356
Statutory audit of individual financial statements of the subsidiaries	350	196
Total statutory audit	516	552
Other assurance services	152	22
Tax advisory services	-	-
Other non-audit services	-	1
Total auditor services	668	575

In 2024, the KPMG network provided non-audit services to the Group amounted to EUR 152 thousand (2023: EUR 23 thousand). In 2024, these services included assurance services related to Sustainability report in the amount of EUR 106 thousand and agreed upon procedures for energy price compensation in the amount of EUR 46 thousand (2023: training services in the amount of EUR 1 thousand and agreed upon procedures for energy price compensation in the amount of EUR 22 thousand). The services were approved by the Audit Committee of the Company.

29 Other Operating Income

<i>In thousands of EUR</i>	2024	2023
Customer contributions to their connection costs	3,660	1,710
Operating lease income (Note 6)	1,187	1,363
Gain/(Loss) on disposal of fixed tangible assets, intangible assets and investment properties (Note 6)	986	6,626
Grants	2,171	2,781
Income from contractual penalties	1,198	1,132
Income from unauthorized consumption of electricity	1,820	997
Fees for payment reminders	3,967	1,380
Settlement of payments for receivables revalued within the first time consolidation of VSEH, a.s.	3,439	-
Income from insurance claims	654	639
Other	3,919	1,416
Total other operating income	23,001	18,044

30 Interest and Similar Income

<i>In thousands of EUR</i>	2024	2023
Interest income from bank deposits and borrowings	7,488	6,912
Other interest and similar income	176	126
Total interest and similar income	7,664	7,038

Interest income was calculated using the effective interest method.

31 Interest and Similar Expense

<i>In thousands of EUR</i>	2024	2023
Interest expense on bonds	5,513	9,172
Amortisation of deferred transaction costs related to bonds	312	429
Interest expense on borrowings	19,225	10,654
Amortisation of deferred transaction costs related to non-current borrowings	128	96
Interest expense on lease liability	953	574
Revaluation adjustment of non-current borrowings to fair value ("unwinding")	2,601	242
Other interest and similar expense	1,514	2,532
Less capitalised interest expense on bonds and borrowings (Note 6)	(3,369)	(2,018)
Total interest and similar expense	26,877	21,681

32 Segment Reporting

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

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

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

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

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

As a result of regulation of the distribution business and partial regulation of the supply business approximately 75% (2023: 84%) of the Group's EBITDA and 65% (2023: 83%) of the Group's EBIT were generated from sales to customers who are subject to the price regulation. At the same time, approximately 83% (2023: 86%) of the Group's EBITDA and 76% (2023: 85%) of the Group's EBIT from continuing operations (without discontinued operations) were generated from sales to customers who are subject to the price regulation.

Electricity production. Electricity production in CCGT power plant.

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

32 Segment Reporting (continued)

Reportable segments information for 2024 is as follows:

<i>In thousands of EUR</i>					Eliminations and consolidation adjustments	Total
	Distribution	Supply	Production	Other		
Revenue from external customers	262,275	2,129,383	6,044	42,906	-	2,440,608
Inter-segment revenues	350,046	136,081	188,246	49,743	(724,116)	-
Total segment revenues	612,321	2,265,464	194,290	92,649	(724,116)	2,440,608
Compensation	54,829	167,768	-	40	-	222,637
Purchases of electricity, natural gas for electricity production and related fees	(244,594)	(1,702,251)	(158,382)	(40,672)	675,139	(1,470,760)
Purchases of natural gas for sale	-	(536,326)	-	(95)	68	(536,353)
Employee benefits expense	(123,109)	(29,949)	(2,007)	(35,035)	-	(190,100)
Other operating expenses	(88,739)	(35,982)	(5,620)	(641,492)	670,579	(101,254)
Dividend income	-	-	-	937,839	(937,677)	162
Other operating income	13,768	8,760	10,005	10,536	(10,063)	33,006
Income from subleases	-	-	-	295	(295)	-
Own work capitalized	38,394	-	-	1,176	1,137	40,707
Earnings before interest, taxes, depreciation and amortization (EBITDA)	262,870	137,484	38,286	325,241	(325,228)	438,653
Depreciation of property, plant and equipment and investment properties	(120,619)	(442)	(4)	(3,530)	(2,282)	(126,877)
Amortization of intangible assets	(9,679)	(6,820)	-	(1,374)	(1,759)	(19,632)
Depreciation of right-of-use assets	(8,890)	(1,724)	-	(1,130)	7,119	(4,625)
Earnings before interest and taxes (EBIT)	123,682	128,498	38,282	319,207	(322,150)	287,519
Capital expenditures	230,000	3,778	3,347	22,915	-	260,040

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

<i>In thousands of EUR</i>	2024	2023
Total EBIT for all operating segments	287,519	353,393
Interest and similar income	7,664	7,038
Interest and similar expense	(26,877)	(21,681)
Profit before tax	268,306	338,750

32 Segment Reporting (continued)

Reportable segments information for 2023 is as follows:

<i>In thousands of EUR</i>					Eliminations and consolidation adjustments	Total
	Distribution	Supply	Production	Other		
Revenue from external customers	195,033	1,765,208	9,055	32,743	-	2,002,039
Inter-segment revenues	233,482	242,634	135,288	25,859	(637,263)	-
Total segment revenues	428,515	2,007,842	144,343	58,602	(637,263)	2,002,039
Compensation	253,394	210,411	-	432	-	464,237
Purchases of electricity, natural gas for electricity production and related fees	(291,130)	(1,694,209)	(126,630)	(32,233)	613,323	(1,530,879)
Purchases of natural gas for sale	-	(372,236)	-	(119)	1,203	(371,152)
Employee benefits expense	(78,471)	(17,857)	(1,727)	(18,450)	1	(116,504)
Other operating expenses	(38,396)	(22,426)	(6,455)	(13,418)	24,757	(55,938)
Dividend income	-	-	-	104,097	(104,029)	68
Other operating income	8,124	3,420	466	246,473	(239,973)	18,510
Income from subleases	-	-	-	108	(108)	-
Own work capitalized	24,915	-	-	388	578	25,881
Earnings before interest, taxes, depreciation and amortization (EBITDA)	306,951	114,945	9,997	345,880	(341,511)	436,262
Depreciation of property, plant and equipment and investment properties	(76,356)	(70)	76,095	(2,719)	(66,569)	(69,619)
Amortization of intangible assets	(5,399)	(1,927)	(178)	(413)	(1,677)	(9,594)
Depreciation of right-of-use assets	(7,492)	(1,085)	-	(732)	5,653	(3,656)
Earnings before interest and taxes (EBIT)	217,704	111,863	85,914	342,016	(404,104)	353,393
Capital expenditures	158,344	2,273	1,989	8,374	(286)	170,694

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

<i>In thousands of EUR</i>	2024	2023
Total capital expenditures for all operating segments	260,040	170,694
Payments for emission quotas acquired	21,720	20,283
Assets acquired but not paid for	(70,256)	(38,911)
Payments for assets acquired in prior periods	23,901	22,644
Payments for purchases of property, plant and equipment and intangible assets	235,405	174,710

At 31 December 2024, the property, plant and equipment ("PP&E") of the electricity distribution segment represents 95% of the total Group's PP&E (2023: 96%).

32 Segment Reporting (continued)

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

33 Assets Held for Sale and Discontinued Operations

Considering the facts mentioned in Note 5, as at 31 December 2024 and as at 31 December 2023, the Group disclosed the assets and liabilities related to ZSE Elektrárne, s.r.o. as assets and liabilities held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Discontinued operations, which represent electricity production in CCGT power plant Malženice within ZSE Elektrárne, s.r.o., are disclosed as the Production segment in the Segment reporting of the Group (Note 32).

Assets classified as held for sale and discontinued operations are as follows:

<i>In thousands of EUR</i>	2024	2023
Property, plant and equipment	38,318	34,819
Intangible assets	25,473	33,314
Right-of-use assets	265	279
Deferred income tax assets	6,058	13,732
Inventories	1,279	586
Trade and other receivables	2,521	1,075
Current income tax refund receivable	1,134	-
Total assets held for sale and discontinued operations	75,048	83,805

Liabilities directly associated with assets classified as held for sale and discontinued operations are as follows:

<i>In thousands of EUR</i>	2024	2023
Borrowings	1	-
Lease liabilities	253	267
Trade and other payables	44,077	16,148
Current income tax liabilities	-	2,949
Provisions for liabilities and charges	27,766	25,140
Total liabilities directly associated with assets held for sale and discontinued operations	72,097	44,504

An analysis of the cash flows of discontinued operations is as follows:

<i>In thousands of EUR</i>	2024	2023
Cash flows from operating activities	64,721	50,234
Cash flows from investing activities	(69,771)	(20,266)
Cash flows from financing activities	993	358
Total cash flows of discontinued operations	(4,057)	30,326

33 Assets Held for Sale and Discontinued Operations (continued)

An analysis of the result of discontinued operations is as follows:

<i>In thousands of EUR</i>	2024	2023
Discontinued operations		
Revenue from electricity and other related revenue	194,290	144,343
Purchases of electricity, natural gas for electricity production and related fees	(158,420)	(126,191)
Employee benefits	(2,007)	(1,727)
Depreciation of property, plant and equipment and investment properties	(4)	(4,312)
Amortization of intangible assets	-	(179)
Depreciation of right-of-use assets	(14)	(14)
Other operating expenses	(3,077)	(4,293)
Other operating income	10,005	466
Profit from operations	40,773	8,093
Finance income / (costs)		
Interest and similar income	-	-
Interest and similar expense	-	-
Finance costs, net	-	-
Profit before tax	40,773	8,093
Income tax expense	(8,353)	(3,464)
Profit for the year from discontinued operations	32,420	4,629
Other comprehensive income / (loss)		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Actuarial remeasurements of post-employment defined benefit obligations	-	-
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	-	-
Total other comprehensive income / (loss) for the year from discontinued operations	-	-
Total comprehensive income for the year from discontinued operations	32,420	4,629

34 Business Combinations

On 23 November 2023 the Group acquired 100% of share capital of Východoslovenská energetika Holding a.s. and its subsidiaries of: Východoslovenská distribučná, a.s., Východoslovenská energetika a.s., VSE Solutions s.r.o., VSE Call centrum, s.r.o. and VSE Ekoenergia, s.r.o., thus obtained control through its ability to cast a majority of votes in the general meeting of shareholders. The transaction was carried out through the in-kind contribution of Východoslovenská energetika Holding a.s. shares to the Company's equity, whereas the previous shareholders of Východoslovenská energetika Holding a.s., i.e. Ministry of Economy of the Slovak Republic and E.ON First Future Energy Holding B.V., they acquired shares in the Company in exchange. The acquired subsidiaries will help the Group penetrate selected trade and distribution markets and profitability of the entire Group is expected to improve thanks to the economies of scale and joint management of resources.

34 Business Combinations (continued)

The fair value of the total purchase consideration and its components at the date of acquisition is as follows:

<i>In thousands of EUR</i>	At 23 November 2023
Fair value of new issued shares of the acquirer	765,178
Total purchase consideration	765,178

The fair value of the new issued equity instruments of the acquirer was determined mainly by applying the income approach, specifically the method of discounted cash flows for each subsidiary separately, so the fair value of new issued equity instruments is a sum of individual fair values of all subsidiaries.

The transaction costs relating to the acquisition of subsidiaries amounting to EUR 117 thousand were recognised in 2023 as other operating expenses.

The consideration paid by the Group was based on results of external appraisal of subsidiaries taken a whole, prepared by an external expert. However, in accordance with IFRS 3, *Business Combinations*, the Group must account for acquisitions based on the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed. These two different approaches can lead to differences, and as set out in the table below, recognition of goodwill.

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

<i>In thousands of EUR</i>	Note	Attributed fair value
Property, plant and equipment	6	756,954
Intangible assets	7	160,599
Right-of-use assets	9	4,969
Equity method investments		2,927
Deferred income tax assets		53
Other non-current assets		184
Inventories		18,570
Trade and other receivables		202,090
Cash and cash equivalents		5,316
Borrowings	38	(268,507)
Lease liabilities	38	(4,396)
Deferred income tax liabilities		(107,844)
Post-employment defined benefit obligations	19	(8,574)
Other long-term employee benefits		(290)
Contract liabilities from connection fees	22	(33,658)
Trade and other payables		(238,080)
Current income tax liabilities	42	(10,331)
Provisions for liabilities and charges	21	(3,821)
Fair value of identifiable net assets of subsidiaries		476,161
Post-transaction adjustments		(752)
Goodwill arising from the acquisition	7	289,769
Total value of acquisition		765,178

34 Business Combinations (continued)

Fair values of assets and liabilities acquired are based on the discounted cash flow model. The valuation of identifiable intangible assets was performed by an independent professional appraiser. Based on the external appraisal, the following items of intangible assets were included in the purchase price allocation:

- operating licences and other valuable rights in amount of EUR 6,663 thousand;
- brand in amount of EUR 5,809 thousand;
- software and similar assets in amount of EUR 8,409 thousand;
- customer base in amount of EUR 132,364 thousand; and
- intangible assets not yet available for use in amount of EUR 7,354 thousand.

Fair value of the acquired identifiable intangible assets of EUR 160,599 thousand was provisional pending receipt of the final valuations for those assets, while no significant difference was identified.

The goodwill is primarily attributable to the profitability of the acquired companies, the significant synergies and combined cost savings expected to arise. Goodwill arising from the transaction was allocated to individual segments of the Group depending on the “enterprise value” indicator following the acquisition as follows:

<i>In thousands of EUR</i>	At 23 November 2023
Goodwill allocated to the Distribution segment	211,109
Goodwill allocated to the Supply segment	78,660
Total goodwill arising from the acquisition	289,769

The acquired subsidiaries contributed revenue of EUR 112,492 thousand and profit of EUR 5,327 thousand to the Group for the period from the date of acquisition to 31 December 2023.

35 Non-Controlling Interest

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

	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
<i>In thousands of EUR</i>						
Year ended 31 December 2024						
BK, a.s.	Slovakia	26.11%	26.11%	(186)	667	-
EKOTERM, s.r.o.	Slovakia	-	-	-	-	(222)
Year ended 31 December 2023						
BK, a.s.	Slovakia	33.05%	33.05%	(512)	1,080	-
EKOTERM, s.r.o.	Slovakia	41.99%	41.99%	261	416	(231)

During 2024, the Group acquired the entire non-controlling interest in EKOTERM, s.r.o. and thus became the sole shareholder of this company. The Group also increased its share in BK, a.s. by acquiring 66 shares from minority shareholders.

The summarised financial information of these subsidiaries was as follows:

	At 31 December				Year ended 31 December			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive income	Cash flows
<i>In thousands of EUR</i>								
2024								
BK, a.s.	7,753	994	4,039	228	27,913	13	13	3,580
EKOTERM, s.r.o.	15,294	54	7,212	8,059	7,778	(35)	(35)	(6,485)
2023								
BK, a.s.	9,732	4,963	9,702	560	24,049	45	45	(116)
EKOTERM, s.r.o.	14,012	52	5,092	8,333	5,666	529	529	3,911

Financial information for the current accounting period is only preliminary.

36 Financial Risk Management

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

Foreign exchange risk. The Group is partially exposed to foreign exchange risk due to the purchase of gas on foreign markets also in currency other than EUR. This risk is mitigated by concluding a currency derivative. However, the majority of the Group's activities are carried out on the domestic market and its sales, purchases and short-term deposits are denominated in EUR. For this reason, management does not consider foreign exchange risk as a significant exposure for the Group's operations. A reasonably possible change in spot exchange rate of EUR against foreign currencies as of the end of the reporting period, would not have any impact on the Group's profit or loss for the year.

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

Interest rate risk. The Group is exposed to a certain risk from changes in market interest rates. In 2023, the Group's management concluded several new agreements for long-term loans with a floating interest rate, which changes depending on market interest rates, such as euribor. In this context, the Group began to use an interest rate hedging product in 2024, which covers a significant part of long-term loans with a floating interest rate. The impact resulting from a reasonably possible change in interest rates on long-term loans with unsecured floating interest rates is therefore insignificant for the Group (see table below). The analysis of borrowings including maturities is presented in Note 17. Borrowings are carried at amortized cost using the effective interest method.

Sensitivity analysis to the risk of interest rate changes:

<i>In thousands of EUR</i>	31 December 2024		31 December 2023	
	Interest rate increase/ (decrease) (%)	Impact on profit before tax	Interest rate increase/ (decrease) (%)	Impact on profit before tax
1M Euribor (EUR)	0.25	-	0.25	(425)
1M Euribor (EUR)	(0.25)	-	(0.25)	425

Commodity price risk. In 2024 and 2023, the Group entered into certain commodity purchase contracts for gas which meet the criteria of hedge accounting. The Group has also concluded contracts for the purchase of gas where the formula for determining the price for the delivered quantity includes, among other parameters, the current market price, which represents a price risk for the Group. For the purpose of economic hedging of this risk, the Group concludes commodity hedging financial instruments. In general, management aims to match electricity and gas demand with corresponding purchase contracts. In order to manage market risk, the Group has implemented a system of conservative volume and financial limits for open positions in commodities which protect the Group from unexpected changes in market commodity prices on wholesale markets.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of electricity, gas and services on credit terms and other transactions with counterparties giving rise to financial assets. The exposure includes cash and cash equivalents, deposits with banks and financial institutions, as well as exposures to wholesale and retail customers, including outstanding receivables.

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

36 Financial Risk Management (continued)

As for the banks and financial institutions, the Group has relationships only with those that have a high independent rating assessment. Except as disclosed in Note 13, the Group does not have a significant concentration of credit risk mainly due to a large number of diverse customers.

The Group uses a system of reminders, which may culminate in a service disconnection, as the prevailing contract enforcement. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Group beyond the provisions already recorded. To reduce the risk of selected wholesalers, the Group uses insurance products. The credit quality of outstanding balances with banks is presented in Note 13 and credit quality information about trade receivables is included in Note 12.

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

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the activities, the Group aims to maintain flexibility in funding by keeping committed credit lines available. In addition, the Group relies on liquidity of financial markets and its ability to refinance its issued bonds and non-current borrowings. The Group's strategy is to secure the financing at least 6 months before the existing bonds and non-current borrowings become due.

The Group regularly monitors its liquidity position and uses overdrafts only in necessary cases, which should cover cash shortages if required. The Group also uses the advantages of commercial terms between the Group and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 20 days on average, while the maturity of customer's invoices is 14 days on average. Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Group and (b) expected future cash outflows securing operation of the Group and leading to settlement of all liabilities of the Group, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Group to make short-term bank deposits.

The tables below analyse the Group's undiscounted amount of financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The maturity analysis is as follows at 31 December 2024:

<i>In thousands of EUR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Issued bonds – principal due	-	-	-	315,000	-	315,000
Issued bonds – future interest payments	-	5,513	-	16,537	-	22,050
Borrowings including future interest payments - current (Note 17)	64,274	93	50,954	-	-	115,321
Borrowings including future interest payments – non-current (Note 17)	1,083	2,042	9,473	388,470	5,144	406,212
Trade payables – non-current (Note 23)	-	-	-	151	-	151
Trade payables - current (Note 23)	51,689	22,639	1,980	-	-	76,308
Other accrued liabilities (Note 23)	156,946	703	3,955	-	-	161,604
Lease liabilities (including future interest payments)	473	1,098	4,180	23,948	3,894	33,593
Payables from hedging financial instruments (Note 23)	1,015	2,031	8,184	-	-	11,230
Other financial liabilities – non-current (Note 23)	-	-	-	5,759	-	5,759
Other financial liabilities – current (Note 23)	4,240	-	-	-	-	4,240
Total future payments, including future principal and interest payments	279,720	34,119	78,726	749,865	9,038	1,151,468

36 Financial Risk Management (continued)

The maturity analysis is as follows at 31 December 2023:

<i>In thousands of EUR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Issued bonds – principal due	-	-	-	315,000	-	315,000
Issued bonds – future interest payments	-	5,513	-	22,050	-	27,563
Borrowings including future interest payments - current (Note 17)	84,315	-	470	-	-	84,785
Borrowings including future interest payments – non-current (Note 17)	1,212	2,424	11,958	455,046	6,496	477,136
Trade payables – non-current (Note 23)	-	-	-	41	-	41
Trade payables - current (Note 23)	188,758	28,861	2,128	-	-	219,747
Other accrued liabilities (Note 23)	122,713	2,520	4,150	-	-	129,383
Lease liabilities (including future interest payments)	420	955	3,785	22,020	4,975	32,155
Payables from hedging financial instruments (Note 23)	80	160	721	-	-	961
Other financial liabilities – non-current (Note 23)	-	-	-	5,417	-	5,417
Other financial liabilities – current (Note 23)	5,007	-	-	-	-	5,007
Total future payments, including future principal and interest payments	402,505	40,433	23,212	819,574	11,471	1,297,195

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

37 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group manages capital reported under IFRS as equity amounting to EUR 1,348,679 thousand at 31 December 2024 (2023: EUR 1,285,619 thousand). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or return capital to shareholders.

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

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

38 Movements in Liabilities from Financial Activities

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

<i>In thousands of EUR</i>	Issued bonds (Note 16)	Borrowings (Note 17)	Lease liabilities (Note 9)	Total
At 1 January 2023	635,600	129,439	24,442	789,481
Non-cash movements				
Additions to leases (Note 9)	-	-	6,127	6,127
Interest expense (Note 31)	9,172	10,654	574	20,400
Amortisation of deferred transaction costs related to bonds and borrowings (Note 31)	429	96	-	525
Termination and modifications of leases	-	-	(740)	(740)
First time consolidation of VSEH, a.s. (Note 34)	-	268,507	4,396	272,903
Transfer to liabilities directly associated with assets held for sale and discontinued operations (Note 33)	-	-	(279)	(279)
Revaluation adjustment of borrowings to fair value	-	242	-	242
Other	-	-	-	-
Payments				
Payment of transaction costs related to bonds and borrowings	-	(448)	-	(448)
Interest expense paid	(11,899)	(10,622)	(574)	(23,095)
Bonds and borrowings received	-	321,573	-	321,573
Bonds and borrowings principal repayments	(315,000)	(207,758)	-	(522,758)
Lease liability principal repayments	-	-	(5,456)	(5,456)
At 31 December 2023	318,302	511,683	28,490	858,475
Non-cash movements				
Additions to leases (Note 9)	-	-	7,597	7,597
Interest expense (Note 31)	5,513	19,225	953	25,691
Amortisation of deferred transaction costs related to bonds and borrowings (Note 31)	312	128	-	440
Termination and modifications of leases	-	-	513	513
Revaluation adjustment of borrowings to fair value	-	2,601	-	2,601
Other	-	-	-	-
Payments				
Payment of transaction costs related to bonds and borrowings	-	-	-	-
Interest expense paid	(5,513)	(19,225)	(953)	(25,691)
Bonds and borrowings received	-	49,887	-	49,887
Bonds and borrowings principal repayments	-	(69,973)	-	(69,973)
Lease liability principal repayments	-	-	(5,922)	(5,922)
At 31 December 2024	318,614	494,326	30,678	843,618

39 Fair Value Disclosures

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

a) Recurring fair value measurements

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

Commodity contracts carried at fair value. Certain commodity contracts are carried in the statement of financial position at fair value. The fair value measurement belongs to level 2 in the fair value hierarchy and the key input is the spot and forward electricity or natural gas price per MWh.

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

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

<i>In thousands of EUR</i>	31 December 2024			31 December 2023		
	Level 1 fair value	Level 2 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Carrying value
ASSETS						
Trade receivables – non-current, net (Note 12)	-	10,121	10,121	-	5,544	5,544
Trade receivables – current, net (Note 12)	-	261,708	261,708	-	302,731	302,731
Cash and cash equivalents (Note 13)	-	213,841	213,841	-	284,024	284,024
TOTAL ASSETS	-	485,670	485,670	-	592,299	592,299
LIABILITIES						
Issued bonds (Note 16)	302,846	-	318,614	296,363	-	318,302
Borrowings - current (Note 17)	-	113,990	113,990	-	84,622	84,622
Borrowings – non-current (Note 17)	-	379,325	380,368	-	428,572	427,061
Trade payables – non-current (Note 23)	-	151	151	-	41	41
Trade payables - current (Note 23)	-	76,308	76,308	-	219,747	219,747
Other accrued liabilities (Note 23)	-	161,604	161,604	-	129,383	129,383
Other financial liabilities – non-current (Note 23)	-	5,759	5,759	-	5,417	5,417
Other financial liabilities - current (Note 23)	-	4,240	4,240	-	5,007	5,007
TOTAL LIABILITIES	302,846	741,377	1,061,034	296,363	872,789	1,189,580

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

40 Presentation of Financial Instruments by Measurement Category

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

41 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management’s interpretation of the Group’s business activities may not coincide with the interpretation of these activities by the tax authorities, but the extent of this risk cannot be reasonably quantified. The fiscal years from 2020 to 2024 remain open to tax inspection, however, for transfer pricing issues of cross-border transactions, earlier periods are also subject to tax inspection.

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator. These circumstances led the Group to create a provision for the potential impact of legal proceedings (Note 21). At 31 December 2024, the maximum additional exposure of the Group to the risk of these legal proceedings is EUR 0 thousand (2023: EUR 0 thousand) in excess of the provision already created.

Contractual obligations. At 31 December 2024, the Group had outstanding contractual commitments for purchases of property, plant and equipment of EUR 174,981 thousand (2023: EUR 144,142 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 7,092 thousand (2023: EUR 5,316 thousand). Financial contractual obligations of the Group under the electricity purchase contracts at 31 December 2024 amount to approximately EUR 648,365 thousand (2023: EUR 977,662 thousand), of which EUR 556,884 thousand (2023: EUR 746,519 thousand) is due within one year. Financial contractual obligations of the Group under the natural gas purchase contracts at 31 December 2024 amount to approximately EUR 305,047 thousand (2023: EUR 411,618 thousand), of which approximately EUR 265,786 thousand (2023: EUR 364,164 thousand) is due within one year.

Contracts for the future deliveries of electricity and gas. Given the fact that a large volume of the Group's future contracted deliveries of electricity and gas depends on the future market price of these commodities and the volume that the Group will deliver to customers at a given price, it is not possible to reliably estimate the value of these future contracted deliveries of commodities at the end of 2024 and 2023.

Bank guarantees. Bank guarantees for purchase liabilities were issued in favour of the Group with the maximum amount of EUR 112,947 thousand (2023: EUR 125,733 thousand), where the actual amount of guaranteed liabilities at the balance sheet date is EUR 34,903 thousand (2023: EUR 81,512 thousand).

42 Balances and Transactions with Related Parties

The primary related parties of the Group are (a) its shareholders which have joint control over the Group as explained in Notes 1 and 14: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel. The Group applies the exemption from disclosing transactions with the Slovak Government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, purchases of electricity from an entity in which the Slovak Government has a significant shareholding and other transactions presented below.

The related party transactions and outstanding balances were as follows for 2024:

<i>In thousands of EUR</i>	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak Government*	Joint venture (Note 10)
Revenue, compensation, other operating and interest income	219,337	162	2,314	302,400	1,582
Dividend income	-	-	-	-	162
Purchases and expenses	6	112	7,364	1,213,984	2,941
Receivables other than taxes	9,065	-	209	43,100	69
Liabilities other than taxes	-	-	440	81,767	1,062
Dividends declared and paid	53,836	25,514	26,211	-	-

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

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

Income taxes are disclosed in the statement of financial position, statement of profit or loss and other comprehensive income, in the statement of cash flows and are also analysed in Note 18. Outstanding value added tax payable is presented in Note 23. Property and motor vehicle taxes are disclosed in Note 28.

The income tax paid was as follows:

<i>In thousands of EUR</i>	2024	2023
Current income tax expense at standard rate of 21% (2023: 21%) – refer to Note 18	(46,307)	(60,963)
Special levy on profits from regulated activities (Note 18)	(8,547)	(15,213)
Estimate of unpaid withholding tax at the beginning of the reporting period	(587)	-
Estimate of unpaid withholding tax at the end of the reporting period	66	587
Current income tax liabilities at the beginning of the reporting period	(47,928)	(8,559)
Current income tax (refund receivable) / liabilities at the end of the reporting period	(3,573)	47,928
Current income tax liabilities from discontinued operations at the beginning of the reporting period (Note 33)	(2,949)	-
Current income tax (refund receivable) / liabilities from discontinued operations at the end of the reporting period (Note 33)	(1,134)	2,949
First time consolidation of VSEH, a.s. (Note 34)	-	(10,331)
Income tax paid	(110,959)	(43,602)

42 Balances and Transactions with Related Parties (continued)

The related party transactions and outstanding balances were as follows for 2023:

<i>In thousands of EUR</i>	Ministry of Economy of the Slovak Republic	E.ON Slovensko, a.s.	E.ON Group**	Slovak Government*	Joint venture (Note 10)
Revenue, compensation, other operating and interest income	464,273	161	21,494	239,111	900
Dividend income	-	-	-	-	69
Purchases and expenses	2	-	13,291	759,325	1,574
Receivables other than taxes	30,323	3	49	28,807	80
Liabilities other than taxes	-	-	2,416	130,760	866
Dividends declared and paid	37,091	28,364	7,272	-	-

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

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

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

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

<i>In thousands of EUR</i>	2024	2023
<i>Board of directors and other key management personnel</i>		
Salaries and other short-term employee benefits	4,520	2,530
Defined contribution pension costs	702	381
Total remuneration of board of directors and other key management personnel	5,222	2,911
<i>Supervisory board</i>		
Salaries and other short-term employee benefits	853	471
Defined contribution pension costs	141	78
Total remuneration of supervisory board	994	549

43 Events after the End of the Reporting Period

After 31 December 2024, no significant events have occurred that would require recognition or disclosure in these consolidated financial statements.

