

Západoslovenská distribučná, a.s.

Annual Report for the year 2025
and
Independent Auditors ' Report
on the Financial Statements

Content

Annual Report

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Západoslovenská distribučná, a.s.

Annual Report for 2025

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Annex: Financial Statements and Independent Auditors' Report as of 31 December 2025

01 Profile of Západoslovenská distribučná, a.s.

A View by the Chairman of the Board of Directors

Dear customers, business partners, colleagues,

You have before you the annual report of Západoslovenská distribučná (ZSD), which summarises the year 2025. This year will be recorded in the history of our company as the period in which the transition of the energy sector definitively moved from the level of plans into the implementation phase. Infrastructure modernisation and development represent a long-term process, while current investments in the distribution system are preparing it for future requirements.

In 2025, the company invested nearly EUR 197 million in the modernisation and development of the distribution system, which is an increase of approximately 28% compared with the previous year. Approximately 30% consists of investments related to connecting new customers. Nearly two thirds of the investments were allocated primarily to the renewal and strengthening of the distribution system. From the perspective of sustainability, the optimal approach is multi-source financing combined with the use of own resources. We are active and successful in projects of common interest co-financed from European Union sources, as well as in support programmes such as the Recovery and Resilience Plan.

In 2025, we completed the implementation of the first PCI project of distribution companies in the Central and Eastern European region, ACON Smart Grids. The total value of the project amounted to EUR 182 million, with co-financing from European sources covering 50% of the project's value. As part of the project, we reconnected Slovakia and the Czech Republic, built nearly 1,500 intelligent transformer stations and substations, and more than 1,000 kilometres of optical routes. Within the framework of another PCI project, Danube InGrid, we began the construction of a new 110/22 kV substation in Vajnory. An investment of more than EUR 30 million will contribute to securing the future power supply needs of the northern part of the capital city of Bratislava and enable the connection of new customers in this area.

We have agreed on a loan of EUR 210 million with the European Investment Bank. It is intended to finance a multi-year investment programme aimed at continuing the modernisation of the distribution system. The investments will also contribute to the implementation of Slovakia's National Energy and Climate Plan, as well as to the EU's energy and climate objectives.

Customer as an active partner

The installation of photovoltaic solutions is gradually becoming standard. This trend will be further reinforced by European legislation, which emphasises zero-emission buildings and promotes the use of solar energy. In 2025, demand for photovoltaic installations stabilised. The company connected nearly 8,000 new sources with a total capacity of 132 MW. Data analysis shows that customers are beginning to respond more attentively to the company's recommendations regarding optimal sizing of capacity and the use of three-phase connections, which place less strain on both household electrical installations and the distribution system.

An important commercial milestone was the introduction of so-called capacity payments for customers who are also electricity producers, and thus active participants in the electricity market.

In 2025, the company successfully continued the digitalisation of all key processes. More than half of customer interactions took place digitally, with the dominant channels being e-Requests and the distribution portal. The virtual assistant Edo was continuously improved throughout the

year and can now talk about a wide range of topics, relieving customer service employees from routine inquiries.

Customer convenience was further enhanced by the deployment of the web app www.vypadokelektřiny.sk, which provides real-time information on planned outages and faults. In 2025, the number of faults reported directly through this app increased, confirming its growing popularity.

The year 2025 represented the third year of the current five-year regulatory period (2023–2027). A significant change compared with previous years was the end of the nationwide emergency regulation of distribution prices by the state, which was applied in 2023 and 2024. For 2025, the Regulatory Office for Network Industries (ÚRSO) issued price decisions that fully reflect the rules of the regulatory framework. This transition to standard regulation is crucial for the company's long-term investment capacity.

In the energy sector, workplace safety is a fundamental pillar of our work. I am pleased that in 2025 we made significant progress in this area. The "Quick Check" survey confirmed that our safety culture is growing – we achieved a score of 3.2, placing us among the best companies not only in the energy market. We must view safety in a broader context. This year, we launched a company-wide campaign, "It's Not Just About You," which, through powerful stories of employees' children, reminded us that behind every safe decision at work there is someone waiting for us at home.

The year 2025 was a period of extraordinary effort and strategic successes for ZSD. The results achieved are a testament to the professionalism and responsibility of all employees. It was another year in which we made significant progress in preparing for the new energy reality, which we call Electrification 2.0. We aim to prepare responsibly for a time when electricity will be the number one energy carrier, and the quality of life and business in Slovakia will depend greatly on our readiness to distribute electricity and manage its flows in a safe and reliable manner.

We would like to sincerely thank all colleagues for their daily effort and loyalty, to our business partners for their constructive cooperation, and last but not least to our customers for their trust and understanding during the process of necessary modernisation of our shared energy infrastructure.

Ing, Radoslav Haluška,

Chairman of the Board of Directors

Company's Bodies

The structure of statutory and supervisory bodies of Západoslovenská distribučná, a.s. in 2025 was as follows:

Statutory Body as at 31 December 2025

Chairman

- Ing. Radoslav Haluška (start of office on 15 March 2023)

Vice-chairwoman

- JUDr. Peter Marič (start of office on 21 November 2024)

Members

- Ing. Marek Brezničan (start of office on 21 November 2024)
- Ing. Marian Kapec (start of office on 21 March 2024)
- Ing. Miroslav Otočka (end of office on 31 December 2024)
- Ing. Marcel Fitere (start of office on 1 January 2025)

Supervisory Body - as at 31 December 2025

Chairman

- Ing. Ivan Šajban (start of office as a Member of the Supervisory Board on 3 September 2024, as the Chairman of the Supervisory Board on 25 September 2024)

Vice-Chairman

- Ing. Tomáš Turek, PhD. (from 15 March 2023 as a Member of the Supervisory Board, from 29 March 2023 as vice-chairman of the Supervisory Board)

Members

- Robert Polakovič (start of office on 5 October 2022)
- Bc. Milan Černek (start of office on 5 October 2022)
- Ing. Juraj Nyulassy (start of office on 5 October 2022)
- Ing. Roman Jurčák (start of office on 3 September 2024)
- JUDr. Katarína Machalík (start of office on 3 September 2024)
- Ing. Miloš Horínek (start of office on 3 September 2024)
- Alexander Gálfy (start of office on 3 September 2024)

The shareholders' structure in Západoslovenská distribučná, a.s. as at 31 December 2025 was as follows:

Shareholders' structure			
As at 31 December 2025	Absolute amount in EUR	Ownership interest in share capital	Voting rights
Západoslovenská energetika, a.s.	33,227,119	100 %	100 %

Scope of Business

Information on the Company and Its Scope of Business

Západoslovenská distribučná, a.s. (hereinafter the “Company”), Company ID: 36 361 518, with its registered address at Čulenova 6, 816 47 Bratislava, was established on 20 April 2006 and incorporated in the Commercial Register on 20 May 2006. The Company is registered in the Commercial Register of the City Court Bratislava III, Section: Sa, File No.: 3879/B.

The Company was established by a Memorandum of Association on 20 April 2006, made in the form of Notary Deed N 137/2006, Nz 15077/2006 in accordance with the relevant provisions of Act No. 513/1991 Coll., Commercial Code. The Company was established with a view to complying with the legal requirements to unbundle electricity distribution from other businesses of the companies providing integrated services in the electricity sector, as stipulated by EU Directive 2003/54/EC concerning common rules for the internal market in electricity, which was transposed into Slovak legislation by means of Act No. 656/2004 Coll. on Energy and on Amendments to Some Acts. The Energy Act stipulated the date of 1 July 2007 as the latest date for unbundling the distribution system operations. Západoslovenská energetika, a.s. separated a part of the business performing the key distribution activities and contributed it into Západoslovenská distribučná, a.s.

Západoslovenská distribučná, a.s., is part of ZSE Group. The ZSE Group comprises the parent Company Západoslovenská energetika, a.s. and its subsidiaries: Západoslovenská distribučná, a.s., ZSE Elektrárne, s.r.o., ZSE Energy Solutions, s.r.o., ZSE MVE, s. r. o., ZSE Business Services, s. r. o., ZSE Energetické služby, s.r.o., E.SK Centrum služieb, s.r.o., Energetika Slovensko, a.s., Východoslovenská distribučná, a.s., VSE Solutions, s.r.o., E.SK Call centrum, s.r.o. , VSE Ekoenergia, s.r.o. and EKOTERM, s.r.o. and BK, s.a.

The company is the operator of the regional distribution system in western Slovakia and the core business activity of the Company is electricity distribution. The Company has no expenses on research and development. The Company did not acquire any of its own shares, temporary certificates, any business shares or ownership interest, temporary certificates or business shares of the parent entity. The Company does not have organisational unit abroad.

Risks and Uncertainties

The Company will continue to be in charge of developing new projects and innovative solutions that will reflect the strategic direction of the ZSD facing the challenges resulting from the macroeconomic and market changes.

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

During the normal course of business, claims against the Company may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator. These circumstances were taken into account in its Financial Statements as at 31 December 2025.

ZSD is also exposed 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.

The significant events occurred after the end of 2025 requiring 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 2025, no other significant events have occurred that would require recognition or disclosure in this annual report.

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 distribučná, 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. 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 2025, ZSE Group companies continued to offer 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 2025, the training focused on responsible business 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. Employees in units with no internet access participated in the training offline.

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

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 a new whistleblowing channel in 2024, 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 2025

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

<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Frauds against ZSE Group companies, such as theft, embezzlement, other fraudulent behaviour 	4
<ul style="list-style-type: none"> • HR-related concerns claims, such conflict of interests, mobbing, bossing, sexual harassment, discrimination, etc. 	5
<ul style="list-style-type: none"> • Any other topics related to the Code of Conduct 	0
TOTAL	11*

** 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 position of the **Compliance Manager Team**, which 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

02 Basic Financial Data

In 2025, Západoslovenská distribučná, a.s., generated comprehensive income from continuing operations of EUR 67,724 thousand, with incomes totalling EUR 454,403 thousand and expenses totalling EUR 363,698 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

in EUR thousand	2025	2024
Non-current assets	1,522,846	1,403,399
Current assets	82,454	57,853
Assets held for sale	3,776	-
Total assets	1,605,300	1,461,252
Equity	257,729	223,662
Non-current liabilities	1,216,676	972,562
Current liabilities	130,895	265,028
Total equity and liabilities	1,605,300	1,461,252

in EUR thousand	2025	2024
Continuing operations		
Revenue	411,798	435,238
EBIT (profit from operating activities)	113,355	85,750
EBITDA	205,166	172,706
Incomes	453,403	468,373
Expenses	363,968	404,326
Profit before tax	89,705	64,047
Net profit continuing operations	67,218	34,740
Net profit/(loss) discontinuing operations	(6,791)	(4,869)
Net profit	60,427	29,871
Other comprehensive income	506	(2,154)
Total comprehensive income	60,933	27,717
continuing operations	67,724	32,586
discontinuing operations	(6,791)	(4,869)
Cash outflows for investment activities	303,537	106,111
Full-time equivalent of employees (FTE)	1,568	1,552

Information on incomes in monetary terms from electricity distribution:

Indicators		
As at 31 December	2025	2024
Volume of electricity distributed (GWh)	9,811	9,616
Incomes from electricity distribution (EUR thousand)	411,199	412,068
Number of supply points	1,246,675	1,235,750

Loans

Západoslovenská distribučná, a.s. took new bank loans in 2025

Loans	
V tis. eur	2025
European Investment Bank	210 000

Investments

Investments in 2025	
in EUR thousand	2025
Connection	39,225
Development and improvement of networks HV, LV, TS, EZ	64,678
Development and improvement of networks VHV (RZ, EZ, KZL)	62,864
Special projects (automatisation, ecology)	2,516
Purchase of energy devices	1,573
Land and easements	2,061
Transformers, inductors, resistors	1,715
Electrometers	6,805
Low-value assets	697
Contracts for the purchase of leased assets	851
Interest expense capitalised	2,495
IT projects	6,034
Telco	1,894
Facility Management	1,992
Other	3,519
Total	198,918

Major constructions in 2025 in terms of volume:

Major Constructions of Západoslovenská distribučná, a.s. in Terms of Volume	
in EUR thousand	2025
ES Vajnory	17,452
VVN_Výstavba vedenia Nitra Čermáň-Veľký Ďur	8,251
VVN_Rekonštrukcia vedenia Hurbanova-Komárno	7,143
VVN_Vedenie Nitra Čermáň-Plastika-PP Vráble-Veľký Ďur	6,975
VVN_Výstavba vedenia BSJ- Holíč	4,852

Planned major constructions in 2026 in terms of volume:

Major Constructions of Západoslovenská distribučná, a.s. in Terms of Volume	
in EUR thousand	2026
ES Vajnory	10,650
VVN_Rekonštrukcia vedenia Bošáca-Partizánske	8,153
VVN_Rekonštrukcia vedenia Supava-Lamač	4,533

ES Partizánske - rekonštrukcia	3,000
VVN_Rekonštrukcia vedenia Hurbanova-Komárno	2,028

Distribution of Profit for 2025

Proposal for 2024 profit distribution	
Submitted to the Board of Directors of Západoslovenská distribučná, a.s. on 14 April 2026	
	in EUR thousand 2025
Net Profit for the financial period	60 427
A/ contribution to reserve fund (10%)	6 043
B/ dividends	54 384

03 Business Perspective

Stability and slight increase in the number of supply points and consumption, and dynamics within the ZSD. This is how 2025 could be characterized from a business perspective. There were no major fluctuations in customer numbers or distribution volumes last year. In most segments, changes in volumes can be attributed to normal fluctuations in connections and ongoing efforts to save costs by reducing consumption. Similarly, the number of applications for connection of new production capacities has stabilized. After previous years of dramatic growth, we are now seeing a slowdown.

On the contrary, looking inside ZSD, we faced several changes in 2025. Many of them are related to the ongoing unification of management processes and, in particular, customer service, so that they are identical in ZSD and our sister company VSD. Customers should not notice any difference in approach at either end of the country when dealing with the same issue with their electricity distributor.

The ongoing electronisation and digitization of service processes and customer communication has also brought dynamism to the Company.

STABLE CONSUMPTIONS

In 2025, we recorded a slight increase in the number of supply points (+10,925 SP) compared to the previous year and a slight increase in consumption from 9.616 TWh to 9.811 TWh.

Distribution and number of supply points connected to the ZSD distribution system as at 31 December 2025 and 31 December 2024.

Indicators		
As at 31 December	2025	2024
Electricity distribution volume (GWh)	9,811	9,616
Number of supply points	1,246,675	1,235,750

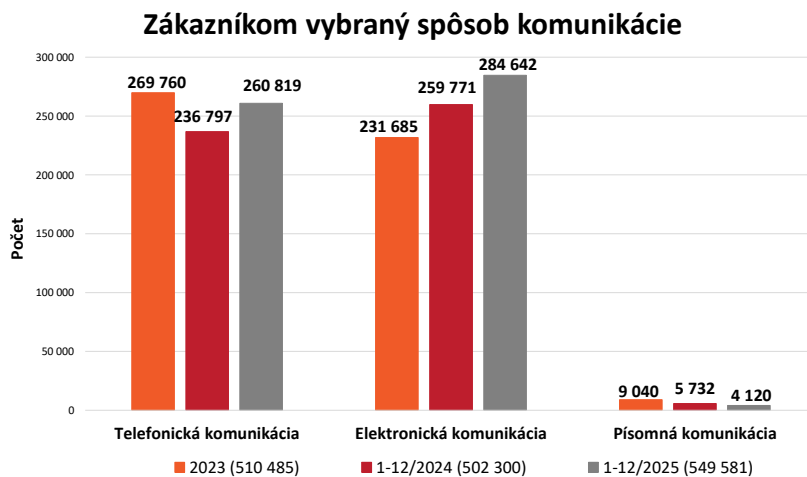
As far as consumption is concerned, there was continuous interest in new connections. The connected capacities indicate a balanced mix of standard connections and projects with higher capacity requirements, which places increased demands on the planning, dimensioning, and operation of the distribution system.

STILL MORE GENERATION

In 2025, the number of applications for connection of photovoltaic production sources stabilized. We connected 7,713 new photovoltaic sources with a total capacity of 132 MW, which represents only a slight increase of 84 connected sources per year and a decrease in newly connected capacity of approximately 15 MW, which was caused by a slight decline in the trend of connecting local sources. The decentralization of the electricity market is thus continuing steadily, with more and more households seeking to offset the expected rise in electricity prices by installing generation sources.

ELECTRONIC COMMUNICATION WITH CUSTOMERS

For several years now, we have noticed that most customers prefer electronic communication. Just over half of all interactions with them (52%) take place electronically – via email, chat, distribution portal, e-shop or www.zsdis.sk and www.vypadokelektriny.sk websites. Around 48% of customers still prefer to use the telephone. However, even in case of our lines, we must take into account that, from the perspective of ZSD, this is a continuation of electronisation and digitization, as the fault line and customer line were increasingly serviced by our voice assistant EDO during the year. In 2025, we handled a total of 76,167 customer inquiries through our back office, most of which were email inquiries: 52,841 from customers, 12,779 from electricity suppliers and 10,547 from producers.



Electronisation and digitisation

Less bureaucracy and faster processing of customer requests is a goal we continued to pursue in 2025 through innovations in our service processes. It is worth mentioning that applicants for a new small photovoltaic source will receive a preliminary calculation from us with recommendations on how large a source is appropriate for them. The knowledge base of the digital assistant EDO is also constantly being improved.

eShop

In 2025, we received over 12,300 orders for services through our eShop. The portfolio of services related to customer supply points is constantly growing. In 2025, additional services were added: Replacement of the main circuit breaker in front of the electricity meter up to 63 A, Securing and unsecuring the workplace, Marking of HV, MV and LV cables, Installation of a reverse voltage cut-off device behind the electricity meter. The eShop quickly gained popularity. The service is available online, and customers can order it from the comfort of their own homes 24 hours a day.

TARGETED COMMUNICATION

We strive to adapt the form of communication to the specifics of the target groups. That is why we organize professional seminars, conferences, workshops, letter campaigns and online advisory. We always do so in a way that ensures our messages reach their recipients in the best possible way.

A/ Mass service campaigns

In the first half of the year, we contacted more than 18,600 household customers in the D1 and D2 tariff categories who have photovoltaic production equipment installed, informing them that, due to a legislative change, they will be transferred to the so-called capacity distribution tariff. We informed them of the possible impact on the final price of electricity, as well as the possibilities for optimizing costs by changing the maximum reserved capacity.

We also contacted 5,800 customers in the D3 tariff, for whom there was a change in pricing, meaning that the price of electricity is directly dependent on the value of the main circuit breaker.

In the second half of the year, we focused on around 1,000 household electricity producers who exceed the contractually agreed maximum reserved capacity at the transfer point, and we informed them that from the new year they must expect financial consequences for such breaches of contractual relations. We also encouraged them to implement technical measures to prevent this.

We did not forget about the contractors who install electricity generation and storage equipment for our customers – future producers – and we actively informed them that in 2026 we will begin applying a tariff for exceeding the maximum reserved capacity of household electricity generation and storage facilities. In this way, we gave them the opportunity to inspect and, if necessary, technically adjust already installed systems, as well as an incentive to ensure the proper setup of new electricity generation installations so that installed capacities do not exceed the contracted limits.

B/ Technical events

In 2025, we focused mainly on communication with electricity suppliers who serve as the natural interface between the distribution network and the end customer. Therefore, we consider important that they have sufficient and timely information about the situation on the energy market and trends in distribution, as well as about day-to-day operations.

C/Internet advisory

Thematic advisory on the www.zsdis.sk proved to be a good form of communication with customers, as well as with the professional public or media. In 2025, we expanded these with advisory services on topics such as capacity payments, circuit breakers, and electricity sharing. In total, we now operate four advisory sections with dozens of answers to customers' frequently asked questions.

WE WANT TO KNOW HOW MUCH

Data as a basis

The most accurate possible measurement of electricity consumption at the supply point is in the interest of both the distribution operator and the customer. This is especially important for customers who want to actively participate in the market as producers as well, and in cases where consumption at the supply point is higher. Data from meters also serve as a useful basis for customers when making decisions. For this reason, we currently have Intelligent Metering Systems (IMS) installed at all supply points at the MV and HV levels, as well as at 243,000 supply points at the LV level. Within this largest group, nearly half of business customers' supply points are equipped with IMS, yet these meters

already measure 92% of the consumption in this segment. In case of households, this method of measurement already covers more than 40% of total household electricity consumption.

More comfort with self-metering

An increasing number of annual consumption readings are obtained through self-meter reading. This method, in which the customer reports the consumption at their supply point and provides a photo of the electricity meter, is a win-win situation. It helps us reduce costs and saves the customer time, as they do not need to wait for a meter reader. In 2025, approximately 7% of the readings from a total of more than 1 million supply points were obtained through self-meter reading.

WE WANT TO KNOW HOW AND WHY

In 2025, the level of satisfaction with the process of connecting a supply point, measured by the NPS (Net Promoter Score) indicator, reached almost 60%.

We measure this on a monthly basis, consulting and analysing feedback from so-called detractors. The results are then evaluated, which allows us to continuously identify trends and respond flexibly to the feedback received.

Data collection is carried out using a combined form of addressing. Customers or contractors who have completed the connection process are first sent an electronic questionnaire. If respondents do not respond to the email message, we follow up with telephone call in order to ensure sufficient representativeness of the results. We monitor satisfaction at two key stages of the connection process: 1) After sending the draft contract, when we mainly evaluate the clarity of the information, the speed of the process, and the quality of communication; and 2) After the connection of the supply point, when we focus on the overall experience with the connection process, adherence to deadlines, and satisfaction with the services provided.

This measurement system allows us to continuously evaluate the quality of the services provided, identify areas for improvement, and implement specific measures to enhance the customer experience.

Connection capacity maps

The addition of the so-called connection capacity maps to the company's website has improved the information available to applicants seeking connection of electricity consumption facilities and electricity generation and storage facilities. These maps provide potential applicants for the connection of such facilities with non-binding information on available capacity at the MV (22 kV) and LV (400/230 V) voltage levels. Their preparation took place during the second half of 2025. This takes into account the requirements defined by the regional distribution system operator pursuant to Section 31(16) of Act No. 251/2012 on Energy.

04 Technical Perspective

The transition of the energy sector towards the decentralisation of technologies and the coverage of growing demands for mobility and heat through electricity is inevitable and requires significant investment in distribution system infrastructure. These investments are primarily aimed at re-designing the existing grid and building a smart grid that will enable greater integration of decentralised electricity generation into the distribution system while maintaining high quality and security of supply. One of the ways in which we are accelerating these investments is multi-source

financing, including, for example, grants linked to Projects of Common Interest (PCI), as well as mechanisms under the Slovak Recovery and Resilience Plan.

Západoslovenská distribučná has been investing massively in modernising and expanding the grid for several years. **In 2025, this investment was the highest in the company's history, reaching almost EUR 197 million** (2024: EUR 154 million).

Investments into the distribution system in 2025

Investments in 2025 (2024):

Upgrade and modernisation – **EUR 135.5 million** (EUR 96.3 million)

Expansion of the distribution system – **EUR 40.6 million** (EUR 35.4 million)

Automation, metering and new technology – **EUR 20.8 million** (EUR 22.3 million)

In 2025, we invested almost **EUR 103 million** in connecting new customers and upgrading low- and medium voltage electricity system, including projects co-financed by EU funds (innovative European projects). In this segment, we undertake several hundred investments per year. We continued to invest in intelligent metering systems (smart meters). At the same time, we are strengthening automation of grid operations by expanding the number of smart grid elements, i.e. in automated elements of the distribution system, including remote fault location and control of distribution system elements. These MV and LV voltage levels are also the part of the system undergoing the most intensive redesign in relation to the Electrification 2.0 agenda.

Most important investments in 2025:

The reconstruction of the Senica substation, which began in 2023, continued in 2025 with further phases. The investment with a total value of almost EUR 14 million is a prerequisite to the shutdown of the 220 kV operation and the transition to 400 kV level at the facilities owned by SEPS. The project is co-financed through the Slovak Recovery and Resilience Plan.

The construction of the new Vajnory substation, with a 400/110 kV transformation, had a total investment (ZSD's part) of approximately EUR 18 million in 2025. The investment will span two years and will ensure reliable electricity distribution and the development of the distribution system, even in the absence of the existing 400/110 kV transformer at the Gabčíkovo substation. The new substation will strengthen the supply to the Slovak capital, Bratislava, in the context of projected load growth after 2028. It is part of the Danube InGrid PCI project.

At the existing Bošáca substation, the installation of new 110 kV choking coils for reactive power compensation, each with a capacity of 2×40 MVar, was completed. In 2025, more than EUR 3 million was invested, bringing the total investment, including previous years, to EUR 4.7 million. From the perspective of Slovakia's power system, this represents the first-ever commissioning of such equipment at the 110 kV voltage level. The decision to install them was preceded by a joint study conducted by SEPS and the regional distribution system operators, followed by project preparation on the part of ZSD. The project is co-financed through the Slovak Recovery and Resilience Plan.

Construction of a new 110 kV line and reconstruction of a set of existing 110 kV lines between the Nitra Čermán and Veľký Ďur substations covering a route of approximately 36 km. Section of the new double-circuit line V8408/8409, the construction of which was completed in 2025. In 2025, the reconstruction of the existing lines 8843/8845/8407/8846 also commenced. These lines supply industrial customers mainly in the areas of Nitra and Vrábľa, covering a route of approximately 30 km, with completion expected in 2026. The total value of both investments had reached EUR 22.7 million

by the end of 2025. Some of the constructions are included in a modernisation project co-financed from the Recovery and Resilience Plan of the Slovak Republic.

Construction of a new 110 kV line between the Borský Svätý Jur and Holíč substations, with a total length of approximately 28 km and an investment value of EUR 11.3 million, was completed in 2025 after two years. In 2025, the investment volume amounted to nearly EUR 5 million. The line strengthens the flexibility of the distribution system in the border region with the Czech Republic and also creates the conditions for the development of electricity generation from wind energy in this region. It is part of the PCI project ACON.

Modifications to the 110 kV lines in the corridor between the existing substations Podunajské Biskupice, Karlova Ves, Lamač and Stupava, which primarily ensure the supply and development of the city of Bratislava, where demands for the volume and reliability of distributed electricity are steadily increasing. As a result, it is also necessary to carry out modifications to very important 110 kV line corridors in the south-western part of the city. The implementation, scheduled for 2024–2026, consists of several stages and also includes the replacement of phase conductors with technologically advanced high-temperature conductors, which is a highly economical method of increasing the transmission capacity of these lines. The value of this reconstruction is over EUR 14 million, with works worth nearly EUR 7 million carried out in 2025.

The upgrade of the 110 kV lines between the existing Pezinok and Žabí Majer substations will increase the transmission capacity of the lines through the economical replacement of existing conductors with new high-temperature conductors, with a total value of over EUR 4 million, of which nearly EUR 1.3 million was invested in 2025 along the route between the Pezinok substation and the new planned Vajnory substation. These activities are part of the PCI project Danube InGrid.

The increase of transformation capacity at the Elektrosvit Nové Zámky substation and the connection of the industrial park in Šurany involved the replacement of two transformers with transformer units that underwent complete overhauls, resulting in an installed 110/22 kV transformation capacity of 2×40 MVA. Of the total value of this upgrade, EUR 1.1 million, more than EUR 1 million was invested in 2025. Together with the establishment of three new 22 kV cable lines between Nové Zámky and the developing Šurany industrial park, the total investment in 2025 reached nearly EUR 4.2 million.

The modification of the double 110 kV line between the Nové Zámky, Hurbanovo, and Komárno substations began in 2025. The reconstruction in the first stage involved an approximately 12-kilometre section of the double 110 kV line along the Hurbanovo–Komárno route, requiring investment of EUR 7.2 million in that year. The investment will continue in 2026. The project is co-financed through the Slovak Recovery and Resilience Plan.

Innovative European projects

Projects of Common Interest (PCIs) are key infrastructure projects aimed at connecting Europe's energy systems and achieving the EU's energy and climate targets. The year 2025 was the final year of implementation for the international PCI project ACON SmartGrids; for this reason, the project did not seek re-entry onto the aforementioned PCI list.

Západoslovenská distribučná is also part of other international projects - **Danube InGrid** and **Selena**, which are also on the latest, i.e. 2nd official list of projects of common interest of the European Union. The aforementioned list of PCI projects is compiled in accordance with the updated Regulation of the European Parliament and of the Council on trans-European energy infrastructure No. 222/869. The projects are aimed at massive deployment of the latest smart technologies and contribute significantly to strengthening the security and stability of electricity supply, increasing the capacity of the system, or managing the distribution system using optical infrastructure of hundreds of kilometres.

ACON Smart Grids is the first PCI project implemented exclusively by distribution companies (by Západoslovenská distribučná in Slovakia and by EG.D in Czech Republic) in the Central and Eastern

Europe region, which succeeded among the projects of common interest of the EU and was included in the PCI list in the category of smart grids. The total value of the ACON project amounts to EUR 182 million, while the co-financing from the EU facility amounts to EUR 91.2 million, i.e. 50% of the project value. The cost for each of the project partners is approximately 50%. The ACON project was implemented from 2018 and was successfully completed in 2025.

Until now including 2025, investments totalling to more than EUR 94.5 million have been made under the ACON project. Over 714 kilometres of fibre optic routes have been successfully built, and 108 transformer stations have been upgraded by deploying monitoring and communication technologies. Thanks to the project, the Borský Svätý Jur 110/22 kV substation was constructed. In 2025, we commissioned a very important 110 kV line between Borský Svätý Jur and Holíč. Through the replacement of the so-called composite ground cable on the 110 kV line, an important optical route was established in 2025 between the Senica and Rohožník substations. Last but not least, hardware and software solutions were designed and implemented as part of the deployment of the smart grid IT platform.

Danube InGrid is the second PCI project in the smart grid category implemented by ZSD, having been awarded this status in 2020. Project partners include Slovenská elektrizačná prenosová sústava (SEPS) and the Hungarian distribution system operator E.ON Észak-dunántúli Áramhálózati Zrt (EED). The region concerned is the region of western Slovakia and north-western Hungary.

The Danube InGrid project used the opportunity to apply for co-funding from the Connecting Europe Facility of the EU, and in October 2020 the project was awarded the highest ever grant funding in the smart grids category amounting to EUR 102 million, which represent 35% of the co-funding while the total project value is EUR 292 million. The estimated investment volume of Západoslovenská distribučná is EUR 106.5 million. The primary objective of the Danube InGrid project is to interconnect the energy markets between Slovakia and Hungary and the related construction of a smart grid in the CEE region, which will enable a more extensive integration of renewable energy producers into the distribution system, while maintaining high quality and security of supply.

Within the Danube InGrid project, more than 140 pieces of middle and low voltage transformer stations have been equipped with smart devices so far, enabling remote data collection, equipment control or remote failure location in the distribution system.

After several years of preparatory work, in 2025, started the implementation of one of the most significant investments in the Danube InGrid project - the Vajnory electrical station with (400)/110/22 kV transformation. A more detailed description of the intention is provided in the previous section.

At the same time, more than 356 kilometres of fibre optic routes on high and medium voltage lines have been built within the project so far in order to ensure communication, and other smart elements have been installed – 59 remotely controlled section disconnectors for more flexible handling at the medium voltage level. During 2025, the implementation of several IT solutions was completed in the areas of active outage and loss management in distribution, asset management, cybersecurity, data exchange with customers, and an international platform for sharing meteorological data with the potential to be used for distribution system management. The total amount invested during the period from the start of the project to the end of 2025 exceeds EUR 100 million.

In 2025, the SELENA project was also included on the European list of PCI projects in the field of smart grids. The project responds to the urgent need to meet the EU's climate and energy targets as well as national targets, addressing critical challenges in the integration of renewable energy sources, supporting the electrification of transport and heating, and ensuring the security and stability of the electricity grid. It is a collaboration between distribution system operators operating in the Slovak Republic, the Czech Republic and Hungary. Its objective is

to continue the implementation of cross-border smart solutions for electricity distribution. The project consists of several work packages, with significant attention devoted to increasing the distribution systems' resilience to cyber threats. The consortium of participating companies is making efforts to secure financing for the project from European Union grant programmes.

In 2025, Západoslovenská distribučná also implemented several projects co-financed from the Slovak Recovery and Resilience Plan. These projects focus on modernising the distribution system, creating capacity for connecting renewable energy sources, and preparing for the connection of fast charging stations for electric vehicles at motorway service areas in the Slovak Republic.

05 Occupational Health and Safety

Protecting the life and health of our employees or partners is and will always be a top priority. The company continuously monitors and evaluates the work-related risks and adopts measures to mitigate and prevent them. Considering the nature of works in energy business, observance of OHS rules is the top priority.

Education has a high priority

The company have long been engaged in systematic training of employees in occupational health and safety. Initial training for new employees was carried out both in the form of face-to-face training and distance learning via the MS Teams application. To increase safety when working at heights, we carry out the following training by our own trainers.

To increase the employees' HSE awareness, various articles and quizzes were published on the intranet. Various articles and competitions have been published on the intranet to promote HSE awareness among employees. Webinars on wellbeing and mental health protection, ergonomics at work in administration and a healthy gut were conducted in the area of employee health protection. In the area of prevention of civilisation diseases, a Health Week was implemented where employees could undergo non-invasive examinations aimed at screening for these diseases. The company also provides medical preventive examinations for selected employees beyond the scope of the law.

Work accidents again this year

Nine registered work accidents were reported in 2025, fortunately without serious consequences for the employees. Five same-level falls, one electric shock incident, one struck-by-object event, and one traffic accident. One of these was classified as a HiPo (High Potential) incident, involving the potential for a life-threatening injury. All incidents were investigated by the commission and corrective measures were taken to prevent the repetition of similar incidents.

Management of suppliers

The same care is given to the employees of contractors. We prepared a workshop for suppliers and we also regularly train them. We inspect suppliers directly at their workplaces, and we are equally dedicated to managing contractors on ACON and InGRID sites through site coordination. We provide site coordinators with our own employees. The inaugural HSE Forum for contractors was held, focusing primarily on occupational health and safety, as well as current updates in the fields of Environment and ESG. The forum included the presentation of an HSE Award for an exemplary approach to safety."

We maintain high standards in both quality and energy efficiency

Within the re-certification audit in 2025, the ZSE Group showed improvement of the established System of Integrated Management (SIM) and managed to keep international certificates ISO 14001 and ISO 45 001. The re-certification agency identified SIM strengths and improvements and concluded that SIM is in line with the requirements of ISO 14001 and ISO 45 001 standards, applicable laws and achieves continuous improvement. The 1. supervisory agency carried out a certification audit according to the ISO 50 001 standard for the energy management system in the company. The energy management system is a tool for increasing the efficiency of energy management in the company.

The certification agency concluded that the IMS is effectively managed and improved in accordance with the requirements of ISO 45001, ISO 14001, and ISO 50001 standards, as well as relevant compliance obligations, and recommended the continuation of the certification."

A Quick-Check 2.0 audit was conducted within the Company, providing comprehensive findings regarding the HSE culture. The Company demonstrated a strong and stable safety culture, positioned in the 'Independent' stage of the Bradley Curve. The expert assessed our level with an overall score of 3.2, which is an above-average result compared to other companies on the market. Our long-term goal is to achieve a score of 4.0."

Living the Health and Safety Culture

The past year was framed by the Health and Safety Culture program. Under the group-wide motto 'It's not just about you,' we continued our efforts to engage both employees and partners in a culture of not only personal, but also shared responsibility—towards families, colleagues, and emergency services. We provided a further robust platform for a safe working environment through the Ten Life-Saving Rules for accident elimination, adapted from E.ON's international energy sector practices. In 2025, we launched the group-wide campaign 'It's not just about you,' which, through the powerful stories of employees' children, served as a reminder that behind every safe decision at work stands someone waiting for us at home.

Being protected in both physical and virtual environment

In the current digital environment, where technologies have become a natural part of both professional and private life, the level of cyber threats is increasing along with the digitisation of processes and the smartification of devices. The energy sector is one of the key pillars of the national economy, and the stability of electricity supply is closely linked to the level of both physical security and cybersecurity. An attack on infrastructure can have serious consequences – from operational disruptions to large-scale electricity supply outages.

The Company therefore systematically develops an integrated approach to security that includes physical protection of facilities, protection of information assets, and the strengthening of the resilience of critical processes. The modernization and upgrading of systems on a daily basis concerns not only physical security elements but also protection of data and technological solutions. We ensured security of systems not only from the perspective of protecting the Company, but, above all, with the aim of guaranteeing the uninterrupted functioning of critical processes and stable, secure operation of the distribution network within the defined territory.

In the area of cybersecurity, the Company closely cooperates with government agencies and key partners in sharing information about current threats and implementing best security practices. We also focused on further developing existing security solutions and increasing employees' security awareness. In 2025, a new interactive e-learning tool was deployed to support cybersecurity education, and the Oktokyber communication campaign was carried out as part of cybersecurity month. Activities also included security analyses of artificial intelligence tools used in technological processes and in communication with customers, along with the implementation of appropriate protective measures to ensure their secure operation.

In the area of physical security, the Company continued implementing radar technologies to protect selected facilities. At the same time, we also focused on innovative topics and analysed options for protection against new types of threats, including testing counter-drone protection measures. To strengthen the continuity of key processes, several exercises were conducted and crisis scenarios were tested within the Business Continuity Management (BCM) system.

Through a comprehensive approach to security – combining technologies, processes and systematic education – the Company continuously strengthens its resilience to security incidents and ensures reliable and secure distribution of electricity for its customers.

06 Human Perspective

In 2025, ZSD employed on average 1,568.33 employees (excluding members of the Board of Directors and Supervisory Board and employees working on agreement on performance of work). Average age of employees was 45.5 years.

- Women and men share: women 19%; men 81%
- Education: University education 33.25%; Full secondary vocational education 49.18%; Secondary vocational education 17.50%; Elementary education 0.06%

Training and development of employees

We place strong emphasis on the development and utilization of the potential of our existing employees, as demonstrated by the launch of two new talent programs – START and ELEVATE. The START talent programme is intended for employees with the potential to progress to the B-3 (Team Leader) level. The ELEVATE talent programme is designed for experienced B-3 (Team Leaders) with the potential to advance to the position of Department Head (B-2).

In the area of digital skills, the Digital University was organized in 2025 – an intensive four-month educational program focused on developing digital skills, process mapping and automation, and the effective use of artificial intelligence tools. The programme was led by experts in working with artificial intelligence. In addition to the knowledge gained, it also resulted in the creation of student projects with both potential and real benefits for the Company.

Employees were offered lectures, technical webinars and trainings to develop their soft and hard skills. To support digital skills, AI Week was held – a training programme focused on practical use of artificial intelligence.

An online learning platform providing hundreds of technical online courses and podcasts on a variety of topics was also among the popular development tools in 2025. The Company placed emphasis on the topics of diversity and inclusion.

Supporting mental health and well-being

In 2022, the Company joined the Coalition of Businesses for Mental Health. As part of this cooperation, a monthly online technical discussion was organised for all employees to promote mental health and well-being.

Each year, the Company organises Mental Health Days, which include talks with experts on various aspects of mental health and well-being.

Cooperation with schools and students

Our Company has been long working with schools at all levels of education to ensure a quality workforce. A key form of cooperation is dual and practical education which prepares students for a career directly at their assigned workplace, reflecting on market needs.

Students get familiarised with working environment and develop work habits necessary for successful placement after graduation without the need for further training or retraining. In 2025, 44 students completed dual education in four schools, and 17 pupils completed vocational training in another five schools. Students of secondary vocational schools also have an opportunity to become young employees through the Power programme, in which experts pass on their valuable experience and technical skills to future generations of colleagues. In 2025, 20 graduates from electrical engineering schools were admitted into this programme. At the same time, we support schools through competitions: The 12th year of the competition for elementary school pupils – *Looking for energy*, and 13th year of the competition for students of secondary school of electrical engineering – *4E.ON*.

ZSD is a partner of the Duke of Edinburgh's International Award, where we work together to develop talent and mentor high school students in achieving their development goals.

Support of diversity

The ZSE Group is a signatory to the Diversity Charter Slovakia, confirming its commitment to creating an inclusive working environment. It is committed to not accepting any form of discrimination and to protecting employees from intolerance. This commitment contributes to building a safe and respectful working environment that promotes diversity.

07 Ecological Perspective

In 2025, the company continued its long-term and consistent commitment to environmental stewardship, including the protection of birdlife, water, soil, and air, as well as improvements in energy management. In October 2025, the certification body conducted a recertification audit of the Integrated Management System (IMS) at ZSD in accordance with ISO 45001 (Occupational Health and Safety Management System) and ISO 14001 (Environmental Management System), along with the first surveillance audit of the Energy Management System according to ISO 50001. The audit identified no non-conformities; instead, numerous strengths and improvements were noted, alongside opportunities for further enhancement. The certification body concluded that the IMS is effectively managed and improved, recommending the continuation of the certification.

Emphasis on environmental protection is part of all our work activities, including technical and project design of the construction, reconstruction and repair of power lines and substations. We prefer the concepts and design of technologies, equipment or materials that not only ensure the reliability and safety of the operation of the distribution system but respect the strict requirements for environmental protection too.

When carrying out repairs of energy facilities and constructions, the ZSE Group ensures that waste is consistently separated and subsequently disposed of and recovered to the maximum extent possible by authorised companies. Special attention is paid to the care of equipment containing SF6 gas, which is classified as a fluorinated greenhouse gas. Gas leaks are closely monitored and recorded.

In all activities, precautionary measures are implemented to prevent pollution of soil and water, and the conditions for preserving biodiversity in the areas affected by our operations are taken into

account. An environmental approach is applied to the management of vegetation in the corridors of external power lines, and each corridor is assessed individually with a view to the possibility of applying such an approach. This enhances biodiversity, nesting and foraging opportunities as well as the resilience of native communities.

The Company has been minimising negative impacts of electricity distribution on bird populations for over 30 years. In 2025, ZSD continued the international cooperation in the special protection area LIFE Eurokite and LIFE Danube Free Sky projects. The main goal of LIFE Eurokite in Záhorské Pomoravie is to identify spatial use of biotopes of selected species using telemetric technology and quantify the key reasons for raptor deaths in the EU. Since the beginning of the project, protective elements were installed on 2000 support poles to prevent electrocution on power line poles.

Even outside the international LIFE projects, bird protection is one of the company's main areas of environmental focus. As a company, we methodically focus particularly on special protection areas with lots of nesting biotopes, and main migration corridors. In 2024, the company continued installing nesting plates for kestrels on medium voltage power lines. Since the project launch, 137 nesting booths have been installed, with 800 fledglings successfully flying out of them. Creating nesting opportunities for raptors is one of compensation measures contributing to increasing biological diversity in the country.

Bird flight deflectors were installed in the areas where bird deaths were discovered due to collisions with power lines. Such collisions occur mostly in winter months when swans and other waterfowls stay in numerous flocks near bodies of water. In 2025, 40 km of power lines were equipped with warning elements. ZSD has focused on stork nest relocations for many years. In 2025, we found suitable locations for stork nests in 10 municipalities. As part of nest relocations, the original nesting base on the power line is secured with barriers. In-house ringing of young storks in nests on our support points was carried out by a certified ZSD employee.

In addition to the treatment of existing overhead lines, the companies are also engaged in the relocation of overhead HV lines to the ground, which is also a positive contribution to reducing the risk of bird strikes. Within the framework of ACON, Danube InGrid projects as well as own actions, more than 164 km of overhead lines have been replaced with underground cable lines in 2025.

An environmental approach shall be applied to vegetation management in outdoor power line corridors and each corridor shall be individually assessed for the feasibility of applying such an approach. This enhances biodiversity, nesting and foraging opportunities as well as the resilience of native communities.

We have long achieved a high level of environmental safety in the operation of our technological equipment and facilities. This applies to pollutant leaks, waste management, and wastewater discharge alike. In 2025, ZSD produced 5,987 m³ of domestic wastewater, which was either discharged into the public sewerage system or collected in cesspools. Additionally, 891 m³ of surface runoff water was captured in emergency containment basins. This, together with 11,725 m³ of surface runoff from electrical substation facilities, was discharged into the public sewerage system or transported directly to wastewater treatment plants. The quality of the discharged water is regularly monitored. During the construction, reconstruction, repair, maintenance, and operation of our networks in 2025, we generated a total of 130 tonnes of hazardous waste and 44,679 tonnes of non-hazardous waste. More than 97% of construction waste was recovered. In the event of minor insulating oil leaks during distribution transformer failures or other mechanical issues, we carry out the necessary remediation measures immediately upon detection to ensure that no environmental damage is recorded.

The proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities and related information in accordance with the EP and Council Regulation (EU) 2020/852 of 18 June 2020 establishing a framework for the facilitation of sustainable investments and related delegated acts

("EU Taxonomy") as well as non-financial information on the development, actions, position and impact of the activity of the accounting unit on the environmental, social and employment areas, information on the observance of human rights and information on the fight against corruption and bribery was/will be published by the company Západoslovenská energetika, a.s. (the highest parent company) for the entire group "ZSE" group in its Sustainability report for the year 2024. The 2025 Sustainability Report will be available on the following website: <https://www.skupinazse.sk/Home/Sustainability/Sustainability-Reports>

09 Corporate Social Responsibility

ZSD is a part of the ZSE Group, which has long been a leader in corporate social responsibility in Slovakia, based on the belief that companies should play an active role in society and the regions in which they operate. Its support mainly focuses on educational development, environmental protection, and public benefit activities, including corporate volunteering, which improve the quality of community life. Philanthropic activities, grant programs, donations, and community support are implemented with the aim of creating measurable social value and are covered by two foundations operating within the ZSE Group. In 2025, the Group responded to current regional needs through various charitable activities, public collections, and partnership programs.

Grants and Donations for Schools, Innovations, and Education Development

For the ZSE Group, supporting education is a key investment in the future of the energy sector, regions, and society. It systematically develops education on several levels – it cooperates with schools of all levels and supports the modernisation of teaching. An integral part of this support is also the long-term provision of dual education, which plays a significant role in preparing the young professional generation. Both distribution companies of the ZSE Group work closely with vocational schools and actively contribute to modernising teaching. Part of their support includes, for example, installing training polygons and other training elements directly in school campuses, which allow students to acquire practical skills in real-world conditions. Both foundations of the ZSE Group have cooperated with several educational organisations.

Grants and Donations for Environmental and Climate Solutions

Environmental responsibility has long been a priority in the ZSE Group, which fulfils its responsibility through a wide range of projects and measures that contribute to sustainable business and nature protection. The Group also seeks to mitigate the energy sector's negative share in climate change through the activities of its foundations, which support environmental education, renewable energy use, and climate change adaptation projects.

- The ZSE Foundation's grant program **Mením na zeleň** supported **57** ecological education and climate change adaptation projects by **EUR 115,000**, covering eastern Slovakia for the first time.
- **United Energy for Climate Action** program, implemented in cooperation with the E.ON Foundation, brought support to **10 projects** in energy, mobility, construction, and food.
- The VSE Foundation announced the program **For Healthy and Clean Region III** and supported **29 projects** with **EUR 118,486.78**.
- To support climate solutions, ZSE Energia provided the ZSE Foundation with a donation of **EUR 100,000** for the **Solar Roofs Program**, thanks to which schools, social facilities, and social enterprises were able to benefit from free photovoltaic installations.
- The VSE Foundation continued to support the Slovak Paradise National Park Administration in saving the Kopanecké Meadows. In addition to **EUR 10,000**, volunteers contributed to their protection in person.

- Using customer resources, VSE supported projects worth **EUR 55,000**, such as the creation of 10 climate-friendly school gardens or assistance in purchasing wetlands.

Employee Volunteering

ZSE Group employees are important drivers of community activities and significantly contribute to positive change in the regions where the Company operates. By participating in volunteering initiatives, they not only help local communities and non-profit organisations but also strengthen corporate culture, cooperation, and team spirit. Volunteering has long been a natural part of ZSE Group's social responsibility and represents an effective way to connect employees' professional skills with environmental needs and to bring real help where it is most needed.

In 2025, ZSE Group employees were involved in:

- scything and raking the Kopanecké Meadows,
- blood donation (2 times a year),
- recording audio stories for blind children,
- restoration of the historical monument with the Tematín Castle Public Association,
- Christmas collections for the Children and Family Centres in Poprad and Pečeňady,
- charity markets that supported 4 non-profit organizations.

09 Looking ahead

Transparent, predictable and fair regulatory framework

The year 2025 was the third year of the current five-year regulatory period (2023 – 2027). Despite a change in the management at the Regulatory Office for Network Industries in December 2023, the regulatory period remained unchanged. Similarly, the basic principles that established the prerequisites for a transparent, predictable and fair framework, rules and calculation of regulated prices for access to the distribution system and electricity distribution remained unchanged, although individual input parameters and the conditions for applying tariffs were adjusted. For the calculation of regulated prices for access to the distribution system and electricity distribution for 2026, in accordance with the adjusted input parameters, the revalued asset value as of the end of 2024 was applied (unlike in previous years, when the book value of assets was applied), as well as the value of regulatory depreciation derived from the revalued asset value and technical useful lives (unlike in previous years, when accounting depreciation was applied).

The year 2025 without subsidies for electricity distribution prices

For 2025 and 2026, the Regulatory Office for Network Industries issued price decisions for access to the distribution system and electricity distribution in accordance with the rules of the new regulatory period set out in the relevant secondary legislation, and unlike in 2023 and 2024, crisis regulation based on a decision by the Slovak government (which was applied in 2023 and 2024 due to the extraordinary situation on the energy market, including electricity distribution) was not applied to electricity distribution price regulation.

Západoslovenská distribučná, a.s.

**Financial Statements for the year ended
31 December 2025
and Independent Auditor's' Report**

Západoslovenská distribučná, a.s.

These separate financial statements for the year ended 31 December 2025 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 14 April 2026.



.....
Ing. Radoslav Haluška
Chairman of the Board of Directors and
Executive Director



.....
Ing. Marian Kapec
Member of the Board of Directors and CFO



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Translation of the Independent Auditor's Report originally prepared in Slovak language

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at 31 December 2025;

and, for the year from 1 January 2025 to 31 December 2025:

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

and

- notes, comprising significant accounting policies and other explanatory information

("the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.



We are independent of the Company in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) as adopted by the Slovak Chamber of Auditors (Code of Ethics for Auditors) together with the ethical requirements of the Act No. 423/2015 Coll. on Statutory Audit and on the amendments and supplements to the Act No. 431/2002 Coll. on Accounting, as amended (Act on Statutory Audit), that are relevant to our audits of the financial statements in the Slovak Republic.

We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Auditors and the ethical requirements of the Act on Statutory Audit.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.



- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

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

- the other information given in the Annual Report for the year from 1 January 2025 to 31 December 2025 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.



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

Audit firm:

KPMG Slovensko spol. s r.o.
License SKAU No. 96



Responsible auditor:

Ing. Ľuboš Vančo
License SKAU No. 745

Bratislava, 14 April 2026

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Západoslovenská distribučná, a.s.
Statement of Financial Position

<i>In thousands of EUR</i>	Note	31 December 2025	31 December 2024
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,426,805	1,306,856
Intangible assets	7	15,336	17,962
Right-of-use assets	8	80,705	78,581
Total non-current assets		1,522,846	1,403,399
Current assets			
Inventories	10	3,540	2,979
Trade and other receivables	11	48,770	48,427
Current income tax refund receivable		-	6,240
Cash and cash equivalents	13	614	207
Receivables from cash pooling	12	25,754	-
Assets held for sale	29	3,776	-
Total current assets		82,454	57,853
TOTAL ASSETS		1,605,300	1,461,252
EQUITY			
Share capital	14	33,227	33,227
Legal reserve fund	15	122,139	119,151
Retained earnings		102,363	71,284
TOTAL EQUITY		257,729	223,662
LIABILITIES			
Non-current liabilities			
Borrowings	9	630,000	630,000
Bank loan	9	210,000	-
Lease liabilities	8	75,884	73,071
Grants	22	67,764	42,133
Deferred income tax liabilities	16	116,463	113,314
Post-employment defined benefit obligations	17	7,226	7,239
Other long-term employee benefits	25	1,239	1,481
Other long-term employee benefits	25	324	784
Contract liabilities from connection fees and customer contributions	20	107,776	104,540
Total non-current liabilities		1,216,676	972,562
Current liabilities			
Borrowings	9	7,245	8,820
Lease liabilities	8	8,830	9,021
Trade and other payables	21	90,626	97,448
Grants	22	2,570	1,822
Contract liabilities from connection fees and customer contributions	20	8,049	7,750
Provisions for liabilities and charges	19	7,156	7,482
Current income tax payable		4,087	-
Bank overdrafts		268	11
Liabilities from cash pooling	12	-	132,674
Liabilities held for sale	29	2,064	-
Total current liabilities		130,895	265,028
TOTAL LIABILITIES		1,347,571	1,237,590
TOTAL LIABILITIES AND EQUITY		1,605,300	1,461,252

Západoslovenská distribučná, a.s.
Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of EUR</i>	Note	2025	2024 (re-presented)*
Continuing operations			
Revenue from contracts with customers	23	411,199	400,454
Compensation	24	599	34,784
Transmission fees payable to network operator		(58,724)	(61,177)
Purchases of electricity for losses, charges for electricity produced from renewable sources and other purchases		(67,094)	(107,857)
Employee benefits	25	(77,236)	(77,517)
Depreciation of property, plant and equipment	6	(76,969)	(73,772)
Amortisation of intangible assets	7	(4,930)	(4,584)
Depreciation of right-of-use assets	8	(9,912)	(8,600)
Other operating expenses	26	(45,183)	(48,928)
Other operating income	27	10,958	7,832
Capitalized own costs		30,647	25,109
Profit from operations		113,355	85,750
Finance income / (costs)			
Interest income		-	194
Interest and similar expense	28	(23,650)	(21,897)
Finance costs, net		(23,650)	(21,703)
Profit before tax		89,705	64,047
Income tax expense	16	(22,487)	(29,307)
Profit for the year from continuing operations		67,218	34,740
Profit / (loss) for the year from discontinued operations	29	(6,791)	(4,869)
Profit for the year		60,427	29,871
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Actuarial remeasurements of post-employment defined benefit obligations	17	666	(2,834)
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	16	(160)	680
Total other comprehensive loss for the year		506	(2,154)
Total comprehensive income for the year		60,933	27,717
- from continuing operations		67,724	32,586
- from discontinued operations	29	(6,791)	(4,869)

* In 2024, the comparative financial information for the prior reporting period was re-presented in the statement of profit or loss and other comprehensive income – page 37 and Note 29.

Západoslovenská distribučná, a.s.
Statement of Changes in Equity

<i>In thousands of EUR</i>	Share capital	Legal reserve fund	Retained earnings	Total equity
Balance as at 1 January 2024	33,227	105,067	182,980	321,274
Profit for the year	-	-	29,871	29,871
Other comprehensive loss for the year	-	-	(2,154)	(2,154)
Total comprehensive income for 2024	-	-	27,717	27,717
Dividends declared and paid (Note 14)	-	-	(125,329)	(125,329)
Contribution to legal reserve fund	-	14,084	(14,084)	-
Balance as at 31 December 2024	33,227	119,151	71,284	223,662
Profit for the year	-	-	60,427	60,427
Other comprehensive income / (loss) for the year	-	-	506	506
Total comprehensive income for 2025	-	-	60,933	60,933
Dividends declared and paid (Note 14)	-	-	(26,866)	(26,866)
Contribution to legal reserve fund	-	2,987	(2,987)	-
Balance as at 31 December 2025	33,227	122,138	102,364	257,729

Západoslovenská distribučná, a.s.
Statement of Cash Flows

<i>In thousands of EUR</i>	Note	2025	2024
Cash flows from operating activities			
Profit before tax from continuing operations		89,705	64,047
Profit before tax from discontinued operations		(6,791)	(4,869)
Profit before tax		82,914	59,178
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment	6	77,146	73,934
- Loss on disposal of property, plant and equipment	6	(80)	(146)
- Amortisation of intangible assets	7	5,368	4,927
- Depreciation of right-of-use assets	8	9,912	8,600
- Amortization of government grant deferred income		(2,290)	(1,488)
- Customer contributions income		(4,077)	(1,989)
- Interest and similar expense	28	23,650	21,897
- ECL allowance for possible impairment of receivables from cash pooling	12	84	-
- Other non-cash items		(214)	(1,579)
Cash generated from operations before changes in working capital		192,413	163,334
Changes in working capital:			
- Inventories		(561)	2,196
- Contract liabilities		(7,302)	(4,211)
- Trade and other receivables		(471)	(15,154)
- Trade and other payables		(10,117)	(26,626)
- Provisions for liabilities and charges		82	(5,681)
Cash generated from operations before interest and taxes		174,044	113,858
Interest costs paid, except interest capitalised to property, plant and equipment and intangible assets			
		(25,024)	(21,636)
Income tax paid	377	(9,171)	(38,051)
Net cash from operating activities		139,849	54,171
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(180,510)	(130,195)
Interest expense paid and capitalised		(2,508)	(2,156)
Cash received as a result of government grant		28,669	26,053
Receivables from cash-pooling	12	(158,512)	-
Proceeds from sale of property, plant and equipment and intangible assets	6	219	187
Net cash used in investing activities		(312,642)	(106,111)
Cash flows from financing activities			
Dividends paid	14	(26,866)	(125,329)
Repayment of principal element of lease liabilities	33	(10,191)	(8,178)
Drawing a bank loan	9	210,000	-
Liabilities from cash-pooling	12	-	185,196
Net cash used in financing activities		172,943	51,689
Net change in cash and cash equivalents		150	(251)
Cash and cash equivalents at the beginning of the year		196	447
Cash and cash equivalents at the end of the year	13	346	196

1 Introduction

These 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 2025 for Západoslovenská distribučná, a.s. (hereinafter "The Company" or "ZSD").

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 20 April 2006. The Company was incorporated in the Commercial Register of the City Court Bratislava III on 20 May 2006.

Principal activity. The Company provides electricity distribution and supply services primarily in the Western Slovakia region. The Company also provides information services to related parties.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 36 361 518 and its tax identification number (IČ DPH) is: SK2022189048.

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

Ownership structure. Západoslovenská energetika, a.s. owns 100% of the Company's shares. The Company is included in the consolidated financial statements of Západoslovenská energetika, a.s. ("Parent company") with its registered office at Čulenova 6, 816 47 Bratislava and should be assessed in connection with consolidated financial statements in order to obtain a comprehensive picture of the Company's results and financial position. These consolidated financial statements can be obtained from the Company at the address of its registered office.

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

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

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.orser.sk.

Number of employees. The Company employed 1,568 staff on average during 2025, of which 23 were management (2024: 1,552 employees on average, of which 25 were management). Number of employees as at 31 December 2025 was 1,584 (31 December 2024: 1,560).

2 Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements have been prepared on accrual basis and under the going concern assumption. The transactions are 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 financial statements until their approval by the general shareholders meeting. However, Article 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity's accounting records after the financial statements are approved by the general shareholders' meeting.

2 Significant Accounting Policies (continued)

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.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

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

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

The Company 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 Company by its customers free of charge. The contributions are non-refundable and are recognised as other operating income on a one-off basis.

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

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

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 Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

2 Significant Accounting Policies (continued)

The Company 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 Company's average funding cost (the weighted average interest cost 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.

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 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 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.

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

Right-of-use assets are measured at cost at the commencement date of a lease, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct (transaction) costs, and
- costs to restore the asset to the conditions required by lease agreements upon handover to the lessor at the end of the lease.

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

2 Significant Accounting Policies (continued)

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
Land	9 to 87 years
Office buildings and technical buildings	2 to 20 years
Power equipment	5 to 20 years
Motor vehicles	2 to 6 years

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 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".

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.

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

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

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

2 Significant Accounting Policies (continued)

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 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"), resulting in an immediate accounting loss.

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

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

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected. The purpose of the business model of the Company is to hold the financial assets to collect cash flows.

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

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

The Company holds only trade receivables, receivables from cash pooling, and cash and cash equivalents. The nature of financial assets is short-term, and the contractual cash flows represent principal and interest payment that reflect the time value of money and therefore the Company measures them at amortized cost. In addition, the Company applies expected loss model to credit risk from contract assets.

2 Significant Accounting Policies (continued)

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

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for receivables measured at AC and for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. Receivables measured at AC are presented in the statement of financial position net of the allowance for ECL. The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the amount of receivables turnover during the current period, revenue for the current period and the amount of receivables written off.

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

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

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

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

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

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any transaction costs incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any transaction costs incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

2 Significant Accounting Policies (continued)

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.

Business combination under common control. Purchases of subsidiaries, businesses or parts of a business from companies under common control are accounted for using the predecessor value method. Under this method, the financial statements of the entity that is the result of a business combination are prepared as if the business combination had taken place at the beginning of the oldest reporting period or since the date on which the companies or businesses are under common control. The assets and liabilities of the subsidiary, business or part of a business acquired from an entity under common control are recognized at the predecessor entity's carrying values.

A predecessor entity is the highest reporting entity that included a subsidiary in its consolidated financial statements prepared under IFRS. The goodwill recognized by the predecessor entity is also recognized in these financial statements. Any difference between the net book value of the assets, including the goodwill recognized by the predecessor entity, and the consideration for the acquisition of the business are accounted for as an adjustment to retained earnings in equity.

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

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

Loans and other borrowings. Loans and other borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and other borrowings are carried at amortized 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.

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

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

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

2 Significant Accounting Policies (continued)

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the respective reporting period and apply to the period when the related deferred income tax asset will be realised, or the deferred income tax liability will be settled.

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

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

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 and (c) compensation in case of the death of an employee during the performance of the profession or as a result of an occupational disease. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

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

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

Contract liabilities from connection fees. Over time, the Company received fees or contributions from customers for the construction of the electricity distribution network, in particular for the new municipal connections and networks. The Company'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.

2 Significant Accounting Policies (continued)

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be 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 held are exercisable only by the Company and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

To determine the incremental borrowing rate, the Company:

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

2 Significant Accounting Policies (continued)

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 term 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.

Company does not expect to pay anything under the guarantees.

Provisions / Contingent liabilities. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

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

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.

Revenue from distribution of electricity. Revenue from distribution of electricity is recognized when the distribution service is rendered to electricity customers. Revenue from these services is recognized in the reporting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. This is because the customer benefits from the service as it is being provided.

Connection fees. ZSD 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.

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 ZSD and as such are relatively difficult to collect.

2 Significant Accounting Policies (continued)

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

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

3 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2025, but did not have any material impact:

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.)

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 2025, and which the Company has not early adopted:

a) *New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2025*

Amendments to IFRS 9 and IFRS 7: Amendments to 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.

4 New Accounting Pronouncements (continued)

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
- not measured at fair value through profit or loss.

Contractually linked instruments (CLIs) and non-recourse features

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

Disclosures on investments in equity instruments

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

The Company plans to apply the amendments from 1 January 2026. The Company is currently assessing the impact of the amendments on its financial statements.

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

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 plans to apply the amendments from 1 January 2026 and is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRS Accounting Standards — Volume 11 (Effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. 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 standards¹. 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.

4 New Accounting Pronouncements (continued)

The Company plans to apply the amendments from 1 January 2026. The Company is currently assessing the impact of the amendments on its financial statements.

¹IFRS 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.

b) New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2025, not yet endorsed by the EU as at 16 December 2026

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

A more structured statement of profit or loss

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

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

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

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

MPMs – Disclosed and subject to audit

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

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

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

Greater disaggregation of information

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

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

4 New Accounting Pronouncements (continued)

Other changes applicable to the primary financial statements

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

Transition

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

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

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.) This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19.

A parent company may decide to apply the new standard in its consolidated, separate, or individual financial statements, provided that, as of the date the financial statements are prepared:

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

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

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

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (Issued on November 13, 2025, Effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.)

The amendments clarify that:

- a company with a non-hyperinflationary functional currency uses the closing rate at the latest reporting date when translating all the financial statement amounts (including comparatives) into its hyperinflationary presentation currency; and
- a company uses the closing rate at the latest reporting date when translating all amounts (excluding comparatives) of a foreign operation with a non-hyperinflationary functional currency into the company's hyperinflationary presentation currency and applies the change in the general price index to restate the comparatives.

The Company is currently assessing the impact of the standard 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).

4 New Accounting Pronouncements (continued)

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.

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.

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

Unbilled electricity distribution. The unbilled revenue from distribution represents an accounting estimate based on estimated volume of delivered and distributed electricity expressed in MWh for low voltage network and estimated unit price that will be billed in the future.

The Company uses customer information system Enersim to estimate the unbilled deliveries based on assumed customer demand profiles, which as at 31 December 2025 amounted to EUR 47,297 thousand (as at 31 December 2024 it was EUR 46,741 thousand). This accounting estimate is based on: (a) the estimated volume 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 distribution. Refer to Note 233.

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

<i>In thousands of EUR</i>	31 December 2025	31 December 2024
Accrued receivables from distribution and delivery of electricity as part of item „Trade and other receivables“	4,531	4,775

The Company has an estimate of network losses according to the purchased electricity to cover losses from Energetika Slovensko a.s.. Should the estimate of total network losses be lower by 0.1%, representing 10 GWh of electricity (2024: 10 GWh), with other parameters unchanged, the revenue from the distribution services would increase by EUR 1,477 thousand (2024: EUR 1,968 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 Company. 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 as at 31 December 2025, the Company would have recognised an additional depreciation of network assets of EUR 7,602 thousand (2024: EUR 7,307 thousand).

Depreciation of right-of-use assets. In determining the lease terms, the Company takes into account also verbal agreements between the parties relating to the automatic annual extension of the leased buildings. The lessor verbally agreed with us that we will be able to renew leases of office premises each year for up to 15 years at market level rent at the time of each renewal. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lessee is reasonably certain that the lease will be extended (or not terminated).

For leases of offices, equipment and vehicles, the following factors are normally the most relevant: (i) if there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate) the lease and (ii) if any leasehold improvements are expected to have a significant residual value, the Company is typically reasonably certain to extend (or not terminate) the lease. Otherwise, the Company considers other factors including historical lease term and the costs and business disruption required to replace the leased asset.

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows during 2025:

<i>In thousands of EUR</i>	Land	Network buildings	Power lines	Optical lines and other leased to third parties	Switching stations and network equipment	Other assets*	Capital work in progress	Total
Cost as at 1 January 2025	33,862	182,649	1,396,629	3,428	536,631	73,587	139,401	2,366,187
Accumulated depreciation and impairment losses	-	(73,426)	(628,274)	(1,624)	(302,091)	(53,916)	-	(1,059,331)
Carrying amount as at 1 January 2025	33,862	109,223	768,355	1,804	234,540	19,671	139,401	1,306,856
Additions	-	-	-	-	-	-	193,904	193,904
Capitalised borrowing costs**	-	-	-	-	-	-	2,508	2,508
Assets Held for Sale and Discontinued Operations	-	-	-	-	(664)	(72)	-	(736)
Transfers	258	10,749	88,919	750	41,112	7,857	(149,645)	-
Depreciation charge	-	(4,846)	(39,002)	(204)	(27,727)	(5,367)	-	(77,146)
Disposals	(50)	(11)	-	-	(75)	(5)	(329)	(470)
Termination of leases	-	165	1,418	-	306	-	-	1,889
Cost as at 31 December 2025	34,070	192,871	1,482,086	4,138	567,746	80,081	185,839	2,546,831
Accumulated depreciation and impairment losses	-	(77,591)	(662,396)	(1,788)	(320,254)	(57,997)	-	(1,120,026)
Carrying amount as at 31 December 2025	34,070	115,280	819,690	2,350	247,492	22,084	185,839	1,426,805

* Other assets comprise machinery, non-network and administrative buildings, vehicles and other assets.

** Capitalisation rate of borrowing costs was from 1 January to 31 December 2025 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 Company 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 Company 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 were as follows:

<i>In thousands of EUR</i>	2025	2024
Net book value of disposals	470	412
Gain / (loss) on disposal of property, plant and equipment	80	146
Other	(331)	(371)
Proceeds from disposals	219	187

6 Property, Plant and Equipment (continued)

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	Optical lines and other leased to third parties	Switching stations and network equipment	Other assets*	Capital work in progress	Total
Cost as at 1 January 2024	33,656	177,856	1,299,414	3,197	515,536	67,580	128,023	2,225,082
Accumulated depreciation and impairment losses	-	(69,001)	(595,011)	(1,452)	(281,816)	(49,171)	-	(996,451)
Carrying amount as at 1 January 2024	33,656	108,855	704,403	1,745	233,540	18,409	128,023	1,228,631
Additions	-	-	-	-	-	-	149,446	149,446
Capitalised borrowing costs**	-	-	-	-	-	-	2,156	2,156
Transfers	208	4,665	101,283	279	26,942	6,481	(139,858)	-
Depreciation charge	-	(4,442)	(37,940)	(220)	(26,113)	(5,219)	-	(73,934)
Disposals	(2)	-	-	-	(44)	-	(366)	(412)
Termination of leases	-	145	609	-	215	-	-	969
Cost as at 31 December 2024	33,862	182,649	1,396,629	3,428	536,631	73,587	139,401	2,366,187
Accumulated depreciation and impairment losses	-	(73,426)	(628,274)	(1,624)	(302,091)	(53,916)	-	(1,059,331)
Carrying amount as at 31 December 2024	33,862	109,223	768,355	1,804	234,540	19,671	139,401	1,306,856

* Other assets comprise machinery, non-network and administrative buildings, vehicles and other assets.

** Capitalisation rate of borrowing costs was from 1 January to 31 December 2024 approximately 3,24% p.a.

The Company holds insurance against damages caused by natural disasters up to EUR 598,066 thousand for buildings and up to amount of EUR 718,793 thousand for machinery, equipment, fixtures, fittings and other assets (2024: EUR 541,228 thousand and 798,676 thousand, respectively).

Optical lines and other assets leased to third parties presented in the table above represent optical cables and related technology leased out under operating leases. Rental income is presented in Note 27. Future rental income from non-cancellable leases is due as follows:

<i>In thousands of EUR</i>	2025	2024
Due:		
- within 1 year	500	500
- between 1 and 10 years	4,500	4,500
Total future rental payments to be received	5,000	5,000

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 as at 1 January 2024	47,138	5,280	52,418
Accumulated depreciation and impairment losses	(36,855)	-	(36,855)
Carrying amount at 1 January 2024	10,283	5,280	15,563
Additions	-	7,326	7,326
Transfers	5,295	(5,295)	-
Amortisation charge	(4,927)	-	(4,927)
Cost as at 31 December 2024	51,244	7,311	58,555
Accumulated depreciation and impairment losses	(40,593)	-	(40,593)
Carrying amount as at 31 December 2024	10,651	7,311	17,962
Additions	-	5,654	5,654
Transfers	8,598	(8,598)	-
Amortisation charge	(2,504)	(408)	(2,912)
	(5,368)	-	(5,368)
Cost as at 31 December 2025	53,706	3,959	57,665
Accumulated depreciation and impairment losses	(42,329)	-	(42,329)
Carrying amount as at 31 December 2025	11,377	3,959	15,336

Assets not yet available for use primarily include software upgrades and improvement of functionality of the customer and the graphical information system.

8 Right-of-use Assets and Lease Liabilities

The Company leases land, administrative buildings, power equipment and motor vehicles. Rental contracts are typically made for fixed periods of 2 to 20 years (for more details on lease term refer to Note 2) but may have extension options as described below. For assets where the contract is concluded for indefinite period, the useful life was determined based on reasonably certain lease term.

8 Right-of-use Assets and Lease Liabilities (continued)

<i>In thousands of EUR</i>	Land	Office Buildings	Equipment (power)	Vehicles	Total
Carrying value as at 1 January 2024	48	53,277	10,703	3,960	67,988
Additions	-	18,473	2,871	2,356	23,700
Disposals	-	(458)	-	(78)	(536)
Depreciation charge	(1)	(6,195)	(712)	(1,692)	(8,600)
Reduction in value	-	(2,977)	-	(25)	(3,002)
Termination of leases (Note 6)	-	-	(969)	-	(969)
Carrying value as at 1 January 2025	47	62,120	11,893	4,521	78,581
Additions	1,081	22,398	2,875	5,462	31,816
Disposals	(39)	-	-	(258)	(297)
Depreciation charge	(19)	(6,897)	(803)	(2,193)	(9,912)
Reduction in value	-	(15,598)	(1,738)	(213)	(17,594)
Termination of leases (Note 6)	-	-	(1,889)	-	(1,889)
Carrying value as at 31 December 2025	1,070	62,023	10,293	7,319	80,705

The Company recognised lease liabilities as follows:

<i>In thousands of EUR</i>	31 December 2025	31 December 2024
Short-term lease liabilities	8,830	9,021
Long-term lease liabilities	75,884	73,071
Total lease liabilities	84,714	82,092

Interest expense on lease liabilities included in finance costs are presented in Note 28.

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

<i>In thousands of EUR</i>	2025	2024
Expense relating to short-term leases	504	273
Expense relating to leases of low-value assets that are not shown above as short-term leases	945	1,959

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

Total cash outflows for leases were as follows:

<i>In thousands of EUR</i>	2025	2024
Short-term lease payments	504	273
Payments for leases of low-value assets other than short-term leases	945	1,959
Repayment of principal of lease liabilities	10,192	8,178
Interest costs on lease liabilities paid	2,825	2,621
Total cash outflows for leases in total	14,466	13,031

9 Loans and borrowings

An overview of loans received is presented in the table below:

<i>In thousands of EUR</i>	2025	2024
Long-term loans received from the European Investment Bank	210,000	-
Total loans	210,000	-

More details about received loans are presented in the table below:

<i>In thousands of EUR</i>	Principal	Nominal interest rate	Maturity date
European Investment Bank	90,000	2,521% p.a.	15.12.2032
European Investment Bank	120,000	2,986% p.a.	15.12.2032
Spolu	210,000		

An overview of borrowings received is presented in the table below:

<i>In thousands of EUR</i>	2025	2024
Non-current borrowings from Západoslovenská energetika, a.s.	630,000	630,000
Accrued interest payable within one year	7,245	8,820
Total borrowings	637,245	638,820

More details about received borrowings are presented in the table below:

<i>In thousands of EUR</i>	Principal	Nominal interest rate	Maturity date
Borrowing 1	315,000	2.00% p.a.	2.3.2028
Borrowing 2	315,000	2.56% p.a.	30.09.2030
Total	630,000		

10 Inventories

<i>In thousands of EUR</i>	2025	2024
Raw materials and minor spare parts	2,518	1,957
Land held for sale	1,022	1,022
Total inventories	3,540	2,979

The inventory items are shown net of provision for slow-moving materials and spare parts of EUR 0 (2024: EUR 0 thousand).

No inventories have been pledged as collateral.

11 Trade and Other Receivables

<i>In thousands of EUR</i>	2025	2024
Trade receivables	51,102	42,138
Less impairment provision for trade receivables	(4,582)	(4,288)
Trade receivables, net	46,520	37,850
Amounts due from customers for contract work	-	5
Compensation	-	8,720
Prepayments	2,250	1,852
Total trade and other receivables	48,770	48,427

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

<i>In thousands of EUR</i>	2025	2024
Provision for impairment as at 1 January	4,288	4,566
Impairment loss expense (Note 05)	294	(66)
Amounts written off during the year as uncollectible	-	(212)
Provision for impairment as at 31 December	4,582	4,288

Expected credit losses on trade receivables at the balance sheet date are analysed as follows:

<i>In thousands of EUR</i>	31 December 2025				31 December 2024			
	Loss rate	Gross carrying amount	ECL	Net carrying amount	Loss rate	Gross carrying amount	ECL	Net carrying amount
Due	0,00 %	46,052	-	46,052	0,00 %	46,096	-	46,096
Overdue:								
- 1 to 30 days	2.95%	237	7	230	4.15%	265	11	254
- 31 to 60 days	18.00%	50	9	41	5.13%	39	2	37
- 61 to 90 days	34.38%	32	11	21	3.92%	102	4	98
- 91 to 120 days	36.67%	30	11	19	14.81%	27	4	23
- 121 to 180 days	40.00%	95	38	57	15.79%	57	9	48
- 181 to 181 days	66.56%	299	199	100	82.72%	81	67	14
- Over 360 days	100.00%	4,307	4,307	-	100.00%	4,191	4,191	-
Trade receivables		51,102	4,582	46,520		50,858	4,288	46,570

11 Trade and Other Receivables (continued)

The expected credit losses on current receivables were insignificant. Trade receivables are subject to the following credit enhancements as at 31 December:

<i>In thousands of EUR</i>	At 31 December 2025		At 31 December 2024	
	Carrying amount	Insured amount	Carrying amount	Insured amount
Trade receivables covered by insurance	6,510	6,510	12,444	12,444
Unsecured trade receivables	40,010	-	34,126	-
Trade receivables, net	46,520	6,510	46,570	12,444

12 Receivables from Cash Pooling

<i>In thousands of EUR</i>	2025	2024
Receivables from cash pooling (interest rate*)	25,754	-
Total receivables from cash pooling brutto	25,754	-
ECL allowance for possible impairment of receivables from cash pooling	(84)	-
Total receivables from cash pooling	25,670	-
Commitments from cash pooling (interest rate**)	-	132,674
Total commitments from cash pooling	-	132,674

* The interest rate on receivables from cash pooling in 2024 was (€STR+0.4% p.a.), at least 0.4% p.a. (2024: 0.4% p.a.).

** The interest rate on cash pooling liabilities for Tatra banka in 2025 was 0.9% of the €STR for the period from 1. January to 30. June 2025, adjusted monthly and ranging from 1.94% p.a. to 2.624% p.a., and for the period from 1. July to 31. December 2025, it was €STR – 0.2% p.a. (2024: 0.9% of €STR, adjusted monthly, ranging from 2.832% p.a. to 3.518% p.a.). For VÚB Bank, this interest rate was at the level of €STR – 0.2% p.a. (2024: €STR – 0.2% p.a.). For CitiBank, the interest rate on cash pooling liabilities as of 1 August, 2025, was €STR – 0.2% p.a. (2024: CitiBank was not involved in the Company's cash pooling).

*euro short-term rate

In the 2025 Company recognised ECL allowance for receivable from cash pooling due of EUR 84 thousand Cash and Cash Equivalents (2024: EUR 0 thousand).

The Company has concluded with its Parent company cash pooling agreement. Based on this agreement the available cash is managed by Parent company. If the case of additional financing needs the cash from the cash pool is made available to the Company. Receivables from cash pooling did not require any material credit loss allowance and management of the Company considers this related party as creditworthy without an increased credit risk. Credit rating of the Parent Company is A- by Standard and Poor's.

13 Cash and Cash Equivalents

<i>In thousands of EUR</i>	2025	2024
Current bank accounts	614	207
Total cash and cash equivalents in the statement of financial position	614	207

13 Cash and Cash Equivalents (continued)

The Company has a concentration of credit risk in cash and cash equivalents balances towards two banks (2024: two banks).

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

<i>In thousands of EUR</i>	2025	2024
<i>Neither past due nor impaired</i>		
Stamps	3	-
Credit rating A2 by Moody's	16	11
Credit rating A2 by Moody's	595	196
Total cash and cash equivalents	614	207

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.

14 Share Capital

The Company's registered share capital consists of 10 shares with a nominal value of EUR 3,320 each and 1 share with a nominal value of EUR 33,193,919. The share capital totals of EUR 33,227 thousand. As at 31 December 2025 all the shares are owned by Západoslovenská energetika, a.s. Each share carries voting right equal to share nominal value.

The general meeting of the Company's shareholders approved the Company's prior year financial statements and declared dividends of EUR 26,866 thousand (2024: dividends of EUR 125,329 thousand). Slovak legislation identifies distributable reserves as retained earnings reported in these separate financial statements of the Company.

Dividend per share represents EUR 2,684 (2024: EUR 12,531) per share with the nominal value of EUR 3,320 and EUR 26,865 thousand (2024: EUR 125,317 thousand) per share with the nominal value of EUR 33,193,919.

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 may only be used to increase share capital or to cover future losses.

16 Income Taxes

Income tax expense comprises the following:

<i>In thousands of EUR</i>	2025	2024
Current tax at standard rate of 24% (2024: 21%)	16,419	11,154
Special levy on profits from regulated activities	3,079	2,211
Deferred tax	2,989	15,942
Income tax expense/(credit) for the year- from continuing operations	22,487	29,307

Income tax expense/(credit) for the year- from discontinued operations - -

16 Income Taxes (continued)

In 2025, the applicable standard income tax rate was 24% (2024: 21%). The amount of the special levy of the regulated entity was calculated and paid in accordance with the applicable law in 2025, as follows: the basis of the levy is the Company's profit reported in the Company's financial statements multiplied by a coefficient calculated as the share of the revenue from the regulated activities in the total revenue. For 2025 the Company applied a coefficient of 0.90 (2024: 0.91). The amount of the monthly levy is calculated as the sum of the levy rate and the base of the levy. For 2025, the monthly levy rate was 0.00363 (2024: 0.00363). The special levy is a deductible expense for the purpose of applying income tax due.

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

	2025	2024
Standard income tax rate for the year	24.000%	21.000%
Special levy rate	4.356%	4.356%
Effect of deductibility of special levy from standard rate*	(1.184)%	(1.058)%
Tax rate applicable on profits generated by regulated industry operations	27,172%	24.298%

* the effect is calculated as $\text{special levy rate in \%} \times ((1 - \text{income tax rate in \%}) / (1 + \text{special levy rate in \%}) - 1)$

The Company includes activities taxed at the standard tax rate of 24% (2024: 21%) or at the 27.172% (2024: 24.298%) rate applicable to regulated industry operations. The applicable tax rate of 26.968% (2024: 24.001%) is used in the below effective tax reconciliation and represents a weighted average of the tax rates for regulated and unregulated activities.

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>	2025	2024
Profit before tax- from continuing operations	89,705	64,047
Profit before tax- from discontinued operations	(6,791)	(4,869)
Profit before tax	82,914	59,178
Theoretical tax charge at applicable tax rate 26,968% (2024: 24.001 %)	22,360	14,203
<i>Non-deductible expenses /(non-taxable income) for which deferred tax was not recognised:</i>		
- expenses not deductible for standard tax but deductible for special levy purposes	165	153
Effect on deferred tax of change in tax rate to 24% from 1 January 2025	-	14,160
Other	(38)	790
Income tax expense for the period	22,487	29,307

The global minimum tax rules are based on the OECD Model Rules for Pillar Two, in particular Article 3.2.1, which defines the calculation of GloBE Income and excluded items. The obligation to assess the Qualified Domestic Minimum Top-up Tax (QDMTT) applies to the ZSE domestic group. The calculation is performed centrally at the level of the parent company, which determines whether a top-up tax liability arises for all constituent entities in Slovakia.

In accordance with the OECD Model Rules for Pillar Two, the top-up tax is not reflected in the calculation of deferred tax. Potential impacts of the Pillar Two rules are assessed centrally at the level of the ZSE Group by the parent company.

16 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 as at 31 December 2025, that will become current tax in 2026, will be settled in 2027 upon filing the 2026 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 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>	2025	2024
Differences between tax base and carrying value of property, plant and equipment	121,318	119,620
Right-of-use assets	(17,981)	(17,536)
Post-employment defined benefit obligation and other long-term employee benefits	(3,260)	(4,136)
Lease liabilities	18,878	18,322
Other liabilities	(2,368)	(2,592)
Provision for impairment of trade receivables	(96)	(292)
Other	(29)	(71)
Total net deferred tax liability, net	116,463	113,314

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (160) thousand (2024: EUR 680 thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

17 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 (2024: one to eight salaries) to each employee upon retirement depending on the number of years worked for the Company.

17 Post-Employment Defined Benefit Obligations (continued)

The movements in the present value of defined benefit obligation are:

<i>In thousands of EUR</i>	2025	2024
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	7,239	4,738
Current service cost	11	11
Interest cost	201	184
Past service costs due to changes in the defined benefit plan rules	(40)	536
Total expense (Note 24)	1,457	731
<i>Actuarial remeasurements:</i>		
- attributable to changes in financial assumptions	191	349
- attributable to changes in demographic assumptions	(765)	252
- attributable to experience adjustments	(93)	2,233
Total actuarial remeasurements recognised in other comprehensive income	(666)	2,834
Benefits paid during the year	(470)	(1,064)
Transfer to liabilities classified as held for sale	(334)	-
Present value of unfunded post-employment defined benefit obligations at the end of the year	7,226	7,239

The principal actuarial assumptions were as follows:

	2025	2024
Number of employees as at 31 December	1,584	1,560
Staff turnover	6.15% p.a.	4.61% p.a.
Expected salary increases short-term	4.20% p.a.	6.00% p.a.
Expected salary increases long-term	4.00% p.a.	2.50% p.a.
Discount rate	4.38% p.a.	3.45% 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>	2025		2024	
	Increase	Decrease	Increase	Decrease
Staff turnover (change by 10%)	(309,833)	329,488	(262,563)	276,076
Expected salary increases long-term (change by 10%)	159,386	(155,149)	156,330	(152,228)
Discount rate (change by 0.5%)	(247,060)	261,214	(279,907)	297,547

18 Other Long-Term Employee Benefits

The Company makes EUR 1,400 payment to each employee at the age of 50, subject to 15 year continuous service (2024: 15 years) vesting condition and EUR 776 payment to each employee at the age of 50, subject from 5 to 14 year continuous service (2024: EUR 776 payment to each employee, subject to 5 to 14 year continuous service) and pays regular long-term work anniversary bonuses in general every 10 years in the amounts between EUR 400 to EUR 1,250 (2024: between EUR 400 to EUR 1,250)

The Company makes 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 (2024: 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 (2024: EUR 13,300).

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

19 Provisions for Liabilities and Charges

<i>In thousands of EUR</i>	2025	2024
Provision for legal proceedings	7,095	7,095
Restructuring provision – current	61	387
Restructuring provision – non-current	324	784
Total provisions for liabilities and charges	7,480	8,266

Changes in provisions for other liabilities and expenses were as follows:

<i>In thousands of EUR</i>	2025			2024		
	Provision for legal proceedings	Restructuring provision	Total provisions	Provision for legal proceedings	Restructuring provision	Total provisions
Stav k 1. januáru	7,095	1,171	8,266	13,350	-	13,350
Prírastky zaúčtované do hospodárskeho výsledku	-	-	-	4,149	1,171	5,320
Použitie rezervy	-	(231)	(231)	-	-	-
Rozpustenie rezervy	-	-	-	(10,404)	-	(10,404)
Aktíva držané na predaj (bod č.29 poznámok)	-	(555)	(555)	-	-	-
Stav k 31. decembru	7,095	385	7,480	7,095	1,171	8,266

The Company recognized a provision for known and quantifiable risks relating to disputes with Company, 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 to Note 35.

19 Provisions for Liabilities and Charges (continued)

The Company in accordance with the precautionary principle and on the basis of an internal assessment of the risk arising from disputes over tariffs over access to the distribution system for electricity producers, it shall periodically review the amount of the reserve for possible litigation.

In the course of 2025, the Company dissolved the litigation reserve in the amount of EUR 0 thousand (2024: EUR 10,404 thousand) due to the finality of decisions in favor of the Company or the withdrawal of actions by plaintiffs.

Of the above-mentioned provisions for legal proceedings as at 31 December 2025, the amount of EUR 0 thousand (2024: EUR 10,404 thousand) was recognised as an increase (2024: increase) of revenue.

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 years 2025-2028 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. Estimated use of the long-term portion of the restructuring reserve as of December 31, 2025 EUR 290 thousand in 2027 and EUR 34 thousand in 2028. 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.

20 Contract Liabilities from Deferred Connection Fees

Connection fees are paid by customers to connect them to the electricity network. The fees are recognised as deferred income and are released to revenue over the useful lives of related assets of approximately 20 years.

Contract liabilities to customers were as follows:

<i>In thousands of EUR</i>	31 December 2025	31 December 2024
Non-current		
from 12 months to 5 years	33,802	32,572
After 5 years	73,974	71,968
Total non-current contract liabilities	107,776	104,540
Current		
within 12 months	8,049	7,750
Total current contract liabilities	8,049	7,750

20 Contract Liabilities from Deferred Connection Fees (continued)

Movements in the contract liabilities to customers from connection fees were as follows:

<i>In thousands of EUR</i>	Non-current	Current
As at 1. January 2024	96,053	7,171
Additions	16,237	-
Transfers	(7,750)	7,750
Recognised in revenue	-	(7,171)
As at 31 December 2024	104,540	7,750
Additions	11,285	-
Transfers	(8,049)	8,049
Recognised in revenue	-	(7,750)
As at 31 December 2025	107,776	8,049

21 Trade and Other Payables

<i>In thousands of EUR</i>	2025	2024
Trade payables	62,111	47,835
Other accrued liabilities	6,197	21,378
Other financial liabilities	2,181	2,635
Total financial instruments within trade and other payables	70,489	71,848
Employee benefits payable	4,896	4,137
Social security on employee benefits	3,320	2,635
Accrued staff costs	4,627	8,618
Advance payments	1,192	1,323
Value added tax payable	2,367	5,977
Other payables	3,735	2,910
Total current trade and other payables	90,626	97,448

The Company had overdue trade payables of EUR 48 thousand (2024: EUR 11 thousand). None of the payables are overdue more than 30 days as at 31 December 2025 and 2024.

22 Grants

The company reported the following deferred grants:

In thousands of EUR	2025	2024
Non-current		
Grants for investment in the grid and related facilities	67,764	42,133
Total non-current grants	67,764	42,133
Current		
Grants for investment in the grid and related facilities	2,570	1,822
Total current grants	2,570	1,822
Total grants	70,334	43,955

The maximum amount expected by the Company, as specified in the grant agreements concluded with CINEA—an agency of the European Commission—for the ACON and Danube InGrid projects aimed at supporting smart grid solutions and cross-border cooperation, is approximately EUR 88 million.

For the ACON project, the total project value for the Company is EUR 92 million, of which 50% is funded; the expected grant amount is EUR 46 million. The ACON project has been substantively completed, and we expect the final payment up to the contracted grant amount in 2026.

For the Danube InGrid project, the total project value for the Company is EUR 119 million, of which 35% is financed; the expected grant amount will be EUR 41.7 million.

The Company is also applying for funding for its investments in the modernization and development of the distribution system from the Slovak Republic's Recovery and Resilience Plan under Component 19 – Repower EU and Component 3 – Sustainable Transport. The total value of funding received from these support instruments was approximately €8 million in 2025 and is expected to be approximately €54 million in 2026.

23 Revenue from Contracts with Customers

Revenue from contracts with customers comprises the following:

In thousands of EUR	2025	2024
Distribution fees for the distribution of electricity to industrial and other commercial customers	258,044	241,837
Distribution fees for the distribution of electricity to residential customers	132,510	130,913
Revenue for reserved capacity from electricity producers	6,819	4,535
Accrued decrease in revenue from customer returns	-	10,404
Total distribution fees	397,373	387,689
Revenue for connection work and testing fees	8,285	8,221
Other revenue	5,543	4,544
Total revenue from contracts with customers	411,199	400,454

The Company provides access to its electricity distribution network and distribution of electricity at regulated prices.

23 Revenue from Contracts with Customers (continued)

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.

Timing of revenue from contracts with customers recognition is as follows:

<i>In thousands of EUR</i>	2025	2024
At a point in time	8,285	8,221
Over time	402,914	392,233
Total revenue from contracts with customers	411,199	400,454

24 Compensation

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.

Incomes from revenue from compensation of network losses deficit and self-consumption of electricity comprises the following:

<i>In thousands of EUR</i>	2025	2024
Incomes from grants for own consumption of electricity	-	215
Incomes from compensation of network losses deficit	599	34,569
Total incomes from compensation and grants	599	34,784

Additionally, the Company received compensation of EUR 0 thousand (2024: EUR 215 thousand) to cover the higher expenses for purchase of electricity consumed in its own buildings.

25 Employee Benefits

<i>In thousands of EUR</i>	2025	2024
Wages and salaries	51,773	50,758
Defined contribution pension costs	11,250	9,080
Post-employment defined benefit plan expense (Note 17)	1,457	731
Other long-term employee benefit plans – current service and interest cost	185	183
Actuarial remeasurements of other long-term employee benefit plans	(188)	(108)
Other social levies and costs	12,759	16,873
Total employee benefits expense	77,236	77,517

26 Other Operating Expenses

<i>In thousands of EUR</i>	2025	2024
Repairs and maintenance of energy equipment	3,913	2,973
Other repairs and maintenance	5,045	6,935
Administration of distribution equipment	14,266	11,975
Repairs of machinery and devices	2,272	2,967
IT services	5,973	4,142
Measuring of electricity consumption	981	1,114
Facility management	3,187	1,461
Finance services	2,281	3,831
Advisory services	655	487
Other services	4,031	4,353
Call centre	630	741
Credit loss allowance for receivables (Note 11)	401	(66)
Statutory audit	99	112
Expenses relating to leases of low-value assets and for short-term leases	1,449	2,232
Total other operating expenses	45,183	48,928

27 Other Operating Income

<i>In thousands of EUR</i>	2025	2024
Operating lease income	572	575
Income from amortisation of contract liability from deferred customer contributions	4,077	3,042
Income from contractual penalties	22	104
Income from unauthorized consumption of electricity	788	747
Income from IT services	664	7
Grants	2,290	1,716
Other	2,512	1,641
Total other operating income	10,958	7,832

28 Interest and Similar Expense

<i>In thousands of EUR</i>	2025	2024
Interest expense on borrowings from the Parent company	22,898	21,248
Interest expense on leasing	2,825	2,621
Other interest expense	435	184
Total interest and similar expense	23,650	21,897
Less capitalised borrowings costs (Note 6)	(2,508)	(2,156)
Total interest and similar expense	23,650	21,897

29 Assets Held for Sale and Discontinued Operations

On November 27, 2025, the extraordinary general meeting of the Parent Company approved the Agreement on the Sale of a Part of the Company's Business, with the Company as the seller and Východoslovenská energetika Holding a.s. as the buyer, the subject of which is the sale of a part of ZSD's business named "IT Division," constituting a separate part of the business comprising assets, rights, and other assets, liabilities, and employees related to and serving the operations of this division, for a purchase price determined by an expert appraisal prepared as of December 31, 2025, with the sale effective as of January 1, 2026.

<i>In thousands of EUR</i>	31 December 2025
Discontinued operations	
ASSETS	
Non-current assets	
Property, plant and equipment	736
Intangible assets	2,912
Total non-current assets	3,648
Current assets	
Trade and other receivables	128
Total current assets	128
TOTAL ASSETS	3,776
LIABILITIES	
Non-current liabilities	
Post-employment defined benefit obligations	334
Other long-term employee benefits	66
Contract liabilities from connection fees	78
Total non-current liabilities	478
Current liabilities	
Contract liabilities from connection fees and customer contributions	1,109
Provisions for liabilities and charges	477
Total current liabilities	1,586
TOTAL LIABILITIES	2,064

Assets classified as held for sale and discontinued operations are as follows:

29 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>	2025	2024
discontinued operations		
Revenue from contracts with customers	1,391	922
Purchases of electricity for losses, charges for electricity produced from renewable sources and other purchases	(7)	(6)
Employee benefits	(6,094)	(3,709)
Depreciation of property, plant and equipment	(177)	(162)
Amortisation of intangible assets	(438)	(343)
Other operating expenses	(5,164)	(5,619)
Other operating income	2,473	2,639
Capitalized own costs	1,225	1,409
Profit from operations	(6,791)	(4,869)
Profit before tax	(6,791)	(4,869)
Income tax expense	-	-
Profit / (loss) for the year from discontinued operations	(6,791)	(4,869)
Other comprehensive income		
<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 loss for the year	-	-
Total comprehensive income for the year discontinued operations	(6,791)	(4,869)

An analysis of the cash flows of discontinued operations is as follows:

<i>In thousands of EUR</i>	2025	2024
Cash flows from operating activities	(6,230)	(4,927)
Cash flows from investing activities	(723)	(948)
Cash flows from financing activities	-	-

Total cash flows of discontinued operations	(6,953)	(5,875)
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30 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, financial derivatives, and short-term bank deposits.

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

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

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

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

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

To determine the level of credit risk, the Company uses Expected credit loss ("ECL") measurement, which reflects the probability-weighted estimate of the present value of future expected credit losses.

The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the ageing of receivables, loss rate for each ageing group of receivables 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. For loan commitments contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

When assessment is performed on a portfolio basis, the Company determines the staging of the exposures and measures the loss allowance on a collective basis. The Company analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a Company have homogeneous or similar risks. The key shared credit characteristics considered are: [type of customer (such as wholesale or retail), product type. In general, ECL is the sum of the multiplications of the credit risk parameters.

As for the banks and financial institutions, the Company has relationships only with those that have a high independent rating assessment. If wholesale customers are independently rated, these ratings are used. If no independent rating is available, Company assesses the credit quality of customer, taking into account its financial position, past experience and other factors. Except as disclosed in Notes 11, 12 and 13, the Company does not have a significant concentration of credit risk due to a large number of diverse customers.

The Company uses a system of reminders, which may culminate in a service disconnection, as the prevailing contract enforcement. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Company beyond the provisions already recorded. To reduce the risk of selected wholesalers, the Company uses insurance products. The credit quality of outstanding balances with banks is presented in Note 12 and credit quality information about trade receivables is included in Note 11.

30 Financial Risk Management (continued)

To manage the credit risk of wholesale activities, the Company has implemented a system of conservative volume and financial limits of open positions that ensure diversification of credit risk across multiple wholesale partners and use of credit insurance to secure business relations.

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

The Company regularly monitors its liquidity position and uses cash pooling with the Parent company to optimize the use of funds within the Group. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing 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 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 as at 31 December 2025:

<i>In thousands of EUR</i>	On 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						
Borrowings - principal due	-	-	-	630,000	-	630,000
Borrowings - future interest payments	-	6,300	14,175	12,600	-	33,075
Loans- principal due	-	-	-	-	210,000	210,000
Loans- future interest payments	-	1,463	4,389	18,871	7,166	31,889
Trade payables (Note 21)	32,496	29,167	400	48	-	62,111
Other accrued liabilities (Note 21)	6,126	71	-	-	-	6,197
Other financial liabilities (Note 21)	2,181	-	-	-	-	2,181
Lease liabilities (including future interest payments)	969	1,938	8,721	46,512	43,327	101,467
Total future payments, including future principal and interest payments	41,772	38,939	27,893	708,031	260,493	1,076,920

30 Financial Risk Management (continued)

The maturity analysis is as follows as at 31 December 2024:

<i>In thousands of EUR</i>	On 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						
Borrowings – principal due	-	-	-	630,000	-	630,000
Borrowings – future interest payments	-	6,300	14,175	33,075	-	53,550
Trade payables (Note 21)	28,923	17,040	1,861	11	-	47,835
Other accrued liabilities (Note 21)	21,303	59	16	-	-	21,378
Other financial liabilities (Note 21)	2,635	-	-	-	-	2,635
Liabilities from cash pooling (Note 12)	-	132,674	-	-	-	132,674
Lease liabilities (including future interest payments)	819	1,638	7,908	44,546	38,563	93,474
Total future payments, including future principal and interest payments	53,680	157,711	23,960	707,632	38,563	848,872

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31 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 equity amounting to EUR 257,729 thousand as at 31 December 2025 (2024: EUR 223,662 thousand).

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.

32 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows as at 31 December 2025:

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position	Cash collateral received	Net amount of exposure
<i>In thousands of EUR</i>	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
Assets						
Cash pooling	25,754	-	25,754	25,754	-	-
Total assets subject to offsetting, master netting and similar arrangement	25,754	-	25,754	25,754	-	-
Liabilities						
Borrowings	637,245	-	637,245	25,754	-	611,491
Total liabilities subject to possible offsetting, master netting and similar arrangement	637,245	-	637,245	25,754	-	611,491

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.

As at 31 December 2024, there are no financial instruments that would be subject to offsetting, enforceable master netting and similar arrangements.

33 Reconciliation of Movements in Liabilities from Financing Activities

The table below sets out the movements in our debt for each of the periods presented.

<i>In thousands of EUR</i>	Borrowings	Lease liabilities	Total liabilities from financing activities
As at 1 January 2024	638,773	70,157	708,930
<i>Non-cash changes:</i>			
Additions to leases (Note 8)	-	23,700	23,700
Termination of leases and other changes	-	(3,587)	(3,587)
Interest expense (Note 26)	20,522	2,621	23,143
<i>Payments</i>			
Interest paid on liabilities from financing activities	(20,475)	(2,621)	(23,096)
Principal repaid (Note 8)	-	(8,178)	(8,178)
As at 31 December 2024	638,820	82,092	720,912
<i>Non-cash changes:</i>			
Additions to leases (Note 8)	-	31,816	31,816
Termination of leases and other changes	-	(19,002)	(19,002)
Interest expense (Note 26)	18,901	2,825	22,502
<i>Payments</i>			
Interest paid on liabilities from financing activities	(20,476)	(2,825)	(24,077)
Principal repaid (Note 8)	-	(10,192)	(10,192)
At 31 December 2025	637,245	84,714	721,959

34 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.

34 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:

In thousands of EUR	31 December 2025		31 December 2024	
	Level 2 fair value	Carrying value	Level 2 fair value	Carrying value
Assets				
Trade receivables, net (Note 11)	46,520	46,520	46,570	46,570
Cash and cash equivalents (Note 13)	614	614	207	207
Receivables from cash pooling (Note 12)	25,670	25,670	-	-
Total assets	72,804	72,804	46,777	46,777
Liabilities				
Borrowings (Note 9)	630,344	637,245	618,503	638,820
Loans (Note 9)	204,353	210,000	-	-
Trade payables (Note 21)	62,111	62,111	47,835	47,835
Other accrued liabilities (Note 21)	6,197	6,197	21,378	21,378
Other financial liabilities (Note 21)	2,181	2,181	2,635	2,635
Cash pooling liabilities (Note 12)	-	-	132,674	132,674
Total liabilities	905,186	917,734	823,025	843,342

The fair value of lease liabilities is not disclosed in accordance with paragraph 29 of IFRS 7. The fair value of borrowings was determined according to the quoted market price of bonds issued by Západoslovenská energetika, a.s. in order to finance these loans.

The fair values of other financial assets and liabilities approximate their carrying amounts.

35 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 (c) 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 of the entity's financial liabilities are carried at amortised cost.

36 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 2019 to 2024 remain open to tax inspection, but in certain cases the tax authorities may also challenge tax positions taken in earlier periods.

36 Contingencies and Commitments (continued)

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator. These circumstances have led to the Company having created a provision for the impact of litigation (Note 19).

Capital expenditure commitments. As at 31 December 2025, the Company had outstanding contractual commitments for purchases of property, plant and equipment of EUR 12,510 thousand (2024: EUR 14,396 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 2,905 thousand (2024: EUR 2,923 thousand).

37 Balances and Transactions with Related Parties

The primary related parties of the Company are (a) its shareholders which have joint control over the Company as explained in Notes 1 and 14: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel. The Company applies the exemption from disclosing transactions with the Slovak government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, purchases of electricity from an entity in which the Slovak government has a significant shareholding and other transactions presented below.

The related party transactions for 2024 and outstanding balances as at 31 December 2025 were as follows:

<i>In thousands of EUR</i>	Parent company	E.ON Group**	Slovak government*	Entities under common control of the Parent company
Revenue, compensation	2,244	19	88,658	122,648
Purchases and expenses	44,669	2,992	83,245	28,146
Receivables other than taxes	26,758	25	4,659	29,547
Liabilities other than taxes	701,602	19	7,171	343
Dividends declared and paid	26,866	-	-	-

* 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 16. Outstanding value added tax payable is presented in Note 21.

The income tax paid was as follows:

<i>In thousands of EUR</i>	2025	2024
Current income tax expense at standard rate of 24 % (2024: 21%) – refer to Note 16	(16,419)	(11,154)
Special levy on profits from regulated activities (Note 16)	(3,079)	(2,211)
Current income tax (liabilities) / refund receivable at the beginning of the reporting period	6,240	(18,446)
Current income tax liabilities/ (refund receivable) at the end of the reporting period	4,087	(6,240)
Income tax paid	(9,171)	(38,051)

37 Balances and Transactions with Related Parties (continued)

The related party transactions for 2024 and outstanding balances as at 31 December 2024 were as follows:

<i>In thousands of EUR</i>	Parent company	E.ON Group**	Slovak government*	Entities under common control of the Parent company
Revenue	2,750	31	111,033	231,101
Purchases and expenses	45,219	3,855	99,546	81,812
Receivables other than taxes	180	752	14,597	29,929
Liabilities other than taxes	830,690	49	17,665	5,223
Dividends declared and paid	125,329	-	-	-

* 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 distribution services 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>	2025	2024
<i>Board of Directors and other key management personnel</i>		
Salaries and other short-term employee benefits	1,127	945
Defined contribution pension costs	288	123
Total remuneration of Board of Directors and other key management personnel	1,416	1,069
<i>Supervisory board</i>		
Salaries and other short-term employee benefits	191	204
Defined contribution pension costs	32	35
Total remuneration of supervisory board	223	239

38 Events after the End of the Reporting Period

After 31 December 2025, no significant events have occurred that would require recognition or disclosure in these financial statements.