

Východoslovenská distribučná, a.s.

Annual report 2025
and
Independent Auditor's report
on the Audit of the Financial Statements
and
Report on Other Legal and
Regulatory Requirements

Translation note:

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

Contents

Annual Report

Attachment:

1. Independent Auditor's report
2. The Financial Statements of the Company for the year ended 31 December 2025 in accordance with International Financial Reporting Standards as adopted by the European Union

ANNUAL REPORT 2025

Východoslovenská distribučná, a.s.

Dear readers, it is time to look back at the annual results again. The most measurable way to look at them is through numbers. This year, too, we are trying to present them to you in the context of the events in which we achieved them. Because they do not, by themselves, tell us how much effort, obstacles, and good ideas put into practice were needed to achieve quality results. We believe it will be an inspiring excursion into the 365 days of 2025. More detailed information on sponsorship activities and the ESG strategy of the ZSE Group, including VSD, is available in a separate report.

Your VSD

Basic indicators		2025	2024
Supply area	km ²	15,746	15,746
Electricity distribution	GWh	3,914	3,896
Number of off-take points		680,375	675,730
Profit from operating activities	EUR ths.	70,258	42,801
Total comprehensive income for the year	EUR ths.	47,931	21,560
Net cash flows from operating activities	EUR ths.	82,049	57,110
Investments	EUR ths.	88,806	73,820
Average headcount		1,044	1,024

Contents

A View by the Chairman of the Board of Directors.....	4
Basic Company Information	6
Business Perspective	11
Technical Perspective	16
Security Perspective.....	21
Human Perspective	23
Ecological Perspective	25
Economic Perspective	28
A Look into the Future	31
Additional Information.....	31
List of abbreviations	32
Financial Statements as of 31 December 2025 and an independent Auditor's Report on the financial statements 2025.....	34

A View by the Chairman of the Board of Directors

Dear business partners, customers, colleagues, and other readers,

VSD celebrated a small anniversary in 2025. It has been 20 years since it has been actively operating in the electricity market. Although this is a relatively short period compared to the overall, almost 100-year history of the formation of the electric power industry in eastern Slovakia, in recent years (and the jubilee year 2025 was no exception; rather, it was another milestone), we have been living in unprecedented dynamics. In the face of market changes and shifts, the volume of necessary investments, the pace of emerging technologies, etc.

The distribution system (DS) and its potential for active use are still expanding, a trend confirmed in 2025. Traditionally, thousands of new renewable installations have been added to the VSD system. Small photovoltaic sources played a leading role. The ranks of active participants in the electricity market also grew last year, confirming the clear trend and interest in individual energy and pro-ecological, decentralized solutions. At the same time, photovoltaics became the most significant source in the VSD distribution system in terms of power, with an installed capacity of almost 320 MW. As of 31 December 2025, output from renewable sources accounted for up to ¼ of the total installed electrical power in the VSD system. Although in 2025 interest in connecting new sources to the VSD DS decreased compared to 2024, this should be attributed to market stabilization and the absence of support schemes, rather than to a decline in interest in self-generation of electricity. When making their decisions, customers consider more basic parameters, such as the installed power of the electricity source, its return, and its use in a particular household. With legislative support, customers will have full scope to share surplus electricity in 2025, and battery storage installations are also underway.

All this dynamic of change requires a sufficiently capacious, technologically designed, and resilient distribution system. Realising this, in 2025, we again revised investment records and ended the year with an investment balance of over 86 million. The main share was allocated to system renewal and modernization, but financing for automation, metering, and new technologies has already jumped to second place (unlike the previous year). The investment foursome was closed by the pro-customer expansion of the system.

The most significant investment in DS development for 2025 is the construction of 110 kV (HV) lines between the Haniska and Valaliky substations, which support the successful establishment and preparation for the launch of the first production phase of the VOLVO Car Factory. Also, powering future strategic partners in Valaliky Industrial Park. The line between Spišská Nová Ves and Poprad was fully renovated, which also prepared the region for increased demand on the power industry and the development of services. We replaced 4 transformers in the system (in Košice, Rožňava, Kežmarok, and Spišská Nová Ves) with more powerful 40 MVA units. A joint study with the transmission system operator and regional distribution companies resulted in the procurement and installation of two new chokes to compensate for the reactive component of electricity.

At the same time, in 2025, we identified the system's most problematic sections and made the necessary adjustments, including installing a backup power supply for the Domica and Baradla caves. We achieved better conditions for network reliability and performance in the districts of Prešov, Gelnica, Bardejov, and Košice - surroundings.

The ambitious reinvestment was made possible thanks to multi-source financing. The international project Danube InGrid: Second Phase has fully launched, during which we received 50 percent co-financing for increasing transformation capacities, the construction of a new 110/22 kV power station in Lučivná, and approximately 60 new transformation stations with smart functionalities. And for several other implementations that will ultimately support better integration of renewable sources, expansion of electromobility, and upgrades to the system's data and communication systems based on optical technologies. With support from the Recovery and Resilience Plan of the Slovak Republic, we have already started building electrical infrastructure for a pilot ultra-fast charging e-mobility network in 2025. Thirdly, excellent news for VSD is a 140-million-euro loan from the European Investment Bank, which will support the investment program and contribute to the successful implementation of Slovakia's National Energy and Climate Plan, as well as to achieving the EU's energy and climate goals.

However, we did not only build physical infrastructure for customers. We also aimed for energy and finance at a higher level of service, with an emphasis on data and information quality, and their timely availability. When digitalising processes for connecting to the distribution system, ensuring the smoothness of electricity distribution, and improving customer service, we chose a multi-channel approach. One of the most widely used solutions was the website www.vypadokelektriny.sk, as it is the fastest, most effective, and most accessible way not only to identify the cause of an electricity distribution outage, but also to report it and receive an estimated time of restoration in the event of a malfunction. It had a million visitors in 12 months. Electronic communication, following the global trend toward modern solutions, is the most widely used form of communication in VSD, and its share has continued to grow in recent years, including 2025.

The major transformational change in the energy sector, with the characteristic name Electrification 2.0, since its scope matches the first one, cannot, of course, be implemented only with "iron, wires, and money". It must be designed with a high degree of analytics, foresight, and accessibility to new and expected (not only) technological trends, as well as to future customer behaviour. Also, responsibility for decisions that will lead distribution companies either to a 21st-century energy platform or to an infrastructure element for limited use. Because we want to confirm our irreplaceable importance and potential not only in the energy sector, at VSD, we place great emphasis on education and support to digital and data competencies development. Likewise, on the attractiveness and safety of the environment, facilities, and conditions under which colleagues work.

My first thanks go to them for a successful year 2025, because it was thanks to them. The second is to all our customers and partners, as with us they have overcome all the challenges, even the big ones that sometimes seemed impossible (and I believe they ultimately helped improve user comfort).

Yours sincerely,

Ing. Radoslav Haluška
Chairman of the Board of Directors and CEO

Board of Directors' proposal on profit distribution for 2025

The Board of Directors proposes to the General Meeting to distribute the 2025 profit after tax, as follows:

- Allocation to the social fund in the amount of EUR 100 thousand,
- Dividend payment to the shareholder in the amount of EUR 47,253 thousand.

Basic Company Information

Company Formation and Establishment

Východoslovenská distribučná, s.r.o. (VSD) was founded by the deed of foundation of 14 October 2005, as a subsidiary of Východoslovenská energetika a.s. (VSE), whose legal form was changed to a joint-stock company by the decision of the general meeting of 30 January 2007.

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

Business name: Východoslovenská distribučná, a.s.

Registered seat: Mlynská 31, 042 91 Košice

Company ID: 36599361

The company is registered in the Companies Register of the City Court Košice, section Sa, file number 1411/V.

Line of Business

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

- Electricity distribution,
- System development planning,
- Distribution system dispatching,
- Sale of network connection capacity,
- The process of changing suppliers for network customers,
- Collection and provision of energy data,
- Purchase and lease of network assets,
- Design and construction of electrical equipment,
- Provision of services related to the operation of electrical substations without voltage restrictions,
- Installation of designated meters,
- Production of electrical technical equipment in the scope of: electrical machines, devices, switchboards, and objects without explosion hazard.

Shareholder structure as of 31 December 2025

Shareholder	Share capital value	Registered capital share
Západoslovenská energetika, a.s.*	EUR 120,040,272	100%

Company Bodies in 2025

Board of Directors

- Chairman Ing. Radoslav Haluška (function started on 1 April 2022)
- Vice Chairman Ing. Juraj Slafkovský (function started on 3 September 2024)
- Members Ing. Marcel Fitere (function started on 1 January 2024)
- Ing. Marian Kapec (function started on 23 September 2024)
- Ing. Jakub Špilár (function started on 3 September 2024)

Supervisory Board

- Chairman JUDr. Pavol Gomboš (function started on 3 September 2024, elected as Chairman of the Supervisory Board on 16 September 2024)
- Vice Chairman Ing. Tomáš Turek, Ph.D. (function starts on 23 September 2024)
- Members Mgr. Matej Smorada (function starts on 3 September 2024)
- JUDR. Martin Kunderát (function starts on 3 September 2024)
- Ing. Andrej Danečko (function starts on 3 September 2024)
- Mgr. Peter Kulan (function starts on 3 September 2024)
- Zuzana Vajsová (function starts 25 August 2023)
- Ing. Peter Macár (function starts on 25 August 2023)
- Ing. Zdenka Argalášová (function starts on 25 August 2023)

Compliance

The Company continuously pays special attention to developing, implementing, and strengthening the Compliance Program, i.e., a set of processes focused on compliance with laws and on the ethical behaviour of ZSE Group employees throughout their work lives. The Compliance Program is gradually implemented and enhanced in all subsidiaries of the ZSE Group, including Východoslovenská distribučná, a.s.

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

Code of Conduct

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

The Code of Conduct is further developed by additional binding internal regulations that provide deeper insight into relevant compliance areas (e.g., AML, conflicts of interest, criminal liability of legal entities, and whistleblowing).

To increase employees' ethical awareness across ZSE Group companies, various educational activities are organised, with the scope defined by each participant's tasks and responsibilities.

In 2025, ZSE Group companies continued to make e-learning courses available to employees across the Group. All employees have been required to complete the Code of Conduct e-learning module annually. In 2025, the training focused on responsible business and compliance (including whistleblowing and internal reporting systems).

Through this educational activity, ZSE Group companies continued to support the so-called speak-up culture, encouraging employees to openly address and escalate their compliance-related concerns. The educational module also included several hypothetical practical situations that employees may encounter, thereby testing their acquired knowledge.

Employees in departments without internet access completed offline training.

New employees who completed e-learning or face-to-face training on the Code of Conduct were informed about the ZSE Group's compliance rules and who to contact for consultation or to submit a complaint.

Integrity training was made available to managers in the ZSE Group.

Compliance and Notifications

Transparent and sustainable business relationships, a good working atmosphere, and responsible entrepreneurship are extremely important for the ZSE Group, its managers, employees, and shareholders. To ensure compliance with the above standards, the ZSE Group has established reporting channels through which whistle-blowers (employees and other persons within the meaning of the whistleblowing legislation) can report anti-social activities and violations of internal or legal regulations. In 2023, the ZSE Group implemented a new reporting channel, namely a web form available on the ZSE Group website, intended for both employees of the ZSE Group and other parties. Potential whistle-blowers are instructed in detail, in accordance with the published information, on the methods of reporting, their position in the investigation process, and, if interested, they can also submit a report anonymously and use the ZSE Group's reporting channels.

Number of compliance notifications in the ZSE Group in 2025

Regarding the aspect of transparency and clarity, we divide notifications into the following categories:

<ul style="list-style-type: none">Concern, potential illegal activity, violation of laws, corruption, antitrust rules, compliance with KYC and integrity rules of business partners, insider trading.	2
<ul style="list-style-type: none">Fraud against ZSE Group companies, including theft, embezzlement, and other fraudulent activities.	4
<ul style="list-style-type: none">A complaint regarding HR concerns, such as conflict of interest, 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 the ones directed to responsible persons from the Compliance Team through the relevant communication channels. The number of notifications does not include customer complaints and claims that do not relate to anti-social activity or that do not contain specific information necessary to verify the notification, nor repeated notifications delivered through internal reporting channels.*

Zero Tolerance of Corruption

In line with the ten principles of the Global Compact, according to which companies and firms strive to prevent corruption in any form, the ZSE Group is committed to the fight against corruption and expresses this commitment in the Code of Conduct, which covers activities that are most exposed to the risks of corruption and unfair practices. The commitment to zero tolerance for corruption is also reflected within the ZSE Group and its suppliers, as it is incorporated into the ZSE Group Supplier's Code of Conduct.

Giving and Accepting Gifts

The procedures for giving and accepting gifts are part of the anti-corruption measures set out in the Code of Conduct. All gifts, except those within defined limits, must be approved and documented in the central gift register in accordance with established procedures.

Topics on anti-corruption behaviour, gift-giving and accepting, and entertainment are regularly communicated to employees through internal channels. The area of gifts and entertainment is also part of training, including for new employees, as well as regular annual training related to compliance and the Code of Conduct.

Contributions to Political Parties, Charitable Donations, and Sponsorships

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

- The project objectives are linked to the Company's goals and mission,
- The funds have a clear purpose, and their use is properly and transparently documented and verifiable at any time.

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

Combating Money Laundering and Terrorist Financing

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

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

Competition and Anti-competitive Behaviour

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

The ZSE Group is governed by competition rules and does not tolerate prohibited agreements that restrict competition (cartel agreements) or the abuse of a dominant position in any form. All employees of the ZSE Group are obliged to comply with the rules on competition protection, as discussed in more detail in the Code of Conduct.

Special attention is paid, in accordance with the ZSE Group's internal rules, to compliance with the principles of competition protection in dealings with competitors. When contacting competitors, employees must ensure they do not receive or provide any information that could lead to conclusions about the current or future behaviour of the ZSE Group companies or their competitors in the market.

It is also extremely important for the ZSE Group to comply with national and international laws. Likewise, the ZSE Group companies require the same from their business partners.

Know Your Counterparty Check

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

Internal control system

The internal control system is a continuous process carried out by the Board of Directors through the Company's managers and experts, to provide all stakeholders with adequate assurance that the Company's strategic objectives will be achieved. The Company has established itself for these purposes:

- 1.** Internal control mechanisms. Internal control mechanisms have been implemented at the individual process level to identify and prevent risks of fraud, corruption, and unfair practices. The role of the internal control system is to prevent and identify, in a timely manner, errors and irregularities arising from intentional fraud, as well as unintentional acts or omissions.
- 2.** Internal audit is a set of independent, objective, assurance, and consulting activities aimed at improving management and control processes, considering the internationally recognized auditing standards "International Standards for the Professional Practice of Internal Auditing."

The ZSE Group has an established internal audit department that continuously monitors the implemented control mechanisms, identifies their shortcomings, and proposes action plans to improve and make the internal control system more efficient. The Head of Internal Audit is responsible for developing and implementing the internal audit plan, based on a risk assessment that considers the Company's risk management framework and the levels of management response to risk across various activities.

3. The Compliance Team is part of the organisational structure of the ZSE Group, and its tasks include, but are not limited to, the development, implementation, and updating of documentation related to the Compliance Program, updating the ZSE Group's Code of Conduct, and performing activities related to training activities, methodological support and investigation of violations of the Code of Conduct.

Business Perspective

Stability in the number of off-take points and dynamics within the VSD. This is how the year 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 volume can be attributed to usual fluctuations in connections and to the ongoing effort to reduce costs by cutting consumption. Similarly, the number of new requests to connect to the generation has stabilized. After previous years of dramatic growth, we are seeing its moderation.

On the contrary, looking inside VSD, we faced several changes in 2025. Many of them relate to the continued unification of management processes, especially customer service, so that they are identical across our Company and our sister company ZSD. The customer should not notice a difference in approach at either end of the country when solving the same issue with the electricity distributor.

The ongoing digitalisation of service processes and customer communication also brought dynamics to the Company's operations.

BIG NUMBERS

A/ Stable

In 2025, we recorded a slight increase in the number of off-take points (+4,645 OP) compared to the previous year, while consumption decreased slightly from 4.081 TWh to 4.077 TWh.

Distribution volume and numbers of OPs connected to VSD's DS as of 31 December 2025 and as of 31 December 2024.

Indicators		
As of 31 December	2025	2024
Distributed electricity volume (GWh)	4,077	4,081
Number of off-take points	680,375	675,730

B/ More generation

In 2025, the number of applications to connect photovoltaic generation stabilized. We connected 3,387 new PV sources with a total capacity of 42.46 MW, representing an increase of 286 connected

sources and a slight decrease in connected capacity (compared to 2024) of approximately 4 MW, driven by a slight decrease in the connection of new local sources. The decentralisation of the electricity market continues steadily, with more households installing generation sources to offset expected increases in electricity prices.

C/ We are comprehensive, high-quality, and in demand on the market

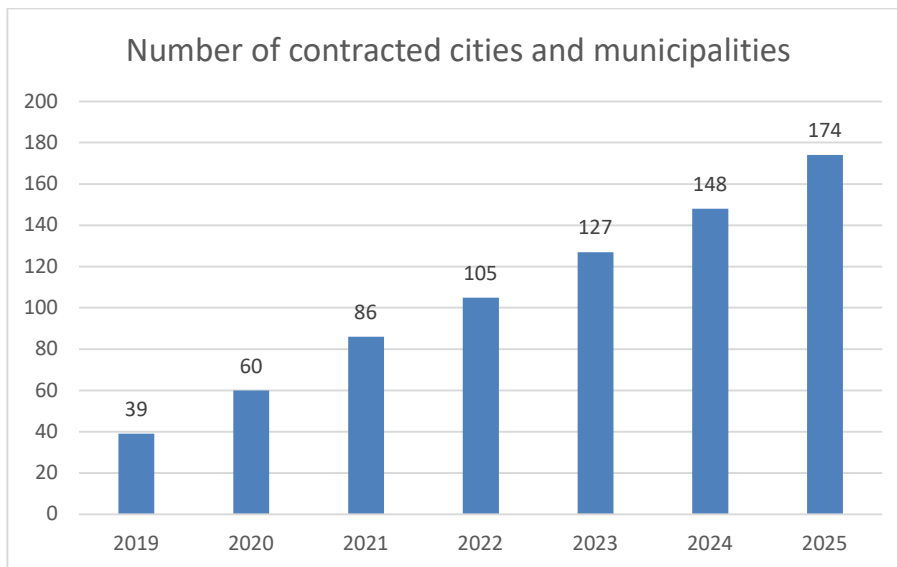
For a long time, an important area of our activity has been the offer of services and products for industry and local governments beyond the scope of the distributor's legal obligations. We value our extensive knowledge, experience, and synergies in the electricity distribution to customers. All these translate into continuous improvement in quality and scope of services and products portfolio, demanded and appreciated by customers. We can compete in the market and deliver the expected added value. We are meeting our ambitious business goals in both the industrial and local government segments. The VSD brand is already stably known, visible, and in demand on the market. This is also supported by customer feedback; in satisfaction surveys, we achieve long-term results of over 80%.

Growth in the B2B Segment - Industry

We offer our industrial customers comprehensiveness - from project preparation and engineering, through implementation to long-term operation and maintenance of their electrical power equipment. A standard part of our product portfolio for the customer is data analysis of measured or other physical quantities at their off-take point. Our knowledge and expertise always add significant value to the customer and are in demand. In 2025, we delivered over 140 works and services in the industrial segment. Among the most important and extensive projects in 2025 is certainly our intensive cooperation with the newly established VOLVO Car Company in Valaliky Industrial Park, which ranked us among its TOP business partners for quality and reliability. Thanks to VSD, not only the VOLVO site, but also the entire neighbouring subcontractor park was connected to the distribution system with the required connection capacities in a timely manner, including our product and service offerings, which VOLVO continues to use. In the B2B segment, we meet customer expectations, as confirmed by our regular feedback (CSAT), which shows customer satisfaction in 2025 at 91%.

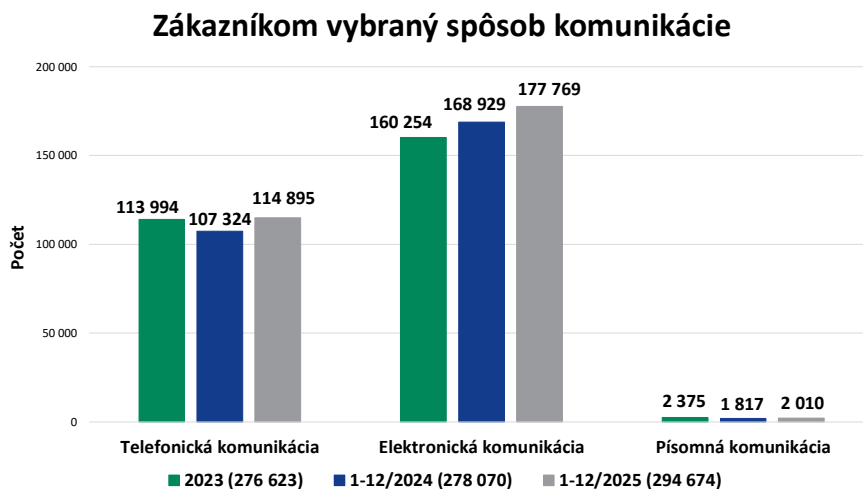
Light dominates in B2M - Local governments

We have been offering municipalities a comprehensive service of energy-efficient and modern public lighting for 10 years. In 2025, 26 contracts with this service were added. We currently provide public lighting services in 174 municipalities and cities. In addition, on our company's website, the contracting municipality has free access to a comprehensive overview of the energy and information management of public lighting in its municipality, including the CO2 reduction achieved by modernizing public lighting with VSD. We also meet customer expectations in the B2M segment, which is confirmed by our regular feedback (CSAT), in which we record customer satisfaction at 86%.



WE COMMUNICATE WITH THE CUSTOMER ELECTRONICALLY

For several years in a row, we have been seeing the majority of customers preferring electronic communication. We receive more than half of their interaction requests (61%) electronically – by e-mail, via chat, on the websites www.vsds.sk and www.vypadokelektorny.sk, and via the eShop. Less than 40% of customers prefer the telephone. But even in both lines, we must consider that, from the VSD perspective, this is a continuing process of digitalisation, as our voice assistant, Elektra, largely serves the Fault and Customer Lines. In 2025, we handled a total of 47,336 customer complaints, most of which were e-mail complaints: 39,568 from customers and 1,760 from manufacturers. The average time of their processing was 3.2 days.



Going Electronic and Digital

Less bureaucracy and faster processing of customer requests is the goal that we continued to achieve in 2025, with innovations in service processes. It is worth noting that applicants for a new small PV

source receive a preliminary calculation, recommending the capacity of source is suitable for them. Elektra's knowledge base is also continually improving.

eShop

In 2025, we received over 16,000 service orders through the eShop. This is a portfolio of almost 40 services related to the customer's off-take point, which the customer expects from us. During 2025, additional services were added to our eShop, namely the installation of bird barriers on support points, the rental of large backup sources, and the testing of PV inverters.

TARGETED CUSTOMER COMMUNICATION

We try to adjust our communication format to the specifics of the target groups. That's why we organise professional seminars, conferences, workshops, letter campaigns, and online consultations always so that our messages reach the addressees in the best possible way.

A/ Mass-service campaigns

In the first half of the year, we contacted more than 4,000 household customers in the D1 and D2 tariffs who have installed photovoltaic generation, informing them that, based on the legislative change, they would be transferred to the so-called capacity distribution tariff. We warned them on the potential impacts on the final electricity price, as well as the possibility of optimising costs by adjusting the maximum reserved capacity.

In the second half of the year, we again focused on household electricity generators who exceeded the contractually agreed maximum reserved capacity at the off-take point, and we warned 565 of them that they would face financial consequences for such a breach of contractual relations from the start of the new year. We also encouraged them to take technical measures to prevent this.

We have not forgotten the contractors who provide our customers, future generators, with the installation of electricity generation and storage equipment, and we have actively informed them that in 2026, we would start applying a tariff for exceeding the maximum reserved capacity for households' electricity generation and storage equipment. In this way, we have allowed them to inspect and make any technical adjustments to already-built equipment, and an impetus to provide high-quality provision of new electricity generation equipment so that capacities higher than those contracted for are not installed.

B/ Professional events

In 2025, we focused mainly on communicating with electricity suppliers, who are the natural interface between distribution and the end customer. We therefore consider it important that they have sufficient and timely information about the situation in the energy market and distribution trends (June conference), as well as about everyday service (November seminar).

In addition, we have also focused on training and communication with designers with a significant impact on the connection process smoothness and quality of future off-take points.

C/Internet counselling centres

The thematic web advice centre on www.vsds.sk has become a proven form of communication with customers, the professional public, and the media. In 2025, we added advice centres on topics such as capacity advice and electricity sharing. In total, we now operate 8 advice centres, with dozens of answers to frequently asked customer questions.

WE WANT TO KNOW HOW MUCH

Data as the Foundation

The most accurate consumption measurement at the off-take point is in the interest of both the distributor and the customer. Especially if it is a customer who wants to act as a producer, and in cases with a higher off-take point consumption. Electricity meters data is also a useful basis for the customer to make decisions. That is why, we have Intelligent Metering Systems (IMS) installed at all off-take points at MV and HV voltage levels, as well as at 110,000 off-take points at the LV level. In the largest group, we have almost half of entrepreneurs equipped with IMS, and measure 93% of segment consumption this way. In households, more than a third of their total consumption is metered like this.

Self-reading is more convenient

We can obtain more and more annual consumption readings through self-reading. The method, in which the customer reports consumption at their off-take point and documents it with a photo of the electricity meter, benefits both. It saves us costs and the customer's time. They do not have to wait for the meter reader. In 2025, we had around 10% of the 550,000 off-take points managed through self-reading.

WE WANT TO KNOW HOW AND WHY

In 2025, the level of satisfaction with the process of connecting an off-take point, measured as the NPS (Net Promoter Score), reached 80.15%.

We measure monthly, consult with and analyse reactions from so-called detractors, and then evaluate the results, which allows us to continuously identify trends and respond promptly to the feedback we receive.

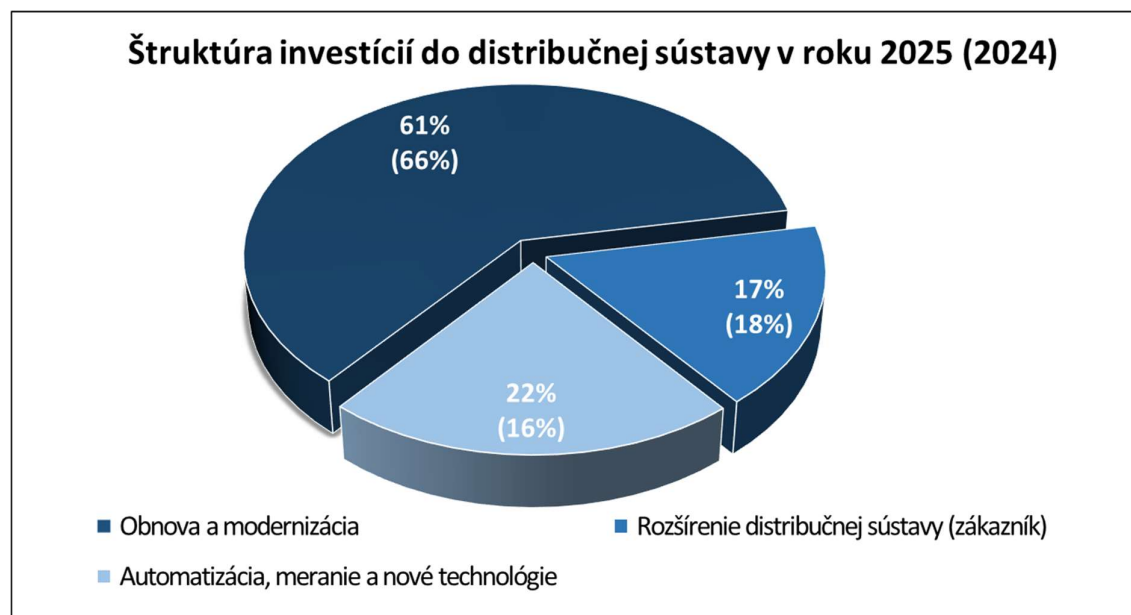
Data collection is carried out through a combination of outreach methods. In the first step, we send an electronic questionnaire to customers/contractors who have completed the connection process. If respondents do not respond to the e-mail invitation, we conduct additional telephone outreach to ensure the results are sufficiently representative. We monitor satisfaction at two key points in the connection process: after sending the draft contract, we primarily evaluate the clarity of information, the speed of the process, and the quality of communication. After connecting the off-take point (OP), we focus on the overall experience with the connection implementation, meeting deadlines, and service satisfaction.

The satisfaction measurement system set up this way allows us to continuously assess service quality, identify areas for improvement, and take targeted measures to enhance customer experience.

Technical Perspective

Decentralised technology development and the need to meet the growing demand for mobility and heating with electricity, also in 2025, have led to continued investment in Slovakia's electricity system, including the distribution system of VSD. The condition for maintaining a high level of investment is multi-source financing, including, for example, grants linked to PCI projects, as well as mechanisms under the Recovery and Resilience Plan of the Slovak Republic.

VSD invested more than EUR 86.4 million in the development and renovation of the distribution system in 2025 (2024: EUR 73.8 million). As in previous years, a significant part of the investments is the renovation and modernisation of the distribution system.



The Most Significant Investments in 2025:

- **Construction of the V6501/V6502 line between Haniska and Valaliky substations**

The most significant investment in terms of system development is the construction of 110 kV (HV) lines V6501/V6502, with a total length of 3.3 km, which form an important part of the 110 kV corridor between the Moldava and Lemešany superordinate nodes, also enabling the connection of strategic investors in the Valaliky industrial park and the launch of the first phase of the major car manufacturer production. The investment began in 2024 and was completed in the first half of 2025. Investments in 2025 reached EUR 0.3 million out of a total of EUR 1 million. The construction of these lines also prompted investment in the Haniska substation. After this investment is implemented, the VSD infrastructure is ready for production at the strategic industrial park in the Valaliky location.

- **Modification of the V6725 Spišská Nová Ves - Poprad Line**

In 2025, a complete renovation of the line between Spišská Nová Ves and Poprad1 power plants, with a length of 19.5 km, was completed, where the transformation between the transmission and distribution system and Poprad takes place, while the renovated line is ready for duplication, enabling future increase in power capacity of distributed electricity to the Poprad and High Tatras. In 2025, EUR 2.4 million were invested, and from 2024, total investments reached EUR 4.9 million. The activity is co-financed from the Recovery and Resilience Plan of the Slovak Republic.

- **Modification of the V6831/V6832 Košice-South - Haniska Line**

In 2025, a comprehensive renovation of the HV lines V6831/V6832 between the Košice – Juh and Haniska substations began, covering a total area of more than 12 km, optimising the route of two simple HV lines and, at the same time, increasing the transmission capacity for connecting new customers to the distribution system. Investments in 2025 amounted to more than EUR 1.5 million.

- **Investments in the Renovation of 110/22 kV Power Transformers in Košice, Rožňava, Kežmarok, and Spišská Nová Ves**

This year, we renovated four 110/22 kV power transformers in the Kežmarok and Spišská Nová Ves stations as part of the investments from the Recovery and Resilience Plan of the Slovak Republic, and in the Rožňava and Košice-Juh stations, as part of the investments of the PCI project Danube Ingrid 2nd Phase, in each case replacing a transformer with an original capacity of 25 MVA with a new one with a 40 MVA capacity. These modifications needed more than EUR 4.5 million in 2025. With these modifications, we can more effectively react to changes in electricity demand, the integration of new technologies, and national commitments to renewable energy sources. The activities are co-financed by the Recovery and Resilience Plan of the Slovak Republic and by the Connecting Europe Facility within the Danube InGrid 2nd Phase Project.

- **New 110 kV Chokes to Compensate Reactive Power in Lemešany**

We installed two chokes with a capacity of 2 x 40 MVAR at the Lemešany station to compensate for reactive capacitive power. The total costs exceeded EUR 3 million. The compensation chokes reduce the reactive capacitive electricity flow from the distribution system to the transmission system, thereby improving voltage regulation and stability in both systems. The decision to install them was preceded by a joint study by SEPS and regional distribution system operators, and by a follow-up project preparation by VSD. The activities are co-financed from the Recovery and Resilience Plan of the Slovak Republic.

- **Modification of 110/22 kV Substations in Bardejov, Haniska, Stará Ľubovňa, and Snina**

In 2025, the substations in Stará Ľubovňa, Snina, and Haniska (also related to the implementation of the aforementioned V6501/6502 lines) were renovated, and work continued at the Bardejov substation. In total, more than EUR 4 million were invested in these stations in 2025.

- **Investments in the Renovation and Development of HV and LV Lines and HV/LV Transformer Stations**

In of HV system, with a fundamental impact on the reliability of distribution, we have been focusing on the most disruptive system sections for a long time, by changing their nature from overhead lines to underground ones, increasing the level of distribution safety and reliability.

In 2025, such modifications were implemented between the municipalities of Inovce - Ruský Hrabovec. To increase reliability, a modification was installed on the V-240 line by installing cabling in a selected part of the cross-border connection, also providing backup power supply, e.g., to the Domica and Baradla caves, which are on the UNESCO World Natural and Cultural Heritage List. The second stage of cabling in the section between the municipalities of Mníšek nad Hnilcom and Smolnícka Huta was also completed. Other significant investments in the HV system included cabling the connecting lines V-217 and V-404 along the route between the municipalities of Klenov - Margecany and Bardejovská Nová Ves - Beloveža, and the doubling of the 22 kV trunk line between the municipalities of Rankovce and Kecerovský Lipovec. The above modifications ensure sufficient power capacity and reliability in the districts of Prešov, Gelnica, Bardejov, and Košice-okolie. Several construction projects are being implemented as part of co-financed EU projects.

Innovative European Projects

Projects of Common Interest (PCI) are key infrastructure projects aimed at interconnecting European energy systems and achieving the EU's energy and climate goals.

The Eastern Slovak Distribution Company is part of the international projects **Danube InGrid** and **Selena**, also included in the latest second official list of PCI projects of the European Union. The list of PCI projects is created in accordance with Regulation (EU) No 222/869 of the European Parliament and of the Council on trans-European energy infrastructure. The projects aim to deploy the most modern smart technologies on a massive scale, significantly strengthening the security and stability of electricity supplies, increasing system capacity, and enabling distribution system management using optical infrastructure over hundreds of kilometres.

Danube InGrid is a PCI project in the smart category grid implemented by VSD. Project partners include the companies Západoslovenská distribučná, a.s., Slovak Electricity Transmission System (SEPS), and the Hungarian distribution system operator E.ON Észak-dunántúli Áramhálózati Zrt (EED). The affected area is western and eastern Slovakia and north-western Hungary.

Východoslovenská distribučná, together with Západoslovenská distribučná, took the opportunity to apply for co-financing from the EU Connecting Europe Facility, and in 2024, the action 12.3-DanubeInGrid2ndPhase was awarded grant funds in the smart category grids, totalling EUR 32.9 million. With a project value of EUR 65.8, the grant represents 50% of the eligible costs. The expected investment volume by Východoslovenská distribučná is EUR 42 million. The primary objective of the Danube InGrid project is to interconnect the energy markets across Slovakia and Hungary, and to construct a smart grid in the Central and Eastern European region, enabling a wider integration of renewable energy generators into the distribution system, while maintaining a high quality and secure supply.

During the Danube InGrid 2nd Phase grant project so far, 2 power transformers have been installed in the 100/22kV Košice-Juh and Rožňava substations, and 2 MV/LV substations equipped with smart devices enabling remote data collection, device control, and remote fault location in the distribution system. At the same time, 27 km of MV voltage level lines with optical routes have been built within

the project so far. Work has also started on preparing investments in IT smart grid solutions, specifically platforms for exchanging meteorological data and anti-drone protection.

In 2025, the SELENA Project was also included in the European list of PCI projects. The project responds to the urgent need to meet EU and national climate and energy targets, while addressing critical challenges in integrating renewable energy sources, supporting the electrification of transport and heating, and ensuring grid security and stability. It is a cooperation of distribution system operators operating in the Slovak Republic, the Czech Republic, and Hungary. Its aim is to continue implementing smart solutions in electricity distribution with an international reach. The project comprises several work packages focused on increasing the resilience of distribution systems against cyber threats. The consortium of participating companies is working to secure funding of project through European Union grant programs.

In 2025, VSD also implemented several projects co-financed by the Slovak Republic's Recovery and Resilience Plan. These are the projects "Modernisation of Regional Distribution Systems - Eastern Slovakia" (project code: 19I01-26-P05-00001), "Modernisation of Regional Distribution Systems 2 - Eastern Slovakia" (project code: 19I01-26-P08-00001), and "Building electrical capacities for the construction of a pilot UFC charging network - Eastern Slovakia" (project code: 03I04-26-P02-00001). These projects focus on distribution system modernisation, creating capacity for connecting renewable sources, and preparing for the connection of high-speed charging stations for electric vehicles at highway rest areas in the Slovak Republic.

- **Smart metering systems in the VSD distribution system**

We continued to implement Intelligent Metering Systems (IMS) in 2025. In accordance with legislative requirements, almost **121,000 were successfully operated as of 31 December 2025.**

- **Distribution system automation**

Investments in the automation of the MV system deserve special attention, with **14** new automated switching elements added to the overhead lines and **7** automated transformation stations or switchboards installed in the predominantly cable part of the system. At the end of the year, we had more than **874** automated switching points available in the MV system.

- **Innovative information technologies**

The year 2025 was relatively stable in terms of IT technologies in VSD. Much of the attention was paid to joint projects between VSD and ZSD, which will eventually bring us to a unified application level. We completed the joint project, Electronic Construction Diary, which digitalises and optimises the energy facilities construction process. Logistics processes in the warehouse in Košice also changed, during which we implemented application support to increase the efficiency of fulfilling investment plans.

Interesting pilot projects in the field of AI technology have found their place - a successful example is the recognition of fuses and their parameters within RIS cabinets, or the identification of faults from IMS measurement data. An essential step was to prepare the environment for such projects to arise (data governance, processes, organisation, tools), which would not be possible without people. We hired our first data scientist, Adam. Twenty colleagues completed data training through an intensive Data Academy.

Among the interesting technological projects, we must mention the project to verify an alternative communication path for our IMS electricity meters using radio waves, the so-called Radio Mesh.

Intensive work was underway on other key projects between VSD and ZSD: a new IMS billing centre for VSD, unified management of forest corridor maintenance, applications for processing customer requests, and joint telephone dispatching.

The information for applicants seeking to connect electrical consumption devices, and devices for electricity storage and generation, has been improved by expanding the Company's website with so-called connectivity maps. The maps provide potential applicants with non-binding information on free capacity for connecting these devices, including MV (22 and 10 kV) and LV (400/230V) voltage levels. The second half of 2025 was dedicated to their preparation. This amendment also considers the requirements set out for the regional distribution system operator in Section 31, paragraph 16, of Act No. 251/2012 on Energy.

Operational capability

The total area of our supplied territory is almost **16,000 km²**. We already operate approximately **24,720** km of lines of all voltage levels.

At the HV level, the distribution system is supplied by four superior 400 kV transmission stations. At the HV and MV levels, the company operates 46 electrical transformation and switching stations.

Thanks primarily to the daily commitment of several hundred colleagues, we maintained the distribution network reliability index at a favourable level of almost 99.97% ASAI (Average Service Availability Index), considering weather effects and third-party interruptions to electricity distribution.

The maximum load on the distribution system in 2025 was recorded **on 24 November 2025, reaching** almost **745 MW**. The minimum load was recorded on 12 April 2025, dropping to 252 MW.

Renewable resources

In 2025, intensive sourcing continued, though the trend slowed slightly from 2024. Mainly, small and local sources of electricity continued to be connected. The transmission system operator, SEPS, increased the so-called flexibility limit for PV and WS sources by another 68 MW during the year, bringing the total to 281 MW. These capacities reflect the demand for the most advanced type of RES, photovoltaic (PV).

PVE sources in the distribution system of VSD reached an installed capacity of **318.2 MW at the end of the year**, and are becoming the most significant type of source, in terms of capacity.

As of 31 December 2025, more than **672 MW** of installed electrical capacity across all electricity sources is connected to the VSD distribution system, of which around 520 MW is from renewable sources.

Security Perspective

Protecting Security, Quality, and Cyberspace

In 2025, the harmonisation of security processes continued in the extended and integrated ZSE Group, which also includes VSD. We tried to identify the best we know and bring a higher standard of know-how from practice across individual companies. One of the most important and long-term priorities is to achieve zero serious and fatal injuries, which we also succeeded in 2025. However, physical health is not the only thing we care about. In recent years, we have also focused on mental health and adapted our activities accordingly.

Balance 2025

In total, in 2025, we recorded the same number of accidents as last year - seven. One case of slipping, two cases of cuts, one electric shock, one fall from a height, one blow to the head, and a fractured thumb. Of these, two were so-called HiPo events - that is, those that could have ended in the worst possible way. We cannot and do not want to be satisfied with such a result. Every accident is unnecessary damage to health, which is why our goal is to eliminate the accident rate even further.

International quality and innovative approach

To achieve the desired goals, we have re-examined the system setup quality in 2025. The compliance of VSD processes with high international ISO standards (quality, environment, health and safety, and energy management) was confirmed by an annual external audit. The result was without any disagreements or adverse findings. The external auditors appreciated the Company's direction in digitalisation and automation, as well as its innovative approach to customers.

Another audit was also carried out in the Company, the so-called Quick-Check 2.0, which provides a comprehensive assessment of the OSH culture. The Company demonstrated a strong, stable safety culture, located in the independent phase of the Bradley Curve. The expert assessed our level with an overall score of 3.2. Compared to other companies in the market, this is an above-average result. In the long term, our goal is to obtain a score of 4.0.

Preventive measures and superior protection

The development in (no)-accidents is also influenced by the regular provision of high-quality personal protective equipment (PPE), which has been our long-standing standard. In addition to the effective measures that have been implemented and have proven successful in the past, we have focused even more on prevention and averting critical situations, for example, by internally coordinating the safety of selected critical structures.

Living the health and safety culture

As in the past, the Company's health and safety culture program resonated throughout 2025. Under the group motto "**It is not just about you**", we continued to try to involve employees and other collaborators in a culture of not only personal but also general responsibility. We brought employees a video interview with the Chairman of the Board of Directors and the CEO of ZSE, a.s., the parent company. Markus Kaune, on the new E.ON and ZSE Group philosophy: Vision 0 (zero serious and fatal accidents). We also brought an internal campaign in which the children of our employees appeared in the main video titled "Safety is not a Game."

Standards and initiatives are shaping a favourable trend

Since we are not only concerned with our own protection, the emphasis on safety was also carried by the jubilee 10th year of the OSH Suppliers Forum. The aim was not only to raise awareness of the topic's importance, but also to point out the fact that by applying the rules and a culture of mutual care, we can improve the work environment and make it sustainable. At the meeting, we analysed real cases of work incidents in which safety regulations were violated. We discussed the causes, consequences, and measures taken to prevent similar situations. These stories were a strong reminder that compliance with OSH rules can save lives and prevent serious consequences. We also awarded the **Supplier of the Year in OSH**. It was won by Elektromont Košice s.r.o., which paid the most attention to compliance with safety standards.

Being protected in both physical and virtual environments

In today's digital environment, where technology is a natural part of both work and private life, the level of cyber threats is growing as processes become more digitalised and devices become smarter. 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 physical and cyber security. An attack on infrastructure can have serious consequences - from disruption of operations to widespread power outages.

The Company therefore systematically develops an integrated security approach that includes the physical protection of objects, the protection of information assets, and the resilience of critical processes. Annual modernisation and extension of systems concern not only physical protection elements but also data protection and technological solutions. We ensured the security of systems not only to protect the company, but primarily to guarantee the continuous functioning of critical processes and the stable, safe operation of the distribution system in a defined area.

In cybersecurity, the Company collaborates closely with government agencies and key partners to share information on current threats and implement best security practices. We also focused on further developing existing security solutions and increasing employee security awareness. In 2025, a new interactive e-learning tool was deployed to support cybersecurity education, and the Oktokyber communication campaign was implemented as part of Cyber-Security Month. The activities also included security analyses of artificial intelligence tools used in technological processes and customer communication, as well as the implementation of appropriate protective measures to ensure their safe operation.

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

Through a comprehensive security approach combining technologies, processes, and systematic training, the Company has been enhancing its resilience to security incidents for a long time, ensuring reliable, safe electricity distribution to customers.

Human Perspective

Diversity, Sustainability, and Talent Development

The year 2025 was marked by organisational changes aimed at optimising the structure and streamlining processes throughout the organisation. These changes dominated and became a key factor in our efforts to adapt to dynamic and constantly evolving market conditions.

Throughout the year, we have closely examined and analysed a wide range of topics in human resources management, including diversity and inclusion, sustainability, and talent development.

Respect and Inclusion

The Company is a member of [the Coalition of Companies for Mental Health](#). Thanks to this, employees have access to professional materials from the League for Mental Health. Initiatives such as a talk show with experts, hosted by Peter “Šarkan” Novák, and the possibility of free consultations with Human Dynamics help create a supportive and healthy work environment.

We organised a Mental Health Week again. The common denominator of all activities, as the name suggests, was not only respect, but also diversity, openness, and tolerance. We participated in the Roma Award Spirit, an important part of our efforts to strengthen diversity and inclusion. All of these activities not only promote a safe and respectful work environment, but also emphasize the acceptance of people regardless of their individual differences.

Cooperation with Organisations and Recruitment

The Company actively participated in important job fairs organised at partner schools. We participated in the IAESTE Job Fair at TUKE in Košice. We were in Žilina for the first time together with ZSE. At this fair, we mainly presented the opportunities for cooperation with our Company, professional practice during studies, and cooperation on bachelor’s or diploma theses.

We participate in high school events and Open Door Days organised by partner schools, and we are invited as part of our cooperation. We also participate in local job fairs, where, as a partner of the given high school, we inform the public about the benefits of studying electrical engineering, and then collaborate with VSD.

Home Office and Flexibility

After assessing the pilot year of the home office regime, also known as the New Normal, we decided to continue it through the end of 2025, based on positive employee feedback. In addition, we expanded the option to work from home to include EU countries under specific conditions. The benefit of hybrid work supports an efficient and motivating work environment.

School Partnerships

Our Company has been actively collaborating with schools at all levels for many years to ensure the development of high-quality future workers. One of the most important forms is dual and practical education, which allows students to prepare for their future profession directly in the workplace, aligned with current market needs.

Thanks to this, students have the opportunity to know the real work environment and gradually build the habits necessary for successful employment after graduation, without the need for further training. In 2025, 43 students from 5 schools participated in dual education, and 26 students from another five schools completed vocational training. We cooperate with more than 40 internal dual education instructors.

We also support schools through various competitions - in 2025, we joined forces with ZSE for the first time and prepared a joint year (12th year) of the competition for elementary school students, Looking for Energy. The Competition for students of partner secondary electrical engineering schools, which is now in its 17th year, is very popular.

Employee Development

We continue to focus on developing and utilising the potential of our existing employees, as evidenced by the launch of two new talent programs – START and ELEVATE. The START talent program is designed for employees with potential at the B-3 (team leader) level. The ELEVATE talent program is for experienced team leaders (B-3) with potential to become a department leader (B-2).

In addition, we implemented strategic educational programs, including the Data Academy and the Digital University. The Data Academy is focused on training data ambassadors to meet VSD's data needs. The program was completed by 19 graduates who defended 10 projects. The Digital University, as the second strategic program, focuses on digital skills development, process mapping, automation, and the effective use of artificial intelligence tools. To support digital skills, AI week took place from 22 September to 26 September 2025, with education focused on AI use in practice.

Popular development tools in 2025 included an online learning platform offering hundreds of professional courses and podcasts on various topics. The Company also emphasizes diversity and inclusion.

Sustainability and Environmental Responsibility

In 2025, we continued our commitment to sustainability and environmental protection through our electric vehicle fleet. A benefit for our employees is the launch of the Home Wallbox Program by ZSE Drive, which provides convenient charging for electric vehicles in the comfort of their homes. Employees with electric company vehicles can obtain a Home Wallbox with fully paid equipment and a basic installation package. However, the value of the basic installation package is included in the employee's non-cash income according to applicable legislation.

We have also extended the option to set up home charging for employees with private electric vehicles, who can take advantage of a 50% discount on equipment and installation.

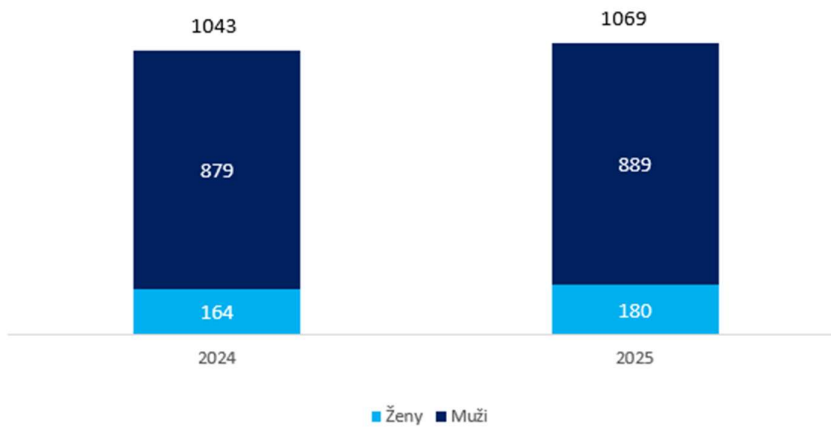
Thanks to these initiatives, we continue our efforts to reduce our carbon footprint and contribute to a sustainable future.

Employment Structure

As of 31 December 2025, the company employed 1,069 employees. There was a slight increase in the number of employees compared to 2024 and 2023. The turnover in 2025 reached 4.7%. Voluntary turnover remained at approximately 2.2%.

Employment structure	UoM	2023	2024	2025
status as of 31 December (including personnel union)	number	1,015	1,043	1,069
men as of 31 December	number	865	879	889
women as of 31 December	number	148	164	180
status as of 31 December (without personnel union)	number	1,013	1,037	1,064
average number of employees	number	1,022	1,024	1,044
new hiring	number	71	65	58
of which graduates	number	22	3	2
voluntary turnover	%	2.2	1.6	2.2
total fluctuation	%	8.9	7.0	4.7
average employee age	year	44.1	44.1	45
average time worked	year	17.8	17.4	17

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Ecological Perspective

Communication

Environmental protection and ensuring the stability of affected ecosystems are always among our priorities. In this area, we maintain transparent and professional communication with important institutions in the field of environment, namely the State Nature Conservation Agency, universities and

research institutes, district environmental offices, and non-governmental organisations. We actively inform these institutions and the public about our plans, positions, and strategy.

In Harmony with Nature

We place emphasis on environmental protection in all work activities, including technical and design solutions for the construction, reconstruction, and repair of power lines and power stations. We prioritise applying concepts and designing technologies, equipment, or materials that ensure not only the reliability and safety of distribution system operation, but also compliance with strict environmental protection.

Cooperation

In cooperation with professional and non-governmental organizations, we prepare and implement environmental projects to eliminate our negative environmental impact. We actively collaborate with partners from several European countries to jointly develop ECM methodologies and procedures. In 2025, we transformed our international experience, field results, and practical knowledge from vegetation management into a new concept: Integrated Corridor Planning and Management (ICPM). This approach represents a comprehensive framework that ensures the synergistic fulfilment of technical, safety, and environmental objectives and increases the long-term sustainability and resilience of the distribution infrastructure.

Innovative Approach

ICPM is not another type of vegetation management, but a completely new way of thinking about infrastructure. It sees power lines as part of a living ecosystem and emphasizes the ability to plan and act with the future in mind. The approach connects safety and ecology, demonstrating that these two worlds are not mutually exclusive, but can work to the benefit of both.

When set up correctly, ICPM can reduce maintenance costs, reduce carbon footprint, stabilise vegetation cycles, and promote biodiversity. It combines predictive planning with detailed ecological know-how, tailors interventions to habitat types. It involves experts from various fields - including conservationists, botanists, planners, and energy engineers - directly in the strategic planning of infrastructure.

ICPM also addresses the corridor throughout its entire life cycle – from mapping and planning, through implementation to long-term maintenance and rehabilitation – and transforms the lines and their corridors into functional ecosystems. Already in the design stage of the corridor route, a team of experts assesses the technical requirements (safety distances, accessibility, maintenance) together with ecological aspects (habitat types, occurrence of target species, bird migration routes, climate risks, and potential for restoration of natural structures) to prepare the ecological corridor. The proposed buffer zone should be designed from the outset to enable the creation of a sustainable green corridor. ICPM mitigates the negative impacts of distribution system facilities on local ecosystems while supporting the restoration and sustainability of native vegetation.

Ecological management uses methods that consider natural processes and ecosystem dynamics, thereby supporting vegetation, creating refuges for insects, birds, reptiles, and small mammals, and establishing corridors for animal migration. Each cut is assessed individually for habitat conditions, and only based on this analysis are the most appropriate interventions proposed and implemented. The most frequently applied methods to achieve a favourable state are selective felling and support of low-growing woody plants. At the same time, to support biodiversity, we leave so-called shrub edges along

the corridors. Other ecological management measures include grazing, mowing, and targeted suppression of invasive species. We also support the revitalisation of small water bodies and the creation of conditions for hunting. Due to their linear nature, such ecological corridors often conveniently connect isolated populations of plants and animals.

We are successfully fulfilling our commitments to implement an environmental approach to vegetation management along all 110 kV power lines and, at the same time, individually assessing each corridor's suitability for such an approach on 22 kV lines. VSD has its own specialised team of biologists working on this, using drones and available IT solutions. We are also continuing projects with our partners to manage the expansion of *Robinia pseudoacacia*. In 2025, we applied ecological corridor management to **124 ha** of distribution lines.

Fauna and Flora Protection

At VSD, we are aware that overhead power lines are seen as a threat to birds (avifauna). Therefore, we continually implement measures to reduce collisions and electrocution. Nesting sites for endangered species, such as *Falco cherrug*, were ensured in cooperation with the Slovak Ornithological Society, along with 35 nest boxes installed on support points of 22 kV lines for the rare species *Coracias garrulus* in the Medzibodrožie Region.

As part of the cabling, we are replacing overhead (aerial) power lines with underground cables, which not only reduces visual pollution and improves the distribution system's resistance to weather but also reduces our negative impact on avifauna. In 2025, we "cabled" 41 km of lines.

VSD also continued producing pads for relocating *Ciconia ciconia* nests and supported their monitoring and ringing. 35 nests were relocated from overhead LV lines to replacement pads in 2025, in cooperation with the State Nature Conservation of the Slovak Republic and local governments, while we continue to involve social enterprises in the pads' production. All these activities benefit the relationship between VSD and local communities.

Environmental Measures

We have been achieving a high level of environmental safety in the operation of technological equipment and facilities for a long time.

VSD does not operate any technologies that could be considered medium or large sources of emissions under the applicable legislation. In some types of electrical equipment (switchgear, electrical switchboards), SF 6 gas, a greenhouse gas, is used as an insulating and extinguishing medium. Due to minor leaks in some equipment, 6.5 kg of this gas was released into the atmosphere in 2025.

In 2025, 735 m³ of sewage water was discharged from the VSD treatment facilities into recipients. Regular sampling and analysis were carried out exclusively by an independent, accredited laboratory. This confirmed that all set limits were met with a significant safety margin. We also performed analyses beyond the scope of legislative requirements.

During the construction, reconstruction, repair, maintenance, and operation of networks, almost 534 tons of hazardous waste were generated in 2025, primarily due to a significant change in the equipment used, which contained hazardous substances, and more than 22,473 tons of other waste. 97% of all generated **waste was recovered**. Due to adverse climatic conditions and the dismantling of decommissioned equipment, there were 2 minor insulating oil leaks in 2025 and 1 hydraulic oil leak

from a mechanism in a traffic accident. The necessary remediation interventions were carried out without delay by a specialized professional organization, and no environmental damage was recorded.

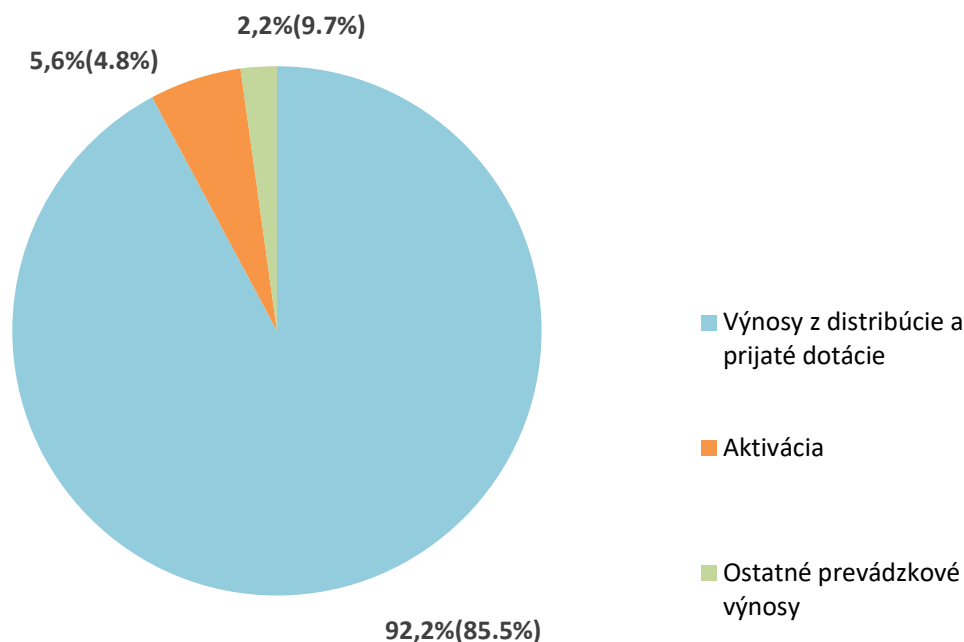
Internal and external audits conducted in 2025 confirmed the high level of functionality of the implemented environmental management system, the fulfilment of all legal requirements, and continuous improvement in waste management and nature and landscape protection. As an operator of the electricity distribution system, we hold a certificate confirming that the environmental management system we implement and use meets the strict requirements of the international standard EN ISO 14001:2015.

Economic Perspective

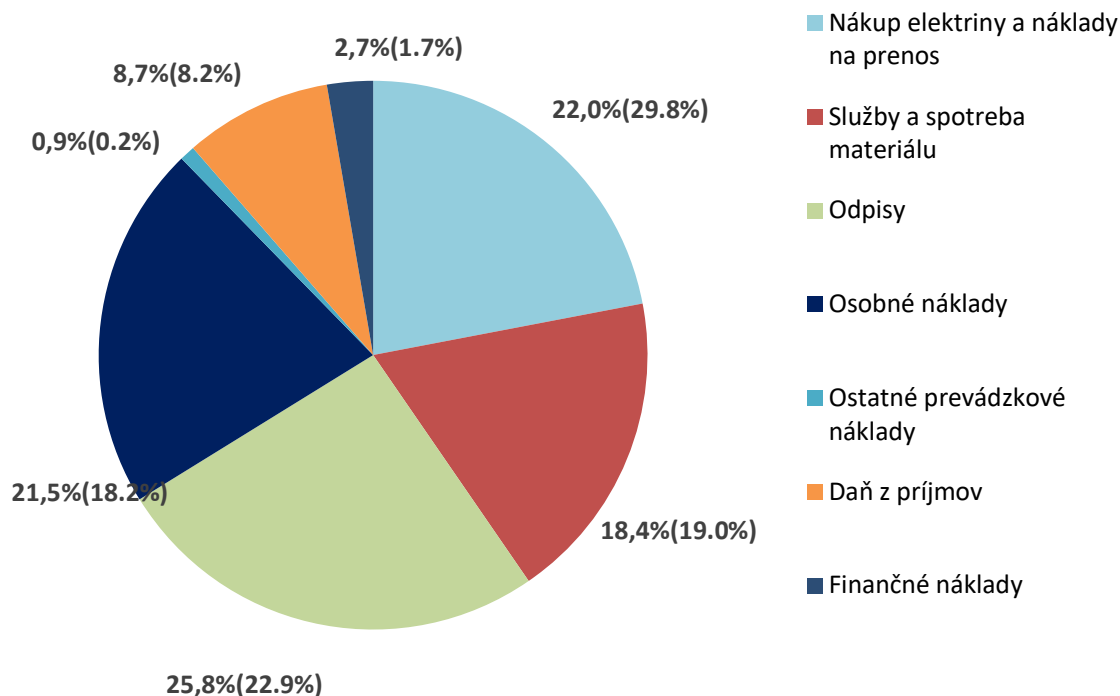
According to International Financial Reporting Standards (IFRS), the Company achieved a total comprehensive profit of EUR 47.9 million in 2025 (2024: EUR 21.6 million). Given the gradual stabilisation of electricity prices in 2025, the Company achieved a significant year-on-year increase in profit.

The Company was profitable with total operating and financial income of EUR 249.9 million (2024: EUR 246.4 million) and total costs, including income tax costs, of EUR 202.6 million (2024: EUR 225.9 million).

Revenue structure in 2025 (2024)

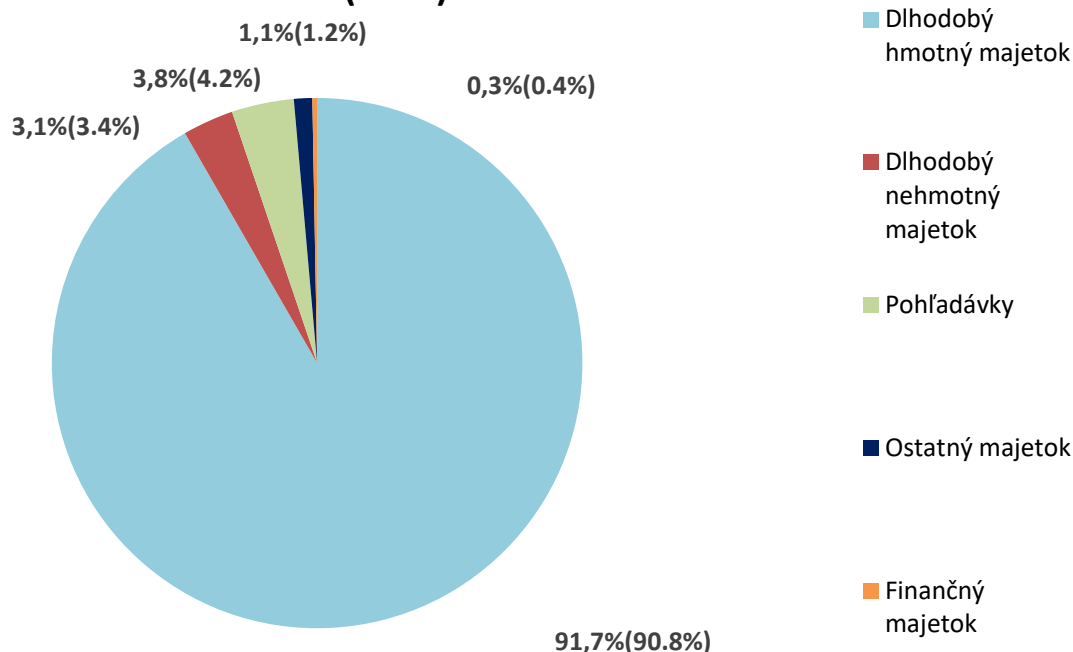


Cost structure in 2025 (2024)

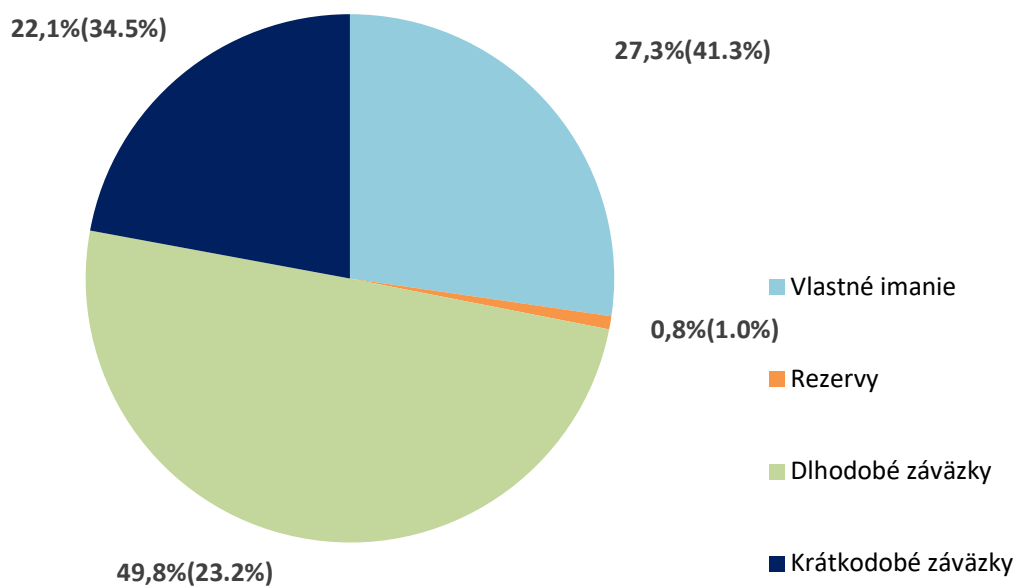


The asset structure reflected the high level of investment in the asset base required for electricity distribution. The resource structure remained stable in 2025, with VSD continuing to use the existing system of external bank loans, financial leasing, and cash pooling to effectively manage the financing of investments, operating needs, and dividend policy, which proved well-functioning during the difficult period of financing increased cost inputs.

Asset structure in 2025 (2024)



Structure of sources of coverage in 2025 (2024)



A Look into the Future

Transparent, predictable, and fair regulatory framework

The year 2025 was the third year of the current 5-year regulatory period (2023-2027). Despite the change in leadership of the Regulatory Office for Network Industries in December 2023, the regulatory period remained unchanged. The basic principles that underpinned the assumptions of a transparent, predictable, and fair framework, rules, and the calculation of regulated prices for access to the distribution system and the distribution of electricity did not change either, although individual input parameters were adjusted, as were the conditions for applying tariffs. For the calculation of regulated prices for access to the distribution system and distribution of electricity in 2025 for 2026, the revalued value of assets as of the end of 2024 was used in accordance with the adjusted input parameters (unlike previous years, when the book value of assets was used) and the value of regulatory depreciation based on the revalued value of assets and technical useful lives (unlike previous years, when book depreciation was used).

2025 without electricity distribution price subsidies

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 was no longer applied to the area of price regulation of electricity distribution based on a decision of the Government of the Slovak Republic (which was used in 2023 and 2024 due to the extraordinary situation on the energy market and for electricity distribution).

Additional Information

Expenditure on research and development activities

In 2025, the Company did not incur any research and development costs.

Acquisition of own shares, temporary certificates, business interests, and shares, temporary certificates, and business interests of the parent entity

In 2025, the Company did not carry out any activities in this area.

Information about the Company's organisational units abroad

The Company does not have an overseas branch.

Information about significant risks and uncertainties to which the entity is exposed

The Company's management is currently not aware of any risks that would significantly affect the Company's future financial performance.

Information on events of special significance that occurred after the end of the accounting period for which the Annual Report is prepared

No events of particular significance occurred after the end of the accounting period for which the Annual Report is prepared.

Special regulations

The Company is not obliged to provide information under any special regulations, other than those based on which it has compiled the Annual Report, including all the information that it is obliged to include in the Annual Report.

More detailed information regarding the above-mentioned facts is included in the notes to the financial statements for 2025, which are an integral part annexed to this annual report.

List of abbreviations

VSD	Východoslovenská distribučná
eVSD	website VSD (www.vsds.sk)
ZSE	Západoslovenská distribučná
OSH	Occupational Safety and Health
PPE	Personal Protective Equipment
BCM	Business Continuity Management
DS	Distribution System
DSO	Distribution System Operator
EU	European Union
RES	Renewable Energy Sources
PVP	Photovoltaic Power Plant
WPP	Wind Power Plant
ES	Electrical Station
ISO	quality certificate
OP	off-take point
LV	Low Voltage
MV	Medium Voltage
HV	High Voltage
kV	kilovolt
MW	megawatt
GWh	gigawatt hour
ZMOS	Association of Towns and Municipalities of Slovakia
ÚRSO	Regulatory Office for Network Industries
MoE	Ministry of Economy of the Slovak Republic
MIRRI	Ministry of Investments, Regional Development and Informatisation
AI	Artificial Intelligence
ASAI	Average Service Availability Index
SR	Slovak Republic
KYC	Know Your Counterparty
HR	Human Resources
OR	Companies Register
VTZ	dedicated technical equipment
ECM	Ecological Corridor Management
BVLOS	Beyond Visual Line of Sight
IFRS	International Financial Reporting Standards
CSAT	Customer Satisfaction
B2B	Business-to-Business

B2M	Business-to-Municipality
HiPo events	High Potential events
NPS	Net Promoter Score
RIS	distribution circuit breaker cabinet
DOD	Open Door Day
ICPM	Integrated Corridor Planning & Management
MVAr	mega-volt ampere reactive
UFC	Ultra Fast Charging

**Financial Statements as of 31 December 2025 and an
independent Auditor's Report on the financial
statements 2025**



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at 31 December 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 material 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. Peter Žoldák
License UDVA No. 1061

Východoslovenská distribučná, a.s.

**Financial Statements
for the year ended 31 December 2025**

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

Východoslovenská distribučná, a.s.

Financial statements for the year ended 31 December 2025 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were approved and authorized for issue on 9 April 2026 by the Board of Directors.



Ing. Radoslav Haluška
Chairman of the Board of Directors and CEO



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

Index to the financial statements

*Independent auditor's report to the Shareholders, Supervisory Board and Board of the Directors
of Východoslovenská distribučná, a. s.*

<i>Statement of Financial Position</i>	3
<i>Statement of Profit or Loss and Other Comprehensive Income</i>	4
<i>Statement of Changes in Equity</i>	5
<i>Statement of Cash Flows</i>	6
1. General information	7
2. Summary of significant accounting policies	9
3. Financial risk management	25
4. Critical accounting estimates and judgments	31
5. Property, plant and equipment	33
6. Right of use assets and lease liabilities	34
7. Intangible assets	35
8. Financial instruments by category	36
9. Inventories	36
10. Cash and cash equivalents and restricted cash	36
11. Other non-financial assets	37
12. Equity	37
13. Trade and other payables	37
14. Bank loans and borrowings	38
15. Other non-financial liabilities	39
16. Deferred income tax	39
17. Employee benefits	40
18. Provisions	42
19. Grants	44
20. Revenues from contracts with customers	44
21. Profit from operations	46
22. Finance income and costs	47
23. Income tax expense	47
24. Cash generated from operations	48
25. Contingencies	49
26. Commitments	49
27. Related party transactions	49
28. Events after the reporting period	52

in EUR thousand	Note	As at 31 December	
		2025	2024
ASSETS			
Non-current assets			
Property, plant and equipment	5	695,150	657,923
Right-of-use assets	6	3,443	3,049
Goodwill	7	12,677	12,677
Other intangible assets	7	11,221	11,833
		722,491	685,482
Current assets			
Inventories	9	2,843	4,042
Trade and other receivables	8, 3, 1, 2, 19	28,702	29,191
Cash and cash equivalents	8, 10	2,542	2,767
Current income tax receivable	11	-	1,698
Other non-financial assets	11	1,830	1,573
		35,917	39,271
Total assets		758,408	724,753
EQUITY			
Share capital	12	120,040	220,040
Legal reserve fund	12	24,008	44,008
Other comprehensive income	12	(1,050)	(1,628)
Retained earnings	12	64,162	37,217
Total equity		207,160	299,637
LIABILITIES			
Non-current liabilities			
Contract liabilities with customers	20	50,995	42,462
Lease liabilities	6	2,469	2,073
Loans and Borrowings	8, 14	260,000	60,000
Grants	19	18,365	83
Deferred income tax liabilities	16	64,030	63,759
Provisions	18	895	951
Employee benefit obligations	17	3,910	4,200
		400,664	173,528
Current liabilities			
Trade and other payables	8, 13	36,251	36,510
Payable from cash pooling	8, 2, 10	31,898	143,090
Contract liabilities with customers	20	6,968	15,264
Lease liabilities	6	378	406
Loans and Borrowings	8, 14	60,941	50,001
Grants	19	119	4
Employee benefit obligations	17	336	377
Provisions	18	693	1,629
Current income tax liability		7,136	-
Other non-financial liabilities	15	5,864	4,307
		150,584	251,588
Total liabilities		551,248	425,116
Total equity and liabilities		758,408	724,753

in EUR thousand	Note	Year ended 31 December	
		2025	2024
Revenues from contracts with customers	20	230,555	210,963
Own work capitalized	21	13,909	11,876
Purchase of electricity for losses and transmission costs	21	(44,601)	(67,233)
Material consumption	21	(5,949)	(9,050)
Employee benefit expense	21	(43,645)	(41,178)
Services	21	(31,341)	(34,010)
Depreciation and amortization expense	5, 6, 7, 21	(52,280)	(51,727)
Gain / (loss) on sale of property, plant and equipment	21	295	576
Net impairment losses on financial assets	3.1	(191)	(358)
Compensations received	21	549	20,045
Other operating income	2.20, 21	4,647	2,922
Other operating expenses	21	(1,690)	(25)
Profit from operations		70,258	42,801
Finance income / (expense)			
Interest income	22	-	-
Interest expense	22	(5,270)	(3,779)
Other financial expenses		(140)	-
Net finance income / (costs)		(5,410)	(3,779)
Profit before income tax		64,848	39,022
Income tax expense	23	(17,495)	(18,554)
Profit for the year		47,353	20,468
Other comprehensive income not subsequently reclassified through profit or loss			
Re-measurements of post-employment benefit obligation	17	760	578
Income tax	16	(182)	514
Total comprehensive income for the year		47,931	21,560

in EUR thousand	Share capital	Legal reserve fund	Other Comprehensive income	Retained earnings	Total equity
Balance as at 1 January 2024	220,040	44,008	(2,720)	86,305	347,633
Dividends paid (Note 12)	-	-	-	(69,556)	(69,556)
Total transactions with owners, recognized directly in equity	-	-	-	(69,556)	(69,556)
Profit for the year	-	-	-	20,468	20,468
Other comprehensive income for the year	-	-	1,092	-	1,092
Total comprehensive income for the year	-	-	1,092	20,468	21,560
Balance at 31 December 2024	220,040	44,008	(1,628)	37,217	299,637
Balance as at 1 January 2025	220,040	44,008	(1,628)	37,217	299,637
Dividends paid (Note 12)	-	-	-	(20,408)	(20,408)
Decrease in share capital	(100,000)	-	-	-	(100,000)
Decrease in legal reserve fund	-	(20,000)	-	-	(20,000)
Total transactions with owners, recognized directly in equity	(100,000)	(20,000)	-	(20,408)	(140,408)
Profit for the year	-	-	-	47,353	47,353
Other comprehensive income for the year	-	-	578	-	578
Total comprehensive income for the year	-	-	578	47,353	47,931
Balance at 31 December 2025	120,040	24,008	(1,050)	64,162	207,160

in EUR thousand	Note	Year ended 31 December	
		2025	2024
Cash flows from operating activities			
Cash generated from operations	24	95,914	83,787
Interest paid from lease liability	6	(109)	(143)
Payments for short-term and low-value leases	6	(417)	(360)
Interest paid from liability other than lease	22	(4,767)	(3,636)
Income tax paid		(8,572)	(22,538)
Net cash from operating activities		82,049	57,110
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE) and intangible assets	5, 7	(59,324)	(73,820)
Proceeds from sale of PPE		416	1,735
Net cash used in investing activities		(58,908)	(72,085)
Cash flows from financing activities			
Cash from cash pooling	2.10	(111,192)	85,085
Graants received	19	18,605	-
(Repayment) / drawing of borrowings	8, 14	90,001	-
Principal elements of lease payments	8, 14	(372)	(400)
Dividends paid	12	(20,408)	(69,556)
Net cash from (used in) financing activities		(23,366)	15,129
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	8, 10	(225)	154
Cash, cash equivalents and bank overdrafts at the beginning of the year	8, 10	2,767	2,613
Cash, cash equivalents and bank overdrafts at the end of the year	8, 10	2,542	2,767

1. General information

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2025 for Východoslovenská Distribučná a.s. (hereinafter "The Company" or "VSD").

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 14 October 2005. The Company was incorporated in the Commercial Register of the Municipal Court Košice on 4 November 2005.

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

The main Company's customer is Energetika Slovensko, a.s. (hereinafter „E.SK“). Intercompany revenues from distribution services towards E.SK represent approximately 54% of revenues of the Company for 2025 (2024: 51%). The rest of revenues consist of revenues from distribution services towards other electricity traders and revenues from other activities.

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

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

Ownership structure. Západoslovenská energetika, a.s. owns 100% of the Company's shares. The Company is included in the consolidated financial statements of Západoslovenská energetika, a.s. ("Parent company") with its registered office at Čulenova 6, 811 09 Bratislava and should be assessed in connection with consolidated financial statements in order to obtain a comprehensive picture of the Company's results and financial position. These consolidated financial statements can be obtained from the Company at the address of its registered office.

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.

As at 31 December 2025 the Company's shareholder structure was as follows:

in EUR thousand	Interest in share capital	%
Západoslovenská energetika, a.s.	120,040	100
Total	120,040	100

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

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

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

In average, the Company employed 1,044 employees in 2025 (2024: 1,024 employees). As at 31 December 2025, the Company employed 1,069 employees (as at 31 December 2024: 1,037 employees).

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

The General Meeting held on 26 June 2025 approved the financial statements for 2024.

2. Summary of significant accounting policies

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

2.1. Basis for preparation of financial statements

The Act on Accounting of the Slovak Republic no 431/2002 as amended requires certain companies to prepare financial statements for the year ended 31 December 2025 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Company's financial statements at 31 December 2025 have been prepared as ordinary financial statements under § 17 Sec. 6 of the Slovak Act No. 431/2002 Coll. ("Accounting Act") for the accounting period from 1 January 2025 to 31 December 2025.

These financial statements have been prepared in compliance with IFRS. The Company applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), as amended by the European Union, which were in force as of 31 December 2025. Consolidated financial statements of the ZSE group are available at the seat of the parent Company, stated in Note 1.

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

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

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

The Board of Directors may propose to the Company's shareholder to amend the financial statements after their approval by General Shareholder Meeting. However, § 16, points 9 to 11 of the Accounting Act prohibit reopening an entity's accounting records after the financial statements were prepared and approved. If, after the financial statements were approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entities to restate comparative information in the accounting period, in which the relevant facts are identified.

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

Classification of financial assets with ESG-linked features

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

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

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

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

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

Contractually linked instruments (CLIs) and non-recourse features

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

Disclosures on investments in equity instruments

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

The Company 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.

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

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.

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.

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 9 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.

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 has assessed the impact of the standard on its individual financial statements as significant and is working to implement it in its individual financial statements for the year ending December 31, 2026.

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

A subsidiary is eligible if:

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

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

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

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (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).

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

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

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

2.2. Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

2.3. Property, plant and equipment

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

Historical cost includes expenditure that is directly attributable to the acquisition. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for the intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

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

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

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

Buildings and constructions

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

Machinery and equipment

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

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

Land and assets under construction are not depreciated.

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

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

2.4. Intangible assets

Goodwill

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

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

Computer software and other intangible assets

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

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

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

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

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

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

Software	4 years
Other non-current intangible assets	4 years
Valuable rights	3 – 20 years

2.5. Impairment of non-financial assets

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

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

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

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

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

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

2.6. Financial assets

Classification

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

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

Recognition and derecognition

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

Measurement

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

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

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

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

Impairment

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

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

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

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

2.7. Leases

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

The Company leases various offices and technological buildings and equipment. Rental contracts are typically made for indefinite period of time. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

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

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

The Company used recent third-party financing received by the ZSE as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, to determine the incremental borrowing rate. The Company's incremental borrowing rate applied to the lease liabilities on 31 December 2024 was 4.02%. In 2025 the Company updated it rate on quarterly bases as follows:

Valid from	Valid to	Interest rate %
1 January 2025	31 March 2025	3.773296
1 April 2025	30 June 2025	3.628168
1 July 2025	30 September 2025	3.220408
1 October 2025	31 December 2025	3.041712

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities are subsequently measured at amortized cost using effective interest rate. Carrying amount of lease liability is subsequently remeasured in order to reflect any reassessment or modification of the lease or changes in in-substance fixed payments.

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

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

Depreciation of right-of-use-assets:

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

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

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

ROU Assets	Lease term (in years)
Administrative premises	3-15
Technological buildings, grid facilities and related land	20-25
Cars	5

Payments associated with short-term leases of equipment and all leases of low-value assets (which are assets with individual value of EUR 5,000 or less when new). are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

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

Lessor accounting

The Company provides to its customers lease services of optical fibres. The contracts are considered to not include the leasing as the identified asset is not existing (based on the contracts conditions). The contracts are accounted for according to IFRS 15. The revenue from this service is EUR 6,285 thousand in year 2025 (2024: EUR 4,968 thousand).

2.8. Financial liabilities

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

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

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

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

2.9. Inventories

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

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

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

As at 31 December 2025 the Company had payable from cash pooling of EUR 31 898 thousand (31 December 2024: payable from cash pooling EUR 143,090 thousand).

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

2.11. Share capital

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

2.12. Dividends

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

2.13. Legal reserve fund

Legal reserve fund is created in accordance with Commercial Code, based on financial statements, in the amount of 10% of profit after tax, up to 20% of share capital. Legal reserve fund can be used only for increase of share capital or cover the losses. In 2025, there was a reduction in the reserve fund, which is described in more detail in Note 12.

2.14. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period does not exceed the amount of borrowing costs incurred during that period (see Note 22).

2.15. Current and deferred income tax

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

Current income tax also includes a special levy on profit from regulated activities at a rate of 4.356% for 2025 (2024: 4.356%). The basis for the special levy is calculated as follows: profit before tax * (income from regulated activities / total income). The special levy is a deductible expense for the purposes of applying the income tax payable.

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

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

A special levy on profit is applied to profit determined in accordance with Slovak accounting regulations, and therefore deferred tax in connection with a special levy arises only if there is a temporary difference between the values of assets and liabilities determined according to Slovak Accounting Standards and according to IFRS. The Company calculates the deferred tax using 2 - steps approach. In a first step the Company calculates the deferred tax basis from the temporary differences between the tax value of assets/liabilities and their corresponding accounting value recognised under Slovak Accounting Standards. The deferred tax basis is multiplied by the percentage of the expected tax rate (2025: 24%, 2024: 24%) to calculate the deferred tax. In the second step the Company calculates the difference between the accounting value of assets/liabilities recognised under Slovak Accounting Standards and under IFRS. The difference represents the IFRS deferred tax basis which is then multiplied by the currently valid tax rate increased for the effect of a special levy (income tax uplift) to calculate the amount that together with the value calculated in the first step represents the IFRS deferred tax balance.

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

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

2.16. Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.17. Employee benefits

Pension plans and jubilee awards

The Company has defined benefit and defined contribution plans.

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

Unfunded defined benefit pension plan

According to the contract with the Trade Unions effective from 1 April 2025 till 31 March 2027 the Company is obliged, based on the number of years in service in VSD, to pay its employees on retirement or disability the following multiples of their average monthly salary (condition than an employee is not entitled to termination benefits must be met):

Years of service	Multiple of the average monthly salary	
	2025	2024
Up to 10 years	2x	2x
10-15 years	3x	3x
15-20 years	4x	4x
20-25 years	5x	5x
25-30 years	6x	6x
30-35 years	7x	7x
Over 35 years	8x	8x

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

The Company also pays life jubilees benefits. If an employee has worked continuously for the Company for at least 5 years, he or she is entitled to jubilee benefit upon reaching the age of 50 at least in the amount of the lowest monthly wage tariff agreed in the higher-level collective agreement. As of 31.12.2025, this amounted to €776.

In 2024, this amount depended on the years of service in the Company and amounted to:

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

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

The conditions of an unfunded defined benefit pension plan resulting from the currently valid collective agreement do not differ significantly from the previous one, valid from 1 April 2023 to 31 March 2025.

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

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

For determining the present value, the discount rate derived from the yield curve for high quality Europe corporate bonds (AA) quoted as at 1 December 2025 (2024: 31 December 2024) was used.

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

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

Defined contribution pension plans

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

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

Throughout the year, the Company contributed to such schemes in the amount of up to 14% (2024: 14%) of gross salaries up to a monthly salary, which is defined by the relevant law together with the contributions of the employees of a further up to 4% (2024: 4%) of gross salaries. The costs contributed by the Company are charged to the profit or loss in the same period as the related salary costs.

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

Years of service	Benefit	
	From 1 January 2025	From 1 January 2024
up to 5 years	1.50 % of gross salary	1.50 % of gross salary
from 5 till 10 years	1.75 % of gross salary	1.75 % of gross salary
from 10 till 15 years	2.00 % of gross salary	2.00 % of gross salary
from 15 till 20 years	2.50 % of gross salary	2.50 % of gross salary
from 20 till 25 years	3.00 % of gross salary	3.00 % of gross salary
from 25 till 30 years	3.50 % of gross salary	3.50 % of gross salary
from 30 till 35 years	4.00 % of gross salary	4.00 % of gross salary
from 35 till 40 years	5.00 % of gross salary	5.00 % of gross salary
Over 40 years	6.00 % of gross salary	6.00 % of gross salary

Termination benefits

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

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

2.18. Provisions and contingent liabilities

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

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

2.19. Grants

Grants and other similar contributions are recognised at their fair value if there is sufficient certainty that the Company will receive the grant or contribution and comply with all associated conditions. Grants and similar contributions related to the acquisition of non-current tangible assets are deferred as income and are subsequently recognised in other operating income on a straight-line basis over the useful life of the depreciated asset. Grants relating to costs are recognised as deferred income and are subsequently recognised in profit or loss over the period in which they are allocated to the costs they are intended to compensate. Grants relating to past costs are recognised in profit or loss when it is sufficiently certain that they will be received.

The amount of grants received by the Company in 2025 was EUR 18,605 thousand (2024: EUR 0 thousand).

2.20. Compensations received

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

The amount of compensations earned by the Company in 2025 was EUR 549 thousand (2024: 20,045 thousand).

2.21. Revenues from contracts with customers

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

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

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

Revenue from distribution of electricity

The Company derives revenue from distribution of electricity over time. The Company's customers is its sister company Energetika SLOvensko, a.s. (hereinafter "E.SK"), a.s. and other electricity traders. These companies contract with final users of electricity and bill them for both trade and distribution part of electricity supply on the basis of integrated contracts. The Company invoices electricity traders for distribution services. Revenue from distribution of electricity is recognized upon when the distribution service is provided.

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

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

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

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

Revenue from connection fees

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

Revenue from electricity producers.

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

Revenues from projects

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

2.22. Contract assets and contract liabilities

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

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

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

2.23. Contract costs

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

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

2.24. Interest income

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

2.25. Related party disclosures

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

2.26. Offsetting financial instruments

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

2.27. Transactions under common control

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

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

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

3. Financial risk management

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

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

3.1. Credit risk

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

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

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

Trade and other receivables

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

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

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

1. Electricity supplier within the ZSE Group – Energetika Slovensko, a.s. (E.SK)

Significant part of Company's receivables are intercompany receivables from E.SK (53%; 2024: 52%), which are the main electricity suppliers in the Company's distribution area. The Company has determined that there were no delays in payments by these counterparties for sales over a period of 24 months before 31 December 2025 and 31 December 2024 respectively and no historical credit losses experienced within this period. The zero historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables and the expected credit losses are considered immaterial.

2. Electricity suppliers outside the ZSE group

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

At the end of the year 2025 the Company registered 38 (2024: 37) electricity suppliers with framework distribution contract in force, out of which 9 (2024: 9) were not active. In respect of electricity suppliers, credit risk is concentrated mainly within several large electricity suppliers. The framework distribution contracts and operating regulations of the Company define terms of payments and/or requirements for adequate guarantee for electricity suppliers, based on evaluation of their credit risk.

The Company performs credit risk evaluation of all electricity suppliers with framework distribution contract in force. The credit risk evaluation is performed in accordance with Ordinance No. 207/2023 Coll. of the Regulatory Office which introduces rules for the internal market with electricity (hereinafter referred to as the "Market Rules"). Market rules define the conditions of credit risk evaluation as well as individual groups of payment terms. Based on credit risk evaluation suppliers of electricity are categorised to the categories A, B, C, D, E and N and in line with the Market Rules the supplier of electricity is obliged to provide to the DSO the adequate guarantee if he was categorised to any of risk group:

The amount of the financial security of the regional distribution system user for individual groups pursuant to § 52 sec. 2 is determined by the regional distribution system operator as follows:

a) a regional distribution system user assigned to credit group A shall provide the financial security by a bank guarantee or by depositing financial cash into the bank account of the regional distribution system operator of 30% of the estimated price of services in month m , no later than the 25th day of month $m - 1$ (variant 1) or by making an advance payment of 30% of the estimated price of services in month m , no later than the 1st day of month m (variant 2),

b) a regional distribution system user assigned to credit group B shall provide the financial security by a bank guarantee or by depositing financial cash into the bank account of the regional distribution system operator of 40% of the estimated price of services in month m , no later than the 25th day of month $m - 1$ (variant 1) or by paying an advance payment of 40% of the estimated price of services in month m , no later than the 1st day of month m (variant 2),

c) the regional distribution system user assigned to credit group C shall fulfill the financial security by bank guarantee or by depositing financial cash into the bank account of the regional distribution system operator of 70% of the estimated price of services in month m , no later than the 25th day of month $m - 1$ (variant 1) or by paying an advance payment of 70% of the estimated price of services in month m , no later than the 1st day of month m (variant 2),

d) the regional distribution system user assigned to credit group D shall fulfill the financial security by bank guarantee or by depositing financial cash into the bank account of the regional distribution system operator of 90% of the estimated price of services in month m , no later than the 25th day of month $m - 1$ and at the same time by paying an advance payment of 50% of the estimated price of services in month m , no later than the 1st day of month m ,

e) a regional distribution system user classified in credit group E, who does not have financial statements published in the register of financial statements pursuant to a special regulation,¹⁵⁾ shall fulfill the financial security by means of a bank guarantee or by depositing financial cash into the bank account of the regional distribution system operator in the amount of 400% of the estimated price of services in month m , no later than the 25th day of month $m - 1$ and at the same time by paying an advance payment of 100% of the estimated price of services in month m , no later than the 1st day of month m ; other users of the regional distribution system included in credit group E shall meet the financial security by means of a bank guarantee or by depositing financial cash into the bank account of the regional distribution system operator in the amount of 100% of the estimated price of services in month m , no later than the 25th day of month $m - 1$ and at the same time by making an advance payment of 100% of the estimated price of services in month m , no later than the 1st day of month m ,

f) a user of the regional distribution system included in credit group N shall meet the financial security by means of a bank guarantee or by depositing financial cash into the bank account of the regional distribution system operator in the amount of 100% of the estimated price of services in month m , but not less than EUR 5,000, no later than the 25th day of month $m - 1$.

The financial security shall be provided pursuant to paragraph 1, letter a) to c) applies as a choice between two equivalent variants, namely variant 1 or variant 2. The choice of variant is made by the regional distribution system user. The regional distribution system user may also contractually agree with the regional distribution system operator on a higher financial security than required under par. 1 letters a) to f).

In case the supplier of electricity fails to provide the Company adequate guarantee according to the conditions of framework distribution contract, it is considered as fundamental breach of framework distribution contract and the Company is entitled to terminate the contract with supplier of electricity. The Company is also entitled to claim a contractual fine corresponding to the amount of interest on the outstanding amount for each day of collateral condition breach.

For each day the payment (advance payment, invoice) is late, the Company is entitled to invoice late payment interest which is based on ECB base rate as defined in Government ordinance no. 21/2013.

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

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

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

3. Customers covering revenues from other projects

This group of receivables relates to revenue from projects (Note 2.21).

4. Customers in bankruptcy & illegal offtakes

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

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

Companies within ZSE group

As at 31 December 2025	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	0.0%	0.0%	1.4%	1.8%	2.2%	
Trade and other receivables before allowance	15,520	-	-	-	-	15,520
Expected credit loss	-	-	-	-	-	-
Recognized bad debt allowance	-	-	-	-	-	-

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

Electricity suppliers outside the ZSE group

As at 31 December 2025	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	1.3%	81.56%	99.47%	100.00%	100.00%	
Trade and other receivables before allowance	7,805	-	-	-	1,115	8,920
Expected credit loss	102	-	-	-	1,115	1,217
Recognized bad debt allowance	102	-	-	-	1,115	1,217

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

Other projects

As at 31 December 2025	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	0.94%	24.01%	46.99%	75.06%	100%	
Trade and other receivables before allowance	4,706	1,008	26	126	252	6,118
Expected credit loss	44	242	12	95	252	645
Recognized bad debt allowance	49	231	13	94	252	639

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

Customers in bankruptcy & illegal offtakes

As at 31 December 2025	Not yet due	Overdue				Total
		0 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Expected credit loss percentage	90.0%	100.0%	100.0%	100.0%	100.0%	
Trade and other receivables before allowance	-	30	33	49	1,223	1,335
Expected credit loss	-	30	33	49	1,223	1,335
Recognized bad debt allowance	-	30	33	49	1,223	1,335

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

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

in EUR thousand	2025	2024
Balance at 1 January	3,101	2,800
Creation of bad debt provision (Note 20)	192	365
Receivables written off during the year as uncollectible	(102)	(64)
Balance at 31 December	3,191	3,101

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

in EUR thousand	As at 31 December	
	2025	2024
up to 90 days including	1,038	449
from 151 to 180 days including	59	192
from 181 to 360 days including	175	110
from 361 days and more	2,590	2,451
Total	3,862	3,202

There are no restrictions of ownership relating to receivables.

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

in EUR thousand	As at 31 January	
	2026	2025
Paid receivables	19,652	17,358
Total	19,652	17,358

Cash and cash equivalents and restricted cash

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

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

in EUR thousand Bank	Rating		Bank balance	
	2025	2024	31 December 2025	31 December 2024
VÚB	A2/P-1	A2/P-1	59	19
Tatrabanka	A3/P-2	-	6	
Slovenská sporiteľňa	A2/P-1	A2/P-1	-	1
UniCredit Bank	A2/P-1	A3/P-2	46	4
Citibank	Aa3/P-1	Aa3/P-1	2,426	2,743
Total cash and cash equivalents and restricted cash			2,537	2,613

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

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

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

3.2. Liquidity risk

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

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

in EUR thousand	Less than 3 months	Between 3 months and 1 year	1 to 2 year	2 to 5 years	Over 5 years	Total
31 December 2025						
Bank loans (Note 14)	1,149	63,099	3,900	8,676	144,677	221,501
Borrowings received (Note 4)	771	2,313	3,084	128,418	-	134,586
Payable from cash pooling (Note 8, 2.10)	31,898	-	-	-	-	31,898
Lease liabilities (Note 6)	290	139	442	1,332	1,115	3,318
Trade and other payables (net of intercompany liabilities) (Note 13)	34,938	-	-	-	-	34,938
Intercompany liabilities (Note 13)	1,309	-	-	-	-	1,309
Total	<u>70,359</u>	<u>65,551</u>	<u>7,426</u>	<u>138,426</u>	<u>145,792</u>	<u>427,554</u>
31 December 2024						
Bank loans (Note 14)	266	50,614	60,341	-	-	111,221
Payable from cash pooling (Note 8, 2.10)	143,090	-	-	-	-	143,090
Lease liabilities (Note 6)	362	56	418	1,208	804	2,848
Trade and other payables (net of intercompany liabilities) (Note 13)	36,271	-	-	-	-	36,271
Intercompany liabilities (Note 13)	239	-	-	-	-	239
Total	<u>180,228</u>	<u>50,670</u>	<u>60,759</u>	<u>1,208</u>	<u>804</u>	<u>293,669</u>

3.3. Interest rate risk

As stated in Note 14, bank borrowings as of 31 December 2025 have fixed interest rates and therefore are not sensitive to interest rate changes.

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

The borrowings received have a variable interest rate linked to EURIBOR. An increase in the interest rate by one percentage point would increase the annual financing costs by EUR 1.2 million (39%). A decrease in the rate by 1% would have the exact opposite effect, i.e. the financing costs would decrease by -EUR 1.2 million (-39%).

3.4. Foreign exchange risk

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

3.5. Capital management

The Company's capital management objective is focused on maintaining optimal structure of debt and own capital (debt/equity ratio). Management monitors and manages these ratios. Value of debt/equity ratio as at 31 December 2025 was 170% (as at 31 December 2024: 84%). The Company is allowed to draw funds from cash-pooling (Note 2.12), established within the ZSE group.

3.6. Fair value estimation of financial instruments

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

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

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

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

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

in EUR thousand	31 December 2025			31 December 2024		
	Fair value level 1	Fair value level 2	Carrying value	Fair value level 1	Fair value level 2	Carrying value
ASSETS						
Trade and other receivables (Note 3.1)	-	28,702	28,702	-	29,191	29,191
Cash and cash equivalents (Note 10)	-	2,542	2,542	-	2,767	2,767
Total	-	31,244	31,244	-	31,958	31,958
LIABILITIES						
Loans and Borrowings (Note 14)	-	316,973	320,941	-	106,688	110,001
Payable from cash pooling (Note 8,2.10)	-	31,898	31,898	-	143,090	143,090
Trade and other payables (net of intercompany trade payables) (Pozn. 13)	-	34,942	34,942	-	36,271	36,271
Intercompany liabilities included in trade and other payables (Note 13)	-	1,309	1,309	-	239	239
Total	-	385,122	389,090	-	286,288	289,601

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

4. Critical accounting estimates and judgments

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

4.1. Critical accounting estimates and assumptions

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

Economic useful life of tangible fixed assets

The economic useful life of tangible fixed assets stated in Note 2.3 was based on the best estimate of the Company's management. Should the estimated residual useful life of tangible fixed assets be shorter by 10%, the Company would record additional annual depreciation charge of tangible fixed assets of EUR 5,559 thousand (2024: EUR 5,662 thousand). Should the estimated residual useful life of tangible fixed assets be longer by 10%, the Company would record depreciation charge lower by EUR 4,548 thousand (2024: EUR 4,639 thousand). The Company analyses regularly the appropriateness of economic useful life of tangible fixed assets.

Impairment test of goodwill

At 31 December 2025, the Company has carried out an impairment test of goodwill. Management has assessed that the Company is one cash generating unit. During the impairment test, the Company has analysed fair value and value in use using discounted cash-flow method. Value in use was determined to be higher using the assumptions of pre-tax WACC of 6.62%, terminal growth approximating long-term expected inflation rate of 1.25%, long-term expected EBITDA level of approximately EUR 119.2 million, and long-term expected maintenance CAPEX level of approximately EUR 57.8 million.

The Company would have to account for impairment of goodwill in case discounted free cash-flow would decrease by 37% due to changes in one or more of the key assumptions.

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

Estimated outcome of litigation

As stated in Note 18, in 2025 the Company has created a provision for litigation, while estimating the amount of the provision based on the current estimate of cash outflows. The analysis of sensitivity is disclosed in that note.

Revenues from unmeasured electricity distribution

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

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

The Company estimates unmeasured distribution based on expected customer consumption time curves. The revenues from unmeasured electricity distribution amounted to EUR 29,676 thousand as at 31 December 2025 (EUR 31,850 thousand as at 31 December 2024).

Property, plant and equipment

in EUR thousand	Land	Buildings and infrastructure	Machinery, equipment, vehicles and office equipment	Construction in progress	Total
At 1 January 2024					
Cost	12,259	935,159	298,043	41,435	1,286,896
Accumulated depreciation	-	(487,155)	(164,496)	-	(651,651)
Net book value	12,259	448,004	133,547	41,435	635,245
Additions	-	-	-	70,547	70,547
Transfer from CIP	9	39,959	15,700	(55,668)	-
Net book value of asset sold	(198)	(773)	(188)	-	(1,159)
Net book value of asset damaged	-	-	-	(25)	(25)
Net book value of disposals	-	(1,406)	(592)	-	(1,998)
Depreciation charge	-	(31,087)	(13,600)	-	(44,687)
Closing net book value	12,070	454,697	134,867	56,289	657,923
At 31 December 2024					
Cost	12,070	965,772	309,826	56,289	1,343,957
Accumulated depreciation	-	(511,075)	(174,959)	-	(686,034)
Net book value	12,070	454,697	134,867	56,289	657,923
At 1 January 2025					
Cost	12,070	965,772	309,826	56,289	1,343,957
Accumulated depreciation	-	(511,075)	(174,959)	-	(686,034)
Net book value	12,070	454,697	134,867	56,289	657,923
Additions	-	-	-	85,351	85,351
Transfer from CIP	246	48,689	20,403	(69,338)	-
Net book value of asset sold	(3)	(23)	(95)	-	(121)
Net book value of asset damaged	-	-	-	(168)	(168)
Net book value of disposals	-	(1,273)	(982)	-	(2,255)
Depreciation charge	-	(31,890)	(13,690)	-	(45,580)
Closing net book value	12,313	470,200	140,503	72,134	695,150
At 31 December 2025					
Cost	12,313	1,007,339	325,207	72,134	1,416,993
Accumulated depreciation	-	(537,139)	(184,704)	-	(721,843)
Net book value	12,313	470,200	140,503	72,134	695,150

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

There are no restrictions of ownership relating to tangible assets as at 31 December 2025 and 31 December 2024. No tangible assets were pledged.

The Company recognizes and uses no significant real estate subscribed in Cadastral Register, which are not legally permitted for the usage of the Company as at the end of the reporting period. Tangible assets are insured up to the amount of EUR 1,368,490 thousand (2024: EUR 1,278,694 thousand).

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

5. Right of use assets and lease liabilities

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

Amounts recognised in the Statement of Financial Position

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

in EUR thousand	31 December 2025	31 December 2024
Right-of-use assets		
Buildings	753	142
Lands	59	23
Equipment & grid	2,297	2,645
Cars	334	239
	<u>3,443</u>	<u>3,049</u>
Lease liabilities		
Current	378	406
Non-current	2,469	2,073
	<u>2,847</u>	<u>2,479</u>

There were additions of cars in amount of EUR 234 thousand (2024: 169 thousand) and buildings and lands in amount of EUR 257 thousand during the year 2025. In 2025 there were disposals in amount of EUR 77 thousand. Remaining part of change of asset was caused by changes in amount of lease payments.

Amounts recognised in the statement of profit or loss

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

in EUR thousand	2025	2024
Depreciation charge of right-of-use assets		
Buildings	57	11
Lands	9	9
Equipment & grid	233	237
Cars	55	33
	<u>354</u>	<u>290</u>
Interest expense (included in finance cost)	109	143
Expense relating to short-term leases and leases of low-value assets (included in service expenses)	417	360

The total cash outflow for leases in 2025 was EUR 898 thousand (2024: EUR 760 thousand).

6. Intangible assets

in EUR thousand	Computer software and other	Goodwill	Intangible assets not yet ready to use	Total
At 1 January 2024				
Cost	58,446	12,677	1,169	72,292
Accumulated amortization	(46,871)	-	-	(46,871)
Net book value	11,575	12,677	1,169	25,421
Additions	-	-	3,850	3,850
Transfer from CIP	2,544	-	(2,544)	-
Amortization charge	(4,752)	-	-	(4,752)
Net book value of asset damaged	-	-	(9)	(9)
Closing net book value	9,367	12,677	2,466	24,510
At 31 December 2024				
Cost	60,941	12,677	2,466	76,084
Accumulated amortization	(51,574)	-	-	(51,574)
Net book value	9,367	12,677	2,466	24,510
At 1 January 2025				
Cost	60,941	12,677	2,466	76,084
Accumulated amortization	(51,574)	-	-	(51,574)
Net book value	9,367	12,677	2,466	24,510
Additions	-	-	3,455	3,455
Transfer from CIP	1,599	-	(1,599)	-
Amortization charge	(4,066)	-	-	(4,066)
Net book value of asset damaged	(1)	-	-	(1)
Closing net book value	6,899	12,677	4,322	23,898
At 31 December 2025				
Cost	62,539	12,677	4,322	79,538
Accumulated amortization	(55,640)	-	-	(55,640)
Net book value	6,899	12,677	4,322	23,898

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

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

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

7. Financial instruments by category

The Company holds the following financial instruments:

Financial assets in EUR thousand	As at 31 December	
	2025	2024
Financial assets at amortised cost		
Trade and other receivables	28,702	29,191
Cash and cash equivalents (Note 10)	2,542	2,767
Total financial assets	31,244	31,958

Financial liabilities in EUR thousand	As at 31 December	
	2025	December 2024
Financial liabilities at amortised cost		
Trade and other payables net of intercompany liabilities (Note 13)	34,942	36,271
Intercompany liabilities included in trade and other payables (Note 13)	1,309	239
Bank loans (Note 14)	200,165	110,001
Borrowings received (Note 14)	120,776	-
Payable from cash pooling	31,898	143,090
Lease liabilities (Note 6)	2,847	2,479
Total financial liabilities	391,937	292,080

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

8. Inventories

in EUR thousand	As at 31 December	
	2025	2024
Raw material	2,843	4,042
Total	2,843	4,042

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

Inventories are insured up to the amount of EUR 4,160 thousand (2024: EUR 6,753 thousand).

9. Cash and cash equivalents and restricted cash

in EUR thousand	As at 31 December	
	2025	2024
Cash at bank and in hand	2,542	2,767
Total	2,542	2,767

The effective interest on a weighted average basis on current interest-bearing deposits was 0.0% p.a. (2024: 0.0% p.a.) with daily settlements (unchanged to 2024).

Citibank issued bank guarantee for the Company in the amount of EUR 60 thousand (2024: EUR 60 thousand). The bank guarantee is issued on behalf of the company Národná diaľničná spoločnosť, a. s. and relates to the electronic toll system.

As at 31 December 2025 and 2024 there were no cash and cash equivalents restrictions.

10. Other non-financial assets

in EUR thousand	As at 31 December	
	2025	2024
Advances paid	134	339
Prepaid expenses	1,696	1,206
Other	-	28
Total	1,830	1,573

11. Equity

The amount of subscribed share capital of the Company as to 31 December 2025 is EUR 120,040 thousand (31 December 2024: EUR 220,040 thousand). The subscribed share capital is fully paid. In 2025, the share capital and reserve fund were reduced based on a decision of the sole shareholder. The share capital was reduced by changing the nominal value of one share from the original EUR 212,783 thousand to EUR 112,783 thousand.

Overview of ordinary shares is in the following table:

Number of ordinary shares	Nominal value of shares (in EUR thousand)	
	As at 31 December 2025	As at 31 December 2024
10	33	33
1	112,783	212,783
1	4,920	4,920
1	2,304	2,304
Total share capital	120,040	220,040

There is no share capital not listed in the Commercial Register as to 31 December 2025.

The Company created the legal reserve fund in amount of 20% of share capital established at the transformation to the joint-stock company. After the reduction of the share capital in 2025, the value of the legal reserve fund was also adjusted, which continues to represent 20% of the share capital.

Financial statements of the Company for prior accounting period have been approved by General Meeting on 26 June 2025. The decision on profit distribution for accounting period 2024 resulted in payment of dividends to the shareholders in the amount of EUR 20,408 thousand and allocation to the social fund in the amount of EUR 60 thousand.

The decision on profit distribution for accounting period 2025 will be made by the General Meeting of the Company. The Board of Directors will submit to the General Meeting to pay dividends to the shareholders in amount of EUR 47,353 thousand.

12. Trade and other payables

in EUR thousand	As at 31 December	
	2025	2024
Financial instruments:		
Trade payables (net of intercompany trade payables)	30,684	31,599
Intercompany liabilities included in trade and other payables	1,309	239
Employee benefits – accrued bonuses and holidays	2,117	2,341

Payables to employees	2,141	2,331
Total	36,251	36,510

There are no liabilities pledged or secured in another way.

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

As of December 31, 2025, the company recorded past due liabilities in the amount of EUR 432 thousand. As of December 31, 2024, it did not report any past due liabilities.

13. Bank loans and borrowings

Loans denominated in EUR are stated in the table below:

in EUR thousand	As at 31 December	
	2025	2024
Non-current loans and borrowings		
Borrowings received from parent company	120,000	-
Bank loans	140,000	60,000
Total	260,000	60,000
Current loans and borrowings		
Borrowings received from parent company – not paid interests	776	-
Bank loans	60,002	50,001
Bank loans – not paid interests	163	-
Total	60,941	50,001
Total borrowings	320,941	110,001

The carrying amounts of bank loans are as follows:

in EUR thousand	As at 31 December	
	2025	2024
Slovenská sporiteľňa	-	50,000
UniCredit Bank	60,000	60,000
Európska investičná banka (EIB)	80,100	-
Európska investičná banka	60,063	-
Citibank	2	1
Total	200,165	110,001

The carrying amounts of borrowings received are as follows:

in EUR thousand	As at 31 December	
	2025	2024
ZSE	120,776	-
Total	120,776	-

Further details on bank loans and borrowings outstanding as of 31 December 2025 are provided below.

Bank	Currency	Amount in EUR thousand	Interest rate in % as of 31 December p.a.	Maturity date	Collateral
EIB	EUR	80,000	Fix 2.986%	15 Dec 2032	Statement of Guarantor ZSE
EIB	EUR	60,000	Fix 2.521%	15 Dec 2032	Statement of Guarantor ZSE
ZSE	EUR	120,000	EURIBOR +0.55%	15 Dec 2030	Statement of Guarantor ZSE

UniCredit Bank	EUR	<u>60,000</u>	Fix 1.163%	26 Jun 2026	Statement of Guarantor ZSE
		<u>320,000</u>			

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

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

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

	2025	2024
Bank borrowings	1.32%	1.16%

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

in EUR thousand	2025	2024
Carrying amount as of 1 January	<u>110,001</u>	<u>110,001</u>
Loan repayment	-50,000	-
Drawing of loan	140,000	
Interest expense	1,055	1,072
Interest paid	(891)	(1,072)
Carrying amount as of 31 December	<u>200,165</u>	<u>110,001</u>

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

14. Other non-financial liabilities

in EUR thousand	As at 31 December	
	2025	2024
Value added tax liability	2,842	1,295
Social insurance liability	1,439	1,491
Nuclear fund liability	1,097	1,083
Other	486	525
Total	<u>5,864</u>	<u>4,394</u>

15. Deferred income tax

Deferred income taxes are calculated on temporary differences under the liability method using enacted tax rate for 2026 of 24% with an uplift related to special levy legislation (2024: enacted tax rate of 24% with an uplift related to special levy legislation). The uplift is applied to that part of the temporary differences that relates to the difference between values recognized under the Slovak Accounting Standards and values recognized under IFRS.

The change in tax rate is described in Note 23.

in EUR thousand	As at 31 December	
	2025	2024
Deferred tax asset	2,977	1,338
Deferred tax liability	(67,007)	(65,097)
Total	(64,030)	(63,759)

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

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

in EUR thousand	At 1 January 2025	(Charged)/ credited to the profit or loss	(Charged)/ credited to the OCI	At 31 December 2025
Difference between tax base and carrying amount of property	(64,365)	(1,816)	-	(66,181)
Right-of-use assets	(732)	(94)	-	(826)
Lease liabilities	594	89	-	683
Inventories		124	-	124
Provisions on bad debts	500	(266)	-	234
Provision for other liabilities and charges	244	1 874	(182)	1,936
Total	(63,759)	(89)	(182)	(64,030)

16. Employee benefits

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

in EUR thousand	As at 31 December	
	2025	2024
Statement of Financial Position obligation for:		
Present value of recognized unfunded retirement obligations	4,050	4,419
Jubilee awards	196	158
Liability in the Statement of Financial Position	4,246	4,577

in EUR thousand	2025	2024
Profit or Loss charge included in operating profit		
Current service cost	398	112
Interest cost	121	255
Past service cost	(27)	(1,198)
Total (credit)/ charge, included in staff costs	492	(831)

in EUR thousand	2025	2024
Re-measurements for:		
Defined pension benefits	(760)	(578)
Total re-measurements	(760)	(578)

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

in EUR thousand	Present value of obligation
As at 1 January 2024	6,349
Current service cost	112
Past service cost	(1,198)
Interest cost	255
	5,518
Re-measurements:	
- Gain (-) / Loss (+) from change in finance assumptions	(663)
- Gain (-) / Loss (+) from change in demographic assumptions and fluctuation	160
- Gain (-) / Loss (+) from adjustments to reality	(75)
	(578)
Payments from plan	(363)
As at 31 December 2024	4,577

in EUR thousand	Present value of obligation
As at 1 January 2025	4,577
Transfer of employees from E.SK centrum služieb, s.r.o. to VSD	51
Current service cost	398
Past service cost	(27)
Interest cost	121
	5,120
Re-measurements:	
- Gain (-) / Loss (+) from change in finance assumptions	66
- Gain (-) / Loss (+) from change in demographic assumptions and fluctuation	(605)
- Gain (-) / Loss (+) from adjustments to reality	(221)
	(760)
Payments from plan	(114)
As at 31 December 2025	4,246

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

Year 2025	
Number of employees with entitlement to the benefit	1,054
Expected salary increases	4.1% in 2026, 4.0% in years 2028-2030, 2.5% from 2031
Discount rate	4.38%
Year 2024	

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

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

Description of change of parameter	Liability as at 31 December 2025	Change in comparison with basic scenario	Change in comparison with basic scenario in %
Basic scenario	4,246		
Increase in salaries +10% compared to principal assumptions	4,350	104	2%
Decrease in salaries -10% compared to principal assumptions	4,144	(102)	(2%)
Discount rate +0.5% compared to principal assumptions	4,072	(174)	(4%)
Discount rate -0.5% compared to principal assumptions	4,430	184	4%

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

Amounts paid for defined contribution pension plans:

in EUR thousand	2025	2024
Defined contribution pension plan	4,723	4,708
	4,723	4,708

17. Provisions

Analysis of provisions:

in EUR thousand	As at 31 December	
	2025	2024
Non-current provisions (restructuring)	895	951
	895	951
Current provisions (legal claims and restructuring)	693	1,629
	693	1,629
Total	1,588	2,580

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

in EUR thousand	Restructuring provision	Legal claims	Total
At 1 January 2025	1,400	1,180	2,580
Provisions creation	-	-	-
Unused amounts released	-	(961)	(961)
Provision discounted	-	-	-
Used/paid during year	(31)	-	(31)
At 31 December 2025	1,369	219	1,588

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

Restructuring provision

The aim of the ongoing integration of the ZSE Group companies is to create a larger, more financially stable and stronger organisation that can serve its customers more effectively. In the next 3 years 2026-2028 in ZSE Group, we expect various organisational changes. For this purpose, the Company created a restructuring provision as of 31 December 2025, which assumes the assumption of future employee performance with organisational changes. The provision is based on the expected number of job positions, average wages and the resulting expected impact on severance pay. The expected use of the long-term part of the restructuring provision is EUR 866 thousand in 2027 and EUR 29 thousand in 2028. The Company has created a provision for restructuring in accordance with the provisions of the international accounting standard IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The establishment of the provision meets the conditions set out in this accounting standard.

Provision for legal claims

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

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

The Company has set up provisions of EUR 219 thousand (2024: EUR 1,180 thousand). These provisions comprise the following:

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

Provisions were continuously dissolved due to terminated court proceedings.

18. Grants

An overview of the subsidies is given in the following table:

in EUR thousand	As at 31 December	
	2025	2024
Non-current grants		
Grants for investments in the electricity distribution grid	18,286	-
Grants for investments in the optical network	79	83
Total	18,365	83
Current grants		
Grants for investments in the electricity distribution grid	115	-
Grants for investments in the optical network	4	53
Total	119	4
Grants total	18,484	87

19. Revenues from contracts with customers

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

in EUR thousand	2025	2024
Distribution fees for the distribution of electricity to industrial and other commercial customers	135,361	116,425
Distribution fees for the distribution of electricity to residential customers	73,853	71,812
Revenue for reserved capacity from electricity producers	4,058	2,459
Total distribution fees	213,272	190,696
Revenues from connection fees	4,468	3,389
Other revenue	12,815	16,878
Total revenues from contracts with customers	230,555	210,963

Contract liabilities

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

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

in EUR thousand	2025	2024
Current contract liabilities		
Connection fees	4,591	3,763
Advances received	2,377	11,501
	6,968	15,264
Non-current contract liabilities		
Connection fees	50,995	42,462
	50,995	42,462

Revenues recognised in relation to contract liabilities

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

in EUR thousand	2025	2024
Revenues recognised that was included in the contract liability balance at the beginning of the period:		
Connection fees	4,468	3,389
Total revenues recognised in relation to contract liabilities	4,468	3,389

20. Profit from operations

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

in EUR thousand	2025	2024
Revenues from contracts with customers (Note 19)	230,555	210,963
Own work capitalized	13,909	11,876
Electricity purchase for losses	(18,312)	(40,503)
Transmission	(26,289)	(26,730)
Total	(44,601)	(67,233)
Material consumption	(5,949)	(9,050)
Employee benefit expense		
Wages and salaries	(29,311)	(27,934)
Social security costs excl. retirement fund	(6,657)	(6,368)
Defined contribution pension plan (Note 17)	(4,723)	(4,708)
Other staff costs	(2,954)	(2,168)
Total employee benefit expense	(43,645)	(41,178)
Services		
Repairs and maintenance of electric grid related assets	(1,216)	(4,384)
Costs from other Service Level Agreements within the ZSE group (Finance, HR, legal and other services)	(10,304)	(13,267)
Protection of property	(470)	(469)
Short-term and low-value leases	(350)	(360)
Assurance services provided by auditor	(93)	(88)
Travel cost	(455)	(441)
External works on grid provided by third parties	(8,142)	(9,087)
IT and telecommunication charges	(5,191)	(2,644)
Consultancy	(404)	(401)
Training costs	(273)	(232)
Other services	(4,443)	(2,637)
Total services	(31,341)	(34,010)
Depreciation expense (Note 5)	(47,833)	(46,685)
Amortization expense (Note 7)	(4,066)	(4,752)
Amortisation of right-of-use assets (Note 6)	(381)	(290)
Total depreciation and amortisation expense	(52,280)	(51,727)
Net impairment losses on financial and contract assets (Note 3.1)	(191)	(358)
Gain / (Loss) on disposal of property, plant and equipment	295	576
Compensations received (Note 2.19)	549	20,045
Taxes and fees	(821)	(637)
Decrease / (Increase) in provisions for other liabilities and charges	961	2,583
Insurance	(546)	(583)
Illegal offtakes	(360)	(586)
Wasted investments and shortages and damages	(247)	-
Other expenses	(677)	(802)
Other operating expenses total	(1,690)	(25)
Income from illegal offtakes	727	1,073
Income from non-current assets for no consideration	2,551	618
Other income	1,369	1,231
Other operating income total	4,647	2,922
Profit from operations	70,258	42,801

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

21. Finance income and costs

in EUR thousand	2025	2024
Bank loans	(1,055)	(1,072)
Cash pooling	(3,875)	(3,518)
Borrowings received from parent company	(776)	-
Finance lease liabilities (Note 6)	(109)	(143)
Provisions: unwinding of discount	(121)	(255)
Amount capitalised in accordance with IAS 23	666	1,209
Finance income / (costs)	(5,270)	(3,779)

Capitalized borrowing costs

The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's general borrowings during the year, in this case 1,419% (2024: 2.84%).

22. Income tax expense

in EUR thousand	2025	2024
Current tax expense charge / (credit) in profit or loss, of which:	17,406	10,230
- <i>special levy from regulated industries</i>	2,489	1,578
Deferred tax expense charge / (credit) in profit or loss (Note 16)	89	8,324
Total	17,495	18,554

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

in EUR thousand	2025	2024
Profit before tax	64,848	39,022
Income tax calculated at a tax rate of 24% (2024: 21%)	15,564	8,195
Tax effects of:		
- Expenses not deductible for tax purposes	209	105
- Impact of special levy on tax	2,489	1,578
- Impact of change of tax rate from 21% to 24%	-	8,187
- Other	-767	489
Tax charge	17,495	18,554
Effective tax rate	26.98%	47.55%

The corporate income tax rate applicable for the year 2025 is 24% (2024: 21%). The tax rate is not expected to increase next year.

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.

The Company pays a special levy that is relevant for regulated business. The amount of the special levy of the regulated entity for 2025 and 2024 was calculated and paid in accordance with the relevant law as follows: the levy is based on the company's profit or loss reported in the company's financial statements multiplied by a coefficient calculated as the ratio of revenues from regulated activities to total revenues. In 2025, the Company reported a coefficient of 0.93 (0.95 for 2024). The amount of the monthly levy is calculated as the product of the levy rate and the levy base. In 2025 the monthly levy rate was 0.00363 (0.00363 in 2024). The special levy is a deductible expense for the purposes of applying the income tax payable.

Under standard conditions, 24% would be the rate applied on temporary differences to calculate deferred tax position in the Statement of Financial Position. However, as special levy is de facto tax, the size of the uplift to 24% tax rate should be determined by projecting the special levy payments for future periods. The Company performed this projection resulting into adjusted tax rate of 26.96% applied for deferred tax determination for the year end 2025. In 2024 no such adjustment has been in place due no immaterial impact on deferred tax.

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

23. Cash generated from operations

in EUR thousand	2025	2024
Profit before tax	64,848	39,022
Adjustments for:		
Depreciation expense (Note 5)	47,833	46,685
Amortization expense (Note 7)	4,066	4,752
Amortisation of right-of-use assets (Note 6)	381	290
Change in provisions (Note 17, 18)	(790)	(2,149)
Change in contract liabilities from connection fees and deferred connection fees (Note 19)	(5,841)	12,121
	(208)	4
Change in deferred income from non-current assets acquired for no consideration	-	(39)
Change in bad debt allowances (Note 3.1)	193	365
(Gain) / loss on sale of property and equipment (Note 20)	(295)	(576)
Interest expense (Note 21)	5,270	3,779
Payments for short-term and low-value leases	417	360
Shortages and damages (Note 5)	212	25
Income from assets acquired for free (relocated assets and inventory surplus assets)	(2,599)	(580)
Other non-cash transactions	(156)	91
Changes in working capital:		
Inventories (Note 9)	1,383	2,008
Trade and other receivables (Note 3.1)	296	(10,696)
Other non-financial assets (Note 11)	(257)	(995)
Trade and other payables (Note 13)	(11,272)	2,870
Other non-financial liabilities (Note 15)	1,557	(5,647)
Contract liabilities - advances from customers	(9,124)	(7,903)
Cash generated from operations	95,914	83,787

24. Contingencies

Taxation

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

Legal cases

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

25. Commitments

Capital Commitments

As at 31 December 2025 the Company has contracted approximately EUR 82,600 thousand of the capital commitments related to property, plant and equipment (2024: EUR 57,200 thousand). The Company does not have any material non-cancellable future operating lease commitments.

26. Related party transactions

Related parties are divided into following categories:

a) Parent company

- Západoslovenská energetika, a.s.(ZSE)

b) Entities under control of E.ON group

- E.ON SE
- Westenergie GmbH

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

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

d) Entities under control of ZSE Group

- E.SK Centrum (E.SK CS)
- Energetika Slovensko, a.s. (E.SK)
- E.SK Call centrum, s.r.o. (E.SK CC)
- VSE Ekoenergia, s.r.o. (VSE EE)
- VSE Solutions s.r.o. (VSOL)
- Nadácia VSE, subsidiary of E.SK CS
- Západoslovenská distribučná, a.s.
- ZSE Energia, a.s., until 30 June 2025, the company ceased to exist by merging with E.SK.

e) Key management personnel of the Company

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

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

The nature of relationship with related parties where the Company carried out significant transactions or had significant balances as at 31 December 2025 and 31 December 2024 with, are described below.

a) Parent company

Transactions with parent company ZSE are stated in the following table:

in EUR thousand	Year 2025	Year 2024
Revenues from sales of services	40	80
Other operating revenues	6	32
Services	(31)	(9)
Other expenses	(239)	(7)
Interest expense	(4,651)	(285)

Balances with parent company ZSE are stated in the following table:

in EUR thousand	As at 31 December	
	2025	2024
Trade receivables (gross)	24	6
Trade and other payables (Note 8, Note 13)	(245)	(2)
Other non-financial liabilities	(7)	-
Borrowings received (Note 14)	(120 000)	-
Not paid interests	(776)	-
Liability from casp pooling (Note 2.10)	(31 898)	(143,090)

b) Entities under control of E.ON group

Transactions with entities under control of E.ON Group are stated in the following table:

in EUR thousand	2025	2024
Purchases	(6)	(6)

Balances with entities under control of E.ON Group are stated in the following table:

in EUR thousand	As at 31 December	
	2025	2024
Trade receivables (gross)	21	21
Trade and other payables	-	-

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

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

in EUR thousand	2025	2024
Distribution services provided to electricity traders	41,115	36,808
Revenues from other services	68	1
Transmission fee	(26,289)	(38,703)
Services	(485)	(396)

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

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

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

in EUR thousand	As at 31 December	
	2025	2024
Trade receivables (gross)	2,321	3,481
Other non-financial assets	84	-
Trade and other payables	(1,525)	(13,176)

The Company received a guarantee in amount of EUR 940 thousand from Slovenský plynárenský priemysel, a. s. (2024: EUR 940 thousand).

d) Entities under control of ZSE Group

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

in EUR thousand	2025	2024
Distribution of electricity	125,515	119,171
Provided services	1,031	366
Purchase of electricity for losses	(18,313)	(29,116)
Purchase of electricity for own consumption	-	(1,018)
Purchase of services and other	(12 599)	(13,328)
Interest expenses	-	(1,266)

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

in EUR thousand	As at 31 December	
	2025	2024
Trade receivables (gross)	15,520	13,148
Other non-financial assets	-	89
Trade and other payables	(1,064)	(238)

e) Key management personnel of the Company

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

in EUR thousand	2025		2024	
	Board of directors & divisional directors	Supervisory board	Board of directors & divisional directors	Supervisory board
Short-term employee benefits	542	143	823	125
Defined benefit plan	79	24	115	20
Total	621	167	938	145

27. Events after the reporting period

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