2020

ANNUAL REPORT

V Stredoslovenskej distribučnej už od začiatku mimoriadnej situácie spôsobenej koronavírusom pravidelne zasadá krízový štáb. Spoločnosť to doposiaľ stálo takmer 300-tisíc eur, pričom existuje predpoklad, že výdavky ešte porastú. „Utlmili sme všetky plánované práce, či už investičné alebo údržbové, pri ktorých by bolo nevyhnutné vypínať elektrinu pre väčší počet odberných miest alebo na dlhší čas. Teraz trávi každý čo najviac času doma vrátane školákov, preto sa im snažíme pomôcť aj takýmto spôsobom. Poruchy odstraňujeme v štandardnom režime, ale za prísnych bezpečnostných opatrení. V naliehavých prípadoch, ak je ohrozená prevádzka alebo bezpečnosť, vypíname vedenia v nutnom rozsahu a čase potrebnom na vyriešenie problému. Našich pracovníkov sme vybavili potrebnými ochrannými prostriedkami a rozdelili do menších skupín s cieľom obmedziť ich osobný kontakt na minimum.“

2020

ANNUAL REPORT

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01. FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

Dear customers, business partners, shareholders and colleagues,

We have made it through one of the most challenging years of the last decades. The COVID-19 pandemic has affected the world and all aspects of life. Our company was no exception. At the beginning of last year, we hadn't the slightest idea that the situation would be so serious and that we would experience, besides predictable tasks and challenges, a large number of unexpected obstacles. As they could not be predicted, one could not be adequately prepared despite the fact that our company, as part of the critical infrastructure, is constantly prepared for various scenarios to some extent. Fortunately, we do not have to evaluate 2020 only negatively, because we have managed to largely withstand its pitfalls, adapt and respond to them as much as possible.

Despite the difficult circumstances, we were able to keep the distribution network in standard operation without a significant impact on customers, which was the most important thing. Following the declaration of a state of emergency in the Slovak Republic on 16 March 2020, the company's management competences were transferred to the SSD's Central Task Force, which managed the company until 31 May 2020. Although we had to adjust the plan of activities to a considerable extent, our results did not ultimately differ dramatically from the original goals. For objective reasons, we have not been able to invest the contemplated EUR 49.5 million, but the amount of EUR 45 million also testifies to our best efforts to deal with the situation as effectively as possible. The main reason for this difference was the subdued company's maintenance and investment activities with an impact on the interruption of electricity distribution for customers in the period from March to June 2020. During these months, Slovakia experienced a strict regime together with curfew. As we did not want to make worse the already very demanding situation for the population, we eliminated the planned power outages to the necessary minimum with regard to the safety of the distribution system. We have postponed a number of activities to later months or to the next year.

We have invested a lot of energy, time and money in hygiene and safety measures aimed at protecting our employees from the infection. Ever since the outbreak of the pandemic, our company has approached this issue in all seriousness and responsibility. The measures taken internally were in many respects even stricter and more precise than those ordered by the government and the competent institutions. In total, we have invested about half a million euros in prevention. Thanks to our responsible approach, we were able to operate throughout the year without any serious restrictions as regards employee capacity. We are all aware of the irreplaceable role of people who take care of the country's electricity supply, one of the most important commodities of our time.

We are pleased that, despite the difficulties mentioned, we have continued with several key projects, with a number of them successfully accomplished. The most important projects included the reconstruction of two very high voltage lines between the substations in Varín and Sučany, the reconstruction of the substations in Hričov, Kysucké Nové Mesto and Sučany. Moreover, we launched a new electronic system for processing distribution requests, making paperwork easier and faster for customers. At the same time, we are constantly working on new projects in order to be able to manage our distribution area more and more efficiently and to provide our customers with support and security even in difficult times.

At the moment, there is every indication that the coming years may also be characterized by uncertainty. We nevertheless do not lose hope or determination to pursue our mission conscientiously. Every accomplishment is based on cooperation; that is why we would like to thank you for our cooperation to date, hoping to maintain our good relationships in the future, regardless of whether we have better or more difficult times ahead of us.

Ing. František Čupr, MBA
Chairman of the Board of Directors

Mgr. Ing. Marek Štrpka,
Chief Executive Officer

02. ABOUT THE COMPANY

2.1 Basic Information on the Company

Stredoslovenská distribučná, a.s., (hereinafter: "SSD, a.s." or the "Company") was founded with the business name Stredoslovenská energetika – Distribúcia, a.s., on 22 March 2006. It was entered in the Commercial Register of the District Court in Žilina on 8 April 2006. The incorporation was initiated by the obligation of Stredoslovenská energetika, a.s. to implement the legal separation of activities associated with the operation of the distribution system, the so-called unbundling. The Company operates in the Žilina, Banská Bystrica and part of the Trenčín Regions, where it distributes electricity to almost 760,000 supply points for customers, i.e., entrepreneurs and households. The Company started its operation on 1 July 2007, when according to Article 25(1) of the Energy Act (unbundling), the distribution system operator was unbundled by contribution of part of the company – Division 7000 – Distribution System Operator – to the registered capital of the subsidiary company Stredoslovenská energetika – Distribúcia, a.s. On 1 March 2018, Stredoslovenská energetika – Distribúcia, a.s. changed its business name to Stredoslovenská distribučná, a.s.

2.2 Identification Data

Business name:
Stredoslovenská distribučná, a.s.

Address:
Pri Rajčianke 2927/8, 010 47 Žilina

Reg. No. (IČO): 36442151
Tax ID (DIČ): 2022187453
VAT ID (IČ DPH): SK 2022187453

Bank details: VÚB, a. s., Žilina
IBAN: SK44 0200 0000 0021 4355 0551
BIC: SUBASKBX

The joint-stock company is registered in the Commercial Register of the District Court Žilina, Section Sa, Insertion no. 10514/L, incorporation date 8 April 2006.

E-mail: **prevadzkovatel@ssd.sk**
Website: **www.ssd.sk**

2.3 Business Purpose

Stredoslovenská distribučná, a.s. pursues its business activities based on licences granted according to special laws of the Slovak Republic and carries out the following main activities:

- Distribution of electricity,
- Assembly and repair of measuring and control technology,
- Design and construction of electrical equipment,
- Advisory activities in the energy sector,
- Engineering activities and related technical consultancy,
- Rental of energy equipment,
- Constructions and changes thereto,
- Repairs, expert inspections and technical examinations of electrical classified technical equipment in the scope of S, O (OU, R, M) – E1-A,
- Assembly of determined metering devices

The Company's core business is the distribution of electricity to end customers, which in most cases is invoiced through electricity traders in the form of the so-called Contract on composite electricity supply.

2.4 Shareholder Structure

The sole shareholder of Stredoslovenská distribučná, a.s., holding 100% of shares, is Stredoslovenská energetika Holding, a.s., with its registered office at Pri Rajčianke 8591/4B, 010 47 Žilina, Reg. No. (IČO): 36403008, registered in the Commercial Register of the District Court in Žilina, Section Sa, Insertion number 10328/L, incorporation date 1 January 2002.

2.5 Company Management during the Year Ended on 31 December 2020

Board of Directors:

Ing. František Čupr, MBA
Chairman

Ing. Martin Kuna
Vice-Chairman (until 29 September 2020)

Ing. Roman Hušťava
Vice-Chairman (from 1 October 2020)

Ing. Michal Janíček
Member (until 30 September 2020)

JUDr. Peter Hajduček
Member (from 1 October 2020),

Ing. Roman Filipoiu
Member

Petr Kozojed
Member

Supervisory Board:

Ing. Pavol Mertus
Chairman (until 30 September 2020)

Ing. Drahomír Múdry
Chairman (from 1 October 2020)

William Price
Vice-Chairman (until 30 September 2020)

Gary Mazzotti
Vice-Chairman (from 1 October 2020)

Ing. Marcela Kumštárová
Member (until 30 September 2020)

PaedDr. Jozef Bojčík
Member (until 30 September 2020)

Ing. Drahomír Múdry
Member (until 30 September 2020)

Ing. Vladimír Macášek
Member (until 30 September 2020)

Ing. Róbert Klimo
Member (from 1 October 2020)

Mgr. Michal Komada
Member (from 1 October 2020)

Ing. Pavol Matlák
Member (from 1 October 2020)

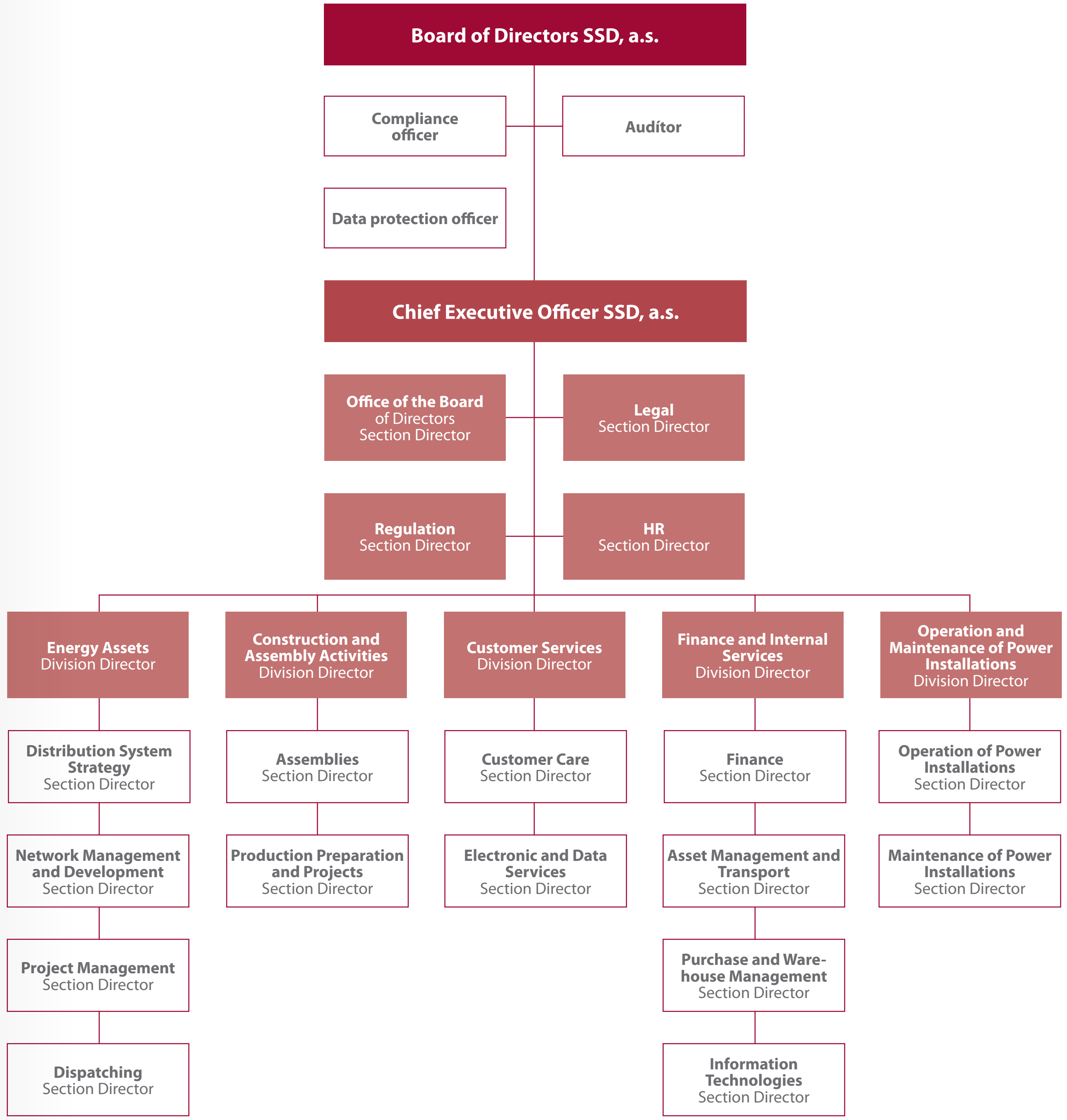
Mgr. Maroš Skopal
Member (from 1 October 2020)

Ing. Dušan Majer
Member elected by employees

Ing. Igor Pištík
Member elected by employees

Ing. Miroslav Martoník
Member elected by employees

2.6 Organizational structure as at 31 December 2020



03. COMPANY ACTIVITIES

3.1 Significant Events in 2020

Customer Services

Despite the difficult situation, when the whole world was fighting COVID-19, Stredoslovenská distribučná did not curb its priorities and carried out the maximum number of activities aimed at the safe and reliable operation of the distribution system. Our aim was to make sure that the distribution system users did not have to face a situation in which they would be left without electricity. In order for the distribution system to be managed safely and reliably, IT systems and their company-wide and national connections are necessary. The threat of cyber-attacks increased during 2020. Activities from previous years confirmed our readiness to resist this threat and at the same time constituted an impetus for us to continue working in this area in order to achieve higher security levels.

On 21 May 2020, we launched a pilot operation of an electronic communication channel for customers to submit requests for the connection of new supply points to the distribution system. On 1 November 2020, the request management web portal (WPSZ) was put into full production operation with electronic forms for all requests that the customer needs to solve with SSD. Simultaneously with the WPSZ portal, an electronic tool was launched for electricity suppliers – traders so that they could mediate the conclusion of a connection contract for their clients when changing the end customer in writing in accordance with the Energy Act. Process automation mainly delivers time savings, as well as accurate contractual technical data on the customer's supply point. Written confirmation of the contractual technical parameters eliminates misunderstandings that occurred in the case of virtual contracts introduced by the Energy Act during the division of the electricity market in 2005.

The interest in developing a distribution system for connecting new supply points through development projects continued in 2020. It has been verified that such cooperation saves time and considerable financial resources, which means that it can be developed more and more effectively.

From 1 January 2020, the evaluation and, in the event of non-compliance with the parameters, the subsequent invoicing of increased tariffs for non-compliance with the power factor and the reactive component of electricity for customers at the low voltage level was launched. We can say that the preparation paid off mainly for customers who did not initially pay enough attention to these obligations, but on the basis of ongoing information from SSD, they took measures in the preparatory phase as regards compensation of the phenomena. This was a condition for the entire process of invoicing non-compliance with the parameters of the operation of the supply point to be carried out smoothly and with a negligible number of complaints. The activity in this area was aimed at eliminating the creation of adverse effects on the quality of electricity distribution at supply points. The objective has been fulfilled and this step to stabilize the distribution system has also saved funds for much more important needs, such as the construction of new facilities and the reconstruction of existing ones, which are used daily by our customers.

During the year, as part of national measures, customers were repeatedly subjected to curfew. As regards SSD, this was reflected in an increased number of customer requests. In some areas, the volume of the requirements was at the level of previous years, but they rose by up to 40% in some areas. We can proudly say that SSD was able to adapt to its employees working from home in a short time, thus ensuring that all requests are met within the standard legislative period.

We performed our obligations to the electricity market using high-quality automated processes. The number of anomalies in relation to the volume of reports was negligible. We maintain quality at the maximum possible level within the limits of IT technologies. Despite the efforts and rising volumes, we prepared a study on the data validation automation in 2020. Through the development of intelligent metering systems (IMS), valid legislation and the whole philosophy of the functioning of the electricity market in the Slovak Republic, the area reaches the stage of unmanageable state in terms of quality and quantity, therefore we want to invite artificial intelligence for permanent help. In this way, we ensure the maintenance and even the improvement of the quality of data that subsequently enters into invoicing. The data pool has long been a top priority of our Company and we also subordinate development activities to it.

In the field of IT, a project to replace the customer system has been launched in SSD. The new system should meet flexibility, transparency and simplicity requirements not only for our Company, but especially for users who work with the systems.

In 2020, we also worked on the preparation of an application for self-reading as we want to provide our customers with a modern tool and room to report the reading in accordance with legislation in the case of unavailability of the electricity meter in a public space. Placing of the application in service is planned for the first quarter of 2021.

External Communication

For the first two months of the year, external communication addressed mostly energy calamities, of which there were several in a few weeks. The population of Central Slovakia was informed about the course of massive power outages and their elimination in accordance with a verified scheme, which means that during these outages, customers received regular reports on the current situation and its development through the media.

In March, the pandemic also affected Slovakia and the society-wide situation, of course, required to be reflected by the Company's external communication as well. It focused in particular on internally adopted measures aimed at protecting employees from the infection, thus maintaining the distribution system in full operation even during the critical period. It was extremely important for the functioning of the country that the distribution of electricity be ensured without restrictions; otherwise, there would be serious restrictions with broad-based consequences. People needed information on how the distribution company had adapted to the situation, that it had the situation under control and had contingency plans in place in the event of deteriorating circumstances. SSD also informed customers that its planned activities had been curtailed during the curfew, with an impact on the interruption of electricity distribution. In communicating these topics, the Company used press releases, as well as television reports and radio posts.

When the situation improved in early summer, SSD resumed its subdued activities, adapting its external communication accordingly. As a result, the public was aware of the current investment projects, major planned outages, as well as of the charitable activities of the distribution company, whether it was the donation of face masks to sanitary facilities in the Banská Bystrica self-governing region or financial assistance to municipalities affected by floods.

The most resonant investments included the reconstruction of the substation in Sučany, re-insulation of several very high voltage lines, complex and extremely demanding reconstruction of the 110 kV line between Sučany and Varín or replacement of obsolete high voltage lines in calamity sections in the Kysucké Nové Mesto or Banská Štiavnica districts.

An important step in terms of the Company's communication with customers, business partners and institutions were the kick-off of a fundamentally redesigned website. The changes not only involved a clearer layout, easier orientation and a more attractive appearance, but also the addition of several new electronic services, owing to which the communication of customers with our Company has fundamentally changed, especially with regard to the administrative demands and time required.

As more or less strict anti-pandemic measures applied for most of the year, we had to cancel many of the

planned communication activities. For example, the contemplated meetings with local government representatives, which have gained not only in intensity but above all in importance in recent years, did not take place. It was also not possible to organize regular working meetings with journalists to discuss distribution topics suitable as media content. During the summer months, when the situation was more favourable, only a few necessary and sporadic meetings took place.

In general, we can evaluate external communication in 2020 as highly specific, adapted to current events and the needs of the Company. Its intensity corresponded to the changing situation and over time it can be stated that it also brought the required efficiency.

3.2 Investment Planning, Key Investments in 2020

Our permanent goals are to strengthen the critical points of the grid, to renew the system's physical condition, to comply with quality standards, to reduce electricity distribution losses, and to connect new supply points. Our investment activity reflects current needs for the development and quality of the distribution system, previous development as well as legislative requirements for its operator. At our Company, we realize that the quality of distribution and trouble-free operation are very important to our customers. The planned activities and investments are therefore targeted at achieving the required quality of services. We make every effort to best meet the expectations of our customers.

In connection with our Company's mission, the investment process is divided into three basic sections:

- New connections,
- Quality and increase of the transmission capacity of lines,
- Other investments linked to the distribution activity.

Structure of investment expenditures in 2020 by individual sections:

Structure of investment expenditures in 2020	
New connections	EUR 9.171 mil.
Quality and increase of the transmission capacity of lines	EUR 22.395 mil.
Other investments associated with the distribution activity (development, IT, measuring sets, and others)	EUR 6.981 mil.

New Connections

Within this investment section, we addressed development actions of the construction of the distribution system due to the need to connect larger supply points to the very high voltage (VHV) and high voltage (HV) levels, which include, for instance, industrial parks, multifunctional buildings, and retail spaces. On the low-voltage (LV) level, we invested in the construction of new supply points, such as family houses, housing developments, smaller business premises, and public amenities. In 2020, we completed 233 constructions at the HV and LV level, and invested EUR 8.799 mil. At the VHV level, we invested EUR 0.372 mil.

Quality and Increase of the Transmission Capacity of Facilities

From the point of view of investment construction in the area of quality and the increase of the transmission capacity of the facilities, we implemented 206 constructions at the HV/LV level and 26 constructions at the VHV level at a total annual investment cost of EUR 22.395 mil. in 2020. The purpose of these investments is to ensure the reliability and fluency of the distribution of electricity and the resulting customer satisfaction.

The continuing priorities of the construction included complying with the quality parameters, eliminating adverse physical conditions due to external influences and equipment lifetime, reducing failure rates, modernizing equipment and improving the possibilities of electricity distribution. The implementation of the planned outages was affected by the epidemic situation caused by the COVID-19 disease. In March to May, the planned activities on the distribution system were limited.

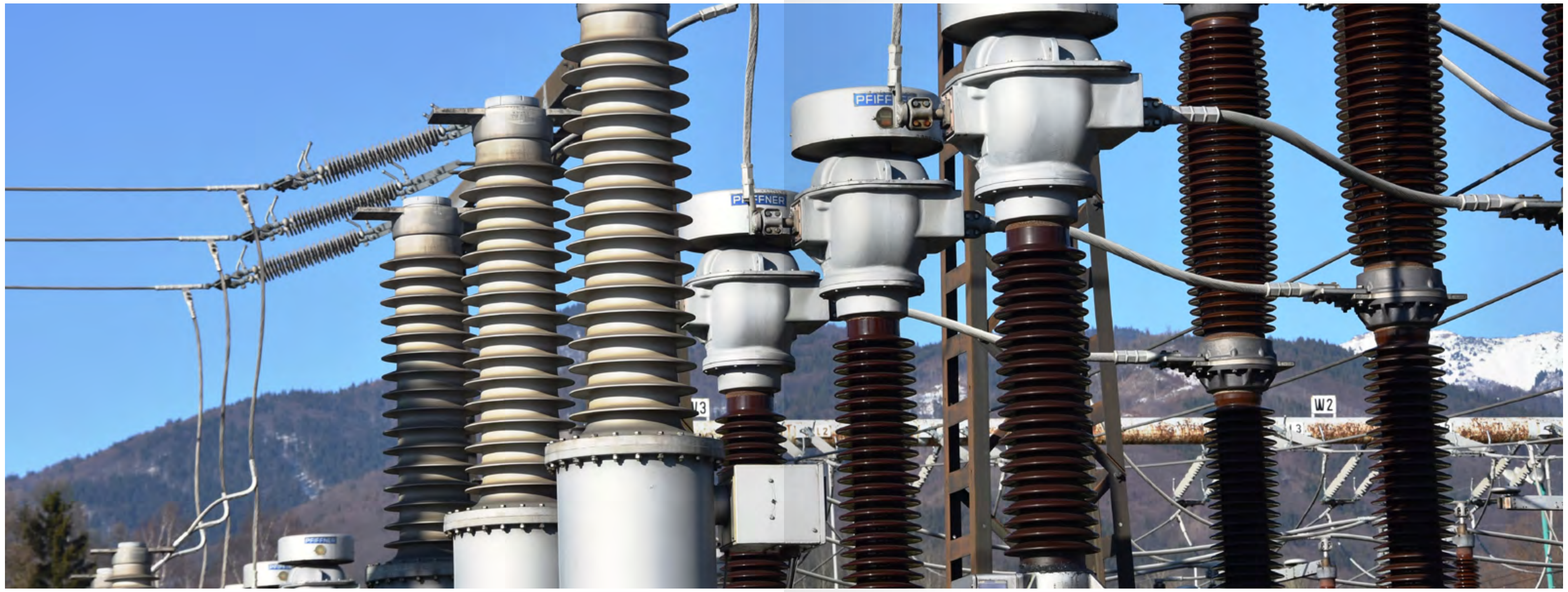
Values of the basic SAIDIP and SAIFIP indicators achieved in the previous period:

Year	SAIDIP	SAIFIP
2011	146	0.47
2012	81	0.36
2013	85	0.35
2014	89	0.35
2015	118	0.46
2016	179	0.60
2017	140	0.49
2018	190	0.60
2019	194	0.65
2020	194	0.64

In the event of unplanned interruptions in the electricity supply caused in particular by failures (whether due to adverse weather or technical reasons), the priority is to restore the distribution after interruption in the shortest possible time and in accordance with the terms defined by Decree of the Regulatory Office for Network Industries No. 236/2016, which regulates the quality standards of electricity transmission, distribution and supply.

In this context, we achieved the following parameters:

Year	SAIDIP	SAIFIP
2011	105	2.36
2012	86	1.72
2013	83	1.81
2014	77	1.62
2015	88	1.89
2016	86	2.19
2017	91	1.97
2018	96	2.08
2019	105	2.24
2020	86	1.75



Due to extreme weather conditions, mainly strong wind storms, rain or snowfall, nine disasters occurred during the year with significant interruption of electricity distribution. Our distribution region was mainly affected by disasters in February, March, June and October, which affected mainly the mountainous regions of Kysuce, Orava, Liptov, Horehronie and Gemer, but outages also occurred in other parts of Central Slovakia. Particularly, uprooted trees collapsed on electric power equipment resulted in torn wires, bent brackets, broken support points and broken insulators. Not only the lines, but also the HV and LV stations and VHV equipment. To eliminate the consequences of outages, our employees often worked in very difficult-to-access terrain and demanding natural conditions. Their aim is always to restore the distribution of electricity to customers in the shortest possible time.

3.3 Main Activities and Investments in Terms of the Development of the Distribution System

In order to ensure the prescribed source mix and implementation of the regulations of the fourth energy package in accordance with European Union legislation, we began to address the issue of determining the capacity of sources supplied to the SSD distribution system and other related conditions and measures resulting from this regulation. The regulations are implemented by our company with regard to the safe and reliable operation of energy equipment, which will then be reflected in the conditions of secondary and tertiary connection legislation.

In close cooperation with SEPS, a.s. and other regional distribution system operators, we continued the study on reactive energy flows from the distribution system to the transmission system in 2020. These flows have had a progressive trend in recent years due to growing cabling, a revolutionary change in the nature of electricity appliances and the deployment of sources. By increasing the voltage, they cause serious problems in the operation of the transmission system. At the turn of 2020/2021, the first stage of the study was finalized, which analyses the entire electricity system from the point of view of reactive power. The study contains a technical and economic analysis of the suitability of the location of compensators for the regulation of these flows.

Another important activity aimed at optimizing the management of the distribution system was the measurement of 110 kV line operating parameters and evaluation of the technical condition of our energy equipment using a functional database model.

2020 flagship projects:

- Based on customer requests for new connections at the VHV and HV level, we completed the expansion of the electric station in Kysucké Nové Mesto with two new VHV fields. At the Tepláreň Žilina Electric Station, two VHV fields were expanded for a new supply of ŽSR, a. s. The construction will be completed by tests of the entire VHV substation after the end of the 2020/2021 heating season. At the Bytča Electric Station, two reserve HV fields were equipped for the needs of new consumption.

- At the Bytča and Prievidza Electric Stations, the original VHV/HV transformers were replaced by new low-loss ones together with HV cable outlets from the new transformers. The new transformer at the Prievidza Electric Station has a higher output than the original. As a result, the reliability of electricity supply in the Prievidza area has increased, especially with regard to the completion of the VHV/HV transformation at the Cígeľ Electric Station at the end of 2020. A new VHV connection of the Nováky Electric Station and the Prievidza Electric Station was created.

- As part of the modernization of electric stations, the reconstruction of the management information system and protective elements at the Kysucké Nové Mesto Electric Station was completed in 2020. The reconstruction of controls and measurements at the Hričov Electric Station was also completed.

- We completed the electrical assembly work at VHV No. 7717 from the Varín Electric Station to the Sučany Electric Station. Line no. 7717 was put into operation. On the partially parallel VHV line No. 7718, among the mentioned electric stations, the assembly work was almost completed in 2020. In the first quarter of 2021, the line will be put into operation.

- Work continued on the reconstruction of the Bystričany and Sučany hubs. At the Bystričany Electric Station, the shift of SEPS, a.s., from the 200 kV voltage level to 400 kV caused the reconstruction. This change also required adjustments on the part of SSD. The completion of the works is planned in 2021, when the completion of the comprehensive reconstruction of the Sučany Electric Station is also planned. Here, the work is carried out in coordination with SEPS, a.s., and SE-VET, a. s.

- In the fourth quarter of 2020, we began the reconstruction of the Vlkanová Electric Station to increase the reliability of electricity supply in the vicinity of Banská Bystrica and Zvolen. The modernization of obsolete technology will reduce the number of trips due to failures as well as transformation losses by using new transformers.

3.4 Technical Parameters of the Distribution System

Technical parameters of our distribution system in 2020	
Total length of the distribution system in km	35,103
VHV	2,528
HV	11,006
LV	21,569
Number of transformer substations, substations, transformer stations	9,314
VHV Substations in stations TS/VHV	6
Transformer substations VHV/HV	56
Transformation and switching stations HV/HV	79
Distribution transformer stations HV/LV	9,173

3.5 Environmental Protection and OHS

Safety Management System and OHS

The priority of our business is to take care of safety and occupational health of employees, suppliers, customers and the public.

In 2020, we successfully passed the recertification audit of the occupational health and safety management system ISO 45001:2018. As part of this process, we examined key areas and assessed compliance with the relevant standard, on the basis of which the audit firm issued a certificate for the Company.

We have also been involved in the European campaign Healthy Workplaces – Safety and Health at Work Week – Healthy Workplaces Lighten the Load, organized by the European Agency for Safety and Health at Work.

Environmental Management System

In October 2020, we successfully passed the certification audit of the environmental management system according to the ISO 14001:2015 standard. The result of the audit is that the certification body has demonstrated compliance with this standard.

Nature Protection and Biodiversity

Biodiversity and nature protection in the Company have long been perceived as one of the priorities in the field of sustainable development. During the year, we recorded 30 complaints from state administration bodies, mainly of deaths of protected animal species.

As part of long-term cooperation with the State Nature Conservancy of the Slovak Republic, we secured risky sections of distribution lines in technical terms. We have installed technical elements on electric lines, the aim of which is to make the wires visible with bird deflectors and warning balls. In 2020, we completed the installation of diversions during the comprehensive reconstruction of the 110 kV line on the Strečno - Lipovec section.

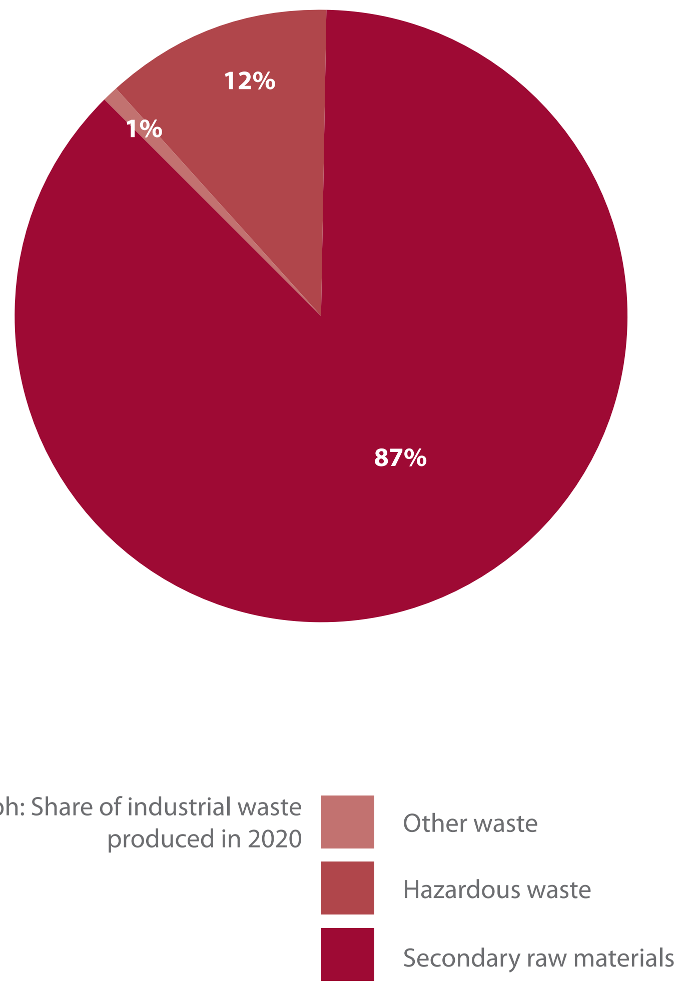
To reduce the risk of deaths within the network, we have installed 351 eco-shields and 66 insulator covers. Using a new type of console with a triangular arrangement of wires is a matter-of-fact.

Protection of the Earth's air and ozone layer

The monitoring of emissions from air pollution sources constitutes a special area of environmental protection. SSD operates small and medium sources, i.e., boiler rooms and motor generators. Data on emissions of pollutants into the air are reported electronically via the National Emission Information System. Special attention is paid to equipment containing SF6 gas, which is classified as a greenhouse gas. Gas leaks are closely monitored and recorded. In 2020, SF6 gas leaks of 68.42 kg were recorded, which is equivalent to 1,559.976 tonnes of CO_2.

Waste Management

In 2020, we continued to reduce the production of hazardous waste and wastewater from emergency tanks at electric stations. During repairs and reconstructions, attention is paid to thorough separation and disposal. A significant proportion of industrial waste without hazardous properties is recovered through available recycling facilities.



Graph: Share of industrial waste produced in 2020

The recovered waste mainly includes ferrous and non-ferrous metals, cables, discarded electrical equipment, batteries and oils.

Surface Water and Groundwater Protection

The increase of the environmental safety of the facilities takes place within the planned renewal of the distribution facilities. The result is, among other things, a reduction in the potential risk of water and soil pollution by oils from distribution facilities. In 2020, we spent almost EUR 18 thousand on eliminating the consequences of accidental discharge of pollutants into the environment. We continue to monitor the values of pollution of wastewater discharged from SSD facilities in accordance with the conditions of water permits of state water administration bodies. The values measured at discharges into streams in 2020 did not exceed the set values.

Prevention against COVID-19

The first preventive measures against the spread of respiratory diseases were taken by the SSD management as early as March 2020. Within these measures, we introduced regular disinfection of the Company's premises, installed hand disinfectant dispensers and informed employees about the basics of prevention against the spread of respiratory diseases.

In order for the COVID-19 disease not to spread in the premises of the SSD, we ordered employees whose work thus allowed to work from home, banned all foreign trips and also restricted business trips in Slovakia. Visitors were banned from entering the SSD premises and the entry of employees of supply companies was restricted. Meetings were replaced by telephone or electronic communication. All trainings, conferences and seminars in an external environment were cancelled. Working meetings were limited to the strict minimum. We have ordered strict safety measures, including mandatory face masks. We distributed protective equipment against the spread of the disease to all employees. We also advised them to consider private trips to high-risk countries.

During April, dispatchers began working at two independent workplaces, which are separated from the rest of the premises so that they do not come into contact with other employees. Additionally, we also built a third backup dispatching workplace.

We assigned the Operation and Maintenance of Power Installations Division employees to work at the place of their residence, focusing primarily on addressing failures. We started preventive testing of key employees by PCR tests for the COVID-19 disease. After the end of the state of emergency on 13 June 2020, the Company gradually switched to standard operation.

With the onset of the second wave of the pandemic and taking into account the current situation, we updated the set of measures. Employees started working from home again. Those unable to work from home began to take turns at the workplace so as to minimize contact with other employees. The same strict safety rules applied to outdoor constructions as during the first wave of the disease. In addition to the Chief Executive Officer's order, the body temperature of everyone entering the SSD premises was measured.

In cooperation with Falck Healthcare, Company-wide antigen testing for COVID-19 was performed in December. The OHS team did a trace of everyone who came in contact with the positively tested person.

By the end of 2020, 895 employees had been preventively tested by PCR tests at the employer's expense. As at 31 December 2020, there were 132 COVID-19 positive employees in the Company.

3.6 Employees

As at 31 December 2020, we recorded 1,344 employees. The rate of voluntary fluctuation decreased to 1.28% compared to the previous year. During 2020, 19 employees retired (old-age pension, early retirement, disability pension). As at 31 December 2020, the average employee age grew slightly compared to the previous year, to 45.89 years. The average length of employment in SSE Holding dropped only slightly, at almost 19.51 years at the end of 2020.

Education

Even in the pandemic year of 2020, SSD was determined to increase the qualifications, competences and development of its employees through the education system.

In 2020, employees participated in professional training, courses, seminars, conferences, workshops and online training. Even during the strict epidemiological measures, the Company implemented all mandatory (basic, updating and refresher) training according to the training schedule for 2020.

Structure of employees by gender

	As at 31 December 2020	Share (in %)
Women	230	17.11
Men	1 114	82.89
Total	1 344	100.0

New topics of professional educational activities were addressed as well. They included the professional seminar concerning STN standards 2020 for electricians and fitters, load management of the dispatcher and, as part of the TRAFO project, the "New manager - mix of modules" module was implemented. As part of internal education, e-learning trainings in the field of cyber security took place.

Attention was also paid to education in the field of managerial skills, communication, stress management, as well as the topics caused by the situation, e.g., trainings focused on the work and management of employees when working from home.

The trainings took place face-to-face or via e-learning; those allowed to do so by the nature of learning joined the trainings online via MS Teams, Zoom, Hopin and the like.

As part of the ongoing Vocational Education in SSD project, a new training ground was opened in 2020 in Žiar nad Hronom for the implementation of internal training concerning low-voltage (LV) live working.

We expanded our portfolio of internal trainings with trainings on safe work procedures with employee testing in the MEGADtB application, which was launched in September 2020.

Our Company's goal remains to further develop the potential of its employees so that they can grow personally and career-wise. In 2020, the Company invested EUR 173,330 in education and implemented 802 training events.

Professional Experience and Cooperation with Schools

We have a long-term cooperation with secondary vocational schools in the field of electrical engineering, focusing on power electrical engineering. The result is four concluded agreements on practical training with the Secondary Vocational School of Electrical Engineering in Žilina, the Joint School of Banská Bystrica, the Secondary Vocational Polytechnic School in Dolný Kubín – Kňažia and the Joint School in Nižná. Since the beginning of the 2020/2021 school year, a total of eleven students completed practical training in our Company at various workplaces within the Operation and Maintenance of Power Installations Division. Their learning and gaining practical experience were very limited due to the pandemic.

In 2020, we launched the eighth year of the "Trainee" program. Within this programme, a total of nine fourth- and fifth-year university students can gain experience in project management, design, controlling and reporting, distribution system strategy, new connections, asset management, purchasing, warehousing and human resources. This program was also affected by the pandemic situation and preventive measures limited students' access to individual workplaces.

Internal Communication

In the field of internal communication, the Distribution Week was launched in the first wave of the new coronavirus pandemic - regular weekly e-mail overviews for employees concerning important measures, decisions and changes arising from the Central Task Force meetings.

In the summer and during the second wave of the pandemic, the Distribution Week was also used as an information channel for organizing corporate testing of employees, collecting data from nationwide testing and also informing about the overall results of Company-wide testing and preventive measures against the spread of COVID-19.

To share internal information and especially the Distribution Magazine, QR codes were used in e-mails in response to the introduction of work from home. Employees working in the field were gradually equipped with smartphones so that everyone has access to Company e-mails and the intranet.

The main source of internal information for employees in 2020 was the Distribution Magazine, which was read by more than 700 employees on average per month. Another information channel was traditionally the intranet and Distribution News – a joint e-mail through which all employees receive corporate e-mails Week in Distribution, Distribution Magazine, Chief Executive Officer's orders, as well as many other important information from the Company's environment.

04. REPORT ON THE ECONOMIC RESULTS AND OPERATION OF THE COMPANY STREDOSLOVENSKÁ DISTRIBUČNÁ, A.S. FOR THE YEAR 2020

Economic Results

In the field of financial management, the Company's management focuses in 2020 on addressing challenges associated with the COVID-19 pandemic, creating stable financial conditions for carrying out its main activity and achieving the Company's planned economic results, profitability and financial stability.

The financial statements of the Company as at 31 December 2020 were compiled according to the International Financial Reporting Standards (IFRS) as adopted by the European Union and as ordinary financial statements in accordance with Article 17(6) of Act of the National Council of the Slovak Republic No. 431/2002 Coll. on Accounting, as amended ("Accounting Act") for the accounting period between 1 January 2020 and 31 December 2020.

For 2020, the Company achieved a profit after tax of EUR 138.4 mil., which represents a year-on-year growth of EUR 26.1 mil. (+23 %). The increase was mainly due to transactions related to the support of renewable energy sources and the tariff for the operation of the system (TPS) in accordance with the applicable legislation.

Operating income amounts to EUR 359.8 mil., whereas the largest portion were revenues from electricity distribution, which remain stable compared to previous periods. The strong year-on-year decrease is due to the fact that in 2020 the Company reported lower revenues from TPS compared to previous years, which is related to the termination of the obligation to purchase electricity from renewable sources from 2020.

Operating costs amounted to EUR 122.9 mil., of which the most significant part was in particular the costs of purchasing electricity for distribution losses, including the associated and costs related to the transmission of electricity from the higher-level system Other significant items are personnel costs and the costs of operating and maintaining the distribution system. The decline in operating costs compared to 2019 is again related to the already mentioned termination of the obligation to purchase electricity from renewable sources, which did not incur any costs for the Company.

Capital Structure – Assets, Equity and Liabilities

in EUR mil.	2020	2019
Operating income	359.8	521.1
Operating costs	-122.9	-316.4
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	**236.9**	**204.7**
Depreciation of tangible and intangible assets	-53.3	-57.7
Financial costs, net	-0.3	-0.4
Profit before tax	**183.2**	**146.7**
Income tax	-44.9	-34.5
Profit after tax	**138.4**	**112.2**

Assets

As at 31 December 2020, the Company's assets amounted to EUR 1,040.7 mil., which represents a year-on-year increase by EUR 19.1 mil. (+2 %).

Non-current assets amounted to EUR 767.2 mil. (74 % of the value of total assets). The highest share is made up of distribution systems, electric stations, real estate, means of transport and mechanisms, machinery, equipment, software and investments in progress. In 2020, we reported additions to non-current assets of EUR 50.5 mil. (including relocations of power installations). Additions to non-current assets were mainly generated by investments aimed at the renewal and development of the distribution system.

04. REPORT ON THE ECONOMIC RESULTS AND OPERATION OF THE COMPANY STREDOSLOVENSKÁ DISTRIBUČNÁ, A.S. FOR THE YEAR 2020

Current assets amounted to EUR 273.5 mil. (26 % of the value of total assets). As at 31 December 2020, the Company reported trade receivables in the amount of EUR 16.5 mil. gross, of which due receivables accounted for EUR 14.5 mil. gross. The funds managed by the parent company, Stredoslovenská energetika Holding, a. s., on the basis of the "Cash-Pooling Agreement" as at 31 December 2020 amounted to EUR 40.4 mil. and are reported as a receivable from the parent company.

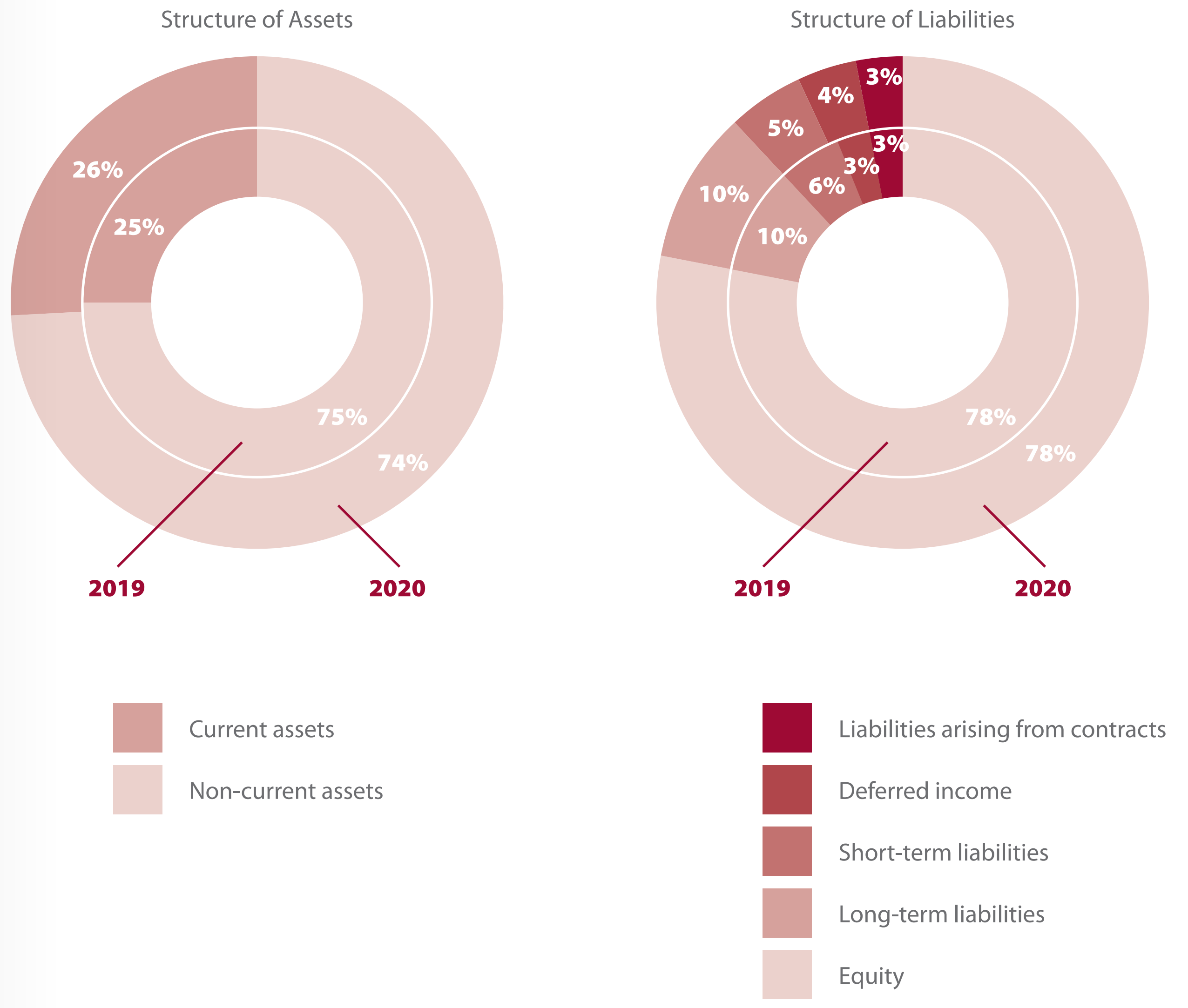
Liabilities

Equity of the Company as at 31 December 2020 reached EUR 816.2 mil., which accounts for 78% of the value of the assets cover. The year-on-year increase by 3 % is due to lower retained earnings in 2020.

Long-term and short-term liabilities, excluding liabilities arising from contracts and deferred income, account for 15 % of the total assets cover, and their amount as at 31 December 2020 was EUR 157.1 mil., which represents a year-on-year decline by EUR 11.2 mil. (-7 %). Significant items included, in particular, deferred tax liabilities (EUR 84.0 mil.) and trade liabilities (EUR 42.1 mil.).

Liabilities from contracts, which mainly represent connection fees, amounted to EUR 36.1 mil. in 2020, rising by EUR 1.9 mil. (+ 6%) compared to 2019.

Long-term deferred revenues amounted to EUR 31.3 mil., representing 3 % of the value of the assets cover, with a year-on-year increase by EUR 2.7 mil. (+10 %). The most significant part of the revenues for the coming years are revenues associated with the relocation of power equipment (EUR 28.0 mil.).



in EUR mil.	2020	%	2019	%
Assets	**1040.7**		**1021.6**	
Non-current assets	767.2	74%	771.3	75%
Current assets	273.5	26%	250.3	25%
Liabilities	**1040.7**		**1021.6**	
Equity	816.2	78%	790.6	77%
Non-current liabilities	102.1	10%	104.8	10%
Short-term liabilities	54.9	5%	63.5	6%
Liabilities arising from contracts – connection fees	36.1	3%	34.2	3%
Long-term deferred income	31.3	3%	28.5	3%

05. REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD FOR THE YEAR

During 2020, the Supervisory Board of the Company worked in the following structure:

Ing. Pavol Mertus
Chairman of the Supervisory Board until 30 September 2020

Ing. Drahomír Múdry
Chairman of the Supervisory Board from 1 October 2020

William Price
Vice-Chairman of the Supervisory Board until 30 September 2020

Gary Mazzotti
Vice-Chairman from 1 October 2020

Ing. Marcela Kumštárová
Member of the Supervisory Board until 30 September 2020

PaedDr. Jozef Bojčík
Member of the Supervisory Board until 30 September 2020

Ing. Drahomír Múdry
Member of the Supervisory Board until 30 September 2020

Ing. Vladimír Macášek
Member of the Supervisory Board until 30 September 2020

Ing. Róbert Klimo
Member of the Supervisory Board from 1 October 2020

Mgr. Michal Komada
Member of the Supervisory Board from 1 October 2020

Ing. Pavol Matlák
Member of the Supervisory Board from 1 October 2020

Mgr. Maroš Skopal
Member of the Supervisory Board from 1 October 2020

Ing. Dušan Majer
Member elected by employees

Ing. Igor Pištík
Member elected by employees

Ing. Miroslav Martoník
Member elected by employees

In 2020, the Supervisory Board convened four times at its meetings – 10 June 2020, 9 September 2020, 1 October 2020 and 10 December 2020. The Supervisory Board had a quorum at each meeting.

In the scope of its powers and in accordance with the Articles of Association and the Commercial Code, in 2020 the Supervisory Board:

(a) Adopted the following fundamental decisions:

- Approved the Report on Activities of the Supervisory Board for 2019;
- Approved the Opinion of the Supervisory Board on the draft audited ordinary individual financial statements prepared as at 31 December 2019 and on the proposal of profit distribution of the Board of Directors for 2019;
- Approved the relevant proposals of variable parts of remuneration of members of the Board of Directors in accordance with the applicable remuneration principles of members of the Board of Directors;
- Examined, within the meaning of Article XI (1) (h) of the Articles of Association, a proposal for the individual annual budget and business plan of the Company, including the proposal of the CAPEX plan for 2021;
- Elected the Chairman and Vice-Chairman of the Supervisory Board upon their appointment on 1 October 2020;
- Approved the implementation of investment actions in Martin – TR 110/22 kV - comprehensive reconstruction of Košúty and Bytča – comprehensive reconstruction of 110 kV lines.

(b) Noted, in particular:

- Relevant decisions of the sole shareholder in 2020;
- Information on basic objectives of the Company's business management, as well as on the expected development of assets, finances and revenues of the Company in accordance with Article 193 of the Commercial Code for the Supervisory Board for the year 2020;

05. REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD FOR THE YEAR 2020

- Statement of the Board of Directors for the members of the Supervisory Board for 2019 pursuant to Article XII(21)(a)(ii) of the Articles of Association concerning financial transactions carried out by the Company with related parties in which the value of any such transaction individually or the series of related transactions together exceed EUR 100,000, and the Company's transactions concluded under other than standard commercial conditions;

- Information on related party transactions for the relevant quarters of 2020;

- Report on the results of audits and inspections for 2019 and the audit and control plan for 2020;

- Information on economic results, including the development of CAPEX 2019 plan fulfilment for the relevant periods;

- Reports comparing the real costs of the tariff for the operation of the system (TPS) with the 2020 plan for the relevant periods;

- Information on pending lawsuits that may have a significant negative impact on the Company's economy;

- The Annual Report on the fulfilment of the Compliance Programme of the Company for 2019, and the Compliance Programme 2020;

During 2020, the Supervisory Board did not request the Board of Directors of the Company to convene a General Meeting.

CONCLUSION:

Throughout the 2020, the Supervisory Board fulfilled its controlling function properly pursuant to the Articles of Association of the Company and Article 197 et seq. of the Commercial Code. The Supervisory Board did not discover any breach of the Articles of Association or valid legal provisions by the Board of Directors by performing the business activities of the Company.

This Report was approved by the Supervisory Board of the Company at its meeting held on 14 April 2021

Ing. Drahomír Múdry
Chairman of the Supervisory Board
Stredoslovenská distribučná, a.s.

06. PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2020

	In EUR
Audited net profit for the year 2020	**138,354,121.53**
Allocation to social fund	
Royalties for members of the Board of Directors and of the Supervisory Board	0.00
Part of the profit kept in equity on the account of Retained earnings of previous years	0.00
Net profit available for distribution of dividends to the shareholder	**138,354,121.53**

07. OPINION OF THE SUPERVISORY BOARD OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A.S. ON THE ORDINARY INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020 AND ON THE PROPOSAL FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2020

On 14 April 2021, the Supervisory Board of Stredoslovenská distribučná, a.s., verified the Ordinary Individual Financial Statements of the Company as at 31 December 2020, including the report of the independent auditor KPMG Slovensko spol. s r.o., SKAU licence no. 96, dated 15 March 2021 and a proposal of the Board of Directors for the distribution of the Company's profit for the year 2020.

On the basis of the above mentioned, the Supervisory Board of Stredoslovenská distribučná, a.s., recommends the Ordinary General Meeting of the company Stredoslovenská distribučná, a.s. to:

1. **Approve the Ordinary Individual Financial Statements of Stredoslovenská distribučná, a.s., as at 31 December 2020,**
2. **Approve the proposal for the distribution of profits of Stredoslovenská distribučná, a.s., for 2020 as follows:**

	In EUR
Audited net profit for the year 2020	**138,354,121.53**
Allocation to social fund	0.00
Royalties for members of the Board of Directors and of the Supervisory Board	0.00
Part of the profit kept in equity on the account of Retained earnings of previous years	0.00
Net profit available for distribution of dividends to the shareholder	**138,354,121.53**

Žilina, 14 April 2021

Ing. Drahomír Múdry
Chairman of the Supervisory Board
Stredoslovenská distribučná, a.s.

08. REPORT ON FULFILMENT OF THE COMPLIANCE PROGRAMME OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A.S. FOR THE YEAR 2020

Report on Fulfilment of the Compliance Programme of the Company for the Year 2020

Introduction:

Stredoslovenská distribučná, a. s. (hereinafter: the "Company"), having its registered office at Pri Rajčianke 2927/8, 010 47 Žilina, Reg. No. (IČO): 36 442 151, registered in the Commercial Register of the District Court in Žilina, Section Sa, Insertion no. 10514/L, founded in 2006, being the holder of electricity distribution license No. 2007E 0260 in full version issued by the Regulatory Office for Network Industries (hereinafter: the "Office"), is a distribution system operator and at the same time a part of a vertically integrated entity.

This report provides transparent information on the fulfilment of the legislative framework for such an organized Company in the field of transparent and non-discriminatory approaches to all customers and participants in the electricity market.

1. Legislative Framework

The legislative framework of the Compliance Programme is established by Directive 2009/72/EC of the European Parliament and of the Council, which was implemented in the Slovak Republic into Act No. 251/2012 Coll. – the Energy Act. This legislation sets out the rules for the internal electricity market.
The Compliance Programme is a document containing measures that ensure a non-discriminatory and transparent approach to all market participants by the distribution system operator (hereinafter: the "DS").
On the basis of the above mentioned, the DS operator is obliged to elaborate a report on the fulfilment of the "Compliance Programme", which is part of the "Annual Report" according to Article 31(6) and Article 32(8)(b) of Act No. 251/2012 Coll. on Energy. It is also obliged, pursuant to Article 20 of Act No. 431/2002 Coll. on Accounting, as amended, to publish a report on the implementation of the measures specified in the Compliance Programme.

2. Compliance Programme in the Company

On the basis of the above-mentioned legislative standards for the Independent Position of a Distribution System Operator in a Vertically Integrated Company, the SSE Group provided the legal unbundling of distribution-system operation into a separate company, while the rights and obligations of the distribution system operator have been transferred to Stredoslovenská distribučná, a.s.
At the same time, in 2005 the Board of Directors approved a binding internal document of the Compliance Programme which contains a list of measures aimed at ensuring the non-discriminatory behaviour of the distribution system operator. The Compliance Programme is updated on a regular basis for the respective year, while respecting all legislative changes.

In accordance with the aforementioned legal obligations, all obligations arising from current legislation, i.e., elaboration and approval of the new Compliance Programme of the Company, including the Action plan of measures and the appointment of a person required to ensure compliance in the company, were performed. With effect from 1 January 2013, the person required to ensure the compliance in the Company was appointed, thereby creating the appropriate institutional background for the implementation of the approved Compliance Programme of the Company.
In 2015 an update of the Compliance Programme was carried out as since 1 April 2014, an organizational change occurred in the Company which required new responsibilities to be taken into account in its structure.

3. Fulfilment of the Compliance Programme Measures during the Year 2020

Part of the Compliance Programme is the Action Plan of the Compliance Programme, which contains a list of measures for the relevant calendar year and is subject to an annual update. By implementing measures and monitoring their compliance, the appointed Compliance Officer is

08. REPORT ON FULFILMENT OF THE COMPLIANCE PROGRAMME OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A.S. FOR THE YEAR 2020

obliged to ensure compliance while addressing ad-hoc situations related to ensuring the non-discriminatory behaviour of the distribution system operator and the protection of confidential information. In addition, that person receives and solves incentives from the external and internal environment pointing to possible violation of the Compliance Programme's principles and updates the Action Plan of the Compliance Programme, if necessary, and proposes further measures.

The measures of the Action Plan of the Compliance Programme are focused on activities in the following areas:

Prevention:
During 2020, prevention measures focused mainly on the increase of employee awareness in the field of the Compliance Programme.
Training for newly recruited staff was organized continuously. In 2020, 102 employees were trained.
In SSD – 71 employees (2 employees returned from maternity and parental leave, 4 employees with an agreement, 65 newly recruited employees).
From April to September, the training took place in the form of distance training sessions.
In SSE Holding, 31 employees were trained (of which SSE, a. s. – 27, EEM, s.r.o. – 4)

Monitoring and control/audit
Throughout the year 2020, the implementation of the change within the organizational structure of the Company continued. This process involved the implementation of new processes that passed from SSE, a. s., and internal guidelines were modified or new ones were drafted as well. In terms of review, 3 corporate guidelines (Air Protection, Environmental Protection and Information System on Extraordinary Events in SSE Holding Group Companies) and 15 internal documents related to the operation of the distribution system were revised in order to ensure their implementation in accordance with Compliance Programme principles.
At the same time, an inspection aimed at information security protection related to the operation of the distribution system against the access of unauthorized persons was carried out aimed at verifying access rights to distribution systems, contractual relations and disclosure of information. In terms of so-called "Compliance management", i.e., verifying each internal or external complaint related to the application of the Compliance Programme's principles by the Compliance Officer, no complaint was addressed during 2020. Moreover, the Compliance Officer received, consulted and dealt with internal requests from employees related to their actions so as not to infringe the rules ensuring non-discriminatory behaviour of the distribution system operator and the protection of confidential information.

Assessment and Reporting
This area contains mainly the assessment of achieved objectives as related to the implementation of the Compliance Programme in the form of monthly reports and in the form of this Report included in the Annual Report of the Company and submitted to the RONI according to the valid legislation.
In conclusion, it may be stated that the tasks listed in the Action Plan were fulfilled in 2020.

Author: 11 February 2021

Ing. Ján Michalík, PhD.
Compliance Officer

09. SPECIAL RELEVANCE EVENTS OCCURRING AFTER THE ACCOUNTING PERIOD FOR WHICH THE ANNUAL REPORT IS PREPARED

No events took place after 31 December 2020 that would require disclosure or recognition in the 2020 Annual Report.

10. INFORMATION ON THE EXPECTED FUTURE DEVELOPMENT OF THE ACCOUNTING ENTITY'S ACTIVITIES

The key tool for determining future goals and implementing the Company's strategy is the Company's business plan, which was approved by the Company's Board of Directors on 10 December 2020. The expected impacts of the ongoing COVID-19 pandemic were taken into account in the preparation of the business plan.

The Company will continue to focus on the safety and reliability of electricity distribution, building new connections, expanding the distribution network, reconstruction, maintaining the quality of distribution as well as increasing the quality of services provided to its customers.

11. EXPENSES RELATED TO ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Company did not have any expenses related to activities in the field of research and development in 2020.

12. DECEMBER ACQUISITION OF OWN SHARES, TEMPORARY CERTIFICATES, BUSINESS SHARES AND STOCK

In 2020 the Company did not acquire any of its own shares, temporary stock, or business shares.

13. ORGANIZATIONAL UNITS OF THE ACCOUNTING ENTITY ABROAD

The Company has no branches abroad.

ANNEX NO. 1: REPORT OF THE INDEPENDENT AUDITOR ON THE VERIFICATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020 AND THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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Translation of the Appendix to the independent Auditors' Report originally prepared in Slovak language

Appendix to the independent Auditors' Report issued on 15 March 2021 (this Appendix is issued in respect of the Annual Report)

pursuant to Article 27 (6) of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit")

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

We have audited the financial statements of Stredoslovenská distribučná, a.s. ("the Company") as of 31 December 2020 presented in the accompanying Annual Report. We have issued an unmodified independent auditors' report on the financial statements on 15 March 2021.

This Appendix supplements the aforementioned auditors' report solely in respect of the following information:

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

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

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

The Annual Report was not available to us as at the date of the auditors' report on the audit of the financial statements.

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

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

- the other information given in the Annual Report for the year ended 31 December 2020 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.

7 April 2021
Bratislava, Slovak Republic

Slovenská komora audítorov SKAU Č.licencie 96 KPMG Slovensko spol. s r.o.

Auditing company:	Responsible auditor:
KPMG Slovensko spol. s r.o.	Ing. Peter Balážik
License SKAU No. 96	License UDVA No. 1178

Stredoslovenská distribučná, a.s.

Independent Auditors’ Report and
Financial Statements as at
31 December 2020

Prepared in accordance with
International Financial Reporting Standards
(IFRS) as adopted by the European Union

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.

Stredoslovenská distribučná, a.s.

Separate financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union have been authorised for issue on 24 February 2021.

....

Ing. František Čupr, MBA
Chairman of the Board of Directors

....

Ing. Roman Húšťava
Vice chairman of the Board of Directors

Contents

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Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stredoslovenská distribučná, a.s. ("the Company"), which comprise the statement of financial position as at 31 December 2020, statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

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

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

The Annual Report was not available to us as of the date of this auditors' report on the audit of the financial statements.

When we obtain the Annual Report of the Company, based on the work undertaken in the course of the audit of the financial statements we will express an opinion as to whether, in all material respects:

- the other information given in the Annual Report for the year 2020 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, we will report whether we have identified any material misstatement in the other information in the Annual Report in light of the knowledge and understanding of the Company and its environment that we have acquired during the course of the audit of the financial statements.

15 March 2021
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Peter Balážik
License UDVA No. 1178

(All amounts are in thousands of EUR unless stated otherwise)

Statement of financial position

	Note	Balance as at 31 December 2020	2019
ASSETS			
Non-current assets			
Non-current tangible assets	5	754 411	757 922
Non-current intangible assets	6	12 769	13 386
		767 180	**771 308**
Current assets			
Inventories		3 159	2 749
Trade and other receivables	8	15 917	21 664
Receivables from the parent company (Cash Pooling)		40 396	83 795
Accrued income	9	88 131	138 248
Cash and cash equivalents	10	125 890	3 848
		273 493	**250 304**
Total assets		**1 040 673**	**1 021 612**
EQUITY			
Equity			
Share capital	11	499 835	499 835
Legal reserve fund	11	99 967	99 967
Non-monetary contribution from the parent company		3 401	3 401
Other parts of comprehensive income		-2 112	-1 585
Retained earnings		215 148	189 003
Total equity		**816 239**	**790 621**
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	3 459	3 480
Liabilties to the parent company (loans)	15	-	7 500
Non-current bank loans	15	5 000	-
Deferred tax liabilities	16	83 950	84 791
Non-current provisions	17	9 731	9 056
Non-current contractual liabilities	13	34 976	33 136
Non-current deferred income	12	31 293	28 547
		168 409	**166 510**
Current liablities			
Trade and other liabilities	14	42 096	57 357
Income tax liabilities		9 578	3 179
Liabilities to the parent company (loans)	15	-	2 500
Current bank loans	15	2 500	-
Current contractual liabilities	13	1 096	1 021
Current provisions	17	755	424
		56 025	**64 481**
Total liabilities		**224 434**	**230 991**
Total equity and liabilities		**1 040 673**	**1 021 612**

(All amounts are in thousands of EUR unless stated otherwise)

Income statement

	Note	Year ended 31 December 2020	2019
Revenue	18	353 686	515 221
Purchase of electricity, system and other related fees	20	-62 960	-258 678
Personnel expenses	22	-42 034	-40 510
Depreciation and impairment allowances for non-current tangible and intangible assets	5, 6	-53 333	-57 695
Material and energy consumption		-5 536	-5 489
Capitalisation of non-current tangible and intangible assets		9 665	10 288
Other operating income	19	6 068	5 911
Other operating expenses	21	-22 034	-22 007
Operating profit		**183 522**	**147 041**
Interest expenses	23	-274	-372
Net other financial expenses	23	-4	-4
Net financial expenses		**-278**	**-376**
Profit before tax		**183 244**	**146 665**
Income tax	24	-44 890	-34 456
Profit fot the period		**138 354**	**112 209**

Statement of comprehensive income

	Note	Year ended 31 December 2020	2019
Profit for the period		**138 354**	**112 209**
Other parts of comprehensive income:			
Actuarial (loss)/gain	17	-668	395
Deferred tax		141	-83
Other parts of comprehensive income, total		-527	312
Comprehensive income for the period		**137 827**	**112 521**

(All amounts are in thousands of EUR unless stated otherwise)

Statement of changes in equity

	Share capital	Legal reserve fund	In-kind contribution from the parent company	Retained earnings	Actuarial (loss) from long-term employee benefits, net of tax	Total equity
Balance as at 1 January 2020	**499 835**	**99 967**	**3 401**	**189 003**	**-1 585**	**790 621**
Profit for the year ended 2020	-	-	-	138 354	-	138 354
Other parts of comprehensive income	-	-	-	-	-527	-527
Dividends	-	-	-	-112 209	-	-112 209
Balance as at 31 December 2020	**499 835**	**99 967**	**3 401**	**215 148**	**-2 112**	**816 239**
Balance as at 1 January 2019	**499 835**	**99 967**	**3 401**	**250 335**	**-1 897**	**851 641**
Profit for the year ended 2019	-	-	-	112 209	-	112 209
Other parts of comprehensive income	-	-	-	-	312	312
Dividends	-	-	-	-173 541	-	-173 541
Balance as at 31 December 2019	**499 835**	**99 967**	**3 401**	**189 003**	**-1 585**	**790 621**

(All amounts are in thousands of EUR unless stated otherwise)

Statement of cash flows

	Note	Year ended 31 December 2020	2019
Profit before tax		183 244	146 665
Adjustment for:			
Depreciation and amortisation	5, 6	53 461	57 826
Gain from sale of non-current tangible assets		-172	-169
Change in impairment allowance for non-current assets		-128	-131
Change in impairment allowance for receivables	8	115	222
Change in provisions	17	1 404	124
Interest expenses (netto)	23	274	372
Operating profit before change in working capital		**238 198**	**204 909**
Changes in working capital			
Decrease in trade receivables and accrued income	8, 9	100 060	52 594
(Increase) in inventories		-410	-650
(Decrease) / Increase in payables and deferred income	12, 14	-16 732	1 996
Cash flows from operating activities		**321 116**	**258 849**
Cash flows from operating activities			
Cash from operating activities		321 116	258 849
Interest paid	23	-274	-383
Income tax paid		-39 192	-31 229
Net cash flows from operating activities		**281 650**	**227 237**
Cash flows from investing activities			
Purchase of non-current tangible and intangible assets	5, 6	-45 008	-45 603
Proceeds from sale of non-current assets		1 406	363
Net cash used in investing activities		**-43 602**	**-45 240**
Cash flows from financing activities			
Repayment of loans from parent company		-	-3 897
Repayment of loans and borrowings expenses		-2 500	-
Lease payments - principal	5	-1 297	-1 124
Dividends paid	11	-112 209	-173 541
Net cash used in financing activities		**-116 006**	**-178 562**
Net increase (+) / decrease (-) in cash and cash equivalents		122 042	3 435
Cash and cash equivalents as at the beginning of the period		3 848	413
Cash and cash equivalents as at the end of the period		**125 890**	**3 848**

1 General information

Trade name and registered address

Stredoslovenská distribučná, a.s.
Pri Rajčianke 2927/8
Žilina 010 47

Registration number (IČO): 36442151
Tax registration number (DIČ): 2022187453
Tax registration number for VAT purposes (IČ DPH): SK2022187453

Stredoslovenská distribučná, a.s. (hereafter referred to as the "Company" or "SSD, a.s."), was established under the business name Stredoslovenská energetika – Distribúcia, a.s. on 22 March 2006, and was registered in the Commercial Register on 8 April 2006 (Commercial register of the District court Žilina, Section Sa, Insert No. 10514/L). With effect from 1 March 2018, the business name of the Company was changed to Stredoslovenská distribučná, a.s.

The Company was established to comply with legal requirements, to unbundle the distribution business from other commercial activities of integrated electricity companies, established by European directive 2003/54 on common rules for the internal market in electricity. The directive was transferred into Slovak legislation by the Act on energy (656/2004), issued in 2004. The Act prescribed legal unbundling of distribution activities, by 30 June 2007 at the latest. The company Stredoslovenská energetika, a.s. carved out those parts of its business that conducted principal distribution activities, revalued items of assets and liabilities to fair value, and contributed them to the Company. On 1 July 2007, the Company started to provide distribution of electricity as its core business activity.

Main business activities of the Company

- Distribution of electricity and related services
- Engineering and related technical consultancy
- Rental of electrical devices
- Realisation and revision of construction
- Projects with, and construction of, electrical devices
- Repair, revision and testing of technical electrical devices in the groups S, O (OU, R, M) – E1-A
- Assembly and repair of selected electrical gauges
- Assembly and repair of regulative technology

The Company is one of the three largest electrical distribution companies in the Slovak Republic and operates within the regions of Žilina, Trenčín and Banská Bystrica. The Company's main business activity is electricity distribution, to all customers connected to the distribution system of SSD, a.s., in the following sectors:
- Low voltage,
- High voltage,
- Very high voltage.

The main activity of the Company is distribution of electricity, which is usually invoiced to final customers by the electricity supplier, mostly in the form of an integrated contract (the price of electricity invoiced to the final customer includes the distribution fee).

The Company's operations are governed by the terms of its license, granted under the Energy Law ("the Energy License"). The Regulatory Office of Network Industries of the Slovak Republic ("ÚRSO") regulates all aspects of the Company's relationships with its customers, including pricing.

The structure of the Company's shareholders as at 31 December 2020 is as follows:

	Absolute amount in thousands of EUR	Ownership interest %	Voting rights %
Stredoslovenská energetika Holding, a.s.	499 835	100	100
Total	499 835	100	100

The Company is a subsidiary of Stredoslovenská energetika Holding, a.s., which owns 100% of its registered capital. Effective from 1 January 2019, the parent company changed its business name from Stredoslovenská energetika, a.s. to Stredoslovenská energetika Holding, a.s. The company Stredoslovenská energetika Holding, a.s. prepares consolidated financial statements and is an immediate consolidating company.

Stredoslovenská energetika Holding, a.s. is a subsidiary of EP Energy, a.s., based in Pařížská 130/26, Josefov, 110 00, Praha 1, Czech Republic, IČO: 29 259 428, registered in the Commercial register of the Municipal court in Praha, Section B, file No. 21733, Czech Republic, which owns a 49% share in the registered capital of the parent company (until 26 May 2014 owned by EPH Financing II, a.s.), and has managerial control.

The Ministry of Economy of the Slovak Republic, based in Mlynské Nivy 44/a, 827 15 Bratislava 212, owns a 51% share in the registered capital of the parent company, from 1 August 2014 (the National Property Fund of the Slovak Republic owned this 51% shareholding until 1 August 2014).

The consolidated financial statements of Stredoslovenská energetika Holding, a.s. are available at the registered address of the parent company in Žilina, Pri Rajčianke 8591/4B, and are filed in the Commercial Register of the District Court Žilina. These financial statements are included into consolidated financial statements of the largest group of accounting entities, which are prepared by EP Investment S.à.r.l., 39, Avenue John F. Kennedy, L-1855 Luxembourg. Its consolidated financial statements for 2019 are available at the registered office of EP Investment S.à r.l. The address of the registration court maintaining the Commercial register where these consolidated financial statements are deposited is Luxembourg Business Registers G.I.E., 14 Rue Erasme L-1468 Luxembourg, R.C.S. Luxembourg C24.

Unlimited liabilities

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

Date of approval of the financial statements for the previous accounting period

On 29 June 2020, the General Meeting approved the Company's financial statements for the previous accounting period, ending 31 December 2019.

Publication of financial statements for the prior accounting period

The financial statements of the Company and the Auditors' report on the audit of the financial statements as at 31 December 2019, were filed and published in the Register of financial statements on 29 June 2020. The annual report and supplement to the independent auditors' report, as at 31 December 2019, was filed in the Register of financial statements on 29 June 2020.

Approval of the auditor

On 29 June 2020, the Company's General Meeting appointed KPMG Slovensko spol. s r.o. as auditor of the financial statements for the year ended 31 December 2020.

The Company’s statutory bodies

The list of members of the Company's Board of Directors and Supervisory Board is publicly available in the Commercial register, operated by the Ministry of Justice of the Slovak Republic, at www.orsr.sk

Average number of employees

In 2020, the average number of employees of the Company was 1 328 (2019: 1 308), 9 of which were managers (2019: 9).

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 years presented.

2.1 Basis for preparation of the financial statements

Legal reasons for preparing the financial statements:

The Company’s financial statements, as at 31 December 2020, have been prepared as ordinary financial statements, under § 17 Sec. 6 of Slovak Act No. 431/ 2002 Coll. (“the Act on Accounting”), for the accounting period from 1 January 2020 to 31 December 2020.

The Slovak Act on Accounting requires the Company to prepare financial statements for the year ended 31 December 2020, in accordance with International financial reporting standards as adopted by the European Union (“IFRS EU“).

These financial statements have been prepared in accordance with IFRS as adopted by the EU. The Company applies all IFRS standards issued by the International accounting standards board (“IASB”) and interpretations issued by the International financial reporting interpretation committee (“IFRIC”) as adopted by EU, which were in force as at 31 December 2020.

The financial statements have been prepared under the historical cost measurement basis.

The financial statements were prepared on accrual basis and under the going concern principle.

The Company operates in a sector that has not been significantly affected by the outbreak of COVID - 19. The Company realised stable sales and its operations including supplies were uninterrupted. Based on the publicly available information at the date these financial statements were prepared, management of the Company has considered the potential development of the outbreak and its expected impact on the Company and economic environment, in which the Company operates, including the measures already taken by the Slovak government.

Based on information available to the Company, the Company’s current KPI’s and in view of the actions initiated by management of the Company, management of the Company does not anticipate a direct immediate and significant adverse impact of the COVID – 19 outbreak on the Company, its operations, financial position and operating results.

However, the management of the Company cannot preclude the possibility that extended lock down periods, an escalation in the severity of such measures or a consequential adverse impact of such measures on the economic environment the Company operates in, will not have an adverse effect on the Company, its financial position and operating results, in the medium and longer term. Management of the Company continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The Board of Directors of the Company may propose amendments of the financial statements to the Company's shareholders before their approval at the General Meeting. If, after the financial statements are approved, management identifies that comparative information would not be consistent with the current period, IFRS EU allows entities to restate comparative information for the accounting period in which the relevant facts are identified.

Preparation of the financial statements in conformity with IFRS EU requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies on complex transactions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The separate financial statements are presented in thousands of euros ("EUR thousand"), unless stated otherwise.

Application of new standards and interpretations

Standards and interpretations applied for annual periods beginning on or after 1 January 2020

Amendments to IFRS 16 Leases, COVID-19-Related Rent Concessions

Effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical exception applies only if:

- the revised consideration is substantially equal to or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- there have been no other significant changes in the terms of the lease.

This practical expedient is not available for lessors.

A lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied.

The adoption of the amendments mentioned above did not have a material impact on the Company's accounting policies and financial statements.

International Financial Reporting Standards adopted by the European Union that have not yet endorsed by the EU

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- Changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and

- hedge accounting.

Change in basis for determining cash flows

The amendments will require the Company to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. This amendment will not result in a discontinuation of the hedge or designation of a new hedging relationship.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If the Company reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

The Company does not expect that the amendments, when initially applied, will have a material impact on the financial statements of the Company.

Disclosure

The amendments will require the Company to disclose additional information to enable users to understand the effect of interest rate benchmark reform on a company's financial instruments, including information about the Company's exposure to risks arising from interest rate benchmark reform and related risk management activities.

Transition

The Company plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

Other standards

The following new standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

Standards and Interpretations not yet endorsed by the European Union

Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture*

The European Commission decided to defer the endorsement indefinitely.

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 does not expect that the amendments, when initially applied, will have a material impact on the financial statements of the Company.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Company's right to defer settlement at the end of the reporting period. The Company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance.

The classification is not affected by management's intentions or expectations about whether and when the Company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Company does not expect that the amendments, when initially applied, will have a material impact on the financial statements of the Company.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the Company must measure the cost of those items applying the measurement requirements of IAS 2.

The Company does not expect that the amendments, when initially applied, will have a material impact on the financial statements of the Company.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Cost of Fulfilling a Contract

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

In determining costs of fulfilling a contract, the amendments require the Company to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Company does not expect that the amendments, when initially applied, will have a material impact on the financial statements of the Company.

Annual amended IFRS standards 2018 – 2020

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendments to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

Amendments to IAS 41 Agriculture

The improvements remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required the Company to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

The Company does not expect that the amendments, when initially applied, will have a material impact on the financial statements of the Company.

2.2 Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements are presented in EUR, which is the currency of the primary economic environment in which the Company operates ("the functional currency").

(ii) Transactions and balances in the Statement of financial position

Transactions denominated in foreign currencies are translated to euro, as at the date of the accounting transaction, by the reference exchange rate determined and declared by the European Central Bank ("ECB") or National Bank of Slovakia ("NBS"), as at the date preceding the date of transaction.

Financial assets and liabilities denominated in foreign currencies are translated to euro at the reporting date, according to the reference exchange rate determined and declared by the ECB or the NBS, as at the reporting date, and recorded with an impact on profit or loss.

Non-financial assets and liabilities, advance payments made, and advance payments received, denominated in foreign currencies, are translated to euro as at the date of the accounting transaction, by the reference exchange rate determined and declared by the ECB or the NBS, as at the date preceding the date of transaction.

2.3 Non-current tangible assets

Non-current tangible assets are measured at cost, less accumulated depreciation and accumulated impairment losses.

(i) Acquisition costs

Acquisition costs include expenditures which are directly attributable to the acquisition of assets. Interest expenses are capitalised if they meet the criteria of IAS 23, as part of acquisition cost, otherwise they are expensed as incurred.

(All amounts are in thousands of EUR unless stated otherwise)

Self-constructed, non-current tangible assets are valued at their conversion cost. Conversion cost includes all direct costs from production or other activities, and indirect costs related to production or other activities.

Subsequent expenditures are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other expenditures on repairs and maintenance are charged to the Income statement in the period in which they incurred.

(ii) Depreciation

The depreciation of non-current tangible assets starts in the month that they are available for use. Non-current tangible assets are depreciated in line with the approved depreciation plan, using the straight-line method. Monthly depreciation is determined as the proportion of the depreciable amount, divided by the estimated useful life of non-current tangible assets. The depreciable amount is the cost, less the expected value at the time the assets are disposed of.

The estimated useful lives of individual groups of assets in 2020 and 2019 were as follows:

Buildings, halls, structures of distribution network	10 – 70 years
Distribution network (technological part), equipment and vehicles	4 – 15 years
Other non-current tangible assets	5 – 15 years

Estimated value at time of disposal and estimated useful life of non-current tangible assets are reviewed and adjusted as at the balance sheet date where necessary.

Land and assets under construction in tangible assets are not depreciated.

The expected value at the time of disposal of an asset is its expected selling price, less selling expenses, if the asset has the expected age and characteristics which are expected at the end of its useful life. The carrying amount of an asset is equal to zero, or its disposal value, if the Company expects to use the asset until the end of its useful life.

Each part of an item of non-current tangible asset, whose value is significant in relation to the total value of the asset, is depreciated separately. The Company allocates the amount initially allocated to the non-current tangible asset item to its significant parts and depreciates each part separately.

The carrying amount of an asset is reduced immediately to its recoverable amount, if the carrying amount of the asset is higher than its estimated recoverable amount (Note 2.5).

Assets that are worn out or disposed of are derecognised from the Statement of financial position, along with appropriate accumulated depreciation and provisions. Disposal gains and losses are determined by comparing the proceeds to their carrying amount and are recognised in operating profit or loss.

2.4 Non-current intangible assets

Non-current intangible assets are measured upon acquisition at cost. Non-current intangible assets are recognised when it is probable that future economic benefits associated with the assets will flow to the Company, and the costs can be measured reliably. Upon subsequent measurement, non-current intangible assets are carried at cost, less accumulated amortisation and impairment losses. Interest expenses, if they meet the criteria of IAS 23, are capitalised as part of costs, or otherwise expensed in the relevant period. The Company has no non-current intangible assets with indefinite useful lives. Non-current intangible assets are amortised on a straight-line basis over their useful lives, which do not exceed 20 years, except for easements.

The amortisation of non-current intangible assets starts in the month in which they are put into use, in accordance with the approved amortisation plan, using the straight-line method.

The monthly amortisation is determined as the proportion of depreciable value and estimated useful life of the assets. The amortisation amount is the cost, less any residual value at the time the assets are disposed of.

Residual values of non-current intangible assets are expected to be zero if:

- There is no commitment by a third party to purchase the assets at the end of their useful life; or
- There is no active market for the assets, and so residual value cannot be determined by the reference to that market, and it is improbable that such a market will exist at the end of the assets' useful life.

Expenses associated with maintaining computer software are recognised when they are incurred.

Subsequent expenditures, which enhance or extend the performance of computer software beyond their original specification and meet the criteria for recognition as intangible assets according to IAS 38, are recognised as technical improvements, and added to the original cost of the software. Each part of an item of non-current intangible assets, whose cost is significant in comparison to the total cost of an item, is amortised separately. The Company divides the value of the original item to significant parts proportionally and amortises the parts separately.

2.5 Impairment of non-financial assets

Non-current intangible assets with an indefinite useful life, and intangible assets not yet in use, are not subject to amortisation, and are tested for impairment annually. Non-financial assets, except for deferred tax assets and inventory, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the recoverable amount. If an indicator of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated Income statement, for the amount by which the asset's, or cash generating unit's, carrying amount exceeds its recoverable amount. The recoverable amount is the asset's fair value, less costs to sell or value in use, depending on which one is higher.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows. Non-financial assets, other than goodwill, which were impaired in previous periods are reassessed as at each reporting date to ascertain whether the impairment loss decreased ceased to exist, i.e. to reverse the impairment loss.

2.6 Financial instruments

Trade receivables and issued debt securities are initially recognised on the date that they are originated. All other financial assets and financial liabilities are recognised initially in the Statement of financial position, on the date when the Company becomes a contract party to the agreements which include said financial instruments.

Financial assets (except for trade receivables which do not contain a significant financial component) or financial liabilities are initially recognised at fair value, increased by costs related to the acquisition or issue of the financial instruments except for items measured at fair value through profit or loss (FVTPL), less acquisition costs or expenses related to issue. Trade receivables which do not contain a significant financial component are initially recognised at transaction value.

2.7 Financial assets

The Company initially classifies its financial assets into the following categories:
- Amortised costs,
- At fair value through other comprehensive income (FVOCI),
- At fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- Its contractual terms give rise on specified dates to cash flows, that are solely payments of principal and interest on the outstanding principal.

For equity instruments not held-for-trading, the Company may irrevocably decide that subsequent changes in fair value (including foreign exchange gains and losses) will present a comprehensive result in other components. They may not be reclassified to profit or loss under any circumstances.

All financial assets, not classified at amortised cost or FVOCI, are measured at FVTPL. This includes all derivative financial assets.

Subsequent measurement and gains and losses
- Amortised cost – the assets are subsequently measured at amortised cost using the effective interest method, reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognised in profit or loss.
- FVTPL – the assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Equity investments at FVOCI – the assets are subsequently measured at fair value. Dividends received are recognised in profit or loss. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

2.8 Financial liabilities

Financial liabilities are initially measured at amortised cost or FVTPL. The Company assigns a financial liability to FVTPL if it is held-for-trading, it is a derivative instrument, or it is included in FVTPL at initial recognition. When a financial liability is initially recognised in FVTPL, the Company measures it at fair value, and net gains and losses, including interest expenses, are recognised in profit or loss.

Other financial liabilities are after the initial recognition valued at amortised cost using the effective interest method. Interest expenses, and foreign exchange gains and losses, are recognised in profit or loss. Any gains and losses arising on derecognition are recognised in profit or loss.

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

Derecognition of financial instruments

The Company derecognises financial assets when:
a) The assets have been paid back, or rights for investment cash flows have expired, or
b) The Company has transferred the rights to cash flows of the investment, or has entered into a transfer agreement, thereby
(i) transferring substantially all risks and potential gains inherent in the ownership or
(ii) has not transferred or retained substantially all risks and potential gains of ownership, without retaining control. It will retain control if the counterparty does not have a realistic opportunity to sell the assets as a whole to an unrelated third party, without additionally restricting the sale.

Financial liabilities (or parts thereof) are derecognised from the Company’s Statement of financial position if they are extinguished, i.e. when obligations specified in the contract are discharged, cancelled, or expire. The difference between the carrying amount of disposed financial liability and consideration paid is recognised in profit or loss.

Offsetting

Financial assets and liabilities are presented in the Statement of financial position on a net basis, if the Company has a right to offset the amounts, and it intends to either settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Company does not hold any other financial assets measured at FVOCI, or at FVTPL, other than equity investments.

2.9 Impairment of financial assets

The “expected credit loss” model (“ECL”) means that a loss event will no longer need to occur before an impairment allowance is recognised. This impairment model is applied to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments), and to contractual assets.

Financial assets measured at amortised cost, using the effective interest rate method, comprise trade and other receivables, cash and cash equivalents, and a loan provided to a related party.

Under IFRS 9, impairment allowances will be measured on either of the following bases:
- 12-month ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date, and
- Lifetime ECLs: these are ECLs resulting from all possible default events over the expected life of a financial asset.

In determining whether the credit risk of a financial asset has increased significantly since its initial recognition, and in calculating the ECL, the Company uses appropriate supporting information that has been assessed as appropriate, and available to the Company without incurring disproportionate costs or efforts to obtain it. This includes both quantitative and qualitative information, and analyses based on the Company's historical experience and credit risk assessment, including information on future potential developments.

The Company considers financial assets impaired if:
- It is unlikely that a borrower will pay its obligations to the Company in their entirety, without the Company taking an action, such as realising the collateral; or
- Financial assets are overdue.

Lifetime ECLs are ECLs which result from all possible impairments over the expected life of a financial asset. The maximum period for ECL estimate is the contractual period during which the Company is exposed to credit risk.

Valuation of ECLs

ECLs are estimates calculated as weighted average of impairment probabilities, and credit loss realisations. Credit losses are measured at the present value of all cash shortfalls, i.e. the difference between cash flows due to the Company in accordance with the contract, and the cash flows that the Company expects to receive.
ECLs are not discounted, as they do not contain any significant financial component.

Impairment losses

Impairment losses related to trade and other receivables are recognised in profit or loss.

An impairment loss is reversed if the reversal can be objectively attributed to an event that occurs after an impairment loss is recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The carrying amount of receivables are reduced through the use of an allowance account. Creation and release of impairment allowances are reported in other operating expenses in the Income statement. Unrecoverable receivables are written off. Receivables repaid by debtors, which were previously written off, are recognised in the Income statement in other operating income. The manner in which the Company recognises revenue is disclosed in Note 2.19.

2.10 Leases - IFRS 16

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration. The Company considers a contract to be a lease in where all following conditions are met:

- An identifiable asset exists, specified explicitly or implicitly, and
- A lessee has the right to obtain substantially all economic benefits from use of the asset, and
- A lessee has the right to direct use of the assets.

This policy is applied to contracts commenced on or after 1 January 2019.

The Company exercised the exemption and applied the new IFRS 16 to all contracts it concluded before 1 January 2019 and identified them as leases under IAS 17 and IFRIC 4. This means that the Company does not reassess leases which have been classified as leases under IAS 17, whether they meet the new definition of leasing under IFRS 16.

Upon initial recognition, and subsequent revaluation of a lease contract which includes a lease component, the Company assigns the contractually agreed consideration to each lease component on a pro rata basis, if agreed separately. The Company separately recognises leasing and non-leasing components in the lease of vehicles, land and property. For the lease of land, property and other assets, the Company does not account for both the leasing and non-leasing components separately but considers them as one leasing component.

Leased assets (the Company as a lessee)

The Company recognises right-of-use assets and lease liabilities at the commencement of lease. Initial value of right-of-use assets is determined as the sum of the initial value of lease liabilities, lease payments made before or on the commencement date of the lease, and initial direct costs to the lessee, less any lease incentives received.

In determining lease term, the length of agreed lease term, as well as the possibility of early termination or prolongation are considered. In assessing probability of exercising the option to extend or prematurely terminate lease terms, the Company takes all relevant facts and circumstances that provide economic incentives to exercise (or not exercise) these options into account. The length by which contracts can be renewed (or the length following the possibility to terminate contracts early) are included in lease terms only if the Company is certain that prolongation will be exercised.

Right-of-use assets are depreciated on a straight-line basis over the lease term, from commencement to termination. If the lease involves a transfer of ownership or a call option, right-of-use assets are depreciated on a straight-line basis over the useful life of the assets. Depreciation begins on the date of commencement. Assessment of possible impairment to right-of-use assets is carried out in a similar way to impairment assessment of non-financial assets, as described in Note 2.5 Impairment of non-financial assets.

Lease liabilities are initially measured on the date when the leased assets are made available to the lessee (lease commencement date). Lease liabilities are initially valued at the present value of lease payments over the lease term that were not paid at the initial measurement, using the discount rate, which is the incremental borrowing rate. Lessee's incremental borrowing rate is determined based on available financial information relating to the Company. Subsequent revaluation of lease liabilities is made in the event of changes to contractual terms (e.g. a change in lease terms due to an option to extend or prematurely terminate contracts, a change in lease payment based on a change in the index or rate used to determine payments, a change in the assessment of the probability of exercising the call option, etc.). Any subsequent reassessment of lease liabilities will also affect the valuation of right-of-use assets. If this leads to negative values for right-of-use assets, remaining impacts are recognised with in profit or loss (so the resulting right-of-use assets will be recognised at nil).

The Company has exercised an optional exemption and does not recognise right-of-use assets or lease liabilities, for all types of lease contracts, with a lease term of 12 months or less. The costs associated with these leases are recognised in the financial statements as operating expenses, on a straight-line basis over the lease term.

The Company has also exercised an optional exemption and does not report right-of-use assets or lease liabilities, in lease contracts where the value of leased assets is clearly less than USD 5 000. The estimated value of assets is based on the assumption, that they are new assets. If the value of assets cannot be reliably determined, the optional exemption is not applied to such leases.

In the Statement of financial position, the Company recognises right-of-use assets under non-current tangible assets, and lease liabilities under long-term and short-term trade and other payables. In addition, the Company recognises lease transactions in the Statement of cash flows as follows:

- Principal payments relating to lease liabilities in cash flows from financing activities,
- Interest payments on lease liabilities in cash flows from operating activities,
- Payments for short-term leases, lease of low-value assets, and payments for variable parts of leases, which are not included in the measurement of lease liabilities, in cash flows from operating activities.

2.11 Inventories

Inventories are valued at the lower of either cost or net realisable value. Measurement of inventories is recalculated using the weighted arithmetic average method. Cost includes all acquisition costs, such as customs and shipping, net of returns, discounts and rebates. Net realisable value is an estimate of selling price in the ordinary course of business and is reduced by the relevant cost of sale

2.12 Cash and cash equivalents

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

Funds managed by the Parent Company under the “Agreement for cash-pooling service” are recognised as receivables from the parent, and not as cash/cash equivalents.

2.13 Share capital

Ordinary shares are classified as share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2.14 Current and deferred income taxes

Current income tax is calculated based on tax laws enacted at the reporting date. Management regularly evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions as appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is presented in the financial statements using the balance sheet method, based on temporary differences arising between the tax basis of assets and liabilities, and their carrying amounts in the financial statements. Deferred income tax is not accounted for, however, if it arises from initial recognition of assets or liabilities in a transaction, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates which have been enacted, or substantively enacted, and are expected to be applied at the date of the temporary differences settlement.

Current and deferred taxes are recognised in the Income statement, except for cases when they are recognised directly in equity, or in the Statement of comprehensive income.

Deferred income tax assets are recognised to the extent that it is probable that the Company will achieve the sufficient taxable profit in the future against which the temporary differences can be utilised.

The Company offsets deferred tax assets and deferred tax liabilities, where the Company has a legally enforceable right to offset tax assets against tax liabilities, and these relate to income taxes levied by the same tax authority.

2.15 Provisions

Provisions are recognised when the Company has a present contractual or constructive obligation to transfer economic benefits as a result of past events, it is probable that such a transfer will be required to settle these liabilities, and a reliable estimate of the amount can be made. No provisions are created for future operating losses. When the Company anticipates that a provision will be reimbursed in future, for example under an insurance contract, future income is recognised as an individual asset, but only when such reimbursement is almost certain.

If there are several similar commitments, then the probability that the expenditures will need to be settled is determined by considering the group of liabilities as a whole. A provision is also recognised when the probability of expenditures is low with respect to any item included in the same liabilities group.

Provisions are measured at present value of expenditures expected to settle the liabilities, using a pre-tax rate that reflects the current market estimate of the time value of money, and the risks specific to the liabilities. Increases in provisions due to the passage of time are recognised as interest expenses.

2.16 Contingent liabilities

Contingent liabilities are not recognised in the Statement of financial position. They are disclosed in the notes to the financial statements if the probability of an outflow of resources representing the economic benefits is not probable. They are not disclosed in the notes to the financial statements if the possibility of an outflow of resources representing the economic benefits is remote.

2.17 Contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or provide services to customers, in a situation where the Company has already received consideration for these goods or services. For the Company, these are primarily customer fees for connection to the distribution network, and subsequent access to the provision of distribution services.

2.18 Employee benefits

The Company has a pension scheme with a predetermined pension benefit, as well as a predetermined contribution.

Pension plans

A predefined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement. It is dependent on one or more factors such as age, years of service and compensation.

A predefined contribution plan is a pension plan, under which the Company pays fixed contributions to the third parties or to the Government. The Company has no legal or constructive obligations to pay further contributions, if the funds do 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

(All amounts are in thousands of EUR unless stated otherwise)

According to the Corporate Collective Agreement for the years 2020 – 2022, the Company is obliged, based on the number of years in service, to pay its employees, upon retirement or disability, the following multiples of their average monthly salary:

	Average monthly salary multiple
up to 10 years, included	2
overt 10 to 15 years	4
over 15 to 20 years	5
over 20 to 25 years	6
over 25 years	7

The minimum requirement of the Labour code of one-month average salary payment upon retirement is included in the above multiples.

Other predefined benefits

The Company also pays the following life and work jubilee benefits:

- One additional monthly salary on the 25th annual work anniversary;
- A single payment of 40% to 110% of employee's monthly salary, depending on number of years worked for the Company, when employees reaches the age of 50 years.

The Company's employees expect the Company to continue providing these benefits and, in the opinion of management, it is unlikely that the Company will stop providing them.

Liabilities recognised in the Statement of financial position, in respect of defined benefit pension plans, are the present value of defined benefit obligations, as at the reporting date.

Defined benefit obligations are calculated annually by the Company, using the Projected Unit Credit method. Present value of defined benefit obligations are determined by (a) discounting estimated future cash outflows, using interest rates of high quality government or corporate bonds, which have terms to maturity approximating the terms of the related pension liabilities, and then (b) attributing the calculated present values to periods of service based on the plan.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are immediately recognised in the period incurred. Pension liabilities are recognised in the Statement of comprehensive income, and life and work jubilee benefits in the Income statement. Past-service costs are recognised immediately in the Income statement.

Predefined contribution pension plans

The Company contributes to state and private pension schemes with predetermined contributions.

The Company makes contributions to government health, sickness, pension, accidental and guarantee insurance, and unemployment schemes, at statutory rates during the year, based on gross salary payments.

Throughout the year, the Company makes contributions to these funds amounting to 35.2% (2019: 35.2%) of gross salaries, up to a monthly salary ceiling, which is defined by the relevant law, to a maximum of EUR 7 091 (2019: up to a maximum of EUR 6 678) depending on the type of fund, while the base for health and accidental insurance is unlimited and the payment is calculated from the total gross salary of the employee.

An employee contributes an additional 13.4% to the relevant insurance (2019: 13.4%). The cost of these payments is charged to the Income statement in the same period as the related salary cost.

In addition, with respect to those employees who have chosen to participate in supplementary pension insurance, the Company makes annual contributions to supplementary pension insurance, between 2% and 6% of monthly wage, based on the years worked, up to maximum of EUR 1 400 (2019: EUR 1 400) per year.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated by the employer before the normal retirement date, upon agreement between the employer and employee resulting from redundancy, in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: (a) terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or (b) provide termination benefits as a result of an offer made to encourage voluntary redundancy. Present value of termination benefit does not significantly differ from carrying amount, as the influence of discounting is not significant.

Profit sharing and bonus plans

Liabilities for any employee benefits, in the form of profit sharing and bonus plans, are recognised as other payables when there is no real alternative but to settle the liabilities, and at least one of the following conditions is met:

- A formal plan officially exists, and the amounts to be paid are determinable before the financial statements are authorised for issue; or
- Past practice created a valid expectation for employees that they will receive profit sharing or other bonus, and the amount can be determined before the financial statements are authorised for issue.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.19 Revenue recognition

Revenue comprises fair value of the consideration received, or receivables for the sale of goods and services in the ordinary course of the Company's activities. Revenue is recognised, net of value-added tax, excise duties, estimated returns, rebates and discounts.

The Company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the Company, and specific criteria were met for each of the Company's activities as described below.

The amount of revenue is not considered to be reliably measurable until all conditions related to sale are met. The Company bases its estimates on historical results, taking into consideration the type of customer, type of transaction, and the specifics of each arrangement.

Revenue from distribution of electricity is recognised when the electricity is delivered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. The billing cycle of retail customers (households and small businesses) is metered on an annual basis, and billed on a monthly basis, as the Company invoices distribution services to the electricity supplier on a monthly basis, according to electricity actually distributed.

The Company uses a methodology for the estimate of network losses that is consistent with the methodology used during the year 2019. Calculation of network losses is derived from actual metering, as well as from the estimate of supply at low voltage level, based on past experience.

Sales of services are recognised in the accounting period in which they are rendered. By reference to the level of the specific transaction the sale of services is assessed based on actual service provided as a proportion of total services to be provided.

Proceeds from fees for connection to the distribution network, and subsequent access to distribution services are recognised as contract liabilities, and are released to income of a current period over the average useful life of the assets relating to electricity distribution.

In accordance with existing legislation, assets obtained by withholding (e.g. transformer stations), assets acquired free of charge, and identified inventory surpluses of assets are initially recognised at fair value in deferred income, while the amount equal to the annual depreciation charge of the related assets is recognised in income of the current reporting period.

Fees for relocation of energy equipment are recognised in the same way as withheld assets, i.e. the amount of such fees is recognised in deferred income, while the amount equal to the annual depreciation charge for these assets is recognised in the revenue of the current reporting period.

Interest income is recognised on an accrual basis in the period to which it relates, using the effective interest rate method.

2.20 Dividend payment

Payment of dividends to the Company's shareholders are recognised as a liability in the Company's financial statements, in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1. Financial risk factors

As a result of its activities, the Company is exposed to a variety of financial risks: market risk (including foreign exchange, price, and interest rate risks), operational, credit and liquidity risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge risk exposures.
Financial risk management is performed by the central financial department (the Company procures services from the sister company Stredoslovenská energetika, a.s.), in accordance with procedures approved by the Board of Directors. The central financial department identifies, assesses, and hedges financial risks, in cooperation with operational departments within the Company. The Board of Directors and the Company's management issue written principles for overall risk management, as well as written procedures covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of non-derivative financial instruments.

(i) Market risk

(a) Foreign exchange risk

The Company is not exposed to foreign exchange risk, as expenses and revenue in foreign currencies are not significant for the Company.

(b) Price risk

Distribution services provided by the Company are subject to price regulation by ÚRSO. Based on adopted regulatory policy for 2017 - 2021 with extended effect for one year until 31 December 2022, ÚRSO determines the scope and method of price regulation. ÚRSO sets the price assessment for distribution services of the Company for the whole regulatory period, but usually changes them each regulatory year. These prices are binding for the Company when invoicing. Reasonable profit is derived from the regulatory basis of assets, and the rate of return set by the ÚRSO. Nevertheless, there may be circumstances outside of the Company's direct control, that will result in an adjustment of the price assessment during the year, and thus have a negative or positive impact on the Company's profit or loss. The level of this risk cannot be quantified in advance. In the event of such occurrence, the Company's management enters into negotiations with ÚRSO in order to minimise negative impact on the Company.

(c) Interest rate risk affecting fair value and cash flows

The Company is not exposed to interest rate risk from its long-term loans.

As at 31 December 2020 and 31 December 2019, all loans are denominated in EUR, bearing fixed interest rates, and are recorded at amortised cost. For more details see Note 15.

(ii) Operational risk

Operational risk is the risk of direct or indirect losses, arising from a wide variety of causes associated with the Company's processes, personnel, technology, infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements, and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk to balance the eliminations of financial losses, and damage to the Company's reputation, with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity. The primary responsibility for development and implementation of controls to address operational risk is assigned to the Company's senior management.

The Internal audit department carries out regular reviews to ensure that the Company's processes are in compliance with internal guidelines. Results of the internal audit are discussed by the Company's top management.

(iii) Credit risk

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, cash-pooling receivables from the parent company, as well as exposure to large and small customers, including outstanding receivables and future transactions from concluded contracts. As regards relations with banking and financial institutions, the Company only enters into relations with those with high independent credit ratings. Where independent ratings for large customers are available, these ratings shall be used. In the absence of such assessment, the customer's creditworthiness will be assessed taking financial position, historical data, and other factors into account.

The key service of the Company is the distribution of electricity to final customers, which is in most cases invoiced through electricity suppliers (e.g. the sister company Stredoslovenská energetika, a.s. or another supplier) in the form of so-called integrated contracts for bundled electricity supply (the electricity price is invoiced to the end customer together with the distribution fee). The Company manages the risk of non-payment of customers through an advance payment system.

As regards trade receivables from the sister company Stredoslovenská energetika, a. s., receivables from cash-pooling from the parent company Stredoslovenská energetika Holding, a.s. and a low number of other customers (electricity suppliers and direct customers), the Company has a significant concentration of credit risk against these companies (2020: 85% of receivables; 2019: 87% of receivables).

The Company measures impairment allowances for trade receivables at an amount equal to the lifetime ECL.

Impairment losses from trade and other receivables are recognised in profit or loss. An impairment loss is reversed if the reversal can be objectively attributed to an event that occurs after an impairment loss is recognised.

The table below shows balances of receivables from banks and cash balances, as at the reporting date:

(All amounts are in thousands of EUR unless stated otherwise)

Counterparty	Rating*	Balance as at 31 December 2020	2019
Banks			
Všeobecná úverová banka a.s.	A2	125 844	3 830
UniCredit Bank, a.s.	Baa1	9	8
SLSP, a.s.	A2	21	-
Cash in hand	-	16	10
Total		**125 890**	**3 848**

Funds managed by the parent company Stredoslovenská energetika Holding, a.s., based on the "Agreement for cash-pooling service", as at 31 December 2020, represent the amount of EUR 40 396 thousand (31 December 2019: EUR 83 795 thousand) and they are classified as a receivable from the parent company.

*The Company uses independent ratings of Moody's, Standard & Poor's and Fitch.

Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure, which is as at 31 December 2020, and as at 31 December 2019 as follows:

Financial instrument	Note	Balance as at 31 December 2020	2019
Trade receivables (before impairment allowance)	8	16 464	22 839
Receivables from the parent company (cash pooling)		40 396	83 795
Cash and cash equivalents	10	125 890	3 848
Total		**182 750**	**110 482**

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, availability of funds through the committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding from the parent company.

The Company concluded an Agreement for cash-pooling service with the parent company Stredoslovenská energetika Holding, a.s., through which it manages liquidity risk, which should, if necessary, cover insolvency. Funds from cash-pooling are available on request. The Company regularly monitors the status of its liquid assets.

The Company also uses the advantages of payment terms between the Company and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is between 14 and 90 days.

Expected cash flows are prepared as follows:
- Expected future cash inflows from main operations of the Company,
- Expected future cash outflows securing operations of the Company and leading to settlement of all liabilities of the Company, including tax payables.

A cash flows forecast is prepared monthly. It identifies the immediate need for cash and, if funds are sufficient, it enables the Company to make short-term deposits.
The table below analyses the Company's financial liabilities according to remaining maturity period. Amounts disclosed in the table are the contractual undiscounted cash flows. The difference between carrying and estimated amount of liabilities represent future expected interest.

(All amounts are in thousands of EUR unless stated otherwise)

	Carrying value	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
As at 31 December 2020					
Bank loans (principal incl. future interest charges)	7 500	2 642	2 585	2 528	7 755
Trade and other payables (excl. liabilities not in scope of IFRS 7)	54 040	54 040	-	-	54 040
Total	**61 540**	**56 682**	**2 585**	**2 528**	**61 795**
As at 31 December 2019					
Borrowings from the parent company (principal incl. future interest charges)	10 000	2 699	2 642	5 113	10 454
Trade and other payables (excl. liabilities not in scope of IFRS 7)	62 961	62 961	-	-	62 861
Total	**72 961**	**65 660**	**2 642**	**5 113**	**73 415**

3.2. Capital risk management

For purposes of managing capital, management considers equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company's management manages shareholders' capital reported under IFRS EU as at 31 December 2020, amounting to EUR 816 239 thousand (2019: EUR 790 621 thousand).

Consistent with other companies within the industry, the Company also monitors capital on the basis of gearing ratio. This ratio is calculated as total debt, divided by total liabilities and equity. Total debt is calculated as the sum of bank loans and borrowings (including current and non-current bank loans, and borrowings as presented in the Statement of financial position).

During 2019, as well as in 2020, the Company's strategy was to maintain gearing ratio below the 60% limit stated in the Company's loan agreements.

3.3. Fair value estimation

Fair value of financial instruments traded in the active markets is based on quoted market prices at the reporting date. Different methods, such as discounted estimated future cash flows, are used for determining fair value of other financial instruments.

The carrying amounts of trade receivables and payables, decreased by impairment allowance, are assumed to approximate their fair values. Fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Significant accounting estimates and judgements

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS as adopted by the EU, requires management of the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and related assumptions are based on historical experience and other miscellaneous factors deemed appropriate under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and corrections to accounting estimates are recognised in the period in which the estimates are corrected, if the correction only affects this period, and in the future periods, if the correction affects this and future periods.

Information about significant areas of estimation uncertainty and critical judgements in using accounting policies, that have the most significant impact on amounts reported in the financial statements are stated below.

(i) Estimated useful lives of assets

The useful lives of non-current tangible and intangible assets are determined by the management, in cooperation with internal and external experts. If the revised useful lives of the assets are shorter by 10% than the management's estimate, as at 31 December 2020, the Company would recognise additional depreciation of non-current tangible and intangible assets, charged to the Income statement in the amount of EUR 5 905 thousand (2019: EUR 6 412 thousand).

(All amounts are in thousands of EUR unless stated otherwise)

5 Non-current tangible assets

Movements of non-current tangible assets from 1 January 2019 to 31 December 2020 are presented below:

	Land	Buildings	Machinery, equipment and other assets	Assets not yet in use including advances	Total
As at 1 January 2019					
Acquisition cost	12 544	966 615	346 244	24 512	1 349 915
Right-of-use assets - the impact of transition to IFRS 16	480	1 191	2 877	-	4 548
Accumulated depreciation and impairment allowances	-	-455 586	-135 050	-	-590 636
Net book value	**13 024**	**512 220**	**214 071**	**24 512**	**763 827**
Year ended 31 December 2019					
Opening balance	13 024	512 220	214 071	24 512	763 827
Addition	34	21 231	9 078	18 261	48 604
Transfers from assets not yet in use	7	11 549	6 589	-18 145	-
Disposals	-50	-143	-25	-106	-324
Depreciation charge	-41	-36 926	-17 349	-	-54 316
Reversal of impairment allowances	-	131	-	-	131
Closing net book value	**12 974**	**508 062**	**212 364**	**24 522**	**757 922**
As at 31 December 2019					
Acquisition cost	13 015	995 477	356 571	24 522	1 389 585
Accumulated depreciation and impairment allowances	-41	-487 415	-144 207	-	-631 663
Net book value	**12 974**	**508 062**	**212 364**	**24 522**	**757 922**
Year ended 31 December 2020					
Opening balance	12 974	508 062	212 364	24 522	757 922
Addition	167	19 968	9 708	18 503	48 346
Transfers from assets not yet in use	6	5 263	3 311	-8 580	-
Disposals	-260	-307	-85	-33	-685
Depreciation charge	-51	-34 900	-16 349	-	-51 300
Reversal of impairment allowances	-	128	-	-	128
Closing net book value	**12 836**	**498 214**	**208 949**	**34 412**	**754 411**
As at 31 December 2020					
Acquisition cost	12 929	1 017 488	365 244	34 412	1 430 073
Accumulated depreciation and impairment allowances	-93	-519 274	-156 295	-	-675 662
Net book value	**12 836**	**498 214**	**208 949**	**34 412**	**754 411**

As at 31 December 2020, no non-current tangible assets were pledged in favour of a creditor.
The Company has no contracts in respect of pledged assets and long-term leases of non-current assets.

(All amounts are in thousands of EUR unless stated otherwise)

Impairment allowances represent an impairment loss relating to buildings not used. As at 31 December 2020, the value of the impairment for unused buildings amounted to EUR 2 346 thousand (31 December 2019: EUR 2 629 thousand).

There are no restrictions of ownership relating to non-current tangible assets and they are not pledged.

Buildings, machines, equipment and other assets mainly include the distribution network, switching stations, transformers, administrative buildings, equipment, vehicles and machinery, hardware, servers, telephone exchanges, remote control equipment, electrometers, metering equipment, system failure detectors and electrical hand tools and machines.

Relocation of energy devices, assets obtained by withholding (transformer stations, power lines), assets obtained free of charge, and inventory surplus are recorded in accordance with existing legislation, and initially recorded at fair value as deferred income. Subsequently, an amount equal to the annual accounting depreciation of these assets is recognised in revenue for the current period (Note 12).

Overview of rights-of-use lease assets under IFRS 16 recognised under non-current tangible assets:

	Land	Buildings, halls, constructions and networks	Machinery, equipment and other assets	Total
As at 1 January 2019	-	-	-	-
Impact of transition to IFRS 16	480	1 191	2 877	4 548
Additions	-	109	1 132	1 241
Depreciation	-41	-140	-975	-1 156
Disposals	-	-	-	-
As at 31 December 2019	**439**	**1 160**	**3 034**	**4 633**
As at 1 January 2020	**439**	**1 160**	**3 034**	**4 633**
Additions	84	87	1 026	1 197
Depreciation	-51	-163	-1 107	-1 321
Disposals	-	-	-	-
As at 31 December 2020	**472**	**1 084**	**2 953**	**4 509**

As at 31 December 2020, a leasing company provides the lease of new vehicles up to 3.5 tonnes (number of vehicles is 435), and fleet management for 268 vehicles owned by the Company.

The framework contract with the leasing company is concluded for a period of 4 years after the expiry of which, upon fulfilment of the stipulated conditions specified in the contract, will be automatically changed for an indefinite period. The notice period of the lease is 12 months for the new vehicle rental service and 3 months for the fleet management.

Method and amount of insurance of tangible assets

Non-current tangible assets are insured up to EUR 1 113 459 thousand (2019: EUR 1 113 295 thousand) for natural hazards, vandalism and theft, and up to EUR 13 469 thousand (2019: EUR 12 962 thousand) due to machine fracture risk.

(All amounts are in thousands of EUR unless stated otherwise)

6 Non-current intangible assets

The following table summarises the movements of non-current intangible assets from 1 January 2019 to 31 December 2020:

	Computer software	Assets not yet in use including advances	Other intangible assets	Total
As at 1 January 2019				
Acquisition cost	38 552	1 681	114	40 347
Accumulated amortisation	-25 552	-	-11	-25 563
Net book value	**13 000**	**1 681**	**103**	**14 784**
Year ended 31 December 2019				
Opening balance	13 000	1 681	103	14 784
Additions	1 608	493	13	2 114
Transfers from assets not yet in use	599	-759	160	-
Disposals	-	-2	-	-2
Amortisation charge	-3 502	-	-8	-3 510
Net book value	**11 705**	**1 413**	**268**	**13 386**
As at 31 December 2019				
Acquisition cost	40 759	1 413	287	42 459
Accumulated amortisation	-29 054	-	-19	-29 073
Net book value	**11 705**	**1 413**	**268**	**13 386**
Year ended 31 December 2020				
Opening balance	11 705	268	1 413	13 386
Additions	980	2	1 164	2 146
Transfers from assets not yet in use	399	96	-495	-
Disposals	-601	-	-1	-602
Amortisation charge	-2 150	-11	-	-2 161
Net book value	**10 333**	**355**	**2 081**	**12 769**
As at 31 December 2020				
Acquisition cost	41 538	386	2 081	44 005
Accumulated amortisation	-31 205	-31	-	-31 236
Net book value	**10 333**	**355**	**2 081**	**12 769**

Software consists mainly of customer information systems (SAP ISU/CRM), information systems for service administration (EAM), graphic information systems (GIS) and operating information systems (RIS). Additions are represented mainly by upgrades of software (SAP, RIS, GIS).

The Company has no limited right to dispose of non-current intangible assets and does not use them as collateral.

(All amounts are in thousands of EUR unless stated otherwise)

7 Financial instruments by category

Analysis of the financial instruments by measurement categories, under IFRS 9 is as follows:

	Balance as at 31 December	
	2020	2019
Assets per Statement of financial position		
Trade and other receivables (before impairment allowance) (Note 8)	16 464	22 839
Receivables from the parent company (Cash Pooling)	40 396	83 795
Cash and cash equivalent (Note 10)	125 890	3 848
Total	**182 750**	**110 482**
Liabilities per Statement of financial position		
Liabilities to the parent company (Note 15)	-	10 000
Bank loans (Note 15)	7 500	-
Trade and other liabilities (Note 14)	45 555	60 837
Total	**53 055**	**70 837**

8 Trade and other receivables

	Balance as at 31 December	
	2020	2019
Current receivables and prepayments provided:		
Receivables due	14 520	19 711
Receivables overdue, but not impaired	-	-
Individually impaired receivables	1 944	3 128
Trade receivables (before impairment allowance)	**16 464**	**22 839**
Less: Impairment allowance for receivables	-1 779	-2 577
Net trade receivables	**14 685**	**20 262**
Other receivables and assets	1 232	1 402
Trade and other receivables	**15 917**	**21 664**

The structure of the trade receivables within due dates is as follows:

	Balance as at 31 December	
	2020	2019
Very high voltage	919	949
High voltage	723	703
Low voltage	4	2
Aggregated invoices	11 542	12 431
Producers EE (MPDS – payment to NJF)	81	80
TPS – compensation of purchase of green energy from OKTE	22	3 833
SSE – repurchase, purchase of EE	-	413
Other customers	1 229	1 300
Trade receivables within due dates	**14 520**	**19 711**

(All amounts are in thousands of EUR unless stated otherwise)

The structure of trade receivables by maturity is as follows:

	Balance as at 31 December	
	2020	2019
Receivables due	14 520	19 711
Receivables overdue	1 944	3 128
Total	**16 464**	**22 839**

Impaired receivables relate to both large and small customers, who are facing the unexpectedly difficult economic situations.

It is expected that part of overdue receivables that are impaired will be repaid.

Ageing of receivables is as follows:

	Balance as at 31 December	
	2020	2019
From 1 to 30 days	80	503
From 31 to 90 days	32	128
From 91 to 180 days	13	49
From 181 to 360 days	20	149
More than 361 days	1 799	2 299
Total individually impaired trade receivables	**1 944**	**3 128**

Movements in impairment allowance for receivables are recognised in the Income statement in other operating expenses. They are presented in the following table:

	Balance as at 31 December	
	2020	2019
As at the beginning of the year	2 577	2 529
Creation of impairment provision	115	226
Use of impairment provision	-913	-174
Reversal of unused impairment provision	-	-4
As at the end of the year	**1 779**	**2 577**

9 Accrued income

Up to and including 31 December 2019, the Company was obliged to bear all costs related to support of OZE/KVET, including purchase of electricity from OZE/KVET, responsibility for imbalance, and payment of a surcharge in the amount approved by ÚRSO. These costs are covered by the operational tariff ("TPS"). In 2019, the Company incurred a loss due to the difference between the costs associated with support of OZE/KVET, and revenue from TPS. Based on the ÚRSO decision of December 2020, the Company recognised deferred income in the Statement of financial position, at the amount which was granted by ÚRSO for loss offsetting for 2019 (2019: for 2018), entering TPS in 2021 (2019: in 2020) in the amount of EUR 88 131 thousand (2019: EUR 138 248 thousand).

10 Cash and cash equivalents

The Company has entered into a Service agreement on cash-pooling with its parent company, whereby available cash is managed by the parent company. These funds are available to the Company upon request.

(All amounts are in thousands of EUR unless stated otherwise)

As at 31 December 2020, the Company reported a receivable in the amount of EUR 40 396 thousand (as at 31 December 2019: EUR 83 795 thousand) to the parent company, Stredoslovenská energetika Holding, a.s. This receivable bears interest of 0.00% p.a. for credit balance and 0.40% p.a. for debit balance and is payable on demand.

	Balance as at 31 December	
	2020	**2019**
Cash at bank and cash on hand	1 890	3 848
Short-term bank deposits	124 000	-
Total	**125 890**	**3 848**

	Balance as at 31 December	
	2020	**2019**
Cash and balances on bank accounts with original commitment period of less than 3 months	125 890	3 848
Total	**125 890**	**3 848**

The carrying amount of cash and cash equivalents, as at 31 December 201 and as at 31 December 2019, is not significantly different from their fair value.

11 Equity

No changes occurred in the Company's share capital in 2019 or in 2020. The Company has no registered share capital that is not registered in the Commercial register.

The Company's share capital consists of 15 058 shares (2019: 15 058 shares), at nominal value of EUR 33 194 per share (2019: EUR 33 194 per share). As at 31 December 2020, the entire share capital was issued and paid.

The commercial code requires that the Company creates a legal reserve fund, in the amount of 10% of its share capital at the time of incorporation of the Company. This amount must be increased annually by at least 10% from net profit, until the legal reserve fund reaches 20% of share capital. Use of this fund is restricted under the commercial code, to cover losses of the Company, and it is not a distributable reserve. As at 31 December 2020, the legal reserve fund amounted to EUR 99 967 thousand (as at 31 December 2019: EUR 99 967 thousand), and thus reached its full required limit.

The General Meeting of the Company, held on 29 June 2020, approved the Company's financial statements for the previous period, and agreed to pay dividends to shareholders in the amount of EUR 112 209 thousand (2019: dividends in the amount of 173 541 thousand, representing the accumulated profit or loss for the period of 2016 – 2018).

As at the date of preparation of the financial statements, the Board of Directors of the Company did not submit a proposal of the distribution of the 2020 profit.

(All amounts are in thousands of EUR unless stated otherwise)

12 Deferred income

	Balance as at 31 December	
	2020	**2019**
Relocation of energy devices	28 011	25 150
Withheld assets	62	66
Other	3 220	3 331
Deferred income long-term	**31 293**	**28 547**

Relocation of energy equipment, assets obtained by withholding (transformer stations, power lines), free-of-charge assets, and identified inventory surpluses of assets are recognised in accordance with existing legislation, initially at fair value through profit or loss, while annual depreciation of these assets is recognised in income of the current reporting period.

13 Contract liabilities

	Balance as at 31 December	
	2020	**2019**
Connection fees non-current	34 976	33 136
Connection fees current	1 096	1 021
Contract liabilities	**36 072**	**34 157**

Reported payables consist mainly of customers' fees for connection to the distribution network, and subsequent access to distribution services, while they are released into revenue of the current reporting period during the average lifetime of electricity distribution assets. The Company estimates annual proceeds from the release of contractual obligations, as at 31 December 2021, in the amount of approximately EUR 1 096 thousand (as at 31 December 2020: approximately EUR 1 021 thousand).

14 Non-current and current trade and other liabilities

	Balance as at 31 December	
	2020	**2019**
Trade and other liabilities - current	28 312	40 385
Lease liabilities - non-current	3 459	3 480
Deferred income – current (Note 12)	1 093	1 049
Liabilities to employees	1 611	1 533
Social security	1 148	1 066
Accrued personnel expenses	4 939	4 690
Social fund	24	85
VAT - liability	2 252	5 930
Other liabilities	2 717	2 619
Total	**45 555**	**60 837**

(All amounts are in thousands of EUR unless stated otherwise)

The fair value of trade and other liabilities is not significantly different from their carrying amount.

No liabilities are secured by a lien or other collateral.

The structure of liabilities by maturity is as follows:

	Balance as at 31 December	
	2020	**2019**
Liabilities due	45 544	60 808
Liabilities overdue	11	29
Total	**45 555**	**60 837**

An overview of lease liabilities recognised within trade liabilities and other short-term liabilities and lease long-term liabilities is shown in the following table:

	Balance as at 31 December	
	2020	**2019**
Up to 1 year	1 106	1 185
1 - 5 years	2 452	2 289
More than 5 years	1 007	1 191
Total	**4 565**	**4 665**

An overview of lease transactions, recognised in the Statement of cash flows, is presented in the following table:

	Balance as at 31 December	
	2020	**2019**
Total lease payments	1 377	1 203
Total	**1 377**	**1 203**

Payments for leases relating to principal during the reporting period, in the amount of EUR 1 297 thousand (2019: EUR 1 124 thousand), are recognised in the Statement of cash flows, as cash flows from financial activities. Interest payments related to lease obligations, amounting to EUR 80 thousand (2019: EUR 79 thousand), are reported as operating flows in the Statement of cash flows.

Carrying amounts of liabilities are denominated in the following currencies:

	Balance as at 31 December	
	2020	**2019**
EUR	45 540	60 815
CZK	15	22
Total	**45 555**	**60 837**

Social fund

Creation and use of the social fund during the accounting period are shown in the following table:

	Balance as at 31 December 2020	2019
Opening balance as at 1 January	85	126
Creation as expense	412	444
Drawing	-473	-485
Closing balance as at 31 December	**24**	**85**

According to the Social fund act, creation of the social fund is compulsory, charged to expenses, and a portion may be generated from profit. According to the Social fund act, the social fund is used for social, health, recreational and other needs of employees.

15 Bank loans and liabilities to the parent company

Bank loans

Effective from 1 January 2020, the Company became a direct debtor in a bank loan to Slovenská sporiteľňa, thereby incurring liabilities to the parent company Stredoslovenská energetika Holding a.s. in the value of EUR 10 000 thousand are considered to be fulfilled. The Company took the responsibility to pay the amount of the loan, including related fees, to the extent that the parent company Stredoslovenská energetika Holding, a.s. obliged to pay to Slovenská sporiteľňa.

Maturity of bank loans is as follows:

Maturity	Balance as at 31 December 2020	2019
Short-term portion of bank loans	2 500	-
Long-term portion of bank loans		
From 1 to 5 years	5 000	-
More than 5 years	-	-
Total	7 500	-

Fair value of loans as of 31 December 2020 does not differ significantly from the carrying amount.

Bank loans and their structure as of 31 December 2020 and 2019 are as follows:

Bank	Amount in thousands of EUR 2020	2019	Interest rate % p. a.	Final maturity	Form of security
Slovenská sporiteľňa	7 500	-	Fixed 2,25%	30.6.2023	-
Total	**7 500**	-	**X**	**X**	**X**

All loans are denominated in EUR.

The loan agreement with Slovenská sporiteľňa contains certain contractual conditions that require the Company to achieve the minimum set indicators of total indebtedness, liquidity, profitability, cash receipt, interest coverage and the ratio of total debt to operating profit (bank covenants), calculated according to the data from the consolidated financial statements of the group Stredoslovenská energetika Holding, a.s. The Company has fulfilled all contractual conditions as of the reporting date.

(All amounts are in thousands of EUR unless stated otherwise)

Loans received from the parent company

As at 30 September 2013, the Company drew an investment loan from Slovenská sporiteľňa 179/AUCC/13 in the amount of EUR 25 000 thousand. The direct debtor towards Slovenská sporiteľňa is Stredoslovenská energetika Holding, a.s. The debtor (the Company) has assumed the obligation to pay to the creditor (Stredoslovenská energetika Holding, a.s.) the remaining total of loans, including related fees, to the extent that Stredoslovenská energetika Holding, a.s. is obliged to pay to Slovenská sporiteľňa. With effect from 1 January 2020, the Company becomes a direct debtor to Slovenská sporiteľňa.

The maturity of loans to the parent company was as follows:

	Balance as at 31 December	
Maturity	**2020**	**2019**
Current part of loans	-	2 500
Non-current part of loans		
From 1 to 5 years	-	7 500
More than 5 years	-	-
Total	**-**	**10 000**

16 Deferred income tax

Deferred income tax is calculated from temporary differences using the balance sheet method.
For the purpose of deferred income tax calculation, a tax rate of 21% was used as at 31 December 2020 and 2019.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset a current asset and a current liability, and when deferred income tax relates to the same tax authority.

	Balance as at 31 December	
	2020	**2019**
Deferred tax asset		
- Deferred tax assets to be settled after more than 12 months	1 983	1 985
- Deferred tax assets to be settled within 12 months	1 321	1 380
	3 304	**3 365**
Deferred tax liability		
- Deferred tax liability to be settled after more than 12 months	-87 254	-88 156
	-87 254	**-88 156**
Net deferred tax liability	**-83 950**	**-84 791**

(All amounts are in thousands of EUR unless stated otherwise)

Movements in deferred income tax assets and liabilities during the year are as follows:

	Balance as at 1 January 2020	(Charged)/ credited to the Income statement	Recognised in equity	As at 31 December 2020
Non-current assets*	-88 156	902	-	-87 254
Provisions for employee benefits and bonuses	2 408	80	140	2 628
Other	957	-281	-	676
	-84 791	**701**	**140**	**-83 950**

	Balance as at 1 January 2019	(Charged)/ credited to the Income statement	Recognised in equity	As at 31 December 2019
Non-current assets*	-89 316	1 160	-	-88 156
Provisions for employee benefits and bonuses	2 435	56	-83	2 408
Other	540	417	-	957
	-86 341	**1 633**	**-83**	**-84 791**

* Includes the difference between book value and tax base of non-current tangible and intangible assets.

As at 31 December 2020 and as at 31 December 2019, the Company did not have any temporary deductible differences for which no deferred income tax assets were recognised.

(All amounts are in thousands of EUR unless stated otherwise)

17 Provisions for liabilities

	Pensions programs and other long-term employee benefits (a)	Termination benefits (b)	Other	Total
As at 1 January 2020	8 847	610	23	9 480
Creation of provisions	1 282	-	216	1 498
Use of provisions	-398	-	-	-398
Reversal of unused provisions	-	-71	-23	-94
As at 31 December 2020	**9 731**	**539**	**216**	**10 486**

	Pensions programs and other long-term employee benefits (a)	Termination benefits (b)	Other	Total
As at 1 January 2019	9 175	774	1	9 950
Creation of provisions	102	-	22	124
Use of provisions	-430	-164	-	-594
As at 31 December 2019	**8 847**	**610**	**23**	**9 480**

Analysis of total provisions	Balance as at 31 December 2020	2019
Non-current	9 731	9 056
Current	755	424
Total	**10 486**	**9 480**

(a) Pension program and other employee benefits

In relation to a pre-defined retirement pension program and other long-term employee benefits, the following amounts are reported:

(i) Pension program for retirement

	Balance as at 31 December 2020	2019
Present value of unfunded retirement provisions	8 693	7 847
Liabilities recognised in the Statement of financial position	**8 693**	**7 847**

(All amounts are in thousands of EUR unless stated otherwise)

Amounts recognized in the Income statement are as follows:

	Balance as at 31 December	
	2020	**2019**
Current service expenses	443	383
Interest expenses	14	29
Total charge included in personnel expenses	**457**	**412**

Movements in the present value of pension program liabilities are as follows:

	Balance as at 31 December	
	2020	**2019**
Present value of unfunded retirement provisions at the beginning of the year	7 847	8 156
Current service expenses	443	383
Interest expenses	14	29
Paid	-279	-326
Actuarial loss/(gain)	668	-395
Present value of unfunded retirement provisions as at the end of the year	**8 693**	**7 847**

(ii) Other long-term employee benefits (anniversaries and loyalty benefits)

	Balance as at 31 December	
	2020	**2019**
Present value of unfunded provisions	1 038	1 000
Provisions in the Statement of financial position	**1 038**	**1 000**

Values recognised in the Income statement are as follows:

	2020	**2019**
Current service expenses	94	81
Actuarial loss	62	1
Interest expenses	1	3
Total charge included in personnel expenses	**157**	**85**

(All amounts are in thousands of EUR unless stated otherwise)

Movements in present value of liabilities of the defined benefit pension program are as follows:

	Balance as at 31 December	
	2020	**2019**
Present value of unfunded provisions as at the beginning of the year	1 000	1 019
Current service expenses	94	81
Interest expenses	1	3
Paid	-119	-104
Actuarial losses	62	1
Present value of unfunded provisions as at the end of the year	**1 038**	**1 000**

Basic actuarial assumptions in determining provisions for severance are as follows:

	2020	**2019**
Number of employees as at 31 December	1 344	1 316
Employee fluctuation rate	1.96% p.a.	1.99% p.a.
Expected salary increase – long-term	1.90% p.a.	1.70% p.a.
Expected salary increase – short-term	0.60% p.a.	2.50% p.a.
Discount rate	0.00 – 0.65% p.a. (2021 – 2066)	0.00 – 1.06% p.a. (2020 – 2063)

If actual discount rate differed by 1% from estimated discount rate, the amount of pension provisions would be by EUR 1 017 thousand lower or by EUR 106 thousand higher (2019: by EUR 923 thousand lower or by EUR 239 thousand higher).

(b) Provisions for severance

Provisions for severance represent an estimate of the severance for employees, as a result of an approved and communicated restructuring process, which will be completed in 2021 (2019: to be completed in 2021). Amounts according to the relevant detailed plan of positions accompanying the restructuring process are expected to be paid as follows:

	Balance as at 31 December	
	2020	**2019**
Expected payment in 2020	-	401
Expected payment in 2021	539	209
	539	610

(All amounts are in thousands of EUR unless stated otherwise)

18 Revenue

Revenue from own performance by segment includes the following:

Voltage level	Segment VVN VVN		Segment VN VN		Segment NN-MOP NN-MOP		Segment NN-MOO NN-MOO		Unassigned		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from distribution	28 248	26 555	99 583	102 329	54 396	56 102	78 054	75 163	-	-	260 281	260 149
Revenue from connection fees	89	76	451	427	183	171	373	347	-	-	1 096	1 021
Revenue from TPS	-	-	-	-	-	-	-	-	15 107	208 133	15 107	208 133
Revenue from TPS - ÚRSO correction (Note 9)	-	-	-	-	-	-	-	-	74 307	40 416	74 307	40 416
Contractual sale of electricity to Stredoslovenská energetika, a.s.	-	-	-	-	-	-	-	-	-	1 925	-	1 925
Revenue from SLA contracts	-	-	-	-	-	-	-	-	2 068	2 689	2 068	2 689
Other	-	-	-	-	-	-	-	-	827	888	827	888
Total	**28 337**	**26 631**	**100 034**	**102 756**	**54 579**	**56 273**	**78 427**	**75 510**	**92 309**	**254 051**	**353 686**	**515 221**

The Company divides sales by voltage levels as follows:

a) VVN – very high voltage,
b) VN – high voltage,
c) NN-MOP – low voltage, entrepreneurs,
d) NN-MOO – low voltage, population.

Revenue from electricity distribution is regulated by ÚRSO, based on binding decisions which define distribution fees over a specified period, and for specific customer tariff categories.
TPS revenue is generated from OKTE, a.s. (2019: OKTE, a.s.), based on the TPS tariff (Note 9) stipulated by ÚRSO to cover the loss incurred from the support of OZE/KVET for the year 2018.
The reason for the yearly decrease in the sale of electricity from renewable sources and the related surcharge is the legislative change in the system of purchase of electricity produced from renewable energy sources and combined heat and power generation (OZE/KVET) valid from 1 January 2020.

(All amounts are in thousands of EUR unless stated otherwise)

Distribution fees are invoiced to electricity suppliers, based on consumption at the customers' offtake points, and to customers with separate distribution agreements.

The total amount of revenue was generated in the Slovak Republic.

19 Other operating revenue

An overview of other operating income from business activities is presented in the following table:

	2020	2019
Revenue from the use of assets *	2 009	1 965
Revenue from lease of assets	582	664
Release of deferred income (Note 12)	1 093	1 049
Income from insurance claims	871	701
Profit from sale of assets	172	169
Other	1 341	1 363
Total	**6 068**	**5 911**

The Company also receives contributions from customers for connection to the electricity distribution network. Revenue in the form of such contributions is recognised as deferred income (recognised as contractual liabilities) and is reversed through income over the average useful life of the distribution network.

* The yield from the optical fibre capacity and support points, as at 31 December 2020, is in the amount of EUR 1 602 thousand (2019: EUR 1 612 thousand), and rental services in the amount of EUR 407 thousand (2019: EUR 353 thousand).

20 Purchase of electricity, system and other related fees

The following items are included in purchase of electricity and system related charges:

	2020	2019
Purchase of electricity:		
Variances settlement expenses	3 018	3 794
Supplies from SEPS	35 687	37 601
Purchase of electricity from renewable resources and related charges	24 255	217 283
Total	**62 960**	**258 678**

The reason for the yearly decrease in the sale of electricity from renewable sources and the related surcharge is the legislative change in the system of purchase of electricity produced from renewable energy sources and combined heat and power generation (OZE/KVET) valid from 1 January 2020.

(All amounts are in thousands of EUR unless stated otherwise)

21 Other operating expenses

An overview of other operating expenses is as follows:

	2020	2019
Repair and maintenance	3 667	2 923
IT services	3 400	3 470
Lease – right-of-use assets	2 490	2 491
Forest cutting	2 324	3 035
Security services	1 159	1 014
Consultancy expenses	1 047	990
Postage and telecommunication	768	635
SLA – services	745	744
Insurance expenses	656	607
Fees and other taxes	580	544
Metering of electricity consumption and inspection of distribution points	560	475
Waste disposal and cleaning	433	349
Metrological services	295	272
Service of energy equipment	262	274
Creation of impairment allowances for receivables	115	223
Other operating expenses	3 533	3 961
Total	**22 034**	**22 007**

The cost for audit services are as follows:

Audit fee	**2020**	**2019**
Audit of the financial statements	45	45
Other assurance services	18	14
Other non-audit services	31	12
Total	**94**	**71**

22 Personnel expenses

	2020	2019
Wages and salaries	28 815	27 200
Other personnel expenses	2 738	2 839
Social and health insurance costs - defined contribution plans	9 876	9 474
Retirement and other long-term employee benefits	614	497
Total	42 034	40 510

23 Net financial expenses

An overview of financial expenses is provided in the following table:

	2020	2019
Interest expenses related to loans from the parent company	194	293
Interest expenses from lease liabilities	80	79
Other financial expenses	4	4
Net financial expenses	**278**	**376**

(All amounts are in thousands of EUR unless stated otherwise)

The following table summarises the lease transactions recognised in profit or loss:

	Year ended 31 December	
	2020	**2019**
Interest expenses	80	79
Short-term lease expenses	161	122
Low-value tangible assets lease expenses, except for short-term low-value tangible assets lease expenses	316	266
Total	**557**	**467**

24 Income tax

Reconciliation between theoretical and recorded income taxes is presented in following table:

	Year ended 31 December	
	2020	**2019**
Profit before tax	183 245	146 665
Theoretical income tax recognised for the current period at the rate 21%	38 481	30 800
- Tax non-deductible expenses	85	135
- Special levy for regulated industries, including tax impact	6 313	3 609
- Other	11	-88
Total tax recognised	**44 890**	**34 456**
Total tax for the current period consisting of:		
- Deferred tax income	-702	-1 633
- Current tax charge for the current period from continuing operations	45 593	36 074
- Income tax for prior periods	-1	15
	44 890	**34 456**

Income tax rate for 2020 is 21% (2019: 21%). Effective income tax rate of the Company, for the year 2020, is 24.50% (2019: 23.49%).

The Company is obliged to pay a special levy in accordance with the Special levy act for regulated industries.

The base for the levy is profit or loss before tax, recognised according to Slovak accounting standards for the period, multiplied by a coefficient. The coefficient for calculating the special levy base is calculated as the ratio of the income from the regulated activity to the total income for the period, for which the recognised profit or loss is used to calculate the special levy base. For 2020, the coefficient is 0.70 (2019: 0.49). For 2020, the rate of levy is 0.00545 per calendar month, which amounts to 0.0654 (6.54%) per 12 months. The levy is calculated by multiplying the base by the rate. The levy is paid on a monthly basis and is subject to annual settlement.

Special levy rates according to the 2016 amendment are applied as follows:
0.00726 per month (8.712% p.a.) for 2017 - 2018,
0.00545 per month (6.54% p.a.) for 2019 - 2020,
0.00363 per month (4.356% p.a.) for 2021 and later.

(All amounts are in thousands of EUR unless stated otherwise)

25 Contingent assets and liabilities

Contingent receivable from TPS

Up to and including 31 December 2019, the Company was obliged to purchase electricity from renewable energy sources and co-generation of electricity and heat producers (OZE/KVET), to cover losses, to assume responsibility for the imbalance, and to pay surcharges in the amount approved by ÚRSO. These expenses are compensated in TPS.

Costs related to the support of OZE/KVET exceeded revenue from TPS for 2019. In this respect, the Company incurred contingent assets to offset the loss incurred in 2019, in the estimated amount of EUR 88 131 thousand. In accordance with the current legislation, this estimated value will be compensated by TPS in the t+2 period, i.e. in 2021.

Based on the ÚRSO decision of December 2020, the Company recognised deferred income in the Statement of financial position (Note 9), in the amount granted by ÚRSO for compensation of the 2019 losses.

Taxation

Since many areas of Slovak tax law have so far not been sufficiently validated in practice, there is uncertainty as to how they will be applied by the tax authorities. The extent of this uncertainty cannot be quantified, and disappears only when legal precedents, or official interpretations of the competent authorities are available.

Litigations

The Company is currently filing 266 lawsuits, which are subject to an action for repayment of parts of network access fees, paid at different periods of time. The total defendant's claim cannot be reliably and accurately determined. Based on legal analysis, the Company's management considers that it is unlikely that such disputes will be recovered, and the Company has not created a provision for legal disputes.

26 Commitments

Capital commitments

Capital expenditures contracted as at the reporting date, but not recognised in the Statement of financial position, are as follows:

	Balance as at 31 December	
	2020	2019
Non-current tangible assets	13 525	21 722
Non-current intangible assets	552	2 463
Total	**14 077**	**24 185**

27 Information on off-balance sheet accounts

Leased assets

By application of IFRS 16, lease contracts would be recognised in the Statement of financial position, as a part of non-current tangible assets.

28 Related party transactions

Related party transactions are shown in the following table:

Related parties

a) Parent company
Stredoslovenská energetika Holding, a.s., Žilina

b) Sister companies
Stredoslovenská energetika, a. s., Žilina
Elektroenergetické montáže, s.r.o., Žilina
SSE – Metrológia, s.r.o., Žilina
SSE CZ, s.r.o., Praha
Stredoslovenská energetika - Project Development, s.r.o., Žilina
SSE-Solar, s.r.o., Žilina
SPV100, s. r. o., Liptovský Mikuláš
SSE - MVE, s.r.o., Žilina
Kinet, s.r.o., Diviaky nad Nitricou

c) Related parties through the parent company
Energotel, a.s., Bratislava
SPX, s.r.o., Žilina

d) Entities controlled by the government of the Slovak Republic
OKTE, a.s.
Slovenská elektrizačná prenosová sústava, a.s.
Slovenský plynárenský priemysel, a.s.
Východoslovenská energetika a.s.
ZSE Energia, a.s.
Žilinská teplárenská, a.s.
Zvolenská teplárenská, a.s.

e) Entities under common control of EP Investment, associated entities and their branches

EP ENERGY TRADING, a.s., organisational unit
EP Commodities, a.s.
eustream, a.s.
SPP - distribúcia, a.s.
EP Investment Advisors, s.r.o.
NAFTA a.s.
Slovenské elektrárne, a.s.
Energetický a průmyslový holding, a.s.

f) Members of key management of the Company or of the parent company
Members of the Board of Directors
Members of the Supervisory board

(All amounts are in thousands of EUR unless stated otherwise)

Related party transactions and balances

Related party transactions are performed under standard market conditions.

Related party transactions are shown in the following table:

SSE Holding group (a,b,c)	**2020**	**2019**
Sale of goods, services and merchandise	**155 238**	**153 404**
Stredoslovenská energetika, a.s.*	153 839	151 955
Stredoslovenská energetika Holding, a.s.	28	27
Elektroenergetické montáže, s.r.o	235	300
SSE-PD	37	39
SSE – Metrológia, spol. s r.o.	12	13
SSE - Solar, s.r.o.	214	206
SPV100, s.r.o.	1	7
SSE - MVE, s.r.o.	31	34
Energotel, a.s.	841	850
Sale of assets	**728**	**3**
Stredoslovenská energetika Holding, a.s.	126	-
Stredoslovenská energetika, a.s.	602	1
SPV100, s.r.o.	-	2
Total sales	**155 966**	**153 407**
Purchase of materials	**619**	**634**
Stredoslovenská energetika, a. s., Žilina	619	634
Stredoslovenská energetika Holding, a.s.	-	-
Purchase of energy and other non-storable items	**27 934**	**31 973**
Stredoslovenská energetika, a. s., Žilina	27 934	27 452
SSE – Solar, s. r. o., Žilina	-	4 146
SSE – MVE, s. r. o., Žilina	-	375
Purchase of assets	**460**	**318**
Stredoslovenská energetika, a.s.	20	-
Elektroenergetické montáže, a.s.	143	-
SSE-Metrológia, spol. s r.o.	206	318
Kinet, s.r.o.	91	-
Purchase of services	**2 795**	**2 691**
Stredoslovenská energetika, a.s.	969	1 034
Stredoslovenská energetika Holding, a.s.	1 109	942
SSE-Metrológia, spol. s r.o.	229	256
Elektroenergetické montáže, a.s.	34	-
Energotel, a.s. Bratislava	454	459
Financial expenses	**-**	**292**
Stredoslovenská energetika Holding, a. s., Žilina	-	292
Other expenses	**70**	**78**
Stredoslovenská energetika, a. s., Žilina	68	27
Stredoslovenská energetika, Holding, a. s., Žilina	-	40
Energotel, a. s., Bratislava	2	2
SPX, s. r. o., Žilina	-	9
Total purchases	**31 878**	**35 986**

(All amounts are in thousands of EUR unless stated otherwise)

Related parties through the state (d), through EP Investment (e)	**2020**	**2019**
Related parties through the state	53 036	243 519
Related parties through EP Investment	18 736	19 150
Total sales	**71 772**	**262 669**
Related parties through the state	36 442	50 473
Related parties through EP Investment	180	7 379
Total purchases	**36 622**	**57 852**

The Government of the Slovak Republic has a significant influence on the Company and is therefore considered a related party. The Company's management has made reasonable efforts to identify entities under state control, or those with significant influence of the state. Management of the Company discloses information that its current accounting system makes possible to disclose in relation to activities with state-controlled companies, and companies that the Company's management believes, to the best of its knowledge, could be considered as state-controlled companies.

* The Company realises its revenue through its sister company Stredoslovenská energetika, a.s., which is not the final customer of the Company.

Related parties through the key management (f)	**2020**	**2019**
Sale of electricity and related fees	-	-
Total sales	**-**	**-**
Purchase of electricity and related fees	-	-
Total purchases	**-**	**-**

(All amounts are in thousands of EUR unless stated otherwise)

The balances with related parties are shown in the following table:

SSE Holding group (a,b,c)	**Balance as at 31 December 2020**	**2019**
Trade receivables :	**7 553**	**8 468**
SSE-Metrológia, spol s r.o.	4	4
Stredoslovenská energetika, a.s.	7 362	8 266
Stredoslovenská energetika Holding, a.s.	16	5
Elektroenergetické montáže, a. s.	41	55
SSE-PD	11	13
SSE - Solar, s.r.o.	25	23
SSE - MVE, s.r.o.	10	10
SPV100, s.r.o.	-	8
Energotel, a.s.	84	84
Other receivables within the consolidated group :	**40 396**	**83 795**
Stredoslovenská energetika Holding, a.s.	40 396	83 795
Total assets	**47 949**	**92 263**
Trade payables :	**3 536**	**4 269**
SSE-Metrológia, spol s r.o.	22	40
Stredoslovenská energetika, a.s.	3 242	3 827
Stredoslovenská energetika Holding, a.s.	41	16
SSE - MVE, s.r.o.	-	60
SSE - Solar, s.r.o.	-	124
Kinet, s.r.o.	89	-
Energotel, a.s.	142	195
SPX, s.r.o.	-	7
Loans received :	**-**	**10 000**
Stredoslovenská energetika Holding, a.s.	-	10 000
Total liabilities	**3 536**	**14 269**

Related parties through the state (d), through EP Investment (e)	**Balance as at 31 December 2020**	**2019**
Trade receivables		
Related parties through the state	2 964	6 376
Related parties through EP Investment	1 410	1 803
Total assets	**4 374**	**8 179**
Trade liabilities		
Related parties through the state	2 121	3 640
Related parties through EP Investment	19	706
Total liabilities	**2 140**	**4 346**

(All amounts are in thousands of EUR unless stated otherwise)

Related parties through the key management (f)	Stav k 31. decembru 2020	2019
Trade receivables	-	-
Total assets	**-**	**-**
Trade and other liabilities	-	-
Total liabilities	**-**	**-**

Remuneration of statutory bodies and key management

The structure or remuneration received by the directors, key management and other members of statutory bodies of the Company is as follows:

Board of Directors and key management	2020	2019
Salaries and other short-term employee benefits	467	449
Other non-monetary compensations	25	28
Total	**492**	**477**

Supervisory Board	2020	2019
Salaries and other short-term employee benefits	67	74
Total	**67**	**74**

29 Events after the reporting date

There were no events after 31 December 2020 requiring disclosure in the financial statements for the year ended 2020.