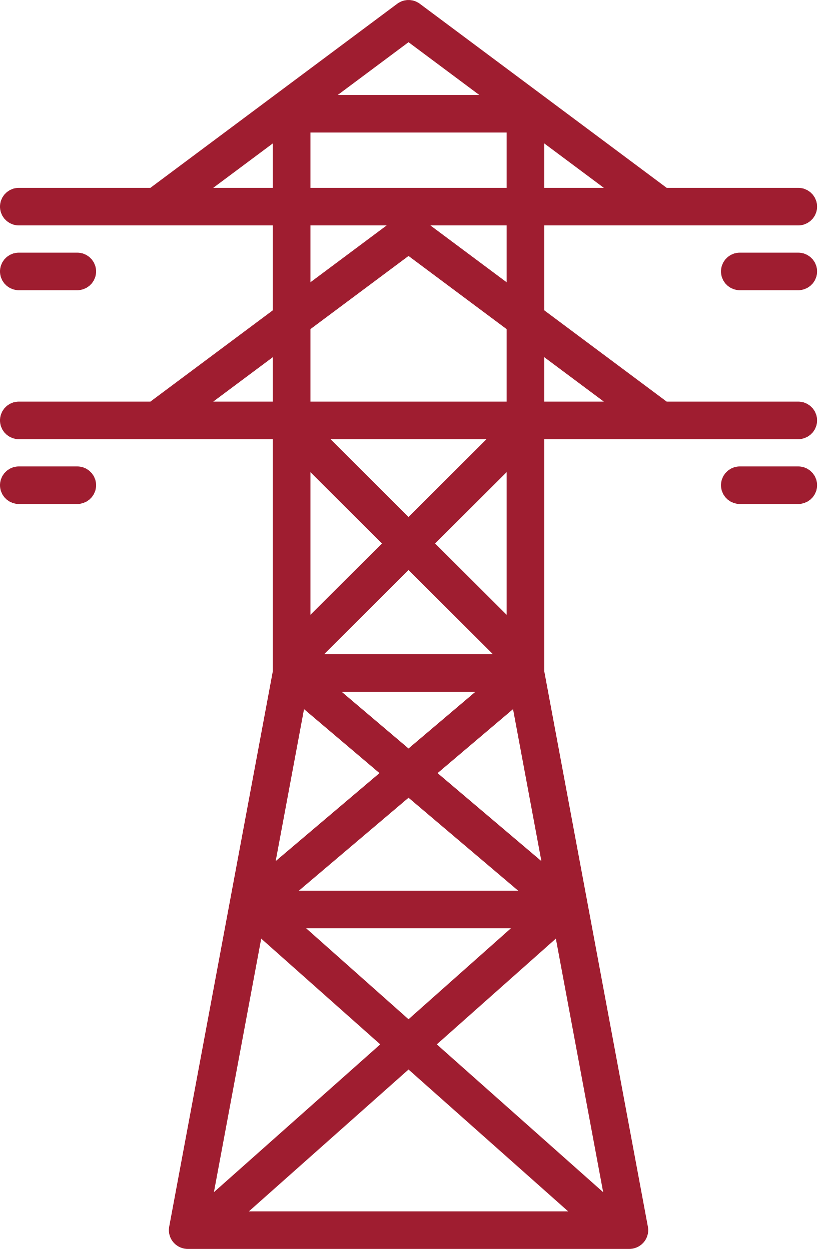
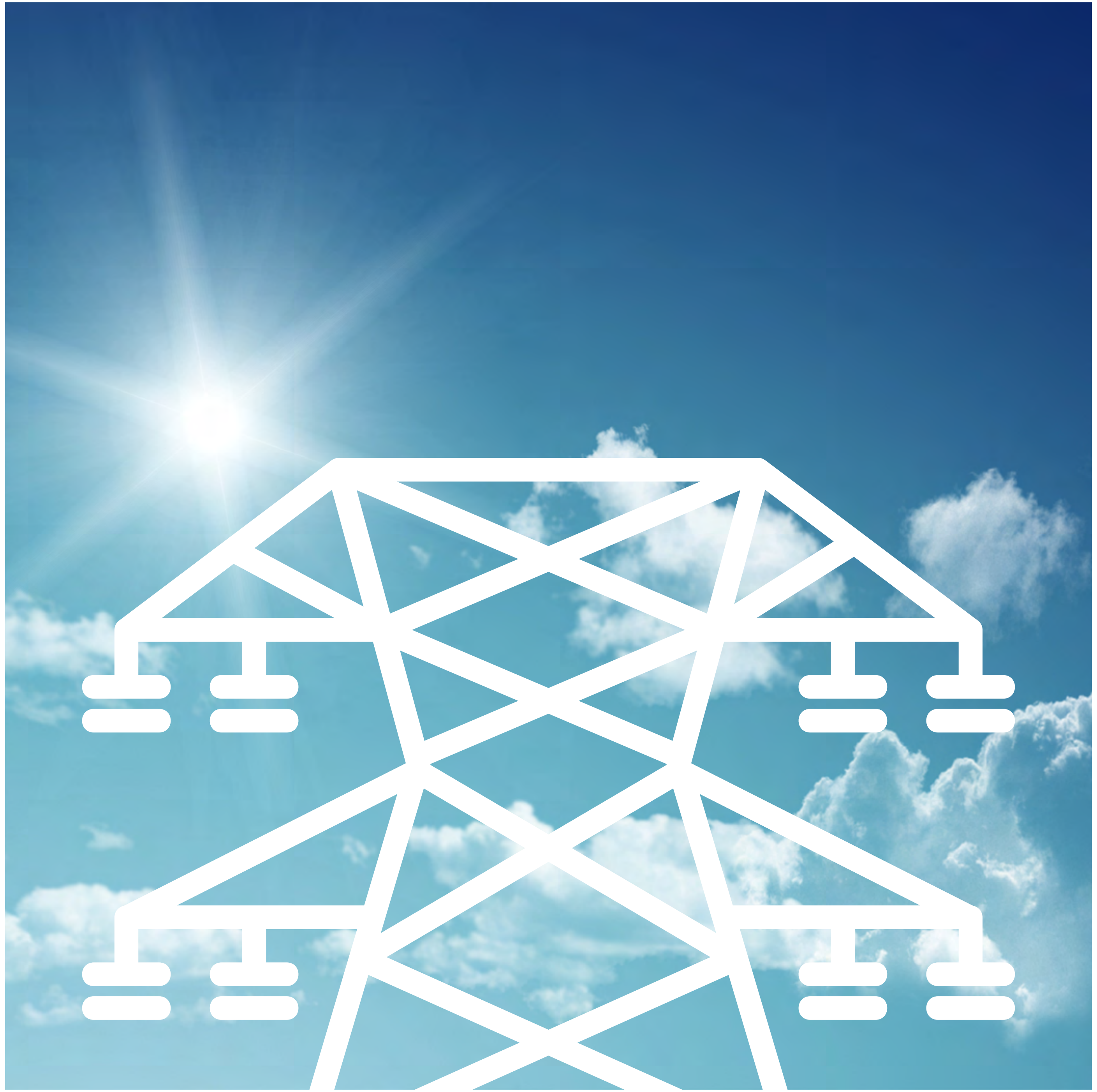


ANNUAL REPORT 2022

Stredoslovenská
distribučná



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

Dear customers,
business partners, shareholders and colleagues,

We had hoped that after two previous years when we had to mention the COVID-19 pandemic and related complications in the foreword of our annual reports, we would address you in a more positive spirit and with a more optimistic outlook for the near future. Although we had foreseen some instability on the energy market, the outbreak of a war conflict just beyond Slovakia's borders again brought many uncertainties and concerns, just like at the beginning of 2020, when no one dared to predict the development and impact of a global pandemic.

One of the most affected sectors not only of the Slovak economy, but of the European economy as a whole in 2022 is the energy sector. Suddenly, the supply of all essential commodities was threatened. As this is a key sector, the effects of the crisis have begun to be felt gradually across the economic and socio-political spectrum. In many ways, this has affected our Company as well. Nevertheless, we can conclude that we have successfully faced the year 2022 and fulfilled our tasks and obligations as an electricity distributor for Central Slovakia.

We transported approximately 6.3 TWh of electricity through the distribution system, a volume comparable to 2021. In our defined distribution territory, we served nearly 780 thousand supply points. The total amount of investments exceeded EUR 52 million, while the amount of investments in the development of the distribution system amounted to almost EUR 46 million. We have directed part of these investment funds to the completion of several major projects, but we have also taken a responsible approach, as we do every year, to the construction of high and low voltage lines in order to meet new requests for connection. We have invested around EUR 23 million in reconstructing and reinforcing the transmission capacities of existing lines. We believe that this will be especially appreciated by customers from geographically challenging locations, where more frequent system failures occur due to worsened weather conditions. Although we can never completely eliminate the so-called force majeure effect, we try to reduce the frequency of outages and the number of minutes without power every year by investment actions in calamitous sections.

Development activities in the field of occupational health and safety as well as environmental and social responsibility are an integral part of the life of our Company. These are the areas we take most seriously, so we approach them with appropriate responsibility. In order to make steady progress in this direction, we have been adapting our staff training to this for several years now. The events of the last year have only reinforced our need to focus more and more on the topic of cyber security in the field of education.

If you are somehow connected to Stredoslovenská distribučná, a. s., and you are interested in learning in more detail what the Company went through in 2022 and how it was doing, you will find all the relevant information in the following chapters. Together we would like to thank everyone who has contributed during this period to the fulfilment of the Company's duties and to the efforts to continuously improve the quality of the services offered. We look forward to continuing our mutually beneficial, fair and inspiring cooperation.

Best regards,

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

Mgr. Ing. Marek Štrpka
Chief Executive Officer

2. 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 780,000 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

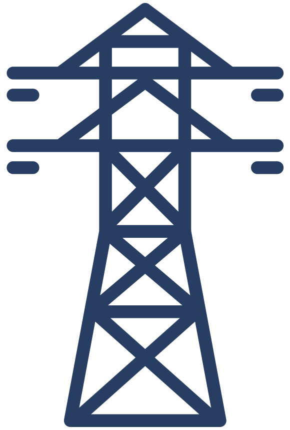
Business name:	Stredoslovenská distribučná, a. s.
Address:	Pri Rajčianke 2927/8, 010 47 Žilina
Reg. No. (IČO):	36442151
Tax ID:	2022187453
VAT ID (IČ DPH):	SK 2022187453
Bank details:	VÚB, a. s., Žilina
IBAN:	SK44 0200 0000 0021 4355 0551
BIC:	SUBASKBX
	The joint-stock company is registered in the Commercial 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 final customers, which in most cases is invoiced through electricity traders in the form of the so-called Contract on composite electricity supply.



Construction of a new 110 kV cable line for the tire factory in Púchov.

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

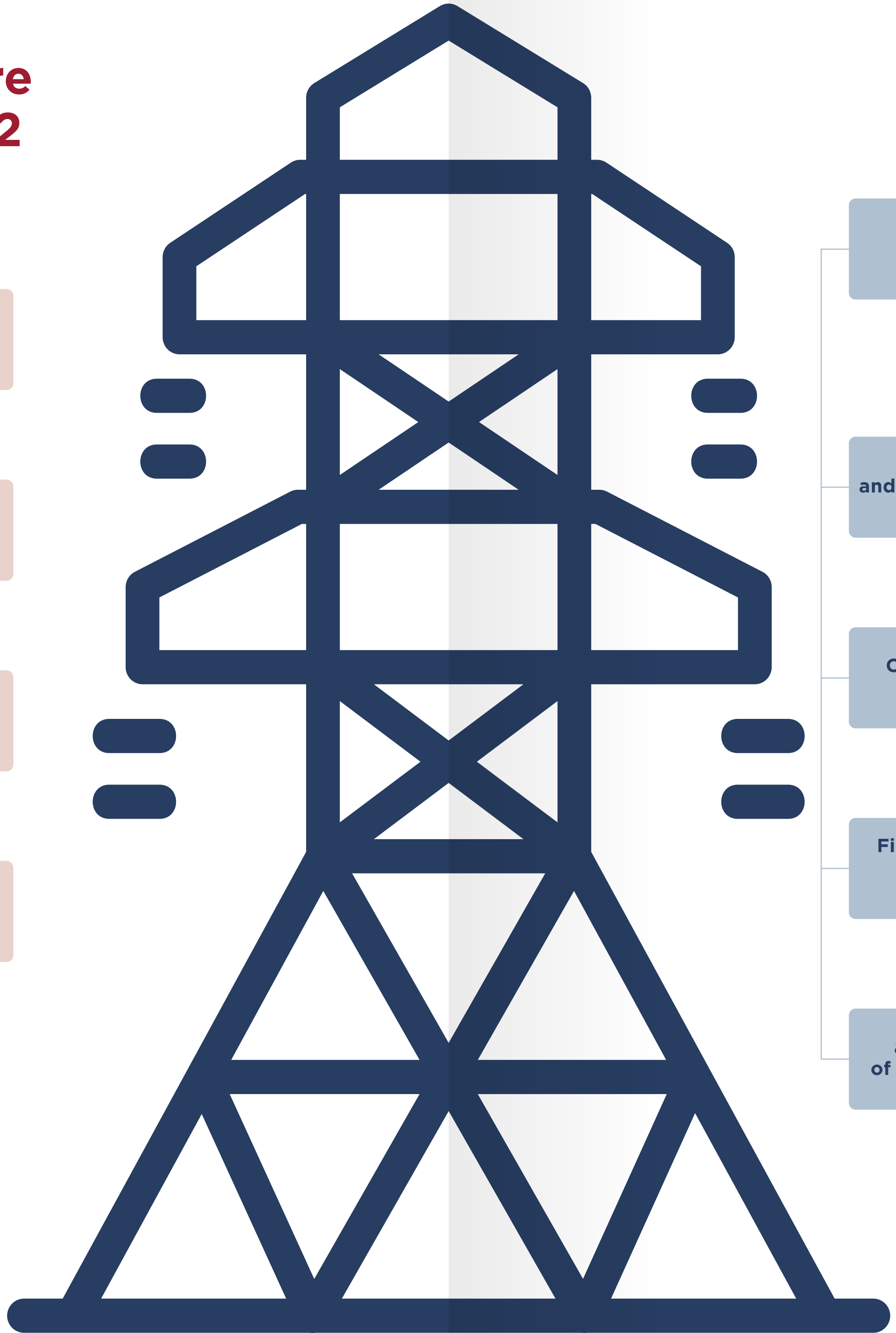
Board of Directors:	
Ing. František Čupr, MBA	Chairman
Ing. Roman Hušťava	Vice-Chairman
JUDr. Peter Hajduček	Member
Ing. Roman Filipoiu	Member
Petr Kozojed	Member

Supervisory Board:	
Ing. Drahomír Múdry	Chairman until 27 June 2022
Ing. Róbert Klimo	Chairman from 29 June 2022
Gary Mazzotti	Vice-Chairman
Ing. Róbert Klimo	Member until 28 June 2022
Mgr. Michal Komada	Member
Mgr. Maroš Skopal	Member
Mgr. Róbert Motoška	Member from 28 June 2022
Mgr. Miroslav Dráb	Member from 28 June 2022
Ing. Dušan Majer	Member elected by employees
Ing. Igor Pištík	Member elected by employees
Ing. Miroslav Martoník	Member elected by employees

Reconstruction of low voltage overhead lines in Slovenská Ľupča.

2.6 Organizational structure as at 31 December 2022

- BOARD OF DIRECTORS
  - COMPLIANCE OFFICER
  - DATA PROTECTION OFFICER
  - CHIEF EXECUTIVE OFFICER
    - **Office of the Board of Directors and CEO** Section Director
    - **Regulation** Section Director
    - **Legal** Section Director
    - **HR** Section Director
    - **Energy Assets** Division Director
      - **Distribution System Strategy** Section Director
      - **Project Management** Section Director
      - **Dispatching** Section Director
    - **Construction and Assembly Activities** Division Director
      - **Assemblies** Section Director
      - **Production Preparation and Projects** Section Director
    - **Customer Services** Division Director
      - **Customer Care** Section Director
      - **Electronic and Data Services** Section Director
    - **Finance and Internal Services** Division Director
      - **Finance** Section Director
      - **Asset Management and Transport** Section Director
      - **Purchase and Warehouse Management** Section Director
      - **Information Technologies** Section Director
    - **Operation and Maintenance of Power Installations** Division Director
      - **Operation of Power Installations** Section Director
      - **Maintenance of Power Installations** Section Director



3. COMPANY ACTIVITIES

3.1 Significant Events in 2022

Customer Services

For the Customer Services division, 2022 was a significant year in terms of the ongoing Energy Data Centre (EDC) project. The project was carried out throughout Slovakia under the leadership of OKTE, a. s., which dealt with the implementation of changes to the electricity market based on EU legislation. It aims to describe new market entrants and the exchange of data between DSOs and the market.

There has been a significant increase in the number of applications for the connection of new sources of electricity generation, especially small ones. It was a real challenge to resolve customer requirements in a timeframe that was significantly shorter than the legal standard. System settings, existing communication channels, but also students in the form of temporary work, who were given the opportunity to get to know the internal world of SSD as potential future employees, helped us with this task.

We have given customers an additional tool to streamline the processing of connection applications through e-signatures. In general, it can be stated that the number of applications submitted electronically has increased again.

Operation and Maintenance of Power Installations

In 2022, our Company managed to stabilise the processes affected by the COVID-19 pandemic. As a result, we have successfully completed all the activities that had to be postponed due to the pandemic consequences.

In addition, we have been introducing a number of new technologies. As regards improving the quality of electricity supply, for example, it was battery storage. We have started to make greater use of fault trace sensors to find fault conditions.

During the year, we regularly used our training centre in Žiar nad Hronom, which we offer in the specialised field of live working also to external candidates.

Work on the complex reconstruction of high-voltage overhead lines in Čierny Balog.

3.2 Investment Planning, Key Investments in 2022

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 2022 by individual sections:

New connections	**EUR 15.254 million**
Quality and increase of the transmission capacity of lines	**EUR 23.031 million**
Other investments associated with the distribution activity (distribution transformers, IT, measuring sets, vehicles and others)	**EUR 13.892 million**

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, such as industrial parks, multifunctional buildings and commercial premises. On the low-voltage (LV) level, we implemented connections of new supply points for family houses, housing developments, smaller business premises, as well as public amenities. In 2022, we completed 303 constructions at the HV and LV level, and invested EUR 13.363 million. At the VHV level, we invested EUR 1.891 million.

Complex reconstruction of high voltage overhead lines in Radnovce.

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 182 constructions at the HV/LV level and 15 constructions at the VHV level at a total annual investment cost of EUR 23.031 million in 2022. The purpose of these investments is to ensure the reliability and fluency of the distribution of electricity and the resulting customer satisfaction.

As part of the strategy for the development of optical communication technology, we have completed 30 constructions at the HV/LV level at a cost of EUR 1.534 million. The main purpose is more efficient management of the distribution network and selected components.

Other investments linked to the distribution activity

Among other investments related to distribution activities, the most significant investments were expenditures for the acquisition of measuring sets in the amount of EUR 3.681 million, information technology in the amount of EUR 2.786 million, distribution transformers in the amount of EUR 2.296 million and vehicles and machinery in the amount of EUR 2.139 million.

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 a transmission system operator and other regional distribution system operators, the study on reactive energy flows from the distribution system to the transmission system was completed in 2022. 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. The study contains a technical and economic analysis of the suitability of the location of compensators for the regulation of these flows.

In 2022, preparations were underway for the construction of 110 kV lines, reconstruction and extension of the 110/22 kV Ladce power station owned by SSD due to the need for 400/110 kV transformation at the new Ladce power station owned by SEPS, a. s.

Another activity was the preparation and approval of the technical assignment for the complex reconstruction of the 110/22 kV power station in Zemianska Dedina.

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.

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

Year	SAIDIP	SAIFIP
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
2021	227	0.78
2022	243	0.84

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	SAIDIU	SAIFIU
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
2021	97	2.12
2022	102	1.93

Due to extreme weather conditions, mainly strong wind storms, rain or snowfall, two disasters occurred during the year with significant interruption of electricity distribution. Our distribution region was mainly affected by disasters in January and February. which affected mainly the mountainous regions of Považie, 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.

2022 flagship projects:

- Reconstruction works continued in the area of the Žilina – Rajčianka power station. The main parts of the investment action were completed at the end of 2022.
- As part of the renewal plan, additions to the motor generators continued as well as the related modifications to the existing own consumption systems at the Varín hub and the Žilina – Rajčianka technology centre.
- The VHV/LV transformers at the Rajčianka, Považská Bystrica and Banská Štiavnica power stations were replaced. By replacing transformers, we have reduced operating costs, increased the stability of the distribution network and environmental safety.
- We completed a comprehensive reconstruction of the 110/22 kV Vlkanová transformer station, which increased the safety and reliability of the SSD distribution system.
- We have implemented the major part of the reconstruction of VHV lines 7859, 7860, 7868, 7870 from the Medzibrod hub to the Vlkanová transformer station. The construction required the replacement of poles in difficult mountainous terrain. The purpose is to increase the transmission of electricity and the reliability of electricity supply.

3.4 Technical Parameters of the Distribution System

Technical parameters of our distribution system in 2022:

TECHNICAL PARAMETERS OF THE DISTRIBUTION SYSTEM	
Total length of the distribution system in km	35,450
VHV	2,541
HV	11,103
LV	21,806
Number of transformer substations, substations, transformer stations	9,421
VHV Substations in stations TS/VHV	6
Transformer substations VHV/HV	56
Transformation and switching stations HV/HV	85
Distribution transformer stations HV/LV	9,274

3.5 Environmental Protection and OHS

Environmental Management System

Ensuring the health and safety at work of employees, suppliers, customers and the public is a priority.

In October 2022, we successfully completed a surveillance audit of our Occupational Health and Safety Management System (ISO 45001:2018), which reviewed key areas and assessed compliance with the relevant standard. As a result, a certificate for SSD was awarded. 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 awareness and sustainable development

Suggestions about the death of protected bird species on the electricity grid were addressed in cooperation with the State Nature Conservancy body. To reduce the risk, we installed insulating covers, reflective elements and bird flight deflectors on the distribution network in selected locations.

Stredoslovenská distribučná participated in the LIFE15 NAT/SK/000861 project “Restoration of Wetlands and Protection of Birds in Protected Bird Areas in Slovakia”, which was supported by the European Commission and the Ministry of Environment of the Slovak Republic. At our own expense, we installed five twelve-meter concrete poles with nesting pads in selected locations of the Poiplie Protected Bird Area, thus eliminating the risk of death.

3.6 Employees

As of 31 December 2022, SSD, a. s., had 1,332 employees. The evolution of staff numbers during the year was influenced by an increased number of hirings and departures. Overall turnover grew from 4.8 % in 2021 to 7.6 % in 2022. Voluntary

turnover rose only slightly to 2.01 %. During 2022, 45 employees retired (old-age pension, early retirement, disability pension), which represents 35 % of all employees who left the Company.
As at 31 December 2022, the average employee age dropped slightly to 46 years compared to the previous year. However, there is still a significantly growing category of pre-retirement age employees who will need to be replaced. Human Resources is working on a workforce renewal programme that will ensure that the jobs of departing staff are filled by identifying key positions, working with secondary schools and universities, and grooming successors.

Structure of employees by gender		
	As at 31 12. 2022	Share (in %)
Women	236	18 %
Men	1,096	82 %
Total	**1,332**	**100 %**

Education

Also in 2022, we implemented regular professional training and courses resulting from legislative requirements. Staff also participated in seminars, conferences, workshops as well as soft skills training. We have made extensive use of the online form of teaching. The reason was affordability and the opportunity to learn from the comfort of the chosen location.
For selected groups of employees we carried out training focused on building law, installation of fire barriers, evacuation training from height and first aid in practice. We have also focused on the training of employee representatives for OSH. E-learning trainings in the field of cyber security, regulation of network industries and work with data were conducted within the framework of internal training. In the training polygon at the training centre in Žiar nad Hronom, refresher training on working under low voltage took place as part of professional training.

Professional Experience and Cooperation with Schools

SSD cooperates within its scope of activity with secondary vocational schools that focus on heavy current electrical engineering. The aim is to generate interest and produce professionally prepared graduates who will work in the energy sector. In the 2022/2023 school year, agreements on practical training were concluded with the Secondary Vocational School of Electrical Engineering in Žilina, the Joint School in Banská Bystrica, the Secondary Vocational Polytechnic School in Dolný Kubín-Kňažia, the Joint School in Nižná and the Secondary Vocational School in Prievidza.

Trainee Programme

As part of the Trainee Programme, we have been working for ten years to attract and retain qualified and motivated employees interested in gaining new professional experience in the energy industry. In the form of field trips and professional lectures, we offer students the opportunity to get to know individual areas of our business better and thus build on their theoretical knowledge acquired during their studies at the university. Students collaborate with experts on major projects and conquer new challenges. Our interest is that the best trainees become part of the Company.


Operational dispatching of SSD in Žilina.

4. REPORT ON THE ECONOMIC RESULTS AND OPERATION OF THE COMPANY STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S., FOR THE YEAR 2022

Despite being exposed to a number of adverse external factors such as the war in Ukraine, high electricity prices or a significant rise in inflation, the Company was able to create the right conditions in 2022 to maintain financial stability and achieve the planned economic results. The financial statements of the Company as at 31 December 2022 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 2022 and 31 December 2022.

For 2022, the Company achieved a profit after tax of EUR 55.6 million, which represents a year-on-year decline in profits of EUR 15.8 million (-22 %). The decrease was due to outstanding costs related to the purchase of electricity for distribution losses.

The Company generated operating income of EUR 334.0 million. The largest and most stable part of income is represented by revenues from electricity distribution, which the Company manages to keep at the level of previous periods. However, the significant increase was due to higher revenues from the tariff for losses, including the payment of an adjustment for distribution losses. This increase is related to the rise in the cost of purchasing electricity for losses. Despite the growth, the total revenue from the tariff for losses, including the adjustment paid, did not cover the total cost of purchasing electricity for distribution losses in 2022.

Operating costs amounted to EUR 203.3 million, The significant increase was caused by the increased cost of procuring electricity for distribution losses, which, together with the cost of transmitting electricity from the upstream system, accounted for the most significant part of operating costs. Other significant cost items are personnel costs and the costs of operating and maintaining the distribution system.

Interior of the renovated 110/22 kV substation Rajčianka in Žilina.

In EUR million	2022	2021
Operating income	334.0	270.9
Operating costs	-203.3	-120.3
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	**130.7**	**150.6**
Depreciation of tangible and intangible assets	-56.3	-56.0
Financial costs, net	-0.5	-0.3
Profit before tax	**73.9**	**94.3**
Income tax	-18.3	-22.9
Profit after tax	**55.6**	**71.4**

Capital Structure – Assets, Equity and Liabilities

Assets

As at 31 December 2022, the Company's assets amounted to EUR 934.9 million, which represents a year-on-year increase by EUR 2.5 million.

Non-current assets amounted to EUR 794.6 million (85 % of the value of total assets). The highest share is made up of the distribution system - lines, electric stations, substations and other distribution network parts, real estate, means of transport and mechanisms, machinery, equipment, software and investments in progress. In 2022, we reported additions to non-current assets of EUR 56.2 million, which were mainly generated by investments aimed at the renewal and development of the distribution system. The value of non-current assets decreased by EUR 1.0 million year-on-year.

Current assets amounted to EUR 140.3 million (15 % of the value of total assets). As at 31 December 2022, the Company reported trade receivables in the amount of EUR 91.4 million gross, of which due receivables accounted for EUR 88.4 million 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 2022 amounted to EUR 30.0 million and are reported as a receivable from the parent company. The year-on-year increase in current assets amounts to EUR 3.5 million (+3 %).

Liabilities

Equity of the Company as at 31 December 2022 reached EUR 656.4 million, which accounts for 70 % of the value of the assets cover. The year-on-year decline by EUR 15.4 million (-2 %) is due to lower retained earnings in 2022.

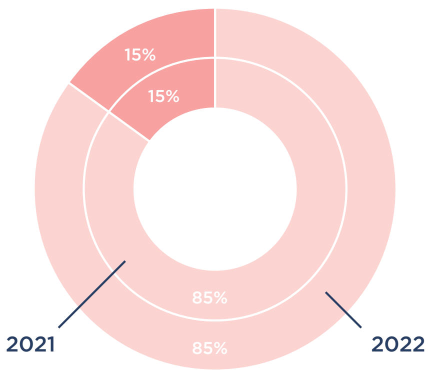
Non-current and current liabilities, excluding liabilities arising from contracts and deferred income, account for 22 % of the total assets cover, and their amount as at 31 December 2022 was EUR 204.2 million, which represents a year-on-year increase by EUR 14.7 million (+8 %). Significant items included, in particular, trade liabilities (EUR 105.2 million) and deferred tax liabilities (EUR 77.8 million)

Liabilities from contracts, which mainly represent connection fees, amounted to EUR 40.5 million in 2022, rising by EUR 2.4 million (+ 6%) compared to 2021.

Long-term deferred revenues amounted to EUR 33.9 million, representing 4 % of the value of the assets cover, with a year-on-year increase by EUR 0.8 million (+2 %). The most significant part of the revenues for the coming years are revenues associated with the relocation of power equipment (EUR 30.6 million).

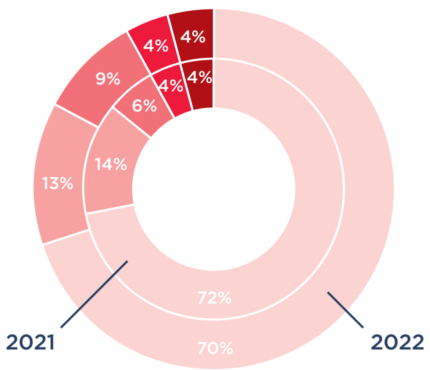
In EUR million	2022	%	2021	%
Assets	**934.9**	**100 %**	**932.4**	**100 %**
Non-current assets	794.6	85 %	795.7	85 %
Current assets	140.3	15 %	136.8	15 %
Liabilities	**934.9**	**100 %**	**932.4**	**100 %**
Equity	656.4	70 %	671.7	72 %
Non-current liabilities	120.6	13 %	129.2	14 %
Current liabilities	83.6	9 %	60.3	6 %
Liabilities arising from contracts - connection fees	40.5	4 %	38.1	4 %
Long-term deferred income	33.9	4 %	33.2	4 %

Structure of assets



Non-current assets Current assets

Structure of liabilities



Equity Current liabilities
Non-current liabilities Liabilities arising from contracts – connection fees

Underground 110 kV cable laying between Dolné Kočkovce and Púchov.

5. REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD FOR THE YEAR 2022

During 2022, the Supervisory Board of the Company worked in the following structure:	
Ing. Drahomír Múdry	**Chairman of the Supervisory Board until 27 June 2022**
Ing. Róbert Klimo	**Chairman of the Supervisory Board from 29 June 2022**
Gary Mazzotti	**Vice-Chairman**
Ing. Róbert Klimo	**Member of the Supervisory Board until 28 June 2022**
Mgr. Michal Komada	**Member of the Supervisory Board**
Mgr. Maroš Skopal	**Member of the Supervisory Board**
Mgr. Róbert Motoška	**Member of the Supervisory Board from 28 June 2022**
Mgr. Miroslav Dráb	**Member of the Supervisory Board from 28 June 2022**
Ing. Dušan Majer	**Member elected by employees**
Ing. Igor Pištík	**Member elected by employees**
Ing. Miroslav Martoník	**Member elected by employees**

In 2022, the Supervisory Board convened five times at its meetings – 23 February 2022, 13 April 2022, 29 June 2022, 21 September 2022 and 15 December 2022. 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 2022 the Supervisory Board:

(a) Adopted the following fundamental decisions:
- Approved the Report on Activities of the Supervisory Board for 2021;
- Approved the Opinion of the Supervisory Board on the draft audited ordinary financial statements prepared as at 31 December 2021 and on the proposal of profit distribution of the Board of Directors for 2021;
- 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 2022;
- Approved the implementation of investment actions for complex reconstruction of lines and TR 110/22 kV Ladce.

(b) Noted, in particular:
- Relevant decisions of the sole shareholder in 2022;
- 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 2022;
- Statement of the Board of Directors for the members of the Supervisory Board for 2021 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 2022;
- Report on the results of audits and inspections for 2021 and the audit and control plan for 2022;
- Information on economic results, including the development of CAPEX 2022 plan fulfilment for the relevant periods;
- Information on the status of implementation of significant investment projects of the Company;
- 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 2021, and the Compliance Programme 2022;

During 2022, the Supervisory Board did not request the Board of Directors of the Company to convene a General Meeting.

CONCLUSION:

Throughout the 2022, 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 13 April 2023.

Ing. Róbert Klimo
Chairman of the Supervisory Board
Stredoslovenská distribučná, a. s.

6. PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2022

	In EUR
Audited net profit for the year 2022	**55,623,313.03**
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	**55,623,313.03**

Substation 110/22 kV in Púchov.

7. OPINION OF THE SUPERVISORY BOARD OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S., ON THE ORDINARY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022 AND ON THE PROPOSAL FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2022

On 13 April 2023, the Supervisory Board of Stredoslovenská distribučná, a. s., verified the Ordinary Financial Statements of the Company as at 31 December 2022, including the report of the independent auditor KPMG Slovensko spol. s r. o., SKAU licence no. 96, dated 14 March 2023 and a proposal of the Board of Directors for the distribution of the Company's profit for the year 2022.

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

1. **Approve the Ordinary Financial Statements of Stredoslovenská distribučná, a. s., as at 31 December 2022,**
2. **Approve the proposal for the distribution of profits of Stredoslovenská distribučná, a. s., for 2022 as follows:**

	In EUR
Audited net profit for the year 2022	**55,623,313.03**
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	**55,623,313.03**

Žilina, 13 April 2023

Ing. Róbert Klimo
Chairman of the Supervisory Board
Stredoslovenská distribučná, a. s.

8. REPORT ON FULFILMENT OF THE COMPLIANCE PROGRAMME OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S., FOR THE YEAR 2022

Report on Fulfilment of the Compliance Programme of the Company for the Year 2022

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 2022
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 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 2022, 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 2022, 134 employees were trained, including 82 full-time employees, 11 employees returning from maternity and parental leave, 35 employees with an agreement and 6 employees transferring within the holding company.

- **Monitoring and control/audit**
Throughout the year 2022, the implementation of the change within the organizational structure of the Company continued. This process involved the implementation of new processes and internal guidelines were modified or new ones were drafted as well. As part of the review, 23 corporate directives were updated and three corporate directives were issued (Preparation, registration and archiving of authorisations and powers of attorney, Design and construction of fibre optic networks on SSD’s overhead LV lines, Reporting of anti-social activities in SSD, a. s.) in accordance with the principles of the Compliance Programme. 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 2022. 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 2022.

Author:

Ing. Ján Michalík, PhD.
28 February 2023
Compliance Officer


Complex reconstruction of low voltage overhead lines in Košťany nad Turcom.

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

No events took place after 31 December 2022 that would require disclosure or recognition in the 2022 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 15 December 2022. In preparing the business plan, the current economic situation at the time the plan was prepared was taken into account, in particular the high electricity prices. 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 2022.

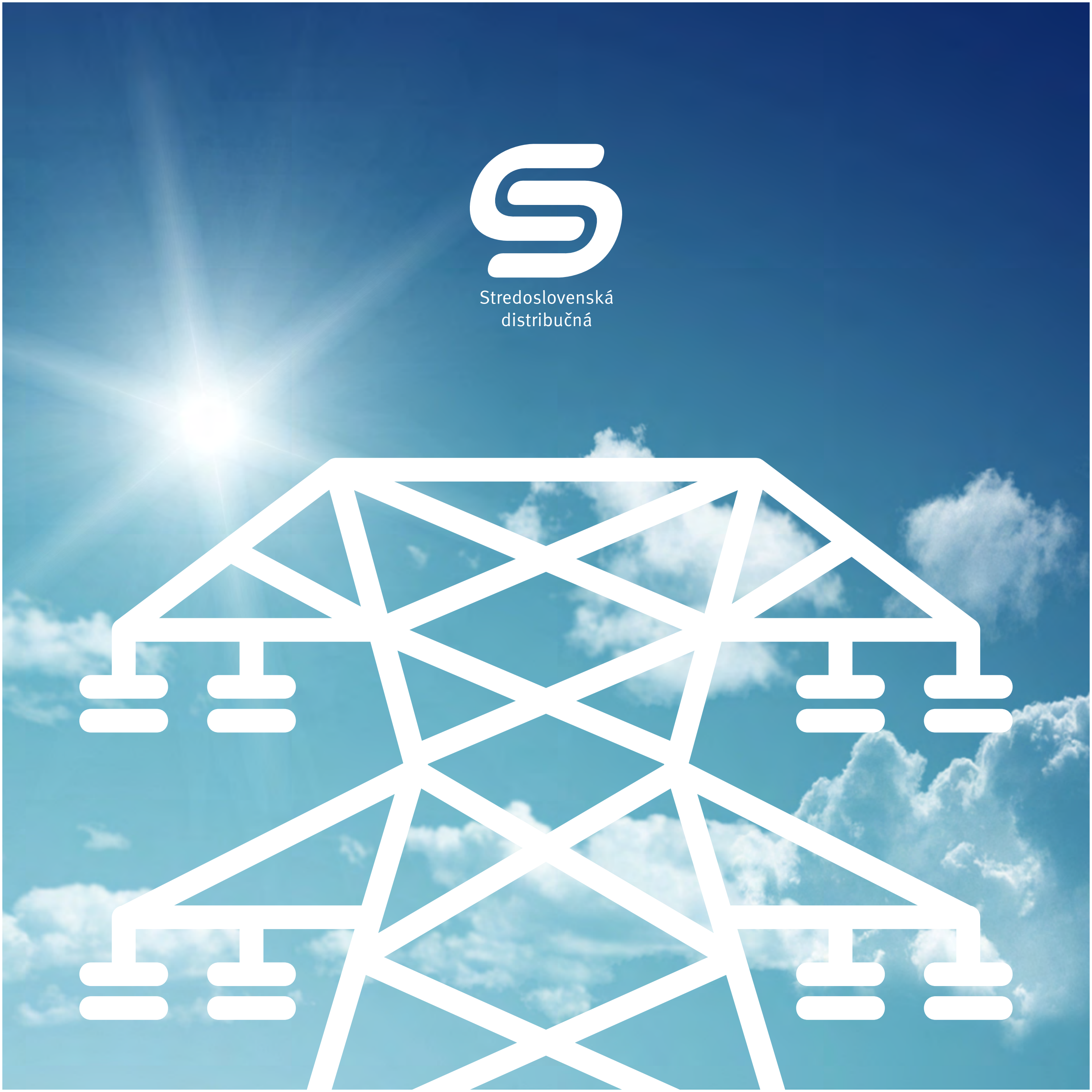
12. ACQUISITION OF OWN SHARES, TEMPORARY CERTIFICATES, BUSINESS SHARES AND STOCK

In 2022 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 2022 AND THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022


Stredoslovenská
distribučná

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

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

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

Appendix to the Independent Auditors' Report issued on 14 March 2023 (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 2022 presented on the accompanying Annual Report. We have issued an unmodified Independent Auditors' Report on the financial statements on 14 March 2023.

This Appendix supplements the aforementioned auditor's 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 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.

KPMG Slovensko spol. s r.o., slovenská spoločnosť s ručením obmedzeným a členská spoločnosť globálnej organizácie KPMG nezávislých členských spoločností pridružených ku KPMG International Limited, súkromnej anglickej spoločnosti s obmedzeným ručením. Všetky práva vyhradené.
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Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4864/B
Commercial register of district court Bratislava I, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

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 of the Company was not available to us as of 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 2022 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.

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

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

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

Bratislava, 12 April 2023

Stredoslovenská distribučná, a.s.

Independent Auditors' Report and Financial Statements as at 31 December 2022

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.

Individual financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union have been authorised for issue on 16 February 2023.

……………………………………………………

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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Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

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

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

Independent Auditors' Report

To the 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 2022;

and, for the period then ended:

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

and

- notes to the 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 2022, and of its financial performance and its cash flows for the period then ended in accordance with IFRS Standards as adopted by the European Union.

Basis for Opinion

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

KPMG Slovensko spol. s r.o., slovenská spoločnosť s ručením obmedzeným a členská spoločnosť globálnej organizácie KPMG nezávislých členských spoločností pridružených ku KPMG International Limited, súkromnej anglickej spoločnosti s obmedzeným ručením. Všetky práva vyhradené.
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Commercial register of district court Bratislava I, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body;

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

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

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

KPMG

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 of the Company 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, 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 ended 31 December 2022 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.

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

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

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

Bratislava, 14 March 2023

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

Statement of financial position

	Note	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	782 862	783 579
Intangible assets	6	11 779	12 075
		794 641	**795 654**
Current assets			
Inventories		4 466	3 886
Trade and other receivables	8	89 714	70 815
Receivables from the parent company (Cash Pooling)		30 007	16 325
Accrued income	9	-	20 033
Cash and cash equivalents	10	16 074	25 725
		140 261	**136 784**
Total assets		**934 902**	**932 438**
EQUITY			
Share capital and reserves			
Share capital	11	499 835	499 835
Legal reserve fund	11	99 967	99 967
Non-monetary contribution from parent company		3 401	3 401
Other parts of comprehensive income		-2 455	-2 627
Retained earnings		55 623	71 167
Total equity		**656 371**	**671 743**
LIABILITIES			
Non-current liabilities			
Lease liability	14	34 521	35 202
Non-current bank loans	15	-	2 500
Deferred tax liability	16	77 845	82 184
Non-current provisions	17	8 219	9 266
Non-current contract liabilities	13	39 186	36 892
Non-current deferred income	12	33 922	33 165
		193 693	**199 209**
Current liabilities			
Trade and other liabilities	14	70 708	55 179
Income tax liability		9 444	1 846
Current bank loans	15	2 500	2 500
Current contract liabilities	13	1 267	1 176
Current provisions	17	919	785
		84 838	**61 486**
Total liabilities		**278 531**	**260 695**
Total equity and liabilities		**934 902**	**932 438**

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

Statement of profit or loss

	Note	Year ended 31 December 2022	2021
Revenue	18	279 352	264 785
Purchases of electricity, system and other related fees	20	-139 200	-61 224
Personnel expenses	22	-47 132	-43 831
Depreciation and impairment allowances for non-current tangible and amortisation of intangible assets	5, 6	-56 282	-56 038
Material and energy consumption		-7 432	-5 889
Capitalization of non-current tangible and intangible assets		12 406	10 944
Other operating income	19	54 688	6 102
Other operating expenses	21	-21 984	-20 272
Operating profit		**74 396**	**94 577**
Interest income	23	90	2
Interest expense	23	-552	-281
Other finance expense, net	23	-4	-3
Finance expense, net		**-466**	**-282**
Profit before income tax		**73 930**	**94 295**
Income tax	24	-18 307	-22 891
Profit for the period		**55 623**	**71 404**

Statement of comprehensive income

	Note	Year ended 31 December 2022	2021
Profit for the year		**55 623**	**71 404**
Other comprehensive income:			
Actuarial gains/ (losses)	17	224	-651
Deferred tax		-52	136
Total other comprehensive income:		**172**	**-515**
Comprehensive income for the period		**55 795**	**70 889**

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

Statement of changes in equity

	Share capital	Legal reserve fund	Equity contribution by parent	Retained earnings	Actuarial loss from long-term employee benefits	Total equity
Balance at 1 January 2022	**499 835**	**99 967**	**3 401**	**71 167**	**-2 627**	**671 743**
Profit for the year 2022	-	-	-	55 623	-	55 623
Other comprehensive income	-	-	-	-	172	172
Dividends	-	-	-	-71 404	-	-71 404
Other	-	-	-	237	-	237
Balance at 31 December 2022	**499 835**	**99 967**	**3 401**	**55 623**	**-2 455**	**656 371**
Balance at 1 January 2021	**499 835**	**99 967**	**3 401**	**215 148**	**-2 112**	**816 239**
Profit for the year 2021	-	-	-	71 404	-	71 404
Other comprehensive income	-	-	-	-	-515	-515
Dividends	-	-	-	-215 386	-	-215 386
Other	-	-	-	1	-	1
Balance at 31 December 2021	**499 835**	**99 967**	**3 401**	**71 167**	**-2 627**	**671 743**

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

Statement of cash flows

	Note	2022	2021 Restated*
		Year ended 31 December	
Profit before income tax		73 930	94 295
Adjustments for			
Depreciation and amortisation	5, 6	56 412	56 727
(Gain)/loss on disposal of property, plant and equipment		-572	143
Movements in provision for impairment of non-current assets		-130	-689
Movements in provision for impairment of receivables	8	1 492	83
Net movements in provisions	17	322	102
Interest expense, net	23	462	279
Operating profit before change in working capital		**131 916**	**150 940**
Changes in working capital:			
(Increase) / Decrease in trade receivables and accrued income	8, 9	-27 635	61 536
(Increase) of inventories		-568	-727
Increase in liabilities and deferred revenues	12, 14	15 527	11 756
Cash flow from operating activities		**119 240**	**223 505**
Cash flows from operating activities			
Cash from operating activities		**119 240**	**223 505**
Interest paid	23	-552	-281
Interest received	23	90	2
Income tax paid		-15 157	-32 251
Net cash flow from operating activities		**103 621**	**190 975**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	5, 6	-52 141	-47 998
Proceeds from sale of property, plant and equipment		947	265
Net cash flow used in investing activities		**-51 194**	**-47 733**
Cash flows from financing activities			
Repayments of loans and borrowings	15	-2 500	-2 500
Lease payments - principal	5	-1 856	-1 451
Dividends paid	11	-71 404	-215 385
Decrease/(Increase) in cash-pooling receivables from parent company		13 682	-24 071
Net cash used in financing activities		**-62 078**	**-243 407**
Net increase (+) / decrease (-) in cash and cash equivalents		-9 651	-100 165
Cash and cash equivalents at the beginning of the year		25 725	125 890
Cash and cash equivalents at the end of the year		**16 074**	**25 725**

*Reason for restatement

In previous accounting periods, changes in cash-pooling account were presented in Statement of cash flows in section operating activities. Since 2022, the Company starts to report transactions from cash-pooling in section Cash flows from operating activities to investing activities. According to the Company's management, the following reporting represents a more appropriate interpretation of transactions:

- the annual net change in the cash-pooling account, which has a positive balance (receivable) in the section Cash flows from investment activities within the Statement of cash flows and
- the annual net change in the cash-pooling account, which has a negative balance (liability) in the section Cash flows from financing activities within the Statement of cash flows.

See note 2.22.

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 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 2022 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. 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. ("EPE"), 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).

Consolidated financial statements of the largest group of accounting entities, which are prepared by EP Investment S.à.r.l (2021: EP Investment S.à r.l.),with the registered seat Place de Paris 2, 2314 Luxembourg (2021: 39, Avenue John F. Kennedy, L-1855 Luxembourg). The company is the ultimate controlling party. Its consolidated financial statements for the year ended 2022 and 2021 will be deposited 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 will be deposited is Luxembourg Business Registers G.I.E., 14 Rue Erasme L-1468 Luxembourg, R.C.S. Luxembourg C24. The ultimate beneficial owner is Daniel Křetinský.

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 27 June 2022, the General Meeting approved the Company's financial statements for the previous accounting period, ending 31 December 2021.

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 2021, were filed and published in the Register of financial statements on 30 March 2022. The annual report and supplement to the independent auditors' report, as at 31 December 2021, was filed in the Register of financial statements on 29 June 2022.

Approval of the auditor

On 27 June 2022, the Company's General Meeting appointed KPMG Slovensko spol. s r.o. as auditor of the financial statements for the year ended 31 December 2022.

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 2022, the average number of employees of the Company was 1 337 (2021: 1 339), of which 9 were managers (2021: 9).

2) 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 2022, 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 2022 to 31 December 2022.

The Slovak Act on Accounting requires the Company to prepare financial statements for the year ended 31 December 2022, 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 2022.

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 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 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 2022

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments

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

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

The Company plans to apply the amendments from 1 January 2023.

The Company expects that the amendments, when initially applied, will have a material impact on its financial statements because disclosed information on accounting policies will be reassessed and the Company will disclose material significant accounting policies.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

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

The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

The Company plans to apply the amendments from 1 January 2023.

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

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Company accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. The Company will separately recognise tax asset and a deferred tax liability separately. As at 31 December 2022, taxable temporary differences related to the right-of-use assets are in the amount of EUR 35 884 174,04and deductible temporary differences related to leasing obligations in the amount of EUR 36 166 395,05, and the resulting net deferred tax asset is EUR 59 266,41. After applying the amendments, the Company will recognise a deferred tax liability in the amount of EUR 7,702 thousand and a deferred tax asset in the amount of EUR 7 535 676,55. The application of amendments will not affect retained earnings.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements.

The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future

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

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

- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company does not intend to apply the amendments.

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

Effective for annual periods beginning on or after 1 January 2024. Early application is permitted

Amendments to IAS 1 Presentation of Financial Statements Non-Current Liabilities with Covenants

Effective for annual periods beginning on or after 1 January 2024. Early application is permitted.

Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments.

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 amendments, which were issued in 2022, further clarify that when the right to defer settlement is subject to the Company meeting the conditions (covenants) specified in the credit agreement. Only the covenants that the Company must meet on or before the date of preparation of the financial statements, have an impact on the classification of liabilities as current or non-current. Covenants that the Company must comply with after the balance sheet date do not affect the classification of liabilities as at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that these liabilities may become due within 12 months from the balance sheet date.

The amendments also clarify how the Company classifies liabilities which can be settled with its own shares (such as convertible debt).

Amendments to IFRS 16 Leases Liability in a Sale and Leaseback

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:
· on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
· after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.
· These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.
The Company plans to apply the amendments from 1 January 2024.
The Company does not expect that the amendments, when initially applied, will have a material impact on its financial statements.

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 cost

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.

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 2022 and 2021 were as follows:

Buildings, halls, structures of distribution network	30 – 70 years
Distribution network (technological part), equipment and vehicles	4 – 45 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 expected value at the time of disposal 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 at the time of disposal 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 liabilities.

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 contract 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 2021 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 liabilities.

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.

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

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

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

	Average monthly salary multiple
within 10 years	2
over 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 employee 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 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% (2021: 35,2%) of gross salaries, up to a monthly salary ceiling, which is defined by the relevant law, to a maximum of 7 931 EUR (2021: up to a maximum of EUR 7 644) 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 (2021: 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 (2021: 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 liabilities 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 by measured consumption or a consumption type diagram.

The Company uses a methodology for the estimate of network losses that is consistent with the methodology used during the year 2021. 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 over the contract term. Since connection contracts are concluded for an indefinite period and in practice there is almost no termination of take-off points, it is not possible to reliably determine the duration of the contract. Therefore, the Company releases the connection fees into revenues during the average useful life of the assets related to the distribution of electricity.

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.

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

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.

2.21 Government grants

Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

2.22 Restatement of Statement of cash flows

The Company has restated the comparable information in Statement of cash flows as follows:

	2021 restated	**Adjustments**	**2021**
Changes in working capital:			
(Increase) / Decrease in trade receivables and accrued income	13 394	-24 071	37 465
Increase of inventories	-727	-	-727
Increase in liabilities and deferred revenues	11 756	-	**11 756**
Cash generated from operations	**175 363**	**- 24 071**	**199 434**
Cash flows from operating activities			
Cash generated from operations	**175 363**	**-24 071**	**199 434**
Interest paid	-281	-	-281
Interest received	2	-	2
Income tax paid	-32 251	-	-32 251
Net cash generated from operating activities	**142 833**	**- 24 071**	**166 904**
Cash flows from investment activities			
Purchase of property, plant and equipment and intangible assets	-47 998	-	-47 998
Proceeds from sale of property, plant and equipment	265	-	265
Decrease/(Increase) in cash-pooling receivables from parent company	24 071	24 071	-
Net cash used in investment activities	**-23 662**	**24 071**	**-47 733**

In previous accounting periods, changes in cash-pooling account were presented in Statement of cash flows in section operating activities. Since 2022, the Company starts to report transactions from cash-pooling in section Cash flows from operating activities to investing activities. According to the Company's management, the following reporting represents a more appropriate interpretation of transactions:

- the annual net change in the cash-pooling account, which has a positive balance (receivable) in the section Cash flows from investment activities within the Statement of cash flows and
- the annual net change in the cash-pooling account, which has a negative balance (liability) in the section Cash flows from financing activities within the Statement of cash flows.

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 - 2022 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 2022 and 31 December 2021, 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.

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

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 (electricity suppliers) through an advance payment system and financial collaterals.

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 (2022: 34% of receivables; 2021: 28% 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:

		Balance at 31 December	
Counterparty	**Rating***	**2022**	**2021**
Banks rated	A2	14 105	25 690
Všeobecná úverová banka, a.s.	BBB	8	9
UniCredit Bank, a. s.	A2	956	11
SLSP, a.s.	A2	1 000	-
Tatra Banka	-	5	15
Total		**16 074**	**25 725**

Funds managed by the parent company Stredoslovenská energetika Holding, a.s., based on the "Agreement for cash-pooling service", as at 31 December 2022, represent the amount of EUR 30 007 thousand (31 December 2021: EUR 16 325 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.

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

Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure, which is as at 31 December 2022, and as at 31 December 2021 as follows:

		Balance as at 31 December	
	Note	**2022**	**2021**
Financial instrument			
Trade receivables (before impairment allowance)	8	91 405	70 910
Trade receivables from parent company (cash pooling)	7	30 007	16 325
Cash and cash equivalents	10	16 074	25 725
Total		**137 486**	**112 960**

(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 liabilities.

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 represents future expected interest.

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

	Carrying amount	Less than 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
As at 31 December 2022						
Bank loans (principal incl. future interest charges)	2 500	2 585	-	-	-	2 585
Trade and other financial liabilities (excluding liabilities not in the scope of IFRS 7)	78 761	78 761	-	-	-	78 761
Lease liability	34 521	-	1 600	4 800	28 121	34 521
Total	**115 782**	**81 346**	**1 600**	**4 800**	**28 121**	**115 867**
As at 31 December 2021						
Bank loans (principal incl. future interest charges)	5 000	2 585	2 528	-	-	5 113
Trade and other liabilities (excluding liabilities not in the scope of IFRS 7)	55 972	55 972	-	-	-	55 972
Lease liability	35 202	-	1 600	4 800	28 202	35 202
Total	**96 174**	**58 557**	**4 128**	**4 800**	**28 202**	**96 287**

As at 31 December 2022, the Company entered into credit line with Slovenská sporiteľná with a total limit of EUR 150 000 thousand (2021: EUR 0 thousand). The credit facility is contracted until 30 June 2027. As at 31 December 2022, the Company has not drawn the loan (2021: EUR 0 thousand). These loans are collaterised by a guarantee from parent company SSE Holding, a.s.

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 2022, amounting to EUR 656 371 thousand (2021: EUR 671 743 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 2022, as well as in 2021, the Company primarily used its own resources to finance operating activities.

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 liabilities, 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 2022, the Company would recognise additional depreciation of non-current tangible and intangible assets, charged to the Income statement in the amount of EUR 6 212 thousand (2021: EUR 6 081 thousand).

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

5) Property, plant and equipment

Movements of non-current tangible assets from 1 January 2021 to 31 December 2022 are presented below:

	Land	Buildings	Machinery, equipment, vehicles and other assets	Capital work in progress including advances	Total
As at 1 January 2021					
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**
Year ended 31 December 2021					
Opening balance	12 836	498 214	208 949	34 412	754 411
Additions	116	54 304	9 557	18 894	82 871
Transfer form assets not yet in use	12	14 470	8 735	-23 217	-
Disposals	-24	-21	-92	-47	-184
Depreciation	-64	-36 433	-17 711	-	-54 208
Reversal of impairment allowances	-	689	-	-	689
Net book value	**12 876**	**531 223**	**209 438**	**30 042**	**783 579**
As at 31 December 2021					
Acquisition cost	13 032	1 074 176	377 109	30 042	1 494 359
Accumulated depreciation and impairment allowances	-156	-542 952	-167 671	-	-710 779
Net book value	**12 876**	**531 223**	**209 438**	**30 042**	**783 579**
Year ended 31 December 2022					
Opening balance	12 876	531 223	209 438	30 042	783 579
Additions	57	24 630	11 346	17 743	53 776
Transfer form assets not yet in use	4	8 387	10 135	-18 526	-
Disposals	-5	-184	-154	-107	-450
Depreciation	-70	-36 261	-17 842	-	-54 173
Reversal of impairment allowances	-	130	-	-	130
Net book value	**12 862**	**527 795**	**212 923**	**29 152**	**782 862**
As at 31 December 2022					
Acquisition cost	13 088	1 102 457	390 595	29 152	1 535 290
Accumulated depreciation and impairment allowances	-224	-574 532	-177 672	-	-752 428
Net book value	**12 862**	**527 925**	**212 923**	**29 152**	**782 862**

As at 31 December 2022, 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. Impairment allowances represent an impairment loss relating to buildings not in use. As at 31 December 2022, the value of the impairment for unused buildings amounted to EUR 1 331 thousand (31 December 2021: EUR 1 656 thousand).

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

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, structures and networks**	**Machinery, equipment and other asses**	**Total**
Balance as at 1 January 2021	472	1 084	2 953	4 509
Additions	75	32 888	702	33 665
Depreciation	-64	-283	-1 151	-1 498
Disposals	-	-	-	-
Balance as at 31 December 2021	**483**	**33 689**	**2 504**	**36 676**
Balance as at 1 January 2022	483	33 689	2 504	36 676
Additions	34	38	1 445	1 517
Depreciation	-70	-799	-1 167	-2 036
Disposals	-	-86	-187	-273
Balance as at 31 December 2022	**447**	**32 842**	**2 595**	**35 884**

As at 31 December 2022, the Company leases 435 new vehicles up to 3.5 tons from a leasing company (2021: 439).

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.

As at 31 December 2021, additions related to leased property were in the amount of EUR 33 665 thousand, of which the largest part of the additions are buildings, halls, structures and networks.
The increase in leased property related to buildings arose from a new lease contract for non-residential premises (lease of buildings) in the amount of EUR 32 264 with Stredoslovenská energetika Holding, a.s. The lease term was estimated to last 50 years.

The contract term was set by the estimated remaining useful life of the buildings as at 1 November 2021, as these buildings are of strategic importance for the future operation of the Company. It is advantageous for the Company to centralize its various functions and departments in one location, and the real estate market in Žilina does not currently provide a useful alternative to these buildings.

Method and amount of insurance of tangible assets

Non-current tangible assets are insured up to EUR 1 163 990 thousand (2021: EUR 1 145 943 thousand) for natural hazards, vandalism and theft, and up to EUR 15 748 thousand (2021: EUR 13 469 thousand) due to machine fracture risk.

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

6) Intangible assets

The following table summarises the movements of non-current intangible assets from 1 January 2021 to 31 December 2022:

	Software	Other non-current intangible assets	Assets not yet in use including advances	Total
As at 1 January 2021				
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**
Year ended 31 December 2021				
Opening balance	10 333	355	2 081	12 679
Additions	1 083	7	736	1 826
Transfer from assets not yet in use	386	20	-406	-
Amortisation	-2 509	-11	-	-2 520
Net book value	**9 293**	**371**	**2 411**	**12 075**
As at 31 December 2021				
Acquisition Cost	43 007	413	2 411	45 831
Accumulated amortisation	-33 714	-42	-	-33 756
Net book value	**9 293**	**371**	**2 411**	**12 075**
Year ended 31 December 2022				
Opening balance	9 293	371	2 411	12 075
Additions	1 540	5	921	2 466
Transfer from assets not yet in use	174	9	-183	-
Disposals	-407	-	-116	-523
Amortisation	-2 228	-11	-	-2 239
Net book value	**8 372**	**374**	**3 033**	**11 779**
As at 31 December 2022				
Acquisition Cost	40 484	427	3 033	43 944
Accumulated amortisation	-32 112	-53	-	-32 165
Net book value	**8 372**	**374**	**3 033**	**11 779**

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	
	2022	**2021**
Assets as per Statement of financial position		
Trade receivables (before impairment allowance) (Note 8)	91 405	70 910
Receivables from parent company (cash pooling)	30 007	16 325
Cash and cash equivalents (Note 10)	16 074	25 725
Total	**137 486**	**112 960**
Liabilities as per Statement of Financial Position		
Bank loans (Note 15)	2 500	5 000
Trade and other liabilities (Note 14)	105 230	90 381
Total	**107 730**	**95 381**

8) Trade and other receivables

	As at 31 December	
	2022	**2021**
Current receivables and prepayments:		
Receivables due	88 410	68 913
Receivables overdue but not impaired	-	-
Individually impaired receivables	2 995	1 997
Trade receivables (before impairment allowance)	**91 405**	**70 910**
Less: Impairment allowance for receivables	-2 969	-1 585
Trade receivables - net	**88 436**	**69 325**
Other receivables	1 278	1 491
Trade and other receivables	**89 714**	**70 816**

The structure of receivables within due date is as follows:

	As at 31 December	
	2022	**2021**
Very high voltage	318	800
High voltage	281	994
Low voltage	5	6
Aggregated invoices	16 492	13 283
Producers of EE (MPDS – levy to NNF)	75	83
TPS Compensation of purchase of green energy - OKTE	69 936	53 518
Others	1 303	229
Trade receivables, not overdue, not impaired	**88 410**	**68 913**

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

From the point of view of credit risk, the Company divides its trade receivables by the type of service into the following categories (receivables in the Group form a separate category):

	As at 31 December	
	2022	**2021**
Electricity distribution	8 004	7 019
Unauthorized consumption of electricity	786	849
System operation tariff	69 904	53 477
Other	1 120	1 292
Receivables within SSH Group	11 591	8 273
Total	**91 405**	**70 910**

The structure of trade receivables within due date is as follows:

	As at 31 December	
	2022	**2021**
Receivables due	88 410	68 913
Receivables overdue	2 995	1 997
Total	**91 405**	**70 910**

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:

	As at 31 December	
	2022	**2021**
1 to 30 days	81	48
31 to 90 days	35	316
91 to 180 days	15	61
181 to 360 days	8	14
Over 361 days	2 856	1 558
Total individually impaired receivables	**2 995**	**1 997**

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

	As at 31 December	
	2022	**2021**
At the beginning of the year	1 585	1 779
Additional provision for receivables impairment	1 492	83
Released amounts	-108	-277
At end of the year	**2 969**	**1 585**

Based on historical data and expected development, the credit risk for receivables in the SSE Holding group and for the tariff for operating the system is considered to be insignificant.

For other categories of trade receivables, the Company creates an impairment allowance according to a matrix of impairment allowance, where the rates of an impairment allowances are fixed depending on the number of days the trade receivable is overdue. The matrix was established on the basis of historical data for each category of receivables separately. In the event that there are specific situations in which the risk of an individual receivable increases significantly compared to the risk according to the matrix of adjustment items, the Company will create a specific impairment allowance for such a receivable in the amount according to the management's expert estimate.

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

The following tables represent creation of impairment allowance based on each category of trade receivables:

Electricity distribution

31.12.2022	Impair-ment in %	Nominal value of receivable	Impair-ment allowance
Due	0,02%	6 024	1
1 to 30 days	5%	7	-
31 to 90 days	10%	1	-
91 to 180 days	15%	-	-
181 to 360 days	25%	-	-
Over 361 days	100%	193	193
Bankruptcy	100%	277	277
Specific	100%	1 502	1 503
Total		**8 004**	**1 975**

Unauthorised

31.12.2022	Impair-ment in %	Nominal value of receivable	Impair-ment allowance
Due	30%	5	2
1 to 90 days	65%	57	37
91 to 180 days	80%	21	17
181 to 360 days	85%	50	42
Over 361 days	100%	601	601
Bankruptcy	100%	52	52
Total		**786**	**751**

Other

31.12.2022	Impair-ment in %	Nominal value of receivable	Impair-ment allowance
Due	0,10%	821	1
1 to 90 days	1%	44	-
91 to 180 days	20%	11	2
181 to 360 days	80%	22	18
Over 361 days	100%	157	157
Bankruptcy	100%	64	64
Specific	100%	-	-
Total		**1 120**	**243**

Electricity distribution

31.12.2021	Impair-ment in %	Nominal value of receivable	Impair-ment allowance
Due	0,02%	6 252	1
1 to 30 days	5%	16	1
31 to 90 days	10%	284	28
91 to 180 days	15%	41	6
181 to 360 days	25%	1	-
Over 361 days	100%	225	225
Bankruptcy	100%	199	199
Total		**7 019**	**461**

Unauthorised

31.12.2021	Impair-ment in %	Nominal value of receivable	Impair-ment allowance
Due	30%	4	1
1 to 90 days	65%	26	17
91 to 180 days	80%	23	19
181 to 360 days	85%	43	37
Over 361 days	100%	699	699
Bankruptcy	100%	53	53
Total		**849**	**826**

Other

31.12.2021	Impair-ment in %	Nominal value of receivable	Impair-ment allowance
Due	0,10%	909	1
1 to 90 days	1%	37	-
91 to 180 days	20%	12	2
181 to 360 days	80%	27	22
Over 361 days	100%	72	72
Bankruptcy	100%	64	64
Specific	100%	171	137
Total		**1 292**	**298**

Significant increase in the adjustment item in the category of electricity distribution was caused by the creation of a specific adjustment item for receivables from customers whose ability to pay was significantly reduced.

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

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"). For the period 2019, the Company incurred a loss due to the difference between the costs related to the support of OZE/KVET, and revenue from TPS. Based on the ÚRSO decision of December 2020, the Company recognised accrued income in the Statement of financial position, in the amount of ÚRSO approved compensation of a 2019 loss in the amount of EUR 88 131 thousand. In 2022, the full compensation was paid and the balance as at the end of the 2022 is in the amount of EUR 0 thousand (2021: EUR 19 805 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.

As at 31 December 2022, the Company recognised a receivable in the amount of EUR 30 007 thousand (as at 31 December 2021: EUR 16 325 thousand) from 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.

	As at 31 December	
	2022	**2021**
Bank accounts and cash on hand	16 074	2 725
Short-term bank deposits	-	23 000
Total	**16 074**	**25 725**

	As at 31 December	
	2022	**2021**
Cash and balances in bank accounts with original commitment period within 3 months	16 074	25 725
Total	**16 074**	**25 725**

The carrying amount of cash and cash equivalents, as at 31 December 2022 and as at 31 December 2021, approximates their fair value.

11) Equity

No changes occurred in the Company's share capital in 2021 or in 2022. 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 (2021: 15 058 shares), at nominal value of EUR 33 194 per share (2021: EUR 33 194 per share). As at 31 December 2022, the entire share capital was issued and paid.

The Commercial code requires the Company to create 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 2022, the legal reserve fund amounted to EUR 99 967 thousand (as at 31 December 2021: EUR 99 967 thousand), and thus reached its full required limit.

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

(2021: the General Meeting of the Company, held on 17 May 2021, approved the Company's financial statements for the previous period, and agreed to pay dividends to shareholders in the amount of EUR 215 386 thousand of which EUR 138 354 thousand from profit of 2020 and EUR 77 032 thousand from retained earnings of previous periods (2020: EUR 112 209 thousand from profit of 2019).

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 2022 profit.

12) Deferred income

	As at 31 December	
	2022	**2021**
Relocation of energy devices	30 601	29 666
Withheld assets	73	59
Other	3 248	3 440
Deferred income non-current	**33 922**	**33 165**

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

	As at 31 December	
	2022	**2021**
Connection fees – long-term	39 186	36 892
Connection fees – short-term	1 267	1 176
Contractual liabilities	**40 453**	**38 068**

The Company should recognise revenues from fees from customers for connection to the distribution system and subsequent access to the provision of distribution services over the connection contract term. Since connection contracts are concluded for an indefinite period and in practice there is almost no loss of take-off points, it is not possible to reliably determine the duration of the contract. Therefore, the Company releases the connection fees into revenue during the average useful life of the assets related to the distribution of electricity.

Reported contract liabilities 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 over the average lifetime of related electricity distribution assets. The Company estimates annual revenue from the release of contract liability, as at 31 December 2022, in the amount of approximately EUR 1 267 thousand (as at 31 December 2021: approximately EUR 1 176 thousand).

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

14) Non-current and current trade and other liabilities

		As at 31 December
	2022	**2021**
Trade and other liabilities - current	43 088	31 246
Lease liability – non-current	34 521	35 202
Accrued income - current (Note 12)	1 391	1 053
Liabilities to employees	1 980	1 611
Social security	1 292	1 143
Accrued personnel expenses Social	7 085	5 928
fund	20	48
VAT liability	12 837	11 159
Other liabilities	3 015	2 991
Total	**105 229**	**90 381**

No liabilities are secured by a lien or other collateral.

The structure of liabilities by maturity is as follows:

		As at 31 December
	2022	**2021**
Liabilities due	105 229	90 373
Liabilities overdue	3	8
Total	**105 232**	**90 381**

An overview of lease liabilities recognised within trade liabilities and other current liabilities and lease non-current liabilities is shown in the following table:

		As at 31 December
	2022	**2021**
Up to 1 year	1 645	1 576
1 – 5 years	4 122	4 073
More than 5 years	30 399	31 129
Total	**36 166**	**36 778**

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

		As at 31 December
	2022	**2021**
Total lease payments	2 308	1 590
Total	**2 308**	**1 590**

Payments for leases relating to principal during the reporting period, in the amount of EUR 1 856 thousand (2021: EUR 1 451 thousand), are recognised in the Statement of cash flows, as cash flows from financial activities. Interest payments related to lease liabilities, amounting to EUR 452 thousand (2021: EUR 139 thousand), are reported as operating cash flows in the Statement of cash flows.

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

Carrying amounts of liabilities are denominated in the following currencies:

	As at 31 December	
	2022	**2021**
EUR	105 207	90 379
CZK	22	2
Total	**105 229**	**90 381**

Social fund

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

	As at 31 December	
	2022	**2021**
Opening balance as at 1 January	48	24
Creation as expenses	384	372
Drawing	-412	-348
Closing balance as at 31 December	**20**	**48**

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. 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. originally committed to pay to Slovenská sporiteľňa.

Maturity of bank loans is as follows:

	As at 31 December	
Maturity	**2022**	**2021**
Short-term portion of loans	2 500	2 500
Long -term portion of loans		
From 1 to 5 years	-	2 500
More than 5 years	-	-
Total	**2 500**	**5 000**

Fair value of loans as at 31 December 2022 does not differ significantly from the carrying amount.

Bank loans and their structure as at 31 December 2022 and 2021 are as follows:

Bank	**In thousands of EUR**		**Interest rate % p.a.**	**Maturity**	**Collateral**
	2022	**2021**			
Slovenská sporiteľňa	2 500	5 000	Fixed 2,25%	30.6.2023	
Total	**2 500**	**5 000**	**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 consolidated financial statements data of the Stredoslovenská energetika Holding, a.s. group. The Company has fulfilled all contractual conditions as at the reporting date.

Reconciliation of loans and borrowings with cash flows from financing activities for the year ended 31 December 2022 and previous accounting period:

	Bank loans and borrowings	**Lease liabilities**	**Total**
Opening balance as at 1 January 2022	**5 000**	**36 778**	**41 778**
Changes in cash flows from financing activities			
Loans and borrowings repayment	-2 500	-	-2 500
Lease payments	-	-1 856	-1 856
Interest paid - leases	-	-452	-452
Interest paid - loans and borrowings	-84	-	-84
Total changes in cash flows from financing activities	**-2 584**	**-2 308**	**-4 892**
Other changes			
Interest expenses	84	452	536
New lease contracts	-	1 517	1 517
Terminated lease contracts	-	-273	-273
Total other changes	**84**	**1 696**	**1 780**
Balance as at 31 December 2022	**2 500**	**36 166**	**38 666**

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

	Bank loans and borrowings	Lease liabilities	Total
Opening balance as at 1 January 2021	**7 500**	**4 564**	**12 064**
Changes in cash flows from financing activities			
Loans and borrowings repayments	-2 500	-	-2 500
Lease payments	-	-1 451	-1 451
Interest paid - leases	-	-139	-139
Interest paid - loans and borrowings	-139	-	-139
Total changes in cash flows from financing activities	**-2 639**	**-1 590**	**-4 229**
Other changes			
Interest expenses	139	139	278
New lease contracts	-	33 665	33 665
Total other changes	**139**	**33 804**	**33 943**
Balance as at 31 December 2021	**5 000**	**36 778**	**41 778**

As at 31 December 2022, the Company along with the companies Stredoslovenská energetika Holding, a.s. and Stredoslovenská energetika, a. s. entered into credit line with Slovenská sporiteľná with a total limit of EUR 150 000 thousand (2021: EUR 0 thousand). The credit facility is contracted until 30 June 2027. As at 31 December 2022, the Company has not drawn the loan (2021: EUR 0 thousand). These loans are collaterised by a guarantee from parent company SSE Holding, a.s.

16) Deferred income tax

Deferred income tax is calculated from temporary differences using the balance sheet method. For deferred income tax calculation, a tax rate of 21% was used as at 31 December 2022 and 2021.

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.

	As at 31 December 2022	2021
Deferred tax asset:		
- Deferred tax asset to be settled after more than 12 months	1 833	1 985
- Deferred tax asset to be settled within 12 months	3 831	1 389
	5 664	**3 374**
Deferred tax liability:		
- Deferred tax liability to be settled after more than 12 months	-83 509	-85 558
	-83 509	**-85 558**
Net deferred tax liability	**-77 845**	**-82 184**

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

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

	Balance as at 1 January 2022	**(Debited) / credited to the Income statement**	**Charged to equity**	**Balance as at 31 December 2022**
Non-current assets*	-85 558	2 049	-	-83 509
Provisions for employee benefits and bonuses	2 812	214	-109	2 917
Other	562	2 185	-	2 747
	-82 184	**4 448**	**-109**	**-77 845**

	Balance as at 1 January 2021	**(Debited) / credited to the Income statement**	**Charged to equity**	**Balance as at 31 December 2021**
Non-current assets*	-87 254	1 696	-	-85 558
Provisions for employee benefits and bonuses	2 628	47	137	2 812
Other	676	-114	-	562
	-83 950	**1 629**	**137**	**-82 184**

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

As at 31 December 2022 and as at 31 December 2021, 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 and other long term employee benefits (a)	Termination benefits (b)	Legal claims (c)	Other	Total
Balance as at 1 January 2022	8 706	775	250	320	10 051
Creation of provisions	243		76	21	340
Use of provisions	-958	-215	-	-62	-1 235
Reversal of unused provision	-	-	-	-18	-18
Balance as at 31 December 2022	**7 991**	**560**	**326**	**261**	**9 138**

	Pensions and other long term employee benefits (a)	Termination benefits (b)	Legal claims (c)	Other	Total
Balance as at 1 January 2021	9 731	539	-	216	10 486
Creation of provisions	1 339	775	250	320	2 684
Use of provisions	-443	-94	-	-	-537
Reversal of unused provision	-1 921	-445	-	-216	-2 582
Balance as at 31 December 2021	**8 706**	**775**	**250**	**320**	**10 051**

Analysis of total provisions	**2022**	**2021**
Non-current	8 219	9 266
Current	919	785
Total	**9 138**	**10 051**

(a) Pension programs and other employee benefits

Pension programs with defined benefits, and other long-term employee benefits, are recognised as follows:

(i) Pension programs upon retirement

	As at 31 December 2022	As at 31 December 2021
Present value of unfunded retirement obligations	7 059	7 693
Liability as per Statement of Financial Position	**7 059**	**7 693**

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

Amounts recognised in the Income statement are as follows:

	2022	**2021**
Current service cost	469	532
Change of IAS 19 interpretation*	-	-1 921
Interest expense	213	36
Total charge, included in personnel expenses	**682**	**-1 353**

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

	As at 31 December	
	2022	**2021**
Present value of unfunded retirement obligations at beginning of the year	7 693	8 693
Current service cost	469	532
Interest expense	213	36
Paid	-799	-298
Change of IAS 19 interpretation*	-	-1 921
Actuarial (gains)/ losses	-517	651
Present value of unfunded retirement obligations at the end of the year	**7 059**	**7 693**

* Reversal of a portion of provision in the amount of EUR 1 921 thousand from previous accounting period was triggered by a reassessment of the allocation and targeted allocation of costs to the employee's years of service, based on the IFRIC decision of May 2021.

(ii) Other long-term employee benefits (jubilees and loyalties)

	As at 31 December	
	2022	**2021**
Present value of unfunded provisions	932	1 013
Liability as per Statement of Financial Position	**932**	**1 013**

Amounts recognised in the Income statement are as follows:

	2022	**2021**
Current service expenses	84	91
Actuarial (gains) / loss	-47	24
Interest expense	41	5
Total charge, included in personnel expenses	**78**	**120**

(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:

	As at 31 December	
	2022	**2021**
Present value of unfunded liabilities as at the beginning of the year	1 013	1 038
Current service expenses	84	91
Interest expense	41	5
Paid	-159	-145
Actuarial (gains) / loss	-47	24
Present value of unfunded liabilities at the end of the year	**932**	**1 013**

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

	2022	**2021**
Number of employees as at 31 December	1 332	1 337
Employee fluctuation rate	2,01% p. a.	1,97% p. a.
Expected increase in salaries – long-term	3,00% p. a.	1,90% p. a.
Discount rate	0,00 – 3,50% p. a. (2023 - 2068)	0,00 – 1,25% p. a. (2022 - 2067)

If actual discount rate differed by 1% from estimated discount rate, the amount of pension provisions would be by EUR 603 thousand lower or by EUR 687 thousand higher (2021: by EUR 711 thousand lower or by EUR 276 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 2024 (2021: to be completed in 2024). Amounts according to the relevant detailed plan of positions accompanying the restructuring process are expected to be paid as follows:

	As at 31 December	
	2022	**2021**
Expected payment in 2022	-	215
Expected payment in 2023	332	332
Expected payment in 2024	228	228
	560	**775**

(c) Provision for legal proceedings

The Company records claims for financial settlement in the amount of EUR 326 thousand (2021: EUR 250), which are being addressed through legal action. The Company's management has chosen not to provide further details regarding these litigations, as these are currently open and additional information could harm the Company.

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

18) Revenue

Revenue by segment includes the following:

	Segment VVN		Segment VN		Segment NN-MOP		Segment NN-MOO		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue – distribution and other fees	26 955	29 926	103 420	98 081	58 490	54 002	87 452	79 510	-	-	276 317	261 519
SLA revenue	-	-	-	-	-	-	-	-	2 007	2 270	2 007	2 270
Other	-	-	-	-	-	-	-	-	1 047	996	1 047	996
Total	**26 955**	**29 926**	**103 420**	**98 081**	**58 490**	**54 002**	**87 452**	**79 510**	**3 054**	**3 266**	**279 371**	**264 785**

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, households.

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.

(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 income

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

	2022	**2021**
Revenue from the use of assets*	1 821	2 023
Rental income	828	599
Release of deferred revenue (Note 12)	1 391	1 053
Income from insurance claims	1 178	849
Profit from sale of assets	572	143
Correction of losses	46 991	-
Other	1 868	1 435
Total	**54 649**	**6 102**

The correction of increased costs related to purchase of electricity on losses is represented by income from OKTE, a.s. based on the TPS tariff stipulated by URSO to cover the correction of the electricity price to cover losses used in determining the tariff for losses in accordance with URSO decisions and the actual market price of electricity at which SSD was supposed to purchase electricity for losses in accordance with the effective URSO decree.

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 contract liabilities) and is leased to income over the average useful life of the distribution network.

* The income from the optical fibre capacity and support points, as at 31 December 2022, is in the amount of EUR 1 425 thousand (2021: EUR 1 590 thousand), and rental services in the amount of EUR 396 thousand (2021: EUR 433 thousand).

20) Purchase of electricity, system and other related fees

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

	2022	**2021**
Purchases of electricity:		
Variances settlement expenses	1 551	1 874
Supplies from SEPS	40 109	37 238
Purchase of electricity from renewable resources and related charge	97 540	22 112
Total	**139 200**	**61 224**

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

21) Other operating expenses

An overview of other operating expenses is as follows:

	2022	2021
IT services	3 863	3 670
Repairs and maintenance	3 651	3 230
Operating leasing, rent	1 446	2 236
Security service	1 288	1 244
Forest cutting	920	1 050
Postage and telecommunication costs	802	714
SLA services	714	755
Insurance expense	707	697
Advisory services	727	657
Fees and other taxes	638	589
Metering of consumed electricity for invoicing purposes	560	544
Waste liquidation	478	522
Metrological services	293	260
Examination of electricity devices	230	258
Creation of allowances for receivables	1 492	83
Other operating expenses	4 175	3 763
Total	**21 984**	**20 272**

The cost for audit services are as follows:

Audit and consultancy fee	**2022**	**2021**
Audit of the financial statements	56	55
Other assurance services	2	2
Other non-audit services	22	45
Total	**80**	**102**

22) Personnel expenses

	2022	2021
Wages and salaries	32 558	31 436
Other personnel expenses	2 682	3 211
Social and health insurance expenses – defined contribution plans	11 132	10 417
Pensions and other long-term employee benefits	760	-1 233
Total	**47 132**	**43 831**

* The year-on-year decrease in pensions and other long-term employee benefits is explained in Note 17.

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

23) Net finance expenses

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

	2022	**2021**
Interest income on Cash pooling	-90	-
Interest expenses from borrowings	98	139
Lease interest expenses	454	139
Other financial expenses	4	4
Net financial expense	**466**	**282**

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

	Year ended 31 December	
	2022	**2021**
Interest expenses	452	139
Short-term lease expenses	125	46
Low-value tangible assets lease expenses, except for short-term low-value tangible assets lease expenses	277	347
Total	**854**	**532**

24) Income tax

Reconciliation between theoretical and recorded income taxes is as follows:

	Year ended 31 December	
	2022	**2021**
Profit before tax	73 930	94 295
Theoretical income tax for current period as the rate of 21%	15 525	19 802
- Non-deductible expenses	89	55
- Special levy for business activities in regulated industries including tax impact	2 412	3 028
- Others	281	6
	18 307	**22 891**
Income tax recognised		
Total income tax for current period consists of:		
- Deferred tax income	-4 448	-1 628
- Current tax charge for the current period from continuing activities	22 733	24 507
- Income tax related to prior periods	22	12
	18 307	**22 891**

The income tax rate for 2022 is 21% (2021: 21%). The effective income tax rate of the Company for 2022 is 24,76% (2021: 24,28%).

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

In 2022, 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 the special levy base is calculated as the ratio of income from the regulated activity, to total income for the period, for which recognised profit or loss was used to calculate the special levy base. For 2022, the coefficient is 0,98 (2021: 0,98). For 2022, the rate of the levy is 0,00363 per calendar month, which amounts to 0,04356 (4,356%) for 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 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.

25) Contingent assets and liabilities

Contingent asset related to compensation for the purchase of electricity to losses

Under the effective Decree of the Regulatory Office for Network Industries of the Slovak Republic (URSO) which regulated the cost regulation for purchase of electricity for losses, was implemented a correction for purchase of electricity for losses for the year 2022. The requiring costs of purchase of electricity for losses for 2022, acknowledged by URSO as eligible costs, are the approximate prices of the Slovak business area on the daily market organised by the organizer of the short-term electricity market in each quarter hour of 2022 in EUR per MWh. Thus, under the effective Decree, URSO uses the correction to compensate the difference between the price of the Slovak business area on the daily market organised by the organizer of the short-term electricity market in each quarter hour of 2022 in EUR per MWh, and the estimated price of purchase of electricity for losses. As a result of the rapid growth in spot electricity prices during 2022, there was a significant difference in the average spot price of electricity for losses compared to the estimated price contained in the URSO decision stipulating tariffs for losses. In this context, the compensation of costs related to purchase of electricity for losses in the expected amount of EUR 42 561 thousand had incurred to the company. In accordance with the applicable legislation, it is assumed that the difference incurred will be compensated in the period t+2, i.e. in the year 2024 for the year 2022.

Taxation

Many parts of Slovak tax legislation remain untested and there is uncertainty about the interpretation that the tax authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

Litigations

The Company currently registers 100 lawsuits, which are subject to an action for reimbursement of part of network access fees, paid for different time periods. The total claimed amount cannot be reliably and accurately determined. Based on a legal analysis, the Company's management considers the settlement of these disputes to be unlikely, and the Company therefore did not create a provision for these litigations.

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

26) Commitments

Capital commitments

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

	As at 31 December	
	2022	**2021**
Non-current tangible assets	17 233	14 452
Non-current intangible assets	2 144	2 224
Total	**19 377**	**16 676**

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.

b) sister companies
Stredoslovenská energetika, a. s.
Elektroenergetické montáže, s.r.o.
SSE – Metrológia, s.r.o.
SSE CZ, s.r.o.
Stredoslovenská energetika - Project Development, s.r.o.
SSE-Solar, s.r.o.
SPV100, s. r. o.
SSE - MVE, s.r.o.
Kinet, s.r.o.
PW geoenergy a. s.

c) related parties through the parent company
Energotel, a.s.
SPX, s.r.o.

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.
MH Teplárenský holding, a.s.
other (municipalities, water management companies, state hospitals, etc.)

e) entities controlled under joint control by EP Investment, its associated entities and their branches
EP ENERGY TRADING, a.s., organizačná zložka
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) key management personnel of the Company or its 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)	**2022**	**2021**
Sale of goods, services and merchandise	**180 759**	**154 728**
Stredoslovenská energetika, a.s.*	179 637	153 323
Stredoslovenská energetika Holding, a.s.	28	28
Elektroenergetické montáže, s.r.o	216	215
SSE-PD	61	54
SSE – Metrológia, spol. s r.o.	10	11
SSE - Solar, s.r.o.	40	226
PW geoenergy a. s.	6	-
SPV100, s.r.o.	24	
SSE - MVE, s.r.o.	69	25
Kinet, s.r.o.	668	7
Energotel, a.s.	-	839
Sale of assets	**519**	**-**
Stredoslovenská energetika, a.s.	519	-
SPV100, s.r.o.	**-**	-
Finance income	92	-
Stredoslovenská energetika Holding, a.s.	92	-
Total sales	**181 370**	**154 728**
Purchase of energy and other non-storable items	**99 751**	**24 861**
Stredoslovenská energetika, a. s.	99 751	24 861
Purchase of assets	**1 085**	**729**
Elektroenergetické montáže, a.s.	9	14
SSE-Metrológia, spol. s r.o.	354	190
Kinet, s.r.o.	722	525
Purchase of services	**3 196**	**3 047**
Stredoslovenská energetika, a.s.	942	943
Stredoslovenská energetika Holding, a.s.	1 395	1 220
SSE-Metrológia, spol. s r.o.	263	222
Elektroenergetické montáže, a.s.	-	60
Kinet, s.r.o.	17	-
Energotel, a.s.	579	602
Other expenses	**81**	**82**
Stredoslovenská energetika, a. s.	63	82
Energotel, a. s.	8	-
SPX, s. r. o., Žilina	10	-
Total purchases	**104 113**	**28 719**

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

	2022	**2021**
Related parties through the state	119 070	108 433
Related parties through EP Investment	15 793	18 738
Total sales	**134 863**	**127 171**
Related parties through the state	40 662	37 954
Related parties through EP Investment	231	182
Other related parties (f)	50	-
Total purchases	**40 943**	**38 136**

The Government of the Slovak Republic has a significant influence over 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 state influence. The Company's management discloses information that its current accounting system allows to be disclosed in relation to activities with state-controlled companies and with companies that the Company's management believes to the best of its knowledge that they could be considered 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)	**2022**	**2021**
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:

	Balance as at 31 December	
SSE Holding group (a,b,c)	**2022**	**2021**
Trade receivables :	**12 520**	**8 310**
Stredoslovenská energetika, a.s.	11 394	8 179
Stredoslovenská energetika Holding, a.s.	-	2
Elektroenergetické montáže, a. s.	43	25
SSE - Solar, s.r.o.	1	20
Kinet, s.r.o.	112	-
PW geoenergy a. s.	845	-
Energotel, a.s.	125	84
Other receivables within the Consolidated Group :		
Stredoslovenská energetika Holding, a.s.	**30 007**	**16 325**
	30 007	16 325
Total assets	**42 527**	**24 635**
Trade liabilities :		
SSE-Metrológia, spol s r.o.	**4 330**	**3 903**
Stredoslovenská energetika, a.s.	144	20
Stredoslovenská energetika Holding, a.s.	3 704	3 048
SSE - MVE, s.r.o.	20	6
Kinet, s.r.o.	-	11
Energotel, a.s.	275	26
	187	792
Total liabilities	**4 330**	**3 903**

Related parties through the state (d), through EP Investment (e)	Balance as at 31 December	
	2022	**2021**
Trade receivables		
Related parties through state	73 337	56 598
Related parties through EP Investment	1 140	1 452
Total assets	**74 477**	**58 050**
Trade liabilities		
Related parties through state	2 283	2 352
Related parties through EP Investment	18	19
Other related parties	10	-
Total liabilities	**2 311**	**2 371**

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

Related parties through the key management (f)	**2022**	**2021**
Trade receivables	-	-
Total assets	**-**	**-**
Trade and other liabilities	-	-
Total purchases	**-**	**-**

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	**2022**	**2021**
Salaries and other short-term employee benefits	621	624
Other non-monetary compensations	28	31
Total	**649**	**655**

Board of Directors and key management	**2022**	**2021**
Salaries and other short-term employee benefits	108	120
Total	**108**	**120**

29) Events after the reporting date

With effect from 3 January 2023, the Company concluded a loan agreement with Československá obchodná banka, a.s. with a total limit of EUR 50 000 thousand. The loan is contracted until 31 December 2023 and comprise a revolving loan in the amount of EUR 20 000 thousand, an overdraft loan and bank guarantees in the aggregate amount of EUR 30 000 thousand. Obligations arising from the loan agreement are collaterised by the guarantee of the parent company SSE Holding, a.s.

On 16 February 2023, the Company concluded an amendment to the loan agreement with Slovenská sporiteľňa. Based on the amendment, the Company proceeded to the possibility of drawing a term loan up to the amount of EUR 50 000 thousand.