

Annual
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ANNEX NO. 1: REPORT OF THE INDEPENDENT AUDITOR ON THE VERIFICATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023 AND THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

Foreword by the Chairman of the Board of Directors and the Chief Executive Officer

Dear customers, business partners, shareholders and colleagues,

2023 has been a very special year for our Company. During this year we managed to cross a very important milestone – the centenary of its founding in 1923. It is a great honour for all of us, who currently form the team of Stredoslovenská distribučná, a. s., that we can be part of this success story in this exceptional period.

However, in addition to honour, we also feel a great deal of responsibility. The work and enormous merits of our predecessors in the last century brought to the region of Central Slovakia the basic prerequisites for the development of the economy, infrastructure, towns and villages, social background and overall progress. There are probably not many areas that have not been touched in some way, albeit indirectly, by the gradual expansion of the electricity sector. Electricity has become a unique phenomenon. That is why we are constantly striving to build on the legacy of the work of previous generations of power engineers while contributing to the further development of our sector of the national economy.

Since we work in the field of physics, our best mirror is the facts. The annual report therefore gives you an overview of the most important events, economic results, success in meeting targets and development activities. It is therefore a good tool for obtaining comprehensive feedback. We would like to draw your attention to at least a few key facts. In 2023, we achieved a volume of distributed electricity in our territory slightly exceeding 6 TWh. Compared to previous years, this is a slight decrease, but only in units of percentages. On the other hand, as every year, we have again seen an increase in the number of supply points. At the end of the year, we registered approximately 785 thousand of them, which is an increase of five thousand compared to 2022.

During the year, we invested almost EUR 60 million in the distribution system. We have focused most of our resources on quality and increasing distribution capacity. In this investment area, we have carried out approximately 120 constructions at all voltage levels with a total value of EUR 25 million. Among the most important completed projects were mainly complex reconstructions of transformer stations in Žilina and Vlkanová or reconstructions of very high voltage lines on the line Medzibrod – Vlkanová.

We have invested EUR 16 million in the development of the grid to connect new supply points. This amount covered the costs for 331 investment actions. Their benefit will not only be the possibility to connect new supply points, but also renewable energy producers. As the demand for this connectivity continues to grow, our activities will reflect this in the long run. We already have a number of important projects underway with an impact on wider localities. These are, for example, the area of Nová Baňa, Turčianske Teplice, Demänovská dolina or Donovaly. Regarding the technological modernisation of the distribution system, we are also paying considerable attention to the development of fibre optic networks, which are gradually beginning to play a strategic role not only in the management of distribution facilities, but are also expanding the commercial opportunities for use by consumers.

We also achieved good results in the distribution quality parameters – in the indicators of planned and unplanned interruptions of electricity distribution. Unfortunately, we experienced 11 energy disasters during the year, but we were able to deal with their impact gradually, even though they cost us a lot of time, energy and more than three million euros.

The Company's economic results testify to a successful year. We were able to achieve our performance targets despite high commodity prices in the energy market and the ongoing war in Ukraine. The after-tax profit of Stredoslovenská distribučná, a. s., amounted to EUR 99 million.

We sincerely thank all those who have contributed in any way, not only in 2023, but also during the previous hundred years, to ensuring that our Company continues to be a strategic, stable, reliable and continuously developing pillar of the national economy and society. We believe that respect and appreciation for the values we have built so far will motivate and guide us in our future activities and will bring us common benefits in the horizon of at least the next decades.

Best regards

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

Mgr. Ing. Marek Štrpka,
Chief Executive Officer

Milestones in the Company's History

1920	Stredoslovenské elektrárne in Banská Bystrica (SSE) was established.
1923	Spojené elektrárne severozápadného Slovenska in Žilina (SESzS) was established.
1929	The Central Slovak power engineers built the first 110/22 kV transformer station in Slovakia in Žilina.
1930	Commissioning of the first 100 kV line in Slovakia on the route Žilina – Bytča – Moravská Ostrava.
1961	The merger of Stredoslovenské elektrárne and Spojené elektrárne severozápadného Slovenska created the national enterprise Stredoslovenské energetické závody (SSE).
2002	A foreign investor – the French company Electricité de France (EDF) – entered Stredoslovenská energetika and acquired a 49 % stake and managerial control.
2003	Liberalisation of the electricity market – energy companies have lost their monopoly position.
2006	Stredoslovenská energetika – Distribúcia (SSE-D) was established, separating from SSE and becoming the exclusive operator of the distribution system in the territory of Central Slovakia.
2013	The Czech company Energetický a průmyslový holding (EPH) joined SSE-D and bought the entire stake of EDF.
2017	Stredoslovenská energetika – Distribúcia changed its name to Stredoslovenská distribučná (SSD).

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 No. (DIČ):	2022187453
VAT ID (IČ DPH):	SK 2022187453
Bank details:	VÚB, a. s., Žilina
IBAN:	SK44 0200 0000 0021 4355 0551
BIC:	SUBASKBX
	The joint-stock company is registered in the Commercial Register of the District Court Žilina, Section Sa, Insertion no. 10514/L, incorporation date 8 April 2006.
E-mail:	prevadzkovatel@ssd.sk
Website:	www.ssd.sk

2.3 Business Purpose

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

Distribution of electricity,
Assembly and repair of measuring and control technology,
Design and construction of electrical equipment,
Advisory activities in the energy sector,
Engineering activities and related technical consultancy,
Rental of energy equipment,
Constructions and changes thereto,
Repairs, expert inspections and technical examinations of electrical classified technical equipment in the scope of S, O (OU, R, M) – E1-A,
Assembly of determined metering devices
The Company's core business is the distribution of electricity to final customers, which in most cases is invoiced through electricity traders in the form of the so-called Contract on composite electricity supply.

2.4 Shareholder Structure

The sole shareholder of Stredoslovenská distribučná, a. s., holding 100% of shares, is Stredoslovenská energetika Holding, a. s., with its registered office at Pri Rajčianke 8591/4B, 010 47 Žilina, Reg. No. (IČO):

36403008, registered in the Commercial Register of the District Court in Žilina, Section Sa, Insertion number 10328/L, incorporation date 1 January 2002.

2.5 Company Management during the Year Ended on 31 December 2023

Board of Directors:

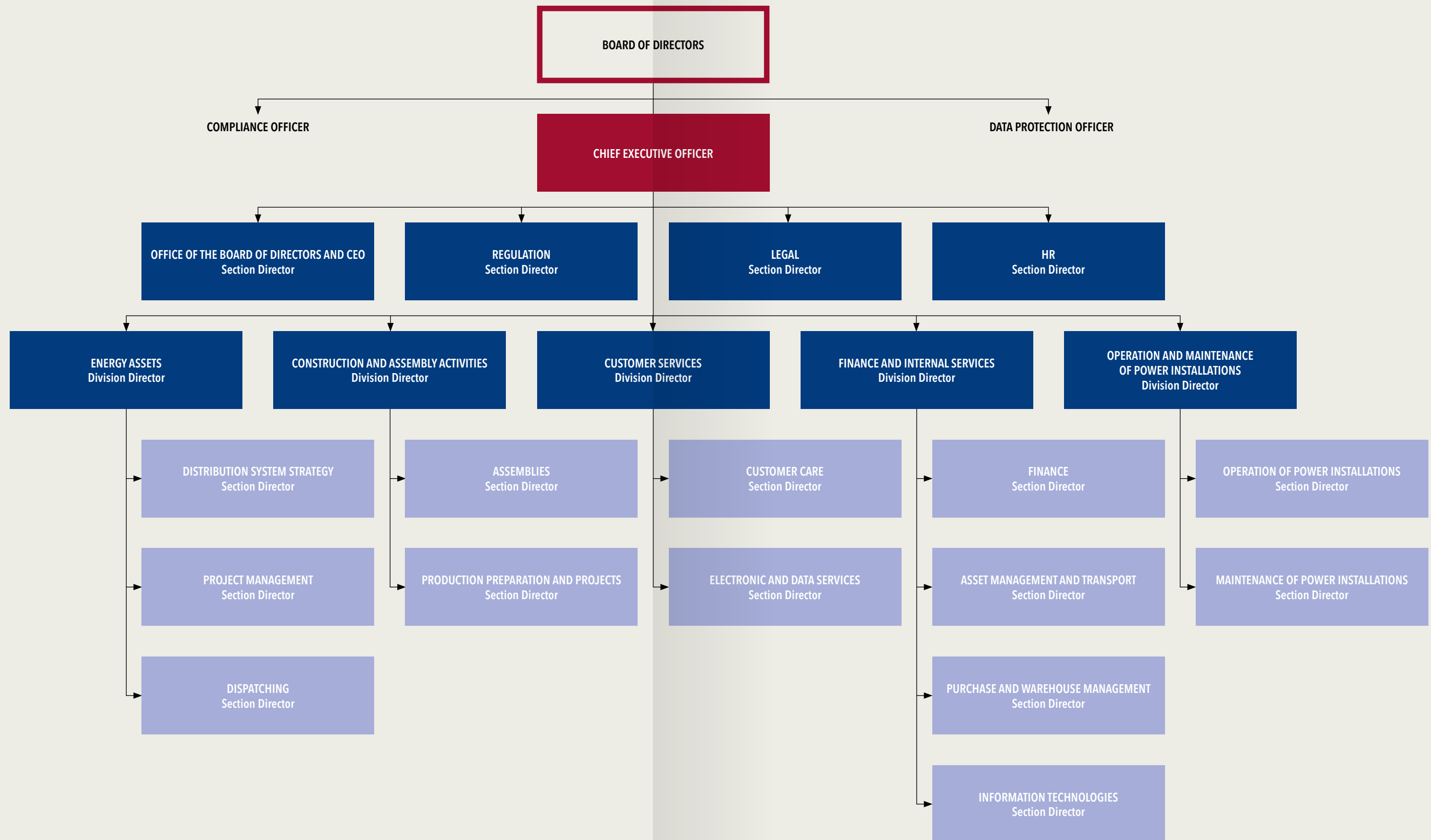
Ing. František Čupr	MBA, Chairman
Ing. Roman Hušťava	Vice-Chairman
JUDr. Peter Hajduček	Member
Ing. Roman Filipoiu	Member
Petr Kozojed	Member

Supervisory Board:

Ing. Róbert Klimo	Chairman
Gary Mazzotti	Vice-Chairman
Mgr. Michal Komada	Member
Mgr. Maroš Skopal	Member
Mgr. Róbert Motoška	Member
Mgr. Miroslav Dráb	Member
Ing. Dušan Majer	Member elected by employees
Ing. Igor Piščík	Member elected by employees
Ing. Miroslav Martoník	Member elected by employees



2.6 Organisational structure as at 31 December 2023



Company Activities

3.1 Significant Events in 2023

Customer Services

In 2023, we continued to digitise our communication with customers. We also worked on smaller projects focused on the use of cutting-edge technology – artificial intelligence. Further modifications were made to the electronic communication for the submission of applications for the connection of electricity generation sources.

The implementation of the conclusions of the EDC project – part of SEMAFOR on the communication of dispatching data for the electricity market and the implementation of the obligations of the distribution system operator from the new legislation valid from 1 July 2023 – Decree 207/2023 Coll., concerning the obligations in relation to the market operator OKTE, a.s., also continued.

We participated in the pan-European project Implementing Regulation for Metering and Consumption Data and the Data Interoperability project at the Ministry of Economy of the Slovak Republic.

We implemented a number of organisational changes that should bring greater flexibility and expertise to the services we provide.

We implemented a 360-degree view of customer receivables and modified the reminder system. At the same time, we can state that SSD's customers have

a good payment discipline as regards the payment of their obligations from ordered and performed services.

At the beginning of the year, complications arose in the functioning of the electricity market with late legislative measures, and we dealt with the problem of advance payments by businesses, which significantly disrupted the financial flows between electricity market participants.

The adoption of decisions by the Government of the Slovak Republic on the compensation of prices for losses to customers with retroactive application, changes in energy legislation and additional measures taken to mitigate the impact of high electricity prices have caused retroactive corrections of invoices issued for the period from January to April 2023. This led to accompanying complications for both electricity market participants and distribution system users, which we resolved as soon as possible. This activity was a significant burden on SSD staff.

Operation and Maintenance of Power Installations

In the course of the year, we recorded 11 widespread energy disasters and several local emergencies caused mainly by adverse weather conditions. The cost of cleaning up the consequences of the disasters exceeded three million euros.

3.2 Investment Planning, Key Investments in 2023

Identifying the development potential of each region, strengthening the critical points of the system and its physical renewal are the constant objectives of the investment, which is also linked to the need to manage and upgrade current and new technologies to capture the trends of the society.

The speed of investment implementation from the identification of the need is influenced in no small measure by the development of legislation, permitting

processes as well as the readiness or condition of the affected areas. The planning and prioritisation of individual activities depends on a number of factors.

We divide investments according to their nature into three main categories:

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

Structure of investment expenditures in 2023 by individual sections:

New connections	EUR 16.1 million
Quality and increase of the transmission capacity of lines	EUR 25.3 million
Other investments associated with the distribution activity (distribution transformers, IT, measuring sets, vehicles and others)	EUR 18.4 million

New Connections

The New Connections category includes investments that address the development of the distribution system. In essence, they meet the requirements of connecting new supply points at all voltage levels. These activities also increase the possibility of connecting new renewable sources. In 2023, we completed 331 constructions at the HV and LV level, and invested EUR 14.6 million. At the VHV level, we invested EUR 1.5 million for future construction.

10 million in 2023. The purpose of these investments was to ensure the quality, reliability and continuity of electricity distribution.

In the area of construction of optical infrastructure for the future development of the network and the related necessary network modifications, we have completed 33 constructions at a cost of EUR 2.3 million.

Other investments associated with the distribution activity

To ensure the running and operation of the grid, the most significant investments in this category in 2023 were expenditures for the acquisition of distribution transformers worth EUR 4.9 million, metering sets worth EUR 4 million, information technology worth EUR 4.6 million and vehicles and mechanisation worth EUR 2.4 million.

Quality and Increase of the Transmission Capacity of Facilities

In the area of quality and increasing the transmission capacity of the facilities, we have built 108 HV/LV voltage level constructions worth EUR 13 million and 16 HV/LV voltage level constructions with an investment of EUR

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

In cooperation with a transmission system operator and other regional distribution system operators, the extension study on reactive energy flows from the distribution system to the transmission system continued in 2023. The conclusions demonstrated the necessity of reactive power compensation in the distribution system and the required compensation power. On the basis of the results, during the year we have technically identified and examined sites where it will be possible to implement appropriate measures and the construction of compensation facilities with minimal economic impact.

One of the key activities and future investments is the Company's intention to strengthen and improve supply and distribution in the Nová Baňa area, where supply to existing supply points is already problematic. The preparation of this investment is challenging and lengthy due to the resolution of ownership relations, including in existing corridors of the system.

Another long-term plan of the Company is the construction of a new transformer station in the area of Turčianske Teplice, where the fulfilment of the plan will support the development of the region and stabilise the catchment areas.

Preparations are 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.

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.

2023 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.
- VHV/HV transformers at Vavrečka, Handlová and Žiar nad Hronom power stations were replaced. By replacing transformers, we have reduced operating costs, increased the stability of the distribution network and environmental safety.
- We added a new VHV/HV transformer with an output of 40 MVA to the 110/22 kV Nováky transformer station, which increased the possibility of electricity supply.
- 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.
- A comprehensive reconstruction of the 110/22 kV Košúty transformer station in Martin, which has been in operation since 1988, has started. Its reconstruction will stabilise the electricity supply for the region.
- A comprehensive reconstruction of the 110 kV line No. 7701 between the transformer stations Hričov, Bytča and Považská Bystrica started, aimed at increasing the transmission capacity of the facilities.

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

Year	SAIDIP	SAIFIP
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
2023	220	0.77

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
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
2023	91	1.61

Due to extreme weather conditions, mainly strong wind storms, rain or snowfall, eleven disasters occurred during the year with significant interruption of electricity distribution. Our distribution region was mainly affected by disasters in January, February, July, August and December. They hit especially the mountainous regions of Považie, Kysuce, Orava, Liptov, Horehronie and Gemer. However, outages also occurred in other parts of central Slovakia. Particularly, uprooted

trees collapsed on electric power equipment resulted in torn wires, bent brackets, broken support points and broken insulators. Not only the lines, but also the HV and LV stations and VHV equipment. To eliminate the consequences of outages, our employees often worked in very difficult-to-access terrain and demanding natural conditions. Their aim is always to restore the distribution of electricity to customers in the shortest possible time.

3.5 Technical Parameters of the Distribution System in 2023

TECHNICAL PARAMETERS OF THE DISTRIBUTION SYSTEM	
Total length of the distribution system in km	35,645
VHV	2,540
HV	11,109
LV	21,996
Number of transformer substations, substations, transformer stations	9,451
VHV Substations in stations TS/VHV	6
Transformer substations VHV/HV	55
Transformation and switching stations HV/HV	98
Distribution transformer stations HV/LV	9,292

3.6 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 June 2023, we successfully completed a certification audit of our integrated management system with audit criteria according to ISO 14001:2015 and ISO 45001:2018 which reviewed key areas of environmental and occupational health and safety 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", organised by the European Agency for Safety and Health at Work.

Environmental Awareness and Sustainable Development

We have observed a reduced risk to biodiversity in line with EPIF policy. In 2023, in cooperation with the State Nature Conservancy of the Slovak Republic, we successfully resolved registered complaints regarding the deaths of protected avifauna species on the electricity grid.

Protective elements installed in 2023 on the distribution network	
Flight deflectors	610 pcs
Barriers against nesting storks	17 pcs
Nesting bases	11 pcs
Console protectors CHK I and CHK II	292 pcs
Warning balls	71 pcs

The Company traditionally organises Earth Days in April for SSE Holding Group employees. Educational and promotional activities in 2023 focused on film screenings, online camera broadcasts, lectures and discussions. In order to involve employees more effectively in

environmental protection issues, we organised ENVIRO days in the Žilina and Liptovský Mikuláš centres. We focused on demonstrations of emergency equipment, the use of sorbents and the procedure in the case of release of pollutants into the environment.

3.7 Employees

As at 31 December 2023, SSD had 1,327 employees. The evolution of staff numbers during the year was influenced by an increased number of hirings and departures. Overall turnover grew from 7.6 % in 2022 to 8.7 % in 2023. Voluntary turnover rose slightly to 2.04 %. During 2023, 65 employees retired (old-age pension, early retirement, disability pension), which represents 41 % of all employees who left the Company. As at 31 December 2023, the average employee age

dropped slightly to 45 years compared to the previous year. However, there is still a significantly 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 December 2023	Share (in %)
Women	241	18 %
Men	1,086	82 %
Total	1,327	100 %

Education

The year 2023 was not marked by any pandemic measures as in previous years. We have been fully dedicated to the implementation of regular professional trainings and courses resulting from legislative requirements. Staff participated in seminars, conferences, workshops as well as soft skills training. We have fully switched to the full-time form of teaching, but we have also used the online form. The reason was and is affordability and the opportunity to learn from the comfort of the chosen location.

For selected groups of employees, we conducted in-house training on mobile GIS, new software for managing the meter exchange process, cybersecurity, contact centre, data academy, reactive power, home office, and telework.

This year, too, we have focused on the training of employee representatives for OSH. 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.

We continued to implement the themes of the TRAFO management training programme, which is designed for SSD's 185 managers.

In 2023, we held 1,132 educational events, investing EUR 463,822.

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 2023/2024 school year, agreements on practical training were concluded with the Secondary Vocational School of Electrical Engineering in Žilina, the Joint School in Banská Bystrica and the Secondary Vocational Polytechnic School in Dolný Kubín-Kňažia, where 20 students expressed their interest in working at SSD.

Trainee Programme

As part of the trainee programme, we have been working for eleven years to attract and retain qualified and motivated employees interested in gaining new professional experience in the energy industry or other areas within the Company. 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.

4 Report on the Economic Results and Operation of the Company Stredoslovenská distribučná, a. s., for the Year 2023

In 2023, despite the difficult market situation caused by high market commodity prices, the ongoing conflict in Ukraine and other external influences, SSD, a. s., was able to create appropriate conditions to ensure reliable distribution and achieve the planned financial results. The financial statements of the Company as at 31 December 2023 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 2023.

For 2023, the Company achieved a profit after tax of EUR 99.1 million, which represents a year-on-year increase in profits of EUR 42.6 million (+75 %). The increase was due to operating income related to compensating the tariff for losses.

The Company generated operating income of EUR 444.4 million. The most essential part of income is represented by revenues from electricity distribution, which the Company manages to keep at the level of previous periods. A significant part of the income was also generated by higher revenues from the tariff for losses, including the payment of compensation for uncovered costs. The increase in these revenues is related to the high price of electricity used to purchase power for distribution losses.

Operating costs amounted to EUR 270.3 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 cost items are personnel costs and the costs of operating and maintaining the distribution system.

In EUR million	2023	2022
Operating income	444.4	335.2
Operating costs	-270.3	-203.3
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	174.1	131.8
Depreciation of tangible and intangible assets	-47.1	-56.3
Financial costs, net	3.0	-0.5
Profit before tax	130.0	75.1
Income tax	-30.9	-18.6
Profit after tax	99.1	56.5

CAPITAL STRUCTURE – ASSETS, EQUITY AND LIABILITIES

Assets

As at 31 December 2023, the Company's assets amounted to EUR 991.6 million, which represents a year-on-year increase by EUR 56.7 million (+6 %).

Non-current assets amounted to EUR 811.6 million (82 % 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 2023, we reported additions to non-current assets of EUR 68.3 million, which were mainly generated by investments aimed at the renewal and development of the distribution system. The value of non-current assets increased by EUR 17 million year-on-year (2 %).

Current assets amounted to EUR 180.1 million (18 % of the value of total assets). As at 31 December 2023, the Company reported trade receivables in the amount of EUR 23.6 million gross, of which due receivables accounted for EUR 20.1 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 2023 amounted to EUR 66.1 million and are reported as a receivable

from the parent company. The largest share of growth is recorded in cash (including cash equivalents), which amounts to EUR 86.2 million. The value of current assets increased by EUR 39.8 million year-on-year (28 %).

Liabilities

Equity of the Company as at 31 December 2023 reached EUR 724.4 million, which accounts for 73 % of the value of the assets cover. The year-on-year increase by EUR 43.2 million (+6 %) is due to higher retained earnings in 2023.

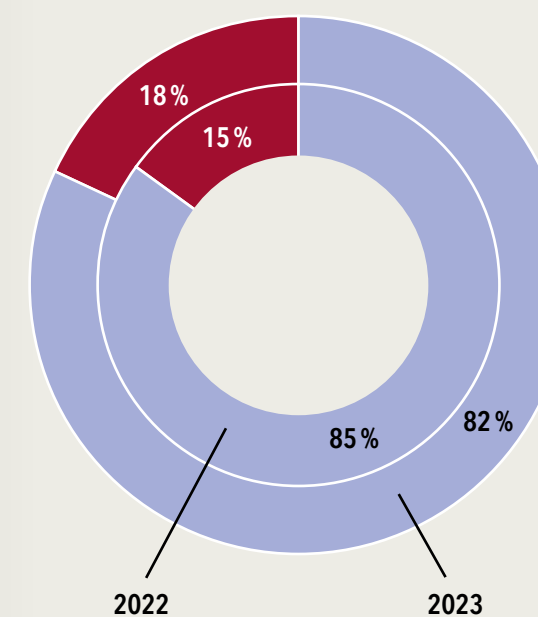
Non-current and current liabilities, excluding liabilities arising from contracts and deferred income, account for 22 % of the total assets cover, and their amount as at 31 December 2023 was EUR 220.7 million, which represents a year-on-year increase by EUR 10.8 million (+5 %). Significant items included, in particular, trade liabilities (EUR 120.2 million) and deferred tax liabilities (EUR 85.5 million)

Liabilities from contracts, which mainly represent connection fees, amounted to EUR 42.9 million in 2023, rising by EUR 2.4 million (+ 6%) compared to 2022.

Long-term deferred revenues amounted to EUR 3.7 million, representing 0 % of the value of the assets cover, with a year-on-year increase by EUR 0.3 million (+10 %).

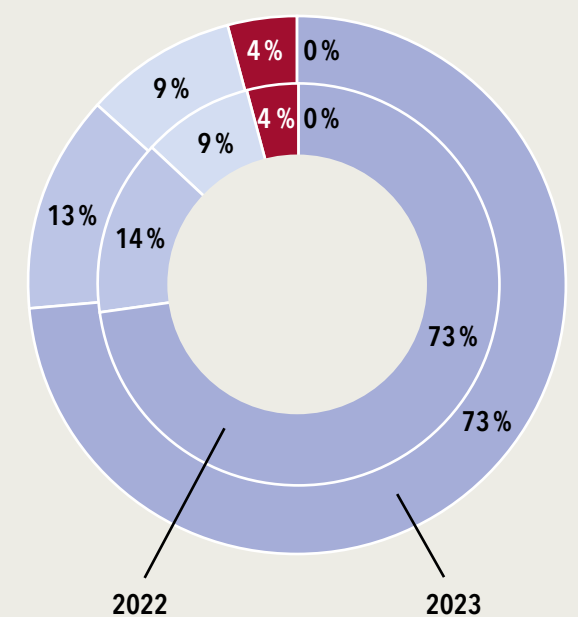
in EUR million	2023	%	2022	%
Assets	991.6		934.9	
Non-current assets	811.6	82 %	794.6	85 %
Current assets	180.1	18 %	140.3	15 %
Liabilities	991.6		934.9	
Equity	724.4	73 %	681.2	73 %
Non-current liabilities	127.0	13 %	127.2	14 %
Current liabilities	93.7	9 %	82.7	9 %
Liabilities arising from contracts – connection fees	42.9	4 %	40.5	4 %
Long-term deferred income	3.7	0 %	3.3	0 %

Structure of assets



Non-current assets
Current assets

Structure of liabilities



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

Report on the Activities of the Supervisory Board for the Year 2023

During 2023, the Supervisory Board of the Company worked in the following structure:

Ing. Róbert Klimo	Chairman of the Supervisory Board
Gary Mazzotti	Vice-Chairman
Mgr. Michal Komada	Member of the Supervisory Board
Mgr. Maroš Skopal	Member of the Supervisory Board
Mgr. Róbert Motoška	Member of the Supervisory Board
Mgr. Miroslav Dráb	Member of the Supervisory Board
Ing. Dušan Majer	Member elected by employees
Ing. Igor Pištíkzamestnancami	Member elected by employees
Ing. Miroslav Martoník	Member elected by employees

In 2023, the Supervisory Board convened five times at its meetings – 23 February 2023, 13 April 2023, 28 June 2023, 27 September 2023 and 12 December 2023. 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 2023 the Supervisory Board:

(a) Adopted the following fundamental decisions:

- Approved the Report on Activities of the Supervisory Board for 2022;
- Approved the Opinion of the Supervisory Board on the draft audited ordinary individual financial statements prepared as at 31 December 2022 and on the proposal of profit distribution of the Board of Directors for 2022;
- 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 2023;

- Approved the implementation of investment actions for complex reconstruction of the 110/22kV Nižná power station and for complex reconstruction of the 110/22/6.3kV Fončorda power station.

(b) Noted, in particular:

- Relevant decisions of the sole shareholder in 2023;
- 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 2023;
- Statement of the Board of Directors for the members of the Supervisory Board for 2022 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 2023;
- Report on the results of audits and inspections for 2022 and the audit and control plan for 2023;
- Information on economic results, including the development of CAPEX 2023 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 2022, and the Compliance Programme 2023;

During 2023, the Supervisory Board did not request the Board of Directors of the Company to convene a General Meeting.

CONCLUSION:

Throughout the 2023, 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 24 April 2024.

Ing. Róbert Klimo

Chairman of the Supervisory Board
Stredoslovenská distribučná, a. s.

Proposal of the Board of Directors for the Distribution of Profits for the Year 2023

	In EUR
Audited net profit for the year 2023	99,107,382.56
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	99,107,382.56
Dividend payment from account Retained earnings of previous years	24,849,783.68
Total for dividend payment to shareholder	123,957,166.24

Opinion of the Supervisory Board of Stredoslovenská distribučná, a. s. on the Ordinary Individual Financial Statements as at 31 December 2023 and on the Proposal for the Distribution of Profits for the Year 2023

On 24 April 2024, the Supervisory Board of Stredoslovenská distribučná, a. s., verified the Ordinary Individual Financial Statements of the Company as at 31 December 2023, including the report of the

independent auditor KPMG Slovensko spol. s r. o., SKAU licence no. 96, dated 19 March 2024 and a proposal of the Board of Directors for the distribution of the Company's profit for the year 2023.

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 Individual Financial Statements of Stredoslovenská distribučná, a. s., as at 31 December 2023,
2. Approve the proposal for the distribution of profits of Stredoslovenská distribučná, a. s., for 2023 as follows:

	In EUR
Audited net profit for the year 2023	99,107,382.56
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	99,107,382.56
Dividend payment from account Retained earnings of previous years	24,849,783.68
Total for dividend payment to shareholder	123,957,166.24

Bratislava, 24 April 2024

Ing. Róbert Klimo

Chairman of the Supervisory Board
Stredoslovenská distribučná, a. s.

Report on Fulfilment of the Compliance Programme of Stredoslovenská distribučná, a. s., for the Year 2023

REPORT ON FULFILMENT OF THE COMPLIANCE PROGRAMME OF THE COMPANY FOR THE YEAR 2023

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 organised 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 organisational 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 2023

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 2023, 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 2023, 146 employees were trained, including 112 full-time employees, 14 employees returning from maternity and parental leave, 17 employees with an agreement and three employees transferring within the holding company.

■ Monitoring and control/audit

Throughout the year 2023, the implementation of the change within the organisational 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, 11 corporate directives were updated and three corporate directives were issued (Ownership of Major Data Assets in SSE and SSD, Security Incident Response, Rules for Handling Customer Data outside Customer Systems) 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 unauthorised 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 2023. 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 2023.

Author:

28 February 2024

Ing. Ján Michalík PhD.
Compliance Officer

9

Special Relevance Events Occurring after the Accounting Period for which the Annual Report is Prepared

No events took place after 31 December 2023 that would require disclosure or recognition in the 2023 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 2023. 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 2023.

12

December Acquisition of Own Shares, Temporary Certificates, Business Shares and Stock

In 2023 the Company did not acquire any of its own shares, temporary stock, or business shares.

13

Organisational 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 2023 AND THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023





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811 02 Bratislava
Slovakia

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Web www.kpmg.sk

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

Appendix to the Independent Auditors' Report issued on 19 March 2024 (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 2023 presented on the accompanying Annual Report. We have issued an unmodified Independent Auditors' Report on the financial statements on 19 March 2024.

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.

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 2023 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

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

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



Responsible auditor:
Ing. Branislav Prokop
License UDVA No. 1024

Bratislava, 25 April 2024

Stredoslovenská distribučná, a.s.

**Independent Auditors' Report and
Financial Statements as at
31 December 2023**

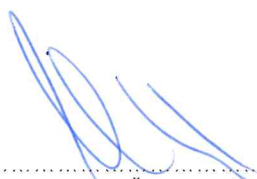
**Prepared in accordance with
International Financial Reporting Standards
(IFRS) as adopted by the European Union**

Translation note:

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

Stredoslovenská distribučná, a.s.

Separate financial statements for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union have been authorised for issue on 21 February 2024.



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



Ing. Roman Hušťava
Vice chairman of the Board of Directors

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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 2023;

and, for the period then ended:

- the statement of profit or loss and the 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 2023, and of its financial performance for the period then ended in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting").

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.



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 the Act on Accounting, 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.

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.

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 2023 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.

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



Responsible auditor:
Ing. Branislav Prokop
License UDVA No. 1024

Bratislava, 19 March 2024

Statement of financial position

	Note	Balance as at 31 December 2023	Balance as at 31 December 2022	as at 1 January 2022
			* restated	* restated
ASSETS				
Non-current assets				
Property, plant and equipment	5	799 961	782 862	783 579
Intangible assets	6	11 591	11 779	12 075
		811 552	794 641	795 654
Current assets				
Inventories		4 577	4 466	3 886
Trade and other receivables	8	23 160	89 714	70 815
Receivables from the parent company (Cash Pooling)		66 108	30 007	16 325
Accrued income		-	-	20 033
Cash and cash equivalents	9	86 235	16 074	25 725
		180 080	140 261	136 784
Total assets		991 632	934 902	932 438
EQUITY				
Share capital and reserves				
Share capital	10	499 835	499 835	499 835
Legal reserve fund	10	99 967	99 967	99 967
Non-monetary contribution from parent company		3 401	3 401	3 401
Other parts of comprehensive income		-2 793	-2 455	-2 627
Retained earnings		123 957	80 472	95 097
Total equity		724 367	681 220	695 673
LIABILITIES				
Non-current liabilities				
Lease liability	12	33 416	34 521	35 202
Non-current bank loans	13	-	-	2 500
Deferred tax liability	14	85 547	84 451	88 545
Non-current provisions	15	8 069	8 219	9 266
Non-current contract liabilities	11	41 530	39 186	36 892
Non-current deferred income		3 661	3 321	3 499
		172 223	169 698	175 904
Current liabilities				
Trade and other liabilities	12	86 793	69 854	54 554
Income tax liability		6 422	9 444	1 846
Current bank loans	13	-	2 500	2 500
Current contract liabilities	12	1 362	1 267	1 176
Current provisions	15	465	919	785
		95 042	83 984	60 861
Total liabilities		267 265	253 682	236 765
Total equity and liabilities		991 632	934 902	932 438

* Restatement is detailed in Note 2.22.

Statement of profit or loss

		Year ended 31 December	
	Note	2023	2022
			* restated
Revenue	16	278 006	279 352
Purchases of electricity, system and other related fees	18	-197 183	-139 200
Personnel expenses	20	-53 111	-47 132
Depreciation and impairment allowances for non-current tangible and amortisation of intangible assets	5, 6	-47 085	-56 282
Material and energy consumption		-7 030	-7 432
Capitalization of non-current tangible and intangible assets		11 911	12 406
Other operating income	17	166 426	55 833
Other operating expenses	19	-24 922	-21 984
Operating profit		127 012	75 561
Interest income	21	3 640	90
Interest expense	21	-569	-552
Other finance expense, net	21	-34	-4
Finance expense, net		3 037	-466
Profit before income tax		130 049	75 095
Income tax	22	-30 942	-18 552
Profit for the period		99 107	56 543

Statement of comprehensive income

		Year ended 31 December	
	Note	2023	2022
			* restated
Profit for the year		99 107	56 543
Other comprehensive income:			
Actuarial gains / (losses)	15	-427	224
Deferred tax		89	-52
Total other comprehensive income:		-338	172
Comprehensive income for the period		98 769	56 715

* Restatement is detailed in Note 2.22

Stredoslovenská distribučná, a.s.

Statement of changes in equity for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

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

Statement of changes in equity

	Share capital	Legal reserve fund	Non-monetary contribution by parent	Retained earnings	Actuarial loss from long-term employee benefits net of tax	Total equity
Balance at 1 January 2023	499 835	99 967	3 401	80 472	-2 455	681 220
Profit for the year 2023	-	-	-	99 107	-	99 107
Other comprehensive income	-	-	-	-	-338	-338
Dividends	-	-	-	-55 623	-	-55 623
Other	-	-	-	1	-	1
Balance at 31 December 2023	499 835	99 967	3 401	123 957	-2 793	724 367
Balance as at 1 January 2022						
* previously reported	499 835	99 967	3 401	71 167	-2 627	671 743
Correction of prior periods errors	-	-	-	23 930	-	23 930
Balance at 1 January 2022						
* restated	499 835	99 967	3 401	95 097	-2 627	695 673
Profit for the year 2022 * restated	-	-	-	56 543	-	56 543
Other comprehensive income	-	-	-	-	172	172
Dividends	-	-	-	-71 404	-	-71 404
Other	-	-	-	236	-	236
Balance at 31 December 2022	499 835	99 967	3 401	80 472	-2 455	681 220

* Restatement is detailed in Note 2.22

Statement of cash flows

	Note	2023	2022 Restated*
Profit before income tax		130 049	75 095
Adjustments for:			
Depreciation and amortisation	5, 6	48 560	56 412
Gain on disposal of property, plant and equipment		-541	-572
Movements in provision for impairment of non-current assets		-651	-130
Movements in provision for impairment of receivables	8	43	1 492
Net movements in provisions	15	1 365	322
Interest expense, net	21	-3 071	462
Operating profit before change in working capital		175 754	133 081
Changes in working capital:			
Decrease / (Increase) in trade receivables and accrued income	8	66 784	-27 635
(Increase) of inventories		-104	-568
Increase in liabilities and deferred revenues	12	12 593	14 362
Cash flow from operating activities		255 027	119 240
Cash flows from operating activities			
Cash from operating activities		255 027	119 240
Interest paid	21	-569	-552
Interest received	21	3 503	90
Income tax paid		-32 778	-15 157
Net cash flow from operating activities		225 183	103 621
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	5, 6	-59 718	-52 141
Proceeds from sale of property, plant and equipment		756	947
(Increase) in cash pooling receivables from parent company		-36 101	-
Net cash flow used in investing activities		-95 063	-51 194
Cash flows from financing activities			
Repayments of loans and borrowings	13	-2 500	-2 500
Lease payments - principal	5	-1 836	-1 856
Dividends paid	10	-55 623	-71 404
Decrease in cash-pooling receivable from parent company		-	13 682
Net cash used in financing activities		-59 959	-62 078
Net increase (+) / decrease (-) in cash and cash equivalents		70 161	-9 651
Cash and cash equivalents at the beginning of the year		16 074	25 725
Cash and cash equivalents at the end of the year		86 235	16 074

1) General information

Trade name and registered address

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

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

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

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

Main business activities of the Company

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

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

- low voltage,
- high voltage,
- very high voltage.

The main business 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 2023 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.

SSD, a.s. together with its parent company Stredoslovenská energetika Holding, a.s. ("SSE Holding, a.s.") and its sister companies are referred to in these financial statements as the "SSH Group".

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 (the National Property Fund of the Slovak Republic owned this 51% shareholding until 1 August 2014).

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 Prague, 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.

Consolidated financial statements of the largest group of accounting entities, which are prepared by EP Investment S.à.r.l, with the registered seat Place de Paris 2, 2314 Luxembourg, which is the ultimate controlling party. Its consolidated financial statements for the year ended 2023 and 2022 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 29 June 2023, the General Meeting approved the Company's financial statements for the previous accounting period, ending 31 December 2022.

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 2022, were filed and published in the Register of financial statements on 29 March 2023. The annual report and supplement to the independent auditors' report, as at 31 December 2022, was filed in the Register of financial statements on 29 June 2023.

Approval of the auditor

On 29 June 2023, the Company's General Meeting appointed KPMG Slovensko spol. s r.o. as auditor of the financial statements for the year ended 31 December 2023.

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 2023, the average number of employees of the Company was 1 344 (2022: 1 337), of which 9 were managers (2022: 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 2023, 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 2023 to 31 December 2023.

The Slovak Act on Accounting requires the Company to prepare financial statements for the year ended 31 December 2023, 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 2023.

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

Application of new standards and interpretations

Standards and interpretations effective for annual periods beginning on or after 1 January 2023

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 prior to adoption by the European Commission. The quantitative impact of the adoption of the amendments can only be assessed in the year in which the amendments are first applied, as that impact will depend on the transfer of an asset or business to an associate or joint venture occurring in that accounting period.

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.)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).

The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

The Company plans to apply the amendments as from 1 January 2024. The Company expects that the amendments, when initially applied, will not have a material impact on the Company's financial statements as the Company does not have a bank loan which would need to be reclassified upon application of the new policies.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

(Effective for annual periods beginning on or after 1 January 2024. Disclosure of comparative information for any reporting periods presented before, and information as at the beginning of, the annual reporting period in which the entity first applies those amendments is not required. Also, an entity is not required to disclose the information otherwise required by the amendments for any interim period presented within the annual reporting period in which the entity first applies those amendments. Early application is permitted).

The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:

- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory.

The Company plans to apply the amendments from 1 January 2024. The Company does not expect the amendments, when initially applied, to have a material impact on its financial statements.

Amendments to IFRS 16 Leases, Liability in a Sale and Leaseback

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

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.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability

(Effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted).

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.

IAS 21 was amended to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

The Company plans to apply the amendments from 1 January 2025. 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 2023 and 2022 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, lease 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 development.

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 2022 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.

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 liabilities and trade and other liabilities under short-term 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.

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 2023 – 2025, 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% (2022: 35.2%) of gross salaries, up to a monthly salary ceiling, which is defined by the relevant law, to a maximum of EUR 8 477 (2022: up to a maximum of EUR 7 931) 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 (2022: 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 (2022: 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 2023. 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.

Assets acquired free of charge as part of relocations of energy facilities are initially recognised in SSD at fair value, and the difference between the original and the new value of the asset is recognised in profit or loss in the current reporting period.

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

2.20 Dividend payment

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

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 Correction of error for a more accurate and truthful representation of reality

Under the applicable legislation, in certain circumstances the Company may be required to give up its items of property, plant and equipment at the request of another party. At that, the requesting party is obliged to compensate the Company for the asset given up by providing an equivalent item of property, plant and equipment for no consideration. On initial recognition, the Company had been measuring the replacement item of property, plant and equipment at its fair value. However, the Company had not been recognising a corresponding gain in profit and loss, as it should have made under the guidance in paragraphs 65 and 66 of IAS 16. Instead, the Company erroneously had been deferring the gain in the Statement of Financial Position (as part of Deferred income from non-current assets acquired for no consideration) and releasing it evenly to profit and loss over the useful life of the replacement asset.

The error have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Company's financial statements.

Statement of Financial Position as at 1 January 2022

in EUR thousand	Originally presented	Restatement	Restated
EQUITY			
Share capital	499 835	-	499 835
Legal reserve fund	99 967	-	99 967
Non-monetary contribution from parent company	3 401	-	3 401
Other parts of comprehensive income	- 2 627	-	-2 627
Retained earnings	71 167	23 930	95 097
Total equity	671 743	23 930	695 673
LIABILITIES			
Non-current liabilities			
Lease liability	35 502	-	35 202
Non-current bank loans	2 500	-	2 500
Deferred tax liability	82 184	6 361	88 545
Non-current provisions	9 266	-	9 266
Non-current contract liabilities	36 892	-	36 892
Non-current deferred income	33 165	-29 666	3 499
Non-Current liabilities	199 209	-23 305	66 198
Current liabilities			
Trade and other liabilities	55 179	-625	54 554
Income tax liability	1 846	-	1 846
Current bank loans	2 500	-	2 500
Current contract liabilities	1 176	-	1 176
Current provisions	785	-	785
Current liabilities	61 486	-625	60 861

Statement of Financial Position as at 31 December 2022

in EUR thousand	Originally presented	Restatement	Restated
EQUITY			
Share capital	499 835	-	499 835
Legal reserve fund	99 967	-	99 967
Non-monetary contribution from parent company	3 401	-	3 401
Other parts of comprehensive income	- 2 455	-	-2 455
Retained earnings	55 623	24 849	80 472
Total equity	656 371	24 849	681 220
LIABILITIES			
Non-current liabilities			
Lease liability	34 521	-	35 202
Non-current bank loans	-	-	-
Deferred tax liability	77 845	6 606	84 451
Non-current provisions	8 219	-	8 219
Non-current contract liabilities	39 186	-	39 186
Non-current deferred income	33 922	-30 601	3 321
Non-Current liabilities	193 693	-23 995	66 198
Current liabilities			
Trade and other liabilities	70 708	-854	69 854
Income tax liability	9 444	-	9 444
Current bank loans	2 500	-	2 500
Current contract liabilities	1 267	-	1 267
Current provisions	919	-	919
Current liabilities	84 838	-854	60 861

Statement of Profit or Loss and Statement of comprehensive Income for the year ended 31 December 2022

in EUR thousand	Originally presented	Restatement	Restated
Revenues	279 352	-	279 352
Purchases of electricity, system and other related fees	-139 200	-	-139 200
Personnel expenses	-47 132	-	-47 132
Depreciation and impairment allowances for non-current tangible and amortisation of intangible assets	-56 282	-	-56 282
Materials and energy consumption	- 7 432	-	-7 432
Capitalization of non-current tangible and intangible assets	12 406	-	12 406
Other operating income	54 668	1 165	55 833
Other operating expenses	-21 984	-	-21 984
Profit from operations	74 396	1 165	75 561
Net finance expense	-466	-	-466
Profit before income tax	73 930	1 165	75 095
Income tax expense	-18 307	-245	-18 552
Profit for the year	55 623	-245	56 543

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 2023 - 2027, 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, all loans are denominated in EUR, bearing fixed interest rates, and are recorded at amortised cost. For more details see Note 13.

(ii) Operational risk

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

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

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

(iii) Credit risk

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

The key service of the Company is the distribution of electricity to final customers, which is in most cases invoiced through electricity suppliers (e.g. the sister company Stredoslovenská energetika, a. s. or another supplier) in the form of so-called integrated contracts for bundled electricity supply (the electricity price is invoiced to the end customer together with the distribution fee). The Company manages the risk of non- payment of customers (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 (2023: 87% of receivables; 2022: 34% 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:

Counterparty	Rating*	Balance at 31 December	
		2023	2022
Banks			
Všeobecná úverová banka, a.s.	A2	66 032	14 105
UniCredit Bank, a.s.	BBB	8	8
SLSP, a.s.	A2	128	956
Tatra banka	A2	6	1 000
ČSOB		20 046	-
cash on hand	-	15	5
Total		86 235	16 074

Funds managed by the parent company Stredoslovenská energetika Holding, a.s., based on the "Agreement for cash-pooling service", as at 31 December 2023, represent the amount of EUR 66 108 thousand (31 December 2022: EUR 30 007 thousand) and they are classified as a receivable from the parent company.

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

Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure, which is as at 31 December 2023, and as at 31 December 2022 as follows:

	Note	2023	2022
Financial instrument			
Trade receivables (before impairment allowance)	8	23 576	91 405
Trade receivables from parent company (cash pooling)	7	66 108	30 007
Cash and cash equivalents	9	86 235	16 074
Total		175 919	137 486

(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.

	Carrying amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2023						
Trade and other financial liabilities (excluding liabilities not under IFRS 7)	84 411	84 411	-	-	-	84 411
Income tax liability	6 422	6 422	-	-	-	6 422
Accrued income - current	608	608	-	-	-	608
Lease liability	35 190	1 774	1 600	3 117	28 699	35 190
Total	126 631	93 215	1 600	3 117	28 699	126 631
As at 31 December 2022						
Bank loans (principal incl. future interest charges)	2 500	2 585	-	-	-	2 585
Trade and other liabilities (excluding liabilities not under IFRS 7)	78 761	78 761	-	-	-	78 761
Lease liability	36 166	-	1 600	4 800	28 121	34 521
Total	117 427	81 346	1 600	4 800	28 121	115 867

As at 31 December 2023, the Company along with the companies Stredoslovenská energetika Holding, a.s. and Stredoslovenská energetika, a. s. entered into credit framework with Slovenská sporiteľná with a total limit of EUR 150 000 thousand (2022: EUR 150 000 thousand). The credit facility is contracted until 30 June 2027. As at 31 December 2023, the Company has not drawn the loan (2022: EUR 0 thousand). The mentioned loans are collateralised by the guarantee of the 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 2023, amounting to EUR 724 368 thousand (2022: EUR 681 220 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 2023, as well as in 2022, 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, cash-pooling receivables and bank accounts 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 2023, the Company would recognise additional depreciation of non-current tangible and intangible assets, charged to the Income statement in the amount of EUR 5 286 thousand (2022: EUR 6 212 thousand).

5) Non-current tangible assets

Movements of non-current tangible assets from 1 January 2022 to 31 December 2023 are presented below:

	Land	Buildings	Machinery, equipment, vehicles and other assets	Capital work in progress including advances	Total
As at 1 January 2022					
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	527 925	212 923	29 152	782 862
As at 31 December 2022					
Acquisition cost	13 086	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
Year ended 31 December 2023					
Opening balance	12 862	527 925	212 923	29 152	782 862
Additions	34	25 814	16 212	23 797	65 857
Transfer form assets not yet in use	27	5 270	9 610	-14 907	-
Disposals	-108	-3 125	-220	-180	-3 633
Depreciation	-74	-28 277	-17 425	-	-45 776
Reversal of impairment allowances	-	651	-	-	651
Net book value	12 741	528 258	221 100	37 862	799 961
As at 31 December 2023					
Acquisition cost	13 039	1 128 289	403 895	37 862	1 583 085
Accumulated depreciation and impairment allowances	-298	-600 031	-182 795	-	-783 124
Net book value	12 741	528 258	221 100	37 862	799 961

As at 31 December 2023, 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 2023, the value of the impairment for unused buildings amounted to EUR 680 thousand (31 December 2022: EUR 1 331 thousand).

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

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

Relocation of energy devices, assets obtained by withholding (transformer stations, power lines), assets obtained free of charge, and inventory surplus are initially recorded at fair value.

Overview of rights-of-use 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 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
Balance as at 1 January 2023	447	32 842	2 595	35 884
Additions	12	1 910	2 050	3 972
Depreciation	-75	-786	-1 185	-2 046
Disposals	-	-2 918	-194	-3 112
Balance as at 31 December 2023	384	31 048	3 266	34 698

As at 31 December 2023, the Company leases 448 new vehicles up to 3.5 tons from a leasing company (2022: 435).

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

Method and amount of insurance of tangible assets

Non-current tangible assets are insured up to EUR 1 352 920 thousand (2022: EUR 1 163 990 thousand) for natural hazards, vandalism and theft, and up to EUR 15 748 thousand (2022: EUR 15 748 thousand) due to machine fracture risk.

6) Non-current intangible assets

The following table summarises the movements of non-current intangible assets from 1 January 2022 to 31 December 2023:

	Software	Other non-current intangible assets	Assets not yet in use including advances	Total
As at 1 January 2022				
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
Year ended 31 December 2023				
Opening balance	8 372	374	3 033	11 779
Additions	2 003	7	406	2 416
Transfer from assets not yet in use	1 036	4	-1 040	-
Disposals	-	-	-644	-644
Amortisation	-1 948	-12	-	-1 960
Net book value	9 463	373	1 755	11 591
As at 31 December 2023				
Acquisition Cost	41 233	439	1 755	43 427
Accumulated amortisation	-31 770	-66	-	-31 836
Net book value	9 463	373	1 755	11 591

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.

7) Financial instruments by category

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

	Balance as at 31 December	
	2023	2022
Assets as per Statement of financial position		
Trade receivables (before impairment allowance) (Note 8)	23 576	91 405
Receivables from parent company (cash pooling)	66 108	30 007
Cash and cash equivalents (Note 9)	86 235	16 074
Total	175 919	137 486
Liabilities as per Statement of Financial Position		
Bank loans (Note 13)	-	2 500
Lease liabilities	33 416	34 521
Trade and other liabilities (Note 12)	86 793	69 854
Total	120 209	106 875

8) Trade and other receivables

	As at 31 December	
	2023	2022
Current receivables and prepayments:		
Receivables due	20 083	88 410
Individually impaired receivables	3 493	2 995
Trade receivables (before impairment allowance)	23 576	91 405
Less: Impairment allowance for receivables	-2 868	-2 969
Trade receivables, net	20 708	88 436
Other receivables and asset	2 452	1 278
Trade and other receivables	23 160	89 714

The structure of receivables within due date is as follows:

	As at 31 December	
	2023	2022
Very high voltage	416	318
High voltage	584	281
Low voltage	4	5
Aggregated invoices	17 238	16 492
Producers of EE (MPDS – levy to NNF)	83	75
TPS Compensation of purchase of green energy - OKTE	37	69 936
Others	1 721	1 303
Trade receivables, not overdue, not impaired	20 083	88 410

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	
	2023	2022
Electricity distribution outside SSH Group	9 330	8 004
Unauthorized consumption of electricity	859	786
System operation tariff	-	69 904
Other	1 431	1 120
Receivables within SSH Group	11 956	11 591
Total	23 576	91 405

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

	As at 31 December	
	2023	2022
Receivables due	20 083	88 410
Receivables overdue	3 493	2 995
Total	23 576	91 405

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	
	2023	2022
1 to 30 days	555	81
31 to 90 days	85	35
91 to 180 days	25	15
181 to 360 days	29	8
Over 361 days	2 799	2 856
Total individually impaired receivables	3 493	2 995

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	
	2023	2022
At the beginning of the year	2 969	1 585
Additional provision for receivables impairment	43	1 492
Amounts used	-144	-108
At end of the year	2 868	2 969

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 including information on possible future developments 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.

The Company divides its trade receivables according to the type of service into the following categories:

Electricity distribution				Unauthorised consumption				Other			
31.12.2023	Impairment in %	Nominal value of receivable	Impairment allowance	31.12.2023	Impairment in %	Nominal value of receivable	Impairment allowance	31.12.2023	Impairment in %	Nominal value of receivable	Impairment allowance
Due	0.02%	7 323	2	Due	30%	20	6	Due	0.10%	784	1
1 to 30 days	5%	48	2	1 to 90 days	65%	67	43	1 to 90 days	1%	488	5
31 to 90 days	10%	39	4	91 to 180 days	80%	31	24	91 to 180 days	20%	12	2
91 to 180 days	15%	8	1	181 to 360 days	85%	86	73	181 to 360 days	80%	14	12
181 to 360 days	25%	9	2	Over 361 days	100%	603	603	Over 361 days	100%	71	71
Over 361 days	100%	193	193	Bankruptcy	100%	53	53	Bankruptcy	100%	61	60
Bankruptcy	100%	277	277	Total		859	803	Specific	100%	-	-
Specific	100%	1 432	1 432					Total		1 431	151
Total		9 330	1 914								

Electricity distribution				Unauthorised consumption				Other			
31.12.2022	Impairment in %	Nominal value of receivable	Impairment allowance	31.12.2022	Impairment in %	Nominal value of receivable	Impairment allowance	31.12.2022	Impairment in %	Nominal value of receivable	Impairment allowance
Due	0.02%	6 024	1	Due	30%	5	2	Due	0.10%	821	1
1 to 30 days	5%	7	-	1 to 90 days	65%	57	37	1 to 90 days	1%	44	-
31 to 90 days	10%	1	-	91 to 180 days	80%	21	17	91 to 180 days	20%	11	2
91 to 180 days	15%	-	-	181 to 360 days	85%	50	42	181 to 360 days	80%	22	18
181 to 360 days	25%	-	-	Over 361 days	100%	601	601	Over 361 days	100%	157	157
Over 361 days	100%	193	193	Bankruptcy	100%	52	52	Bankruptcy	100%	64	64
Bankruptcy	100%	277	277	Total		786	751	Specific	100%	-	-
Specific	100%	1 502	1 503					Total		1 120	243
Total		8 004	1 975								

9) 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 2023, the Company recognised a receivable in the amount of EUR 66 108 thousand (as at 31 December 2022: EUR 30 007 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	
	2023	2022
Bank accounts and cash on hand	66 235	16 074
Short-term bank deposits	20 000	-
Total	86 235	16 074

	As at 31 December	
	2023	2022
Cash and balances in bank accounts with original commitment period within 3 months	86 235	16 074
Total	86 235	16 074

The carrying amount of cash and cash equivalents, as at 31 December 2023 and as at 31 December 2022, approximates their fair value.

10) Equity

No changes occurred in the Company's share capital in 2022 or in 2023. 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 (2022: 15 058 shares), at nominal value of EUR 33 194 per share (2022: EUR 33 194 per share). As at 31 December 2023, 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 2023, the legal reserve fund amounted to EUR 99 967 thousand (as at 31 December 2022: EUR 99 967 thousand), and thus reached its full required limit.

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 2023 profit.

11) Contract liabilities

	As at 31 December	
	2023	2022
Connection fees – long-term	41 530	39 186
Connection fees – short-term	1 362	1 267
Contractual liabilities	42 892	40 453

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 2023, in the amount of approximately EUR 1 362 thousand (as at 31 December 2022: approximately EUR 1 267 thousand).

12) Non-current and current trade and other liabilities

	As at 31 December	
	2023	2022
Trade and other liabilities - current	68 373	43 088
Lease liability – non-current	33 416	34 521
Deferred income - current	608	537
Liabilities to employees	2 365	1 980
Social security	1 533	1 292
Accrued personnel expenses	6 671	7 085
Social fund	48	20
VAT liability	1 025	12 837
Other liabilities	6 170	3 015
Total	120 209	104 375

No liabilities are secured by a lien or other collateral.

The structure of liabilities by maturity is as follows:

	As at 31 December	
	2023	2022
Liabilities due	120 206	104 372
Liabilities overdue	3	3
Total	120 209	104 375

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	
	2023	2022
Up to 1 year	1 774	1 645
1 – 5 years	4 717	4 122
More than 5 years	28 699	30 399
Total	35 190	36 166

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

	As at 31 December	
	2023	2022
Total lease payments	2 377	2 308
Total	2 377	2 308

Payments for leases relating to principal during the reporting period, in the amount of EUR 1 836 thousand (2022: EUR 1 856 thousand), are recognised in the Statement of cash flows, as cash flows from financial activities. Interest payments related to lease liabilities, amounting to EUR 541 thousand (2022: EUR 452 thousand), are reported as operating cash flows in the Statement of cash flows.

Carrying amounts of liabilities are denominated in the following currencies:

	As at 31 December	
	2023	2022
EUR	120 184	104 353
CZK	25	22
Total	120 209	104 375

Social fund

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

	As at 31 December	
	2023	2022
Opening balance as at 1 January	20	48
Creation as expenses	499	384
Drawing	-471	-412
Closing balance as at 31 December	48	20

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.

13) Bank loans

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. As at 31 December 2023, the bank loan was repaid by the Company.

Maturity of bank loans is as follows:

	As at 31 December	
Maturity	2023	2022
Short-term portion of loans	-	2 500
Total	-	2 500

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 2023 and 2022 are as follows:

Bank	In thousands of EUR		Interest rate % p.a.	Maturity	Collateral
	2023	2022			
Slovenská sporiteľňa	-	2 500	Fixed 2.25%	30.6.2023	
Total	-	2 500	x	x	x

All loans are denominated in EUR.

Reconciliation of loans and borrowings with cash flows from financing activities for the year ended 31 December 2023 and previous accounting period:

	Bank loans and borrowings	Lease liabilities	Total
Opening balance as at 1 January 2023	2 500	36 166	38 666
Changes in cash flows from financing activities			
Loans and borrowings repayment	-2 500	-	-2 500
Lease payments	-	-1 836	-1 836
Interest paid - leases	-	-541	-541
Interest paid - loans and borrowings	-28	-	-28
Total changes in cash flows from financing activities	-2 528	-2 377	-4 905
Other changes			
Interest expenses	28	541	569
New lease contracts	-	3 972	3 972
Terminated lease contracts	-	-3 112	-3 112
Total other changes	28	1 401	1 429
Balance as at 31 December 2023	-	35 190	35 190

	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

As at 31 December 2023, 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 (2022: EUR 150 000 thousand). The credit facility is contracted until 30 June 2027. As at 31 December 2023, the Company has not drawn the loan (2022: EUR 0 thousand). These loans are collateralised by a guarantee from parent company SSE Holding, a.s.

14) 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 2023 and 2022.

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	
	2023	2022
Deferred tax asset:		
- Deferred tax asset to be settled after more than 12 months	9 544	9 048
- Deferred tax asset to be settled within 12 months	2 819	4 211
	12 363	13 259
Deferred tax liability:		
- Deferred tax liability to be settled after more than 12 months	-97 546	-97 710
- Deferred tax liability to be settled within 12 months	-364	-
	-97 910	-97 710
Net deferred tax liability	-85 547	-84 451

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

	Balance as at 1 January 2023	(Debited)/ credited to the Income statement	Charged to equity	Balance as at 31 December 2023
Non-current assets*	-90 174	-450	-	-90 624
Lease (IFRS 16) – right of use	-7 536	250	-	-7 286
Lease (IFRS 16) – lease liability	7 595	-206	-	7 389
Provisions for employee benefits and bonuses	2 917	-320	90	2 687
Other	2 747	-460	-	2 287
	-84 451	-1 186	90	-85 547
	Balance as at 1 January 2022	(Debited)/ credited to the Income statement	Charged to equity	Balance as at 31 December 2022
Non-current assets*	-91 919	1 745	-	-90 174
Lease (IFRS 16) – right of use	-7 702	166	-	-7 536
Lease (IFRS 16) – lease liability	7 723	-128	-	7 595
Provisions for employee benefits and bonuses	2 812	214	-109	2 917
Other	562	2 185	-	2 747
	-88 524	4 182	-109	-84 451

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

As at 31 December 2023 and as at 31 December 2022, the Company did not have any temporary deductible differences for which no deferred income tax assets were recognised.

15) Provisions for liabilities

	Pensions and other long term employee benefits (a)	Termination benefits (b)	Legal claims (c)	Other	Total
Balance as at 1 January 2023	7 991	560	326	261	9 138
Creation of provisions	1 385	-	-	236	1 621
Use of provisions	-1 307	-332	-323	-7	-1 969
Reversal of unused provision	-	-	-3	-253	-256
Balance as at 31 December 2023	8 069	228	-	237	8 534

	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

	As at 31 December	
Analysis of total provisions	2023	2022
Non-current	8 069	8 219
Current	465	919
Total	8 534	9 138

(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	
	2023	2022
Present value of unfunded retirement obligations	7 044	7 059
Liability as per Statement of Financial Position	7 044	7 059

Amounts recognised in the Statement of profit or loss are as follows:

	2023	2022
Current service cost	486	469
Interest expense	213	213
Total charge, included in personnel expenses	699	682

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

	As at 31 December	
	2023	2022
Present value of unfunded retirement obligations at beginning of the year	7 059	7 693
Current service cost	486	469
Interest expense	213	213
Paid	-1 141	-799
Actuarial losses / (gains)	427	-517
Present value of unfunded retirement obligations at the end of the year	7 044	7 059

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

	As at 31 December	
	2023	2022
Present value of unfunded provisions	1 025	932
Liability as per Statement of Financial Position	1 025	932

Amounts recognised in the Statement of profit or loss are as follows:

	2023	2022
Current service expenses	101	84
Actuarial loss / (gain)	104	-47
Interest expense	54	41
Total charge, included in personnel expenses	259	78

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

	As at 31 December	
	2023	2022
Present value of unfunded liabilities as at the beginning of the year	932	1 013
Current service expenses	101	84
Interest expense	54	41
Paid	-166	-159
Actuarial loss / (gain)	104	-47
Present value of unfunded liabilities at the end of the year	1 025	932

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

	2023	2022
Number of employees as at 31 December	1 327	1 332
Employee fluctuation rate	2.04% p. a.	2.01% p. a.
Expected increase in salaries – long-term	3.00% p. a.	3.00% p. a.
Discount rate	0.00 – 3.66% p. a. (2024 - 2069)	0.00 – 3.50% p. a. (2023 - 2068)

If actual discount rate differed by 1% from estimated discount rate, the amount of pension provisions would be by EUR 652 thousand lower or by EUR 744 thousand higher (2022: by EUR 603 thousand lower or by EUR 687 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 (2022: 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	
	2023	2022
Expected payment in 2023	-	332
Expected payment in 2024	228	228
	228	560

16) Revenue

Revenue by segment includes the following:

	Segment VHV		Segment HV		Segment LVE		Segment LVC		Other		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue – distribution and other fees	26 839	26 955	104 998	103 420	56 756	58 490	86 111	87 433	-	-	274 704	276 298
SLA revenue	-	-	-	-	-	-	-	-	2 076	2 007	2 076	2 007
Other	-	-	-	-	-	-	-	-	1 226	1 047	1 226	1 047
Total	<u>26 839</u>	<u>26 955</u>	<u>104 998</u>	<u>103 420</u>	<u>56 756</u>	<u>58 490</u>	<u>86 111</u>	<u>87 433</u>	<u>3 302</u>	<u>3 054</u>	<u>278 006</u>	<u>279 352</u>

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.

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.

17) Other operating income

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

	2023	2022
Revenue from the use of assets*	858	1 821
Rental income	2 138	828
Release of deferred revenue	608	537
Income from insurance claims	1 476	1 178
Profit from sale of assets	541	572
Compensation of increased costs related to purchase of electricity on losses	154 818	46 991
Other	5 987	3 906
Total	166 426	55 833

The compensation 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.

Compensation of loss tariff is revenue related to the compensation of final electricity price benefiting electricity end-users on the basis of Government Regulation No. 465/2022 Coll., which establishes maximum prices for part of the regulated supply of electricity and gas to selected end-users and tariff levels for households and selected electricity end-users, as subsequently amended.

The Company also receives contributions from customers for connection to the electricity distribution network. Revenue in the form of such contributions is recorded 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 2023, is in the amount of EUR 1 639 thousand (2022: EUR 1 425 thousand), and rental services in the amount of EUR 499 thousand (2022: EUR 396 thousand).

18) Purchase of electricity, system and other related fees

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

	2023	2022
Variances settlement expenses	11 270	1 551
Supplies from SEPS	40 429	40 109
Purchase of electricity for distribution losses and related fee	145 484	97 540
Total	197 183	139 200

19) Other operating expenses

An overview of other operating expenses is as follows:

	2023	2022
Repairs and maintenance	5 405	3 651
IT services	4 430	3 863
Rent	1 669	1 446
Security service	1 420	1 288
Forest cutting	1 202	920
Insurance costs	1 008	707
Post and telecommunication costs	825	802
SLA services	743	714
Fees and other taxes	614	638
Metering of consumed electricity for invoicing purposes	652	560
Advisory services	576	727
Waste liquidation	532	478
Metrological services	253	293
Examination of electricity devices	230	230
Creation of allowances for receivables	43	1 492
Other operating expenses	5 320	4 175
Total	24 922	21 984

The cost for audit services are as follows:

Audit and consultancy fee	2023	2022
Audit of the financial statements	61	56
Other assurance services	23	22
Other non-audit services	2	2
Total	86	80

20) Personnel expenses

	2023	2022
Wages and salaries	36 552	32 558
Other personnel expenses	3 087	2 682
Social and health insurance expenses- defined contribution plans	12 514	11 132
Pension and other long-term employee benefits	958	760
Total	53 111	47 132

21) Finance income / (expense), net

An overview of finance expense is provided in the following table:

	2023	2022
Interest income on Cash pooling	-1 421	-90
Received bank interest	-2 219	-
Interest expenses from borrowings	28	98
Lease interest expenses	541	454
Other financial expense	34	4
Finance expense, net	-3 037	466

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

	Year ended 31 December	
	2023	2022
Interest expenses	541	452
Short-term lease expenses	179	125
Low-value tangible assets lease expenses, except for short-term low-value tangible assets lease expenses	377	277
Total	1 097	854

22) Income tax

Reconciliation between theoretical and recorded income taxes is as follows:

	Year ended 31 December	
	2023	2022
Profit before tax	130 049	75 095
Theoretical income tax for current period as the rate of 21%	27 310	15 770
- Non-deductible income / expense	-266	89
- Special levy for business activities in regulated industries including tax impact	4 110	2 412
- Withholding tax from received interest (19%)	396	-
- Others	-608	281
	30 942	18 552

Income tax recognised

Total income tax for current period consists of:

- Deferred tax income / expense	1 186	-4 203
- Current tax charge for the current period from continuing activities	29 751	22 733
- Income tax related to prior periods	5	22
	30 942	18 552

The income tax rate for 2023 is 21% (2022: 21%). The effective income tax rate of the Company for 2023 is 23.79% (2022: 24.76%).

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

The base for the levy is profit or loss before tax recognised according to Slovak accounting standards for the period, multiplied by a coefficient. The coefficient for 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 2023, the coefficient is 0.98 (2022: 0.98). For 2023, 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.

23) Contingent assets and liabilities

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.

24) 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	
	2023	2022
Non-current tangible assets	14 090	17 233
Non-current intangible assets	4 128	2 144
Total	18 218	19 377

25) 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.

26) 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 by EP Investment group, group 's joint ventures 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 priemyslový holding, a.s.

f) other related parties

companies controlled by members of key management or companies in which they have significant influence, members of key management of the entity or its parent company and their family members

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)	2023	2022
Sale of goods, services and merchandise	172 304	180 759
Stredoslovenská energetika, a.s.*	170 980	179 637
Stredoslovenská energetika Holding, a.s.	28	28
Elektroenergetické montáže, s.r.o	257	216
SSE-PD	62	61
SSE – Metrológia, spol. s r.o.	10	10
SSE - Solar, s.r.o.	35	40
PW geoenery a. s.s	16	6
SPV100, s.r.o.	24	24
SSE - MVE, s.r.o.	259	69
Kinet, s.r.o.	633	668
Energotel, a.s.		
Sale of assets	3	519
Stredoslovenská energetika, a.s.	-	519
Elektroenergetické montáže, s.r.o	3	-
Finance income	1 421	92
Stredoslovenská energetika Holding, a.s.	1 421	92
Total revenue	173 728	181 370
Purchase of energy and other non-storable items	157 568	99 751
Stredoslovenská energetika, a. s.	157 568	99 751
Purchase of assets	1 904	1 085
Stredoslovenská energetika Holding, a.s.	91	-
Elektroenergetické montáže, a.s.	-	9
SSE-Metrológia, spol. s r.o.	350	354
Kinet, s.r.o.	1 463	722
Purchase of services	3 305	3 196
Stredoslovenská energetika, a.s.	1 001	942
Stredoslovenská energetika Holding, a.s.	1 320	1 395
SSE-Metrológia, spol. s r.o.	187	263
Kinet, s.r.o.	70	17
Energotel, a.s.	727	579
Other expenses	123	81
Stredoslovenská energetika, a. s.	70	63
Energotel, a. s.	27	8
SPX, s. r. o., Žilina	26	10
Total purchases	162 900	104 113

Related parties through the state (d), through EP Investment (e) and Other related parties (f)	2023	2022
Related parties through the state	199 580	119 070
Related parties through EP Investment	15 970	15 793
Total sales	215 550	134 863
Related parties through the state	41 167	40 662
Related parties through EP Investment	195	231
Other related parties (f)	50	50
Total purchases	41 412	40 943

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.

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

SSE Holding group (a,b,c)	Balance as at 31 December	
	2023	2022
Trade receivables :	11 956	12 520
Stredoslovenská energetika, a.s.	11 646	11 394
Stredoslovenská energetika Holding, a.s.	53	-
Elektroenergetické montáže, a. s.	28	43
SSE - Solar, s.r.o.	-	1
Kinet, s.r.o.	164	112
PW geoenery a. s.	2	845
Energotel, a.s.	63	125
Other receivables within the Consolidated Group :	66 108	30 007
Stredoslovenská energetika Holding, a.s.	66 108	30 007
Total assets	78 064	42 527
Trade liabilities :	23 533	4 330
SSE-Metrológia, spol s r.o.	38	144
Stredoslovenská energetika, a.s.	22 565	3 704
Stredoslovenská energetika Holding, a.s.	-	20
Kinet, s.r.o.	245	275
Energotel, a.s.	662	187
SPX, s.r.o.	23	-
Total liabilities	23 533	4 330
Related parties through the state (d), through EP Investment (e) and Other related parties (f)	Balance as at 31 December	
	2023	2022
Trade receivables		
Related parties through state	4 588	73 337
Related parties through EP Investment	1 312	1 140
Total assets	5 900	74 477
Trade liabilities		
Related parties through state	10 311	2 283
Related parties through EP Investment	20	18
Other related parties	4	10
Total liabilities	10 335	2 311

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	2023	2022
Salaries and other short-term employee benefits	701	621
Other non-monetary compensations	<u>36</u>	<u>28</u>
Total	<u>737</u>	<u>649</u>
Supervisory board	2023	2022
Salaries and other short-term employee benefits	<u>114</u>	<u>108</u>
Total	<u>114</u>	<u>108</u>

27) Events after the reporting date

There are no events subsequent to 31 December 2023 which would require disclosure or recognition in the financial statements for 2023.