



Annual Report of the Company

Východoslovenská energetika

a.s. for 2022



CONTENTS

Foreword by the Chairman of the Board of Directors	3
Foreword by the Chairman of the Supervisory Board	5
General information.....	7
Sales	9
Purchase and sales of commodities	11
Economics	13
Employees.....	14
Additional information.....	16
Post balance sheet events.....	16
Business outlook 2023.....	17
Appendix – Contact details	18



Foreword by the Chairman of the Board of Directors

Dear customers and business partners,

energy prices, merger with the company innogy Slovensko, but also new legislation and sustainability. These are the topics our Company had been fully involved in throughout the last year.

It turned out that for more than a year, **all our activities and the Company operation were affected by a turbulent situation in energy market.** The unprecedented and difficult situation from 2021 continued and manifested itself in 2022. In addition to it, in January and later in May 2022, extra electricity customers were added into our portfolio as part of the last resort supply.

At the beginning of the year, the market had significantly been marked by the start of the war conflict in Ukraine and the war became the main reason why electricity and gas prices were extremely high in Europe even in 2022.

Throughout the year, prices repeatedly exceeded the already reached historical values, most significantly in August. We were constantly analyzing the situation, also followed the steps of the Slovak government, communication with all stakeholders was difficult.

I am glad that even in such a difficult year, we had been a reliable partner for our customers, bringing them a stable energy supply. Moreover, we responded promptly to their growing needs and requests.

In the context of high energy prices or their lower volumes in the market, customers became even more interested in renewable energy sources and their interest in own production of electricity had increased. Therefore, we offered our customers even more complex photovoltaic solutions. Also, electricity produced from renewable sources and other products and services that helped them do business more sustainably or lead a more sustainable life in their households.

In April 2022, on occasion of one year since the start of sales of the Green Energy service, we reminded customers that Green Energy from VSE is 100% produced from renewable sources, and helps the region reduce its carbon footprint. We also confirmed the uniqueness of our service that guarantees a support to green projects in our region.

An important step in 2022 was including all sales activities under one company. Company innogy Slovensko, s. r. o. merged with VSE a.s. as of 1 July 2022. We have offered our customers the benefits of supplying both commodities under one roof and simplified communication – instead of two suppliers, they have one with whom they can meet sort all their requests regarding natural gas and electricity.

After the merger of the companies, VSE became number two in the natural gas market. We have long been the third largest company in electricity supply.

We managed to successfully complete the merger itself, all rights and obligations were smoothly taken over by VSE a.s., as the successor company.

From the point of view of the legislation, the amendment to the Energy Act became very important, which defined new terms and new entities on the market, new information obligations or a change in the assessment of regulation rules for vulnerable customers and brought about a partial deregulation of supply prices for end customers.

The amendment was the implementation of a winter energy package and responded to current market issues. When implementing it, we were primarily accounting the interests of our customers and were setting up all processes with this goal in mind.

Dear customers, business partners and friends,

it is important to note that the coming months, maybe even years, will be very difficult for our market and the entire economy, marked by the consequences of the pandemic, extremely high energy prices or the war conflict in Ukraine.

Despite this, our company continues focusing on a stable electricity and natural gas supply to all our customers. Also, on fulfilling our three strategic goals, which are growth, sustainability, and digitalization.

In Košice, 28 February 2023

Ing. Mgr. Juraj Bayer, PhD.
Chairman of the Board of Directors



"I thank all our customers and partners for trust and loyalty they have shown us in 2022. I also thank our employees for their commitment and cooperation. In the next year, I wish everyone good health and much success."



Foreword by the Chairman of the Supervisory Board

Dear Ladies and Gentlemen,

the company VSE a.s. managed to face the turbulent situation in the energy market and confirmed, also in 2022, its being a strong partner and stable energy supplier for the customers.

The Supervisory Board, as the highest control body of the Company, successfully met and supervised throughout the year 2022 the performance of the Board of Directors powers implementation of business activities.

In 2022, there were two personnel changes in the composition of the Supervisory Board. On 16 June 2022, **Ing. Konštantín Hudák** became a new member of the Supervisory Board, as the state representative and a nominee of the Slovak Republic, and on 16 September 2022, **Ing. Jakub Bujňák** became a new member of the Supervisory Board as an employee representative.

In 2022, three regular meetings of the Supervisory Board and one written per rollam voting were held.

The regular program of the Supervisory Board meetings included basic information on Company's business activities, information on past resolutions of the Board of Directors, as well as an overview of contracts concluded with affiliated and related persons.

At its regular meeting on 14 December 2022, the Supervisory Board reviewed the Company's Individual Annual Business Plan for 2023.

The Supervisory Board, among other things, also:

- reviewed the Individual Financial Statements and the Company Annual Report for the year 2021,
- approved the Plan of Consultancy and Advisory services for the year 2023,
- approved the merger of companies Východoslovenská energetika a.s., as the successor company, and innogy Slovensko s.r.o. as the terminating company, the decisive day of merger being 1 July 2022.

During the year, the Board of Directors informed the Supervisory Board, orally and in written form, on:

- financial results,
- investments and operating costs.

Based on the results of its ongoing control activities, the Supervisory Board concludes that the Company's Board of Directors did everything necessary to ensure the development of Company's business activities and maintain its good reputation.

The auditor's report, as well as the Company's financial statements, consisting of a statement of the financial situation, a summary statement of profits and losses, a statement of equity changes, a statement of cash flows and notes to the financial statements, will be discussed by the members of the Supervisory Board at the meeting on 28 March 2023.

In Košice, 28 February 2023

Ing., Bc. Juraj Lenhardt, MBA, M.A.
Chairman of the Supervisory Board



General information

Establishment of the Company

Východoslovenská energetika a.s. is a 100% subsidiary of Východoslovenská energetika Holding a.s. Východoslovenská energetika a.s., as currently known, was established on 1 April 2014 by a change of its legal form from a limited liability company - VSE Development, s.r.o. to a joint-stock company - VSE Development, a.s.

In the period that followed and with the aim to gradually meet regulation requirements on separation of distribution and sales activities, the sales activities of Východoslovenská energetika a.s. (now Východoslovenská energetika Holding a.s.) were demerged on 1 July 2014, by establishing a 100% subsidiary called VSE Development, a.s.

On the same date, the business name of Východoslovenská energetika a.s. changed to Východoslovenská energetika Holding a.s. (hereinafter the "VSE Holding a.s."), as well as the change of the business name of VSE Development a.s. to currently known Východoslovenská energetika a.s. (hereinafter the "VSE a.s.").

Currently, VSE a.s. is registered in the Commercial Register maintained by the District Court Košice I, section: Sa, insert No.: 1628/V, as follows:

Company name: Východoslovenská energetika a.s.

Registered office: Mlynská 31, 042 91 Košice

Company ID: 44 483 767

Východoslovenská energetika a.s. mostly operates in Košice and Prešov region, and a part of Banská Bystrica region, providing electricity supply to 600 thousand customers.

Company history

As of 1 July 2014, the Sales Division of the parent company VSE Holding a.s. was demerged into the VSE a.s. centralising business activities of the Group related to electricity supply.

Also on 1 July 2014, the General meeting elected the members of the statutory bodies and the members of the Supervisory Board, who were joined by another three members elected as employee representatives in the election held on 16 September 2014.

The Company is building on experience and customer portfolio that moved into VSE a.s. from its mother company, which currently does not perform any business activities related to electricity supply.

Year 2022

Company VSE Holding a.s., as the sole shareholder of VSE a.s., by decision dated May 27, 2022, approved the merger of VSE a.s., as the successor company, with company innogy Slovensko s. r. o., as a defunct company, and determined the decisive date of the companies' merger to be 1 July 2022. The merger of the companies took place upon its registration in the Commercial Register on 1 July 2022. Activities of the company innogy Slovensko s. r. o are being performed by VSE a.s.

Line of business

The main business of VSE a.s. is electricity and gas supply to households and corporate customers, as well as performance of energy audits and sale of non-commodity products.

Shareholder structure

As of 31 December 2022, the share capital of VSE a.s. in the amount of EUR 58,751,000 consisted of two ordinary registered and subscribed shares divided as follows:

- one share of the nominal value of EUR 35,000
- one share of the nominal value of EUR 58,716,000

The sole shareholder of VSE a.s. with a 100% share in the share capital and voting rights is:

Východoslovenská energetika Holding a.s.
Mlynská 31, 042 91 Košice

Structure of Company bodies

Board of Directors

Mgr. Ing. Juraj Bayer, PhD., Chairman (since 1 Feb. 2022, until 31 Jan. 2022 Member)

Ing. Lukáš Štefanik, FCCA, Vice Chairman

JUDr. Radoslava Šotterová, Member

Ing. Juraj Schmiedl, PhD., Member

Ing. Ján Kudlovský, Member (since 1 Feb. 2022)

Mgr. Miroslav Kulla, Chairman (until 31 Jan. 2022)

Supervisory Board

Ing., Bc. Juraj Lenhardt, MBA, M.A., Chairman

Ing. Alena Rozsypalová, Vice Chairwoman

Mgr. Ľudmila Smreková, Member

Jozef Kanuščák, Member

Ján Vengrín, MBA, Member

Ing. Konštantín Hudák, Member (since 16 Jun. 2022)

JUDr. Marek Šedovič, Member (until 15 Jun. 2022)

Ing. Peter Revický*, Member

Ing. Ivan Petřík*, Member (until 15 Sep. 2022)

Ing. Daniel Bito*, Member

Ing. Jakub Bujňák*, Member (since 16 Sep. 2022)*

**employee representative*



Sales

In 2022, Company VSE a.s., confirmed its position of a stable partner for households and companies in the Slovak energy market. As of 1 July 2022, it merged with its sister company innogy Slovensko s. r. o.

Customer solutions

The beginning of 2022 continued to be marked by strict anti-pandemic measures, however, in the past two years, customers got used to communicating with the Company online. The trend continued in 2022 and the customers actively used online contacting, mainly when solving their requests.

The turbulent international markets situation caused by the energy crisis at the turn of 2021 and 2022 became accentuated by the war conflict in Eastern Europe. Its serious consequence has been a significant increase in electricity and gas prices in the market. **The Company VSE a.s. reacted to a new market situation by reducing acquisitions and focusing on actual customer care**, for example, by improving digital services.

The Company finished the sale of small products to households. However, it continues to provide care of existing customers who use the products and related services (i.e., regular replacement of refills and complaints resolution).

VSE a.s. **boosted sales of property and home insurance as well as HVAC solutions. It extended its product range by heat pumps for detached houses**, as a response to reduced customer interest in gas boilers due to rising gas prices. Active sales of household air conditioners, particularly popular in the summer season, continued. Due to changed conditions in the energy market, **the interest in photovoltaic solutions and a virtual battery has increased significantly**. Therefore, in the autumn, the Company provided an offer for customers in this area as well.

The Green Energy service has settled in the Company's product portfolio. Customers are interested in purchasing energy from renewable sources and contributing to support local green initiatives. **Company VSE a.s., together with VSE Foundation, supported the green projects by EUR 60,000 in total**. At the end of the year, the Company informed its customers through video documentation on implemented projects supported within the Green Energy.

The company brings sustainable and saving energy solutions also to business customers. In 2022, it publicly presented the following projects: Modern and fully automated boiler room with a power source of 2.6 MW for the AGEL Hospital in Komárno, Design and implementation of audio-visual equipment for the greenhouses of the PJŠU Botanical Garden in Košice, Interior lighting of the 8-floor Tatracentrum administrative building for Tatrabanka, Industrial lighting of the ware-

houses of the trading company GGT a.s., many photovoltaic power plants, e.g. also for the customer Predná hora Recreation Area on the Muráň Plain or custom-made interior lighting for a church in the village of Paňa.

This year, VSE a.s. was awarded a prestigious Slovak – German prize for sustainability for a project of waste heat's use as a solution to introducing the principles of circular economy by reusing energy. It was a technological solution for sports and community center in Liptovský Hrádek, the investor was the Slovak Ice Hockey Association.

We listen to our customers

Customer satisfaction and loyalty remain the Company's primary value. The Company actively asks for its customers' feedback, continuously collects and evaluates customer opinions and initiates solutions to their suggestions through a specialized Customer Experience and Marketing Department.

Customer feedback in 2022

Customer care has always been our priority. In the period difficult for the entire energy industry, we made sure that all our ways of contacting were available to customers, who often made sure by phone, in person or by e-mail that they would have energy supplies secured from VSE and would not be left without electricity or gas. **Post contact feedback showed that the customers mainly appreciated emphatic approach and our employee professional advice.** In this area, a significant improvement in customer ratings has been achieved compared to previous years, while our results are also excellent when compared to other companies on the market. In the future, we continue improving our internal processes so that to always respond to current customer needs. Our goal is to help them navigate the world of energy as conveniently as possible.

Communication with customers

As of 1 July 2022, a merger of companies innogy Slovensko, s. r. o. and Východoslovenská energetika took place, preceded by a change of company name innogy Solutions s.r.o. to VSE Solutions s.r.o. VSE a.s. informed on these changes all its customers through its own communication channels as well as via media.

In 2022, VSE a.s., as part of communication with customers, focused on increasing the use of online so-called self-care services such as the online portal Webcentrum, or an option of electronic invoice activation.

The Company mainly uses e-mail newsletters, texts, websites, and social networks to communicate with customers and the public. At the same time, VSE actively cooperates with national and local media, helping customers to get useful information this way, too.



Purchase and sale of commodities

Electricity market

Electricity prices have reached historic values. In addition to the factors of nuclear sources shut-down in France due to a dry summer and a lack of electricity produced from renewable sources in Germany (simply, no water and no wind available), prices reacted mainly to sharply rising gas prices. At the end of August, the Slovak contract for the year 2023 exceeded the level of EUR 1,000/MWh. A correction took place then and electricity prices fell in early September, after the European Commission's proposals to take measures to combat high electricity and gas prices had been published. The European Commission is trying to introduce emergency measures to stabilize electricity markets in the following areas - limiting the over-profits of electricity producers, improving market liquidity, reducing energy demand, and price cap.

Gas market

The gas market reacted to a complete stoppage of Russian gas supplies to Germany. An immediate trigger of panic and price increase was Gazprom, its shutdown of the Nord Stream 1 gas pipeline. Gas prices rose, among other things, due to technical problems at the Portovaja station. Gas flows from the compressor station that feeds the Nord Stream 1 gas pipeline to Germany, were reduced by up to 40% of capacity. Gazprom linked malfunctions at the compressor station to a delay in the delivery of components from Siemens Energy, responsible for maintenance. The German Economy Minister said that a restricted flow in the Nord Stream 1 gas pipeline between Russia and Germany could have been a Russian political decision. At the same time, he stated that he did not agree with Gazprom's claim that the lower flows are technically justified and warned against further drop in supplies. The market reacted to it in a way when monthly and quarterly products continue to include a high risk of gas supply restrictions and remain at higher price levels. The market is currently being driven by political decisions, while intervention announcements are also affecting market and causing some uncertainty.

Purchase of commodities

Company VSE a.s. implemented the purchase of electricity in line with customer requirements. **Most of purchased electricity was from Slovenské elektrárne, a.s. (31 %), Vodohospodárska výstavba, š.p. (18%) and ČEZ, a.s. (21 %).**

VSE implemented the purchase of gas for household customers, in line with their requirements; the purchase of commodity was **until 30 June 2022 carried out solely by the company innogy Slovensko, followed by the VSE a.s. purchase of gas based on bilateral contracts** (with business partners RWE Supply & Trading CZ and ČEZ), because of gas supply tenders.

Sale of commodities

Tab.: Structure of electricity sales to VSE a.s. customers per segments:

Segment in GWh	2021	2022
Households	1,256	1,260
Corporate customers	2,214	1,746
Total	3,470	3,006

Tab.: Structure of natural gas sales to VSE a.s. customers per segments:

Segment in GWh	2021*	2022**
Households	286	1,132
Corporate customers	-	989
Total	286	2,121

*VSE was not supplying natural gas to corporate customers in 2021, or in the first half of 2022.

**Company innogy Slovensko, s. r. o. merged with VSE a.s. as of 1 July 2022; as of this date, VSE a.s. is a gas supplier to corporate customers and the whole household portfolio within VSE Holding Group.



Economics

The following table includes the key financial indicators of VSE a.s. for 2022 and the preceding period in accordance with IFRS:

Economic data in ths. EUR	2021	2022
Total revenues	542,509	989,448
Total costs	-559,037	-984,482
Profit before tax	-16,528	4,966
Loss per year	-12,531	-1 955
Non-current assets	61,759	106,773
Current assets	68,075	208,452
Total assets	129,834	315,225
Total equity	57,932	91,094
Non-current liabilities	10,188	14,648
Current liabilities	61,714	209,483
Total equity and liabilities	129,834	315,225

The year-on-year increase in total revenues from electricity, gas and non-commodity products and services sale reflects several factors:

- slight increase of electricity sale to households,
- decrease in electricity sale to corporate customers,
- significant increase in gas sale to all segments due to the merger of innogy Slovensko and VSE a.s. on 1 July 2022,
- extreme increase in prices on energy market (electricity and natural gas).

The above trends also affected year-on-year development of costs, or current receivables and liabilities.

Economic result for 2021 remained in Retained loss from the previous years.



Employees

Human capital management was in 2022 also affected by topics related to the global energy crisis or the war conflict in Ukraine, as well as anti-pandemic measures related to COVID-19 disease.

The Company worked intensively on introducing a new hybrid model of working in the practice.

The goal was a gradual employee return to the workplace, mostly working from home during the pandemic. The so-called new normal was finally implemented in the work of individuals and teams from September 2022. The introduction of a hybrid model of work, based on a benefit principle wherever the nature of work allows, is a one-year pilot. It is not the employer obligation, and the employee must request to work from home. We believe the model will prove itself in creating the environment for a long-term use of possibilities and advantages of modern work forms, digital space, as well as flexible working hours.

In 2022, the Company introduced an innovative way of personal and work development – online education through Seduo platform.

It is a flexible and affordable education when employees study as their time allows them. At the same time, it is another form of digitalization and electro-nation, which got more intensive during the pandemic, the advantages of which we continue incorporating into all our processes, including education.

Employee surveys as an inevitable part of the management. In 2022, all the Companies of the VSE Holding Group, including VSE a.s., carried out Where is the North survey on a topic of benefits use. The goal was to find out the company mood and see what the employees consider to be benefits, or what they feel is a standard. 56% of all VSE Holding Group employees participated in the survey. Also based on survey results, employee benefits will be assessed and re-adjusted in the future, to reflect current employee needs.

At the same time, VSE a.s. conducted a survey among its employees in 2022 - a satisfaction and engagement survey. It aimed to find out whether all factors affecting the working environment and employee work efficiency are at satisfactory level. 78% of employees participated in the survey and up to 80% of them show commitment to the Company. The Company's management is actively working with the survey results, the members of the management set personal commitments, and the Company's management, in cooperation with the employees, planned measures to increase employee satisfaction and engagement.

Human resources management was involved in the implementation of the organizational change, the merger of innogy Slovensko s. r. o. and VSE a.s. from 1 July 2022. The priority was to comply with all legal information obligations, prepare and implement activities related to new employees in a timely manner, including a medical examination or OHS training, to adjust organizational and signature rules of VSE a.s. and the others.

Statistical data

As of 31 December 2022, VSE a.s. was employing 263 employees and we managed to slightly increase the employment compared with the previous year. Total staff turnover in 2022 was 15.5 % with a slight increase compared to previous years. Voluntary staff turnover was stable at about 4 %.

Tab.: Overview of basic data:

Headcount structure	Unit	2021	2022
As of 31 Dec. (including staff union)	Number	258	263
As of 31 Dec. (without staff union)	Number	256	261
Average headcount	Number	266	258
Voluntary fluctuation	%	4.1	4.3
Total fluctuation	%	13.9	15.5



Additional information

As of the date of this Annual Report, the Company's Board of Directors has not presented a proposal to offset the loss for 2022.

The Company is not obliged to provide information according to special regulations, other than those based on which it compiled this Annual Report, stating in it all the information that it is obliged to present in an annual report.

ESG facts are included in the Annual Report of the parent company (E.ON) and are therefore not included in this Annual Report.

The Company VSE a.s. did not acquire any own shares, temporary certificates, shares or temporary certificates and shares of the parent entity.

In 2022, the Company did not incur any research and development costs.

The Company continues to be exposed to significant risks related to ensuring of energy supply, situation in market with commodities and the war in Ukraine, this is mainly credit risk (on the customer side) as well as commodity risk (in terms of price and purchase/sales volumes).

The Company has no organizational unit established abroad.

The Company applies a complex environmental protection system in all its activities.

Post balance sheet events

After 31 December 2022, no events occurred that required publication or reporting in the financial statements and the annual report for 2022.



Business outlook 2023

VSE a.s. continues to be a strong, reliable and stable supplier in the energy market and in energy solutions for all its customers.

In 2023, the topic of prices and energy consumption will again be a priority. The VSE Holding Group already joined a challenge of world leaders last year when it joined other companies and organizations that themselves set an example in energy saving. VSE a.s. continues following the trend and offering products that help energy costs reduction on the customer side.

It will also focus on products to help customers on their way to sustainable business or reduce household carbon footprint and the like. The Company will continue offering green products, including renewable electricity supply to households and corporate customers, or photovoltaic solutions, including a virtual battery service. It will also help customers through other energy solutions and products, for example, by preparing an energy audit or through an offer of heat pumps, suitable for both corporate and household customers.

In 2023, VSE a.s. will also focus on extending its offer in heating, cooling and air conditioning. It will also include processes automation and digitalization in its plans. For all its customers, it is planning to prepare further options for solving customer requests and product orders through a digital channel.

In recent years, the Company has been looking for reserves in cost savings, as well as new sources of income. It adopted extraordinary measures and proposals to optimize costs. The same applies for 2023.

In 2023, VSE a.s. will be complying with all legislative regulations and quality standards of electricity and natural gas supply to end customers, so that to rank among companies operating in a transparent and accountable manner.



Appendix – Contacts

Východoslovenská energetika a.s.

Mlynská 31
042 91 Košice
Slovenská republika

E: info@vse.sk
I: www.vse.sk
I: www.superdomov.sk
I: www.termoteam.sk

Households

Customer Hotline

T: 0850 123 333

TermoTeam Line

T: 0850 12 2407

Safe Sales Line (free of charge)

T: 0800 123 532

Corporate customers

Actual contacts of sellers in all regions of Slovakia can be found at www.vse.sk

Outages Line

VSD Emergency Hotline

T: 0800 123 332

ZSD Emergency Hotline

T: 0800 111 567

SSE-D Emergency Hotline

T: 0800 159 000

SPP-Distribúcia E Emergency Hotline

T: 0850 111 727

Customer Centers (CC)

CC Bardejov

Radničné námestie 9

CC Rožňava

Šafárikova 2

CC Humenné

Námestie slobody 61

CC Spišská Nová Ves

Zimná 34

CC Košice

Mlynská 31

CC Trebišov

M. R. Štefánika 1515

CC Michalovce

Štefánikova 2

CC Poprad

Nám. sv. Egídia 97/42

CC Prešov

Levočská 3

Make an appointment
in one of our offices on-
line at www.vse.sk