ANNUAL REPORT

of the company
Východoslovenská energetika a.s.
for 2020

CONTENTS

1. Foreword by the Chairman of the Board of Directors

Dear Customers, Dear Partners,

It is not unexpected when I say our activities in 2020 were most affected by the COVID-19 pandemic.

Our priority has become protection of employee and their family health as well as health of our customers. We had always been adopting safety and hygiene measures while also working to ensure the supply of energy and energy services.

The way we do business has changed significantly. To prevent spreading of virus, Customer Centers had to be closed for some time, visits to our customers' homes and businesses had to be restricted. Part of our communication with customers and among employees moved to the online space.

The crisis has affected our economy. Reduction of contacts with customers had an adverse effect on sale of our products and implementation of energy solutions.
We have also witnessed a decline in energy consumption in industry. Large customers reduced their production and transportation of goods, especially during the first wave of the pandemic, or even completely stopped it for a few weeks. The increase in electricity consumption began only after the second phase of relaxation of measures. Although consumption in the household segment increased year on year, it only partially offset losses.

The wholesale commodity market also reacted to the pandemic. The decline in consumption was caused by a surplus of electricity on the market while the price fell mainly during the first wave. This price drop was subsequently reflected in final prices for 2021. Part of the supply price fell by an average of 8 percent.

I am glad that, despite the situation, we have managed to work on our plans and implement several important projects.

At the beginning of 2020, we have actively entered the so-called HVAC market. We have become one of the suppliers of heat and cold and have expanded our supply of commodities. We accelerated digitization processes and began distant signing of contracts with selected corporate customers. Our reaction to current situation was also the offer of new products to companies and organizations - a comprehensive solution for UV-C air and space sterilizers. I am glad we have become part of solution of complex smart city project, which we implemented, along with other partners, in the town of Veľký Šariš. The project moved our complex energy solutions to a higher level. Energy efficiency is being supplemented with smart solutions while in cooperation with our daughter company innogy Solutions we also focus on green projects.

In 2020, our customers could be purchasing so called green electricity. EcoGreen Certificates, confirming supply of electricity produced from renewables, were submitted to tens of customers. Almost a hundred of our corporate customers is already using such an option. In 2021, we also want to focus on the supply of electricity covered by RES for households.

Our ambition is to be a leader in the use of advanced technologies and in the offer of green solutions. A strong partner on our path to digital and green transformation is our new shareholder, the German concern E.ON.

Our intentions require a healthy competitive environment, which will enable a greater variety of products and services for customers thus bringing Slovakia closer to European standards. I therefore look forward to the year 2021, discussions with ÚRSO and Ministry of Economy of Slovak Republic on search for ways of deregulation.

Finally, I would like to emphasize values such as transparency and anti-corruption measures. Our company holds certificates of quality, environment and security management, since May 2020 also a certificate of management against corruption. Management systems in terms of ISO standards support business ethics, involve and inspire our employees and, above all, are a guarantee for our business partners.

I thank all our customers and partners for their trust in 2020 and our employees for their fellowship and tolerance. In 2021, I wish everyone all the best, especially good health.

Košice, 26 February 2021

Miroslav Kulla

Chairman of the Board of Directors

2. Foreword by the Chairman of the Supervisory Board

Dear Ladies and Gentlemen,

In 2020, in line with its approved business plan, Východoslovenská energetika a.s. was focused mostly on keeping its position in the area of electricity sales. The business strategy also included the provision of comprehensive energy services and new package products for customers. Through the development and sale of new Energy + products of interest to our customers, customers have been able to perceive the company closer to customer needs.
The year 2020 was more challenging, especially regarding the pandemic situation, which caused long-term outages of some sales channels that use personal contact with customers.

The Supervisory Board, as the supreme control body of the company, successfully held its meetings and supervised the execution of the Board of Directors powers and the performance of business activities throughout the entire year of 2020.

Several personnel changes in the composition of the Supervisory Board were made in 2020. From 23 September 2020, a new member and the Vice Chairwoman of the Supervisory Board is Ing. Alena Rozsypalová, as the representative of Strategic Partner. New members of the Supervisory Board from 27 October 2020 are Ing., Bc. Juraj Lenhardt, MBA, M.A., also the Chairman of the Supervisory Board, JUDr. Marek Šedovič, member of the Supervisory Board, Mgr. Ľudmila Smreková and Mr Jozef Kanuščák, members of the Supervisory Board, representatives of the state and Slovak Republic nominees.

In 2020, two regular meetings of the Supervisory Board and three per rollam votings took place.

The regular agenda of ordinary meetings of the Supervisory Board included basic information regarding sales activities of the company, information regarding resolutions adopted by the Board of Directors in the previous periods and an overview of affiliate and related party agreements.

At the meeting of 8 December 2020, the Supervisory Board members discussed and took due note of the Individual Annual Business Plan of the company for 2021.

Among other things, the Supervisory Board:

- approved a proposal to appoint an auditor of the financial statements for the business year 2021;
- took due note of the plan of consultancy and advisory services for 2021;
- approved the amendments to the Organizational Rules of VSE a.s. with effect from 1 January 2021.
- approved the draft amendment to the Articles of Association of VSE a.s., which were supplemented with new activities,
- approved an increase in the share capital of People2People, s.r.o., in the form of a new shareholder's cash contribution to the company's share capital.

During the year, the Supervisory Board was informed by the Board of Directors, in both oral and written form, of the facts related to:

- financial results,
- investments and operating costs.

Based on the results of its continuous control activities, the Supervisory Board concludes that the Board of Directors carried out all the necessary activities to develop business activities and to maintain good reputation of the company.

The report of an auditor, as well as the financial statements consisting of a statement of financial position, income and loss statement, statement of changes in equity, cash flow statement, and notes to the financial statements will be discussed by the Supervisory Board members at their meeting held on 25 March 2021.
The Supervisory Board will examine the financial statements as of 31 December 2020, and it will recommend to the General Meeting to adopt a resolution concerning its approval.
The Supervisory Board will approve a proposal made by the Board of Directors regarding the 2020 profit distribution. The Supervisory Board will recommend to the General Meeting to approve the distribution of the 2020 profit in accordance with the proposal of the Board of Directors.

In Košice, 26 February 2021

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

3. Basic company data

FORMATION AND ESTABLISHMENT OF THE COMPANY

Východoslovenská energetika a.s. is a 100% subsidiary of Východoslovenská energetika Holding a.s.

Východoslovenská energetika a.s., as we know it today, 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 for the 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 trade name of Východoslovenská energetika a.s. changed to Východoslovenská energetika Holding a.s. (hereinafter "VSE Holding a.s."), as well as the change of the business name of VSE Development a.s. to Východoslovenská energetika a.s. (hereinafter "VSE a.s."), as known today.

Currently, VSE a.s. is registered with 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 No.
44 483 767

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

COMPANY HISTORY

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

In the same way, on 1 July 2014, the General Meeting elected the members of the statutory body 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.

LINE OF BUSINESS

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

The company business activities include the following:

- intermediary service in the area of sales;
- intermediary service in the area of services;
- electricity supply;
- administrative services;
- activity of business, organization and economic advisors;
- purchase of goods for the purpose of its sale to the end consumer (retail) or to other trade operators (wholesale);
- organization of cultural and other social events;
- IT services;
- lease of movable property;
- market surveys and public opinion polls;
- advertisement and marketing services;
- services related to computer data processing;
- intermediary service in the area of production;
- accounting;
- public procurement;
- performance of extra-curricular activities;
- research and development in the field of natural and applied sciences;
- research and development in the field of social sciences and humanities;
- performance of activities of an energy auditor;

- granting credits or loans from funds obtained without a public call and or public offers of assets;
- provision of financial leasing;
- provision of energy services with guaranteed savings;
- preparatory works for constructions;
- execution of constructions and their changes;
- finishing construction works when executing exteriors and interiors,
- activities of an independent financial agent for the insurance and reinsurance sector;
- natural gas supply;
- operation of chargers for electric vehicles;
- provision of supporting energy services;
- heat generation and supply.
- engineering activities, construction pricing, designing and constructing electrical equipment;
- freight transport by road using vehicles with the total weight up to 3,5t, including trailer;
- business in the area of handling other than hazardous waste;
- plumbing and heating;
- assembly, renewal and maintenance of classified technical gas equipment;
- assembly, renewal and maintenance of classified technical electrical equipment;
- repairs of classified technical gas equipment.

SHAREHOLDER STRUCTURE

As of 31 December 2020, 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

STRUCTURE OF THE COMPANY BODIES

Board of Directors

Mgr. Miroslav Kulla, Chairman (from 21 Oct. 2020)
Ing. Lukáš Štefanik, FCCA, Vice Chairman (from 27 Oct. 2020)
Ing. Marián Suchý, member
JUDr. Radoslava Šotterová, member (from 21 Oct. 2020)
Ing. Juraj Schmiedl, PhD., member (from 1 Nov. 2020)

Supervisory Board

Ing., Bc. Juraj Lenhardt, MBA, M.A. – Chairman (from 27 Oct.2020)
Ing. Alena Rozsypalová, Vice Chairwoman (from 23 Sept. 2020)
JUDr. Marek Šedovič, member (from 27 Oct. 2020)
Mgr. Ľudmila Smreková, member (from 27 Oct. 2020)
Jozef Kanuščák, member (from 27 Oct. 2020)
Ing. Peter Revický*, member
Ing. Ivan Petrík*, member
Ing. Daniel Bito*, member

**employee representative*

4.Sales

In 2020, we continued to fulfill our vision by focusing on developing solutions that improve customers' lives and make care of their households easier. In the context of the social situation shaped by the coronavirus pandemic, we have increased our emphasis on expanding online service capabilities to provide customers with safe convenience when dealing with energy, product and solution issues.
We have implemented many activities in cooperation with our sister company innogy Slovensko and its subsidiary innogy Solutions.

SOLUTIONS FOR HOUSEHOLD CUSTOMERS

We focused intensively on improving the new service specialized in comprehensive heat care, resp. cold in customers' homes. Thanks to this, we can provide customers with advice on selection of heating and cooling equipment, its purchase, installation and service. The service is another in a series of VSE and innogy solutions that make household care assistance available. At the end of the year, we introduced this service to our customers.
The range of our solutions has also been extended by air purifiers and new insurance policy to increase protection of households in case of unexpected events. At the same time, we continued to promote a breakthrough service that allows customers to monitor electricity consumption in detail, thus preventing arrears.

In the area of improvement and service, we focused on extending of online customer services and their promotion. As a result, more customers using electronic invoicing, an online service center, chat services, as well as traditional e-mail were added during the year.

SERVICES FOR CORPORATE CUSTOMERS

For corporate customers, we have prepared a solution providing UV-C sterilization of air and premises, in order to support increase in quality and safety of their operations.

We enable our corporate customers to take electricity from renewable sources and provide them with so-called EcoGreen certificate, a guarantee of the origin of the supplied electricity.

The most valuable addition to the offer of online services for corporate customers in 2020 was the introduction of electronic signing of contracts and documents.

WE LISTEN TO OUR CUSTOMER

The basic value of our company is customer satisfaction and loyalty. We fulfill it through solutions that make it easier for customers to take care of their household, as well as through quality care and service associated with the use of products and services.

We have established tools, thanks to which the customer is involved in creating and testing new solutions and services. A specialized team of employees continuously monitors the opinions of customers, coordinates the solution of selected problematic issues and the implementation of improvement measures. Customer statements show that a major impact on their satisfaction or dissatisfaction has the behavior and reactions of our employees. That is why, in 2020, we focused on tuning the approach of employees in contact with customers.
Continuous satisfaction measurement, after each contact with our company, was in 2020 also introduced for the segment of corporate customers. We are happy that customers are active in expressing their feedback.

CUSTOMER ASSESSMENT IN 2020

Systematic monitoring and management of customer satisfaction was also reflected in the results of measuring overall satisfaction, where 80% of customers rate the approach of employees with the highest mark. In the long run, there is a gradual decline in the share of dissatisfied customers and, conversely, an increasing number of extremely satisfied customers who are willing to recommend our company based on their own positive experience.

In 2020, our VSE received a prestigious award from the National Information Center of the Slovak Republic - The Seal of Reliability, which expresses a high satisfaction of contracting authorities and points to the seriousness and expertise of our company VSE in its approach and proceedings when implementing public procurement projects for the previous year.

COMMUNICATION WITH CUSTOMERS

The extraordinary society-wide situation changed the ways of communication with customers. In 2020, for security reasons, traditional events for corporate customers were canceled: the popular professional Energy Seminars, as well as the autumn Business Club event, which is primarily a source of social experiences.

Therefore, we have intensified online communication, for example in form of regular electronic newsletters or contributions to the professional social network LinkedIn. We have also prepared several electronic newsletters for households to inform on company news and events in the energy market that affect the energy prices. We actively informed our customers on temporary changes in our operation that resulted from security measures to prevent the spread of a pandemic. The aim was to reassure customers and, through the supply of practical information, alleviate their potential uncertainty associated with the services provision. At the same time, we continued active cooperation with the media, helping our customers to obtain useful information in this way as well.

As part of communication, we also placed emphasis on customer education. One level was the prevention of unfair practices. The second level is sharing of knowledge related to household care, namely tips for reducing expenses, improving its safety and comfort.

5. Purchase and sales of commodities

The more attractive prices on the short-term market, at the beginning of 2020, were not only due to growing supplies from photovoltaic and wind power plants. Hydropower plants also played an important role this year, contributing more to electricity production, especially in France and northern Europe, due to better water supplies.

Measures against the spread of the coronavirus SARS-CoV-2, which causes COVID-19, were a major factor influencing the prices of all energy commodities throughout April. These measures have led to a slowdown in economic activity virtually worldwide and, among other things, have resulted in a dramatic decline in energy consumption. The decline in demand for them subsequently led to a decline in their prices. After the March decline, the Slovak CAL21 rose slightly at the beginning of April, then fell in mid-April and rose again at the end of April. The first growth in April was caused by early optimism in the development of the pandemic, the decrease occurred after finding this optimism be unjustified. Electricity and oil, which began to drop after Easter, also helped the decline. The second increase in April was due to EDF's nuclear reactors (restrictions on electricity production at French nuclear power plants, which gives France the status of exporter of electricity in Europe, raised fuel prices - gas and coal - as well as emission quotas). In May, we saw the development of prices for next year's electricity prices to the side without a clear rising or falling trend. In terms of electricity consumption, there was still a decline in consumption due to coronavirus. Coal and gas prices did not rise and electricity prices on the short-term market were pushed down due to the high share of electricity production in subsidized renewable electricity sources (RES).

The period of extremely low daily electricity prices fell on the second quarter of 2020, when large-scale quarantine measures across Europe negatively affected energy consumption. Electricity consumption in European countries, including the Slovak Republic, had been rising since the end of spring, which had caused electricity prices to rise in all daily electricity markets in Europe for the next 4 months in a row.
In terms of the energy mix in the baseband, the clear winner in the summer was gas - a cheap commodity successfully competed not only with black but also with brown coal thanks to expensive emission permits. In the summer of 2020, Slovak nuclear power plants exceeded the production volume from 2017-2019. With one exception, in the second half of June, the nuclear units in Jaslovské Bohunice and Mochovce supplied more electricity to the grid year-on-year for the entire three summer months. Thanks to the rainier weather, the Slovak hydropower industry was also able to generate more electricity this year than in previous years. Supplies from coal-fired power plants, on the other hand, fell the lowest in 3 years.

At the end of 2020, long-term contract prices were still able to withstand growth pressure from oil and emission quotas. Deliveries from German wind farms approached 40 GWh/h in some hours in November, while the long-term average in this period is less than 20 GWh/h. In addition, above-average temperatures in Europe at the beginning of November continued to record a decline in short-term electricity markets.
The fall in stock markets, especially the shares of technology companies at the beginning of October, also affected developments in commodity markets. Along with other commodities, the Slovak price of electricity also fell slightly. In addition, electricity prices were pushed down by the resumption of high volumes in emission quotas auctions. In October and November, the price of electricity on the PXE exchange was relatively stable and its day-to-day decline and increase were not significant. However, the price jumped up during the month of December, mainly due to the shutdown of production at the Hungarian nuclear power plant PAKS and the consequent increased demand for electricity. In the short-term market, this effect was multiplied by a weak supply from wind farms in Germany, which caused excessively high spot prices.

VSE purchased electricity for its customers in accordance with their requirements.

Most of procured electricity was from Slovenské elektrárne, a.s. (31 %) and ČEZ, a.s. (23 %).

VSE carried out its gas purchase for household customers in line with their requirements; the purchase of the commodity was done exclusively from the sister company innogy Slovensko.

Tab.: Structure of electricity sales to end customers per segments

GWh	2019	2020
Households	1,143	1,178
Corporate customers	1,987	2,077
Total	**3,130**	**3,255**

Tab.: Natural gas sales to household customers

GWh	2019	2020
Households	320	311

6. Economic situation analysis

The following table includes the key financial indicators of VSE a.s. for 2020 and the preceding period in accordance with IFRS:

Economic data	UoM	2019	2020
Total revenues	ths. EUR	494,564	531,245
Total costs	ths. EUR	(486,082)	(520,953)
Profit before tax	ths. EUR	8,482	10,292
Net Profit	ths. EUR	6,169	7,744
Assets	ths. EUR	144,280	147,057
Equity	ths. EUR	73,985	78,198
Registered capital	ths. EUR	58,751	58,751

Total revenues increased in 2020 by EUR 36,681 on a year-on-year basis (7.4 %). The increase resulted from the following most significant factors - increase in the commodity part of the price (in relation to the increased wholesale market price) and a higher supply to end customers.

Total costs in 2020 (compared to 2019) were mostly influenced by the increased costs of electricity procurement and the related distribution and transmission.

The company assets increased by EUR 2,777 (1.9 %), mainly in the short-term assets part (sales accounts receivable and cash flow).

The change in **equity** reflects the year-on-year increase of the company profitability; its **registered capital** is without any change.

The **profit of 2019** was used to decrease the outstanding amount of the unsettled loss of previous periods which had occurred upon the reporting transfer to IFRS. The balance of net profit was distributed to the company's shareholders.

The decision on the distribution of net profit of 2020 will be made at the General Meeting of the Company. As at the date of preparation of the annual report, the Board of Directors of the Company had not proposed the profit distribution of 2020.

7. Employees

Due to the epidemiological situation, the human resources strategy for 2020 had to be changed, we adapted quickly and flexibly re-evaluated many activities, or rather have moved these to online space. For most of our employees, 2020 was a year of "working from home" so our activities were adapted accordingly.

Ensuring the operation of the company and protecting the health of our employees had been a top priority for us as an employer. During nationwide antigen testing, we have repeatedly organized testing for employees and their families in Košice and in the regions.

EXTRAORDINARY SITUATIONS REQUIRE EXCEPTIONAL PEOPLE

For the third year in a row, we ranked among the top 3 employers in the prestigious all-Slovak competition The Best Employer in the Production and Industry category. The competition was announced by profesia.sk portal and general public also took part in the voting.

These successes confirm our focused work on building an employer brand externally as well as internally.
We owe them especially to high commitment of our colleagues.

STAFF SATISFACTION AND ENGAGEMENT SURVEY

In an extensive satisfaction and engagement survey organized in November 2020, employees confirmed their engagement by as much as 91%, which is well above the standard of the labor market in Slovakia and by three percentage points more than in 2019. The motivation and health index also increased by three percentage points year-on-year.

During the "Corona" period, smaller surveys were launched to keep our employees motivated and involved, despite social isolation and changing work patterns. The results of “We are in this together” questionnaire, carried out in the first wave of the “Corona” assured us that employees have enough information and appropriate technical support to work from home. Our employees also appreciated the company’s and their superiors support, both in performance of their work tasks, but also in reconciling work and private life. A summer survey to identify development and training needs showed areas where employees would need to grow. Based on this, a series of webinars on the topics were held: Creative problem solving, Change, stress and harmony in life, Effective and interactive meeting in online space, etc.

As of December 31, 2020, we were employing 260 people in the company, and despite the difficult situation on the labor market, we managed to slightly increase employment compared to last year.

Voluntary fluctuation decreased by half compared to the previous year, to 2.3%. The average age of employees is almost 42 years and the average time worked in the company is almost 8 years.

EDUCATION AND DEVELOPMENT IN 2020 - ONLINE

The society-wide climate associated with the "Corona crisis" has taught us a lot and we have approached standard educational and development activities in the online space very effectively. Among other things, we were able to:
- continue to recruit and hire employees by using online interview tools as well as assessment centers,
- successfully complete the E + academy for colleagues in the B2B customer segment,

- organize a Quality Project focused on the development of sales and communication skills of employees from sales channels,
- implement development in the field of Project Management for selected employees of the B2C segment.

WE CONTINUED IMPROVING HR SERVICES

For all organizational units, an electronic meal ticket and electronic circulation of recreation allowance administration in the Slovak Republic were introduced, an electronic application for home office was developed and a gamified ADAM application was launched to support the adaptation of newly hired employees.

We continue to work intensively with talents in the program of development of employees with vertical career potential and in the program of know-how for project management.

The satisfaction of our employees and their pride in the company is also evidenced by their high involvement in a reference motivational program called Recommend a good colleague, with almost a hundred employees.

Tab.: Overview of basic data:

Headcount structure	UoM	2019	2020
Status as of 31 Dec.	Number	258	260
Average headcount	Number	260	257
Voluntary staff turnover	%	5.4	2.3
Total staff turnover	%	21.2	14.8

8. Additional information

The Company did not acquire any of its own shares, interim certificates, shares or interim certificates and shares of the parent entity.

In 2020, the Company did not incur any costs for activities in the area of research and development.

The company management is currently not aware of any risks that would significantly influence the company economic results in the future.

The company has no organization unit established abroad.

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

9. Actualities that occurred after the date of the balance sheet elaboration

There have been no events after 31 December 2020 that would require disclosure or presentation in the financial statements and annual report for 2020.

10. Business outlook 2021

The beginning of 2021 will also be affected by deteriorating pandemic situation in the country. We will focus on health protection and providing reliable and comprehensive services to our customers.

The positive news for our customers is the reduction in electricity prices for 2021. In addition, we will continue to bring products and solutions that will help companies and households save additional money and reduce energy consumption. We will strive to use advanced technologies and offer green solutions.

Our plans also include further digitization of processes. For all our customers, we want to prepare further options for solving their requirements and ordering products via a digital channel.

In 2021, we will also comply with all legislative regulations and quality standards of supply to electricity and natural gas end customers, so that we continue to rank among the group of companies that do business transparently and responsibly.

MARKET ENVIRONMENT

In 2021, we expect several legislative changes aimed at promoting the use of RES or consumer protection.

We also expect the publication of a new regulatory policy and defining of a new regulatory period. We will also monitor the next steps of ÚRSO, especially in the matter of easing deregulation in the field of energy supply.

11. Appendix – Contacts

Východoslovenská energetika a.s.

Mlynská 31
042 91 Košice
SLOVAKIA

E: info@vse.sk
I: www.vse.sk
I: www.KartaVyhod.sk

Households
Customer Hotline
T: 0850 123 333

Corporate customers
Customer Hotline
T: 0850 123 333

Emergency Hotlines:
VSD Emergency Hotline
T: 0800 123 332
ZSD Emergency Hotline
T: No. 0800/111 567
SSE-D Emergency Hotline
Telephone: 0800 159 000
SPP-Distribúcia Emergency Hotline
Telephone: 0850 111 727

Make an appointment in one of our offices online at www.vse.sk.

Safe Sales Hotline - Freephone
Telephone: 0800 123 532

Customer Service Centres

Bardejov
Radničné námestie 9

Humenné
Námestie slobody 61

Košice
Hollého 3

Michalovce
Štefánikova 2

Poprad
Nám. sv. Egídia 97/42

Prešov
Levočská 3

Rožňava
Šafárikova 2

Spišská Nová Ves
Zimná 34

Trebišov
M. R. Štefánika 1515

Východoslovenská energetika a.s.

Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Annual Report for the year ended 31 December 2020 and Independent Auditor's Report

February 2021

Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Východoslovenská energetika a.s. (the "Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Code of Ethics) and the ethical requirements of the Slovak Act on Statutory Audit No. 423/2015 and on amendments and supplements to Slovak Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory audit") that are relevant to our audit of the financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the ethical requirements of Act on Statutory audit.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we considered whether it includes the disclosures required by the Slovak Act on Accounting No. 431/2002, as amended (the “Accounting Act”).

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Annual Report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the Annual Report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Management's responsibilities for the financial statements

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

In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of our 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 management.

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

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

We communicate with the management 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.

PricewaterhouseCoopers Slovensko, s.r.o

PricewaterhouseCoopers Slovensko, s.r.o.
Licence SKAU No. 161

Ing. Peter Havalda, FCCA
Licence UDVA No. 1071

26 February 2021
Bratislava, Slovak Republic

Slovenská komora auditorov
SKAU
Č. licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Note

Our report has been prepared in Slovak and in English. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

Východoslovenská energetika a.s.

Financial Statements
for the year ended 31 December 2020

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

Východoslovenská energetika a.s.

Financial statements for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by European Union were approved and authorized for issue on 26 February 2021 by the Board of Directors.

Mgr. Miroslav Kulla
Chairman of the Board of Directors

Ing. Marián Suchý
Member of the Board of Directors

Index to the financial statements

Independent auditors' report to the Shareholders, Supervisory Board and Board of Directors of Východoslovenská energetika a.s.

in EUR thousand	Note	As at 31 December 2020	2019
ASSETS			
Non-current assets			
Intangible assets	7	59,351	63,045
Property, plant and equipment	5	1,369	1,547
Right-of-use assets	6	460	529
Investments in subsidiaries	8	1,400	1,900
Financial investments at fair value through other comprehensive income	9	322	322
Loans to subsidiaries	3.1	600	200
Trade and other receivables	3.1	2,623	2,815
		66,125	**70,358**
Current assets			
Inventories	11	593	745
Trade and other receivables	3.1	47,849	43,154
Receivable from cash-pooling	2.12	28,349	21,089
Cash and cash equivalents	12	2,664	7,726
Other non-financial assets	10	1,477	1,208
		80,932	**73,922**
Total assets		**147,057**	**144,280**
EQUITY			
Share capital	13	58,751	58,751
Legal reserve fund	13	11,808	11,808
Retained earnings	13	7,639	3,426
Total equity		**78,198**	**73,985**
LIABILITIES			
Non-current liabilities			
Lease liabilities	6	391	458
Deferred income tax liabilities	17	9,423	10,369
Employee benefit obligations	19	924	789
		10,738	**11,616**
Current liabilities			
Trade and other payables	14	40,778	40,946
Contract liabilities	15	13,071	13,858
Lease liabilities	6	67	67
Employee benefit obligations	19	41	25
Bank overdraft		3	3
Provisions	18	317	361
Other non-financial liabilities	16	3,844	3,419
		58,121	**58,679**
Total liabilities		**68,859**	**70,295**
Total equity and liabilities		**147,057**	**144,280**

in EUR thousand	Note	2020	2019
Revenue from contracts with customers	20	529,042	491,637
Purchases of electricity, gas and distribution costs	21	(483,914)	(446,307)
Material consumption	21	(749)	(1,544)
Employee benefit expense	21	(9,497)	(10,520)
Services	21	(14,281)	(15,408)
Depreciation and amortization expense	5, 6, 7, 21	(5,049)	(4,931)
Net impairment losses on financial assets	3.1	(2,618)	(3,386)
Net gain / (loss) on sale of property, plant and equipment		(1)	-
Net loss from balancing services with OKTE *	2.23	(3,731)	(3,502)
Other operating expenses	21	(1,099)	(466)
Other operating income	21	1,966	2,631
Profit from operations		**10,069**	**8,204**
Finance income / (expense)			
Interest income	22	237	296
Interest expense	22	(14)	(18)
Finance income - net		**223**	**278**
Profit before income tax		**10,292**	**8,482**
Income tax expense	23	(2,548)	(2,313)
Profit for the year		**7,744**	**6,169**
Other comprehensive income – items that will not be to profit or loss			
Re-measurements of post-employment benefits obligation	19	(63)	(40)
Other comprehensive income for the period, net of tax		**(63)**	**(40)**
Total comprehensive income for the year		**7,681**	**6,129**

* OKTE means Organizátor Krátkodobého Trhu s Elektrinou (Organiser of short-term electricity market). Further see Note 2.23.

in EUR thousand	Share capital	Legal reserve fund	Retained earnings	Total equity
Balance as at 1 January 2019	**58,751**	**11,808**	**(2,703)**	**67,856**
Dividends paid	-	-	-	-
Total transactions with owners, recognized directly in equity	**-**	**-**	**-**	**-**
Profit for the year	-	-	6,169	6,169
Other comprehensive income for the year	-	-	(40)	(40)
Total comprehensive income for the year	**-**	**-**	**6,129**	**6,129**
Other	-	-	-	-
Balance at 31 December 2019	**58,751**	**11,808**	**3,426**	**73,985**
Balance as at 1 January 2020	**58,751**	**11,808**	**3,426**	**73,985**
Dividends paid	-	-	(3,468)	(3,468)
Total transactions with owners, recognized directly in equity	**-**	**-**	**(3,468)**	**(3,468)**
Profit for the year	-	-	7,744	7,744
Other comprehensive income for the year	-	-	(63)	(63)
Total comprehensive income for the year	**-**	**-**	**7,681**	**7,681**
Other	-	-	-	-
Balance at 31 December 2020	**58,751**	**11,808**	**7,639**	**78,198**

in EUR thousand	Note	Year ended 31 December 2020	2019
Cash flows from operating activities			
Cash generated from operations	24	11,516	13,925
Interest received	22	237	296
Payments for short-term and low-value leases	6	(377)	(8)
Interest paid from lease liability	6	(3)	(1)
Interest paid except for interest paid from lease liability	22	(11)	(18)
Net transfer to receivables from cash-pooling		(7,260)	(21,089)
Income tax (-) paid / (+) received		(3,588)	(4,296)
Net cash from operating activities		**514**	**(11,191)**
Cash flows from investing activities			
Loan provided to subsidiary	3.1	(400)	(200)
Payment of liability from acquisition of subsidiaries	1	(586)	(1,278)
Purchase of property plant and equipment (“PPE”) and intangible assets	5, 7	(1,155)	(1,924)
Proceeds from sale shares in subsidiaries	1	100	-
Net cash used in investing activities		**(2,041)**	**(3,402)**
Cash flows from financing activities			
Drawings of borrowings		-	3
Principal elements of lease payments	6	(67)	(56)
Dividends paid		(3,468)	
Net cash used in financing activities		**(3,535)**	**(53)**
Net increase/ (decrease) in cash, cash equivalents and bank overdrafts		**(5,062)**	**(14,646)**
Cash, cash equivalents at beginning of year	12	**7,726**	**22,372**
Cash, cash equivalents at end of year	12	**2,664**	**7,726**

1. General information

Východoslovenská energetika a.s. (until 30 June 2014 VSE Development, a.s. and until 31 March 2014 VSE Development, s.r.o., hereinafter 'the Company') is 100 % subsidiary of Východoslovenská energetika Holding a.s. (until 30 June 2014 Východoslovenská energetika a.s., hereinafter „VSE H").

Východoslovenská energetika a.s. was established on 24 September 2008 and incorporated in the Commercial Register on 28 November 2008 (Commercial Register of the District Court Košice I, Section Sro, file No. 22836/V).

By the decision of the General Assembly of the Company from 1 April 2014, the legal form of the Company was changed from private limited liability to joint stock company. The registration of the company Východoslovenská energetika a.s. into the commercial register of the District Court Košice I, was performed on 1 July 2014 in the section Sa, file No. 1628/V.

In connection with requirements of European legislation on Energetics, Act on Energetics no. 251/2002 Coll. and Act on Regulation of grid sector no. 250/2012 Coll. with aim of increasing business conduction effectiveness and company management flexibility, Východoslovenská energetika a.s. (since 1 July 2014 Východoslovenská energetika Holding a.s.) has decided to transfer part of its business – Sales division ("part of business") to its 100% subsidiary VSE Development a.s. (currently Východoslovenská energetika a.s.), by contribution in kind.

The main business activity of the Company is supply of electricity to business and household customers, and supply of gas to household customers.

The Company also provides non-commodity products and services offerings to its customers as follows:

- services related to energy management and health and safety,
- solutions to business customers cover tailored solutions and solutions for plants heating, cooling, lighting, thermal insulation of buildings and an e-mobility package.
- rental of cost and energy saving LED bulbs, shower heads
- rental of smart electric water heaters,
- customer loyalty programmes with year-round discounts in shops and additional services related to home care.

Besides that, the Company also has revenues within the group VSE H as follows:

- Sales, marketing and sales support services for innogy Slovensko s. r. o.
- Electricity procurement and sales to Východoslovenská distribučná, a.s.

On 1 December 2017, the Company has acquired the household customers' portfolio from ČEZ Slovensko, s.r.o. The Company has considered the transaction as acquisition of assets and liabilities.

The Company has acquired 100% share and control over innogy Solutions s.r.o. (hereinafter "iSOL"), KVT control s.r.o. and KVT servis s.r.o. on 1 April 2019. KVT Control and KVT Services has merged into iSOL on 1 August 2019.

The Company has established a new subsidiary iWATT s.r.o. on 1 June 2019. As at 31 December 2020 the Company has 80% share in iWATT s.r.o. Based on the Agreement on the transfer of a part of the business share dated 13 November 2019, 20% of the business share was sold to a new investor - Prediqt, s.r.o.

The Company has acquired 10 % share in People2People, s. r. o. on 25 May 2018 for EUR 1. On 11 March 2019, the Company increased the investment by EUR 21 thousand (the share remained 10.00%). On 2 August 2019, the Company increased the investment by EUR 302 thousand. The carrying amount of investment as at 31 December 2019 was EUR 322 thousand (8.77% share). On August 25, 2020, the General Meeting of People2People, s. r. o. approved the accession of a new investor, which reduced the Company's share in the paid-up share capital to 8.01% for a deposit in the total amount of EUR 327,486 as at 31 December 2020.

The Company's shareholder structure as at 31 December 2020 and 31 December 2019 was as follows:

	Interest in share capital	
	in EUR thousand	**%**
Východoslovenská energetika Holding a.s.	58,751	100
Total	**58,751**	**100**

The Company employed 257 staff on average during 2020 (2019: 260).

As at 31 December 2020, the company employed 260 employees (as at 31 December 2019: 258 employees)

Members of the statutory bodies of the Company:

Board of Directors:	**Changes in 2020 and status as at 31 December 2020**	**Changes in 2019 and status as at 31 December 2019**
Chairman	Dipl.-Volksw. Thomas Jan Hejcman (until 20.10.2020)	Dipl.-Volksw. Thomas Jan Hejcman
	Mgr. Miroslav Kulla (from 21.10.2020)	-
Vice Chairman	JUDr. Martin Petruško (until 26.10.2020)	JUDr. Martin Petruško (from 13.02.2019)
	Ing. Lukáš Štefanik, FCCA (from 27.10.2020)	-
Members	Mgr. Miroslav Kulla (until 20.10.2020)	Mgr. Miroslav Kulla
	Ing. Marián Suchý	Ing. Marián Suchý
	Ing. Štefan Kapusta (until 26.10.2020)	Ing. Štefan Kapusta (from 13.02.2019)
	Ing. Juraj Schmiedl, PhD. (from 1.11.2020)	-
	JUDr. Radoslava Šotterová (from 21.10.2020)	-

Supervisory Board:	**Changes in 2020 and status as at 31 December 2020**	**Changes in 2019 and status as at 31 December 2019**
Chairman	JUDr. Marek Šedovič (until 26.10.2020)	JUDr. Marek Šedovič
	Ing., Bc. Juraj Lenhardt, MBA, M.A. (from 27.10.2020)	-
Vice Chairman	Andreas Gehrmann (from 1.1.2020 until 22.9.2020)	JUDr. Jitka Adámková, MBA (until 11.12.2019)
	Ing. Alena Rozsypalová (from 23.9.2020)	-
Members	Ing. Peter Revický	Ing. Peter Revický
	Ing. Róbert Gold,CA (until 26.10.2020)	Ing. Róbert Gold,CA
	Ing. Ivan Petrík	Ing. Ivan Petrík
	Ing. Daniel Bito	Ing. Daniel Bito
	Ing. Jakub Špilár (until 26.10.2020)	Ing. Jakub Špilár (from 13.02.2019)
	Ing. Igor Šimko, PhD. (until 26.10.2020	Ing. Igor Šimko, PhD. (from 13.02.2019)
	Ing. Milan Dolný (from 1.1.2020 do 26.10.2020)	-
	Jozef Kanuščák (from 27.10.2020)	-
	Mgr. Ľudmila Smreková (from 27.10.2020)	-
	JUDr. Marek Šedovič (from 27.10.2020)	-

As part of the sale of 49% of the shares of the VSE H in 2003, National Property Fund of Slovak Republic and RWE Aktiengesellschaft, with its registered office Germany, 45128 Essen, Opernplatz 1 (hereinafter “RWE AG”) have entered into a shareholders' agreement which sets out the areas of responsibility and decision making for the General Meeting, the Board of Directors and the Supervisory Board of Východoslovenská energetika Holding a.s. and the Company, as well as the rules for nomination of members of the Board of Directors and Supervisory Board of these companies. Since 1 July 2014 the shareholders' agreement had become valid for the Company as well.

On 19 November 2013, the General Meeting of VSE H approved the transfer of 49% shares of Východoslovenská energetika Holding a.s., from RWE AG to the 100% subsidiary of RWE AG - RWE Beteiligungsverwaltung Ausland GmbH, with its registered office Germany, D-45128 Essen, Opernplatz 1 (hereinafter „RBA “) - contribution of capital in the form of shares to RBA. Registration with the Central Securities Depository of the Slovak Republic took place on 10 December 2013.

Based on the Act No. 197/2014 Coll. amending the Act No. 92/1991 Coll. on the conditions of state property transfer to other persons as amended, there was a transfer of shareholding from the National Property Fund of SR to the state on 1 August 2014. As of this date, shareholder rights and obligations are executed by the Ministry of Economy of SR as the owner of the shareholding in Východoslovenská energetika Holding a.s.

On 4 March 2016, RWE Downstream Beteiligungs GmbH, with its registered office: Germany, 45128 Essen, Opernplatz 1, became an owner of 1,647,870 units of shares, i.e. of 49% share in the share capital and voting rights of Východoslovenská energetika Holding a.s., based on a merger of RWE Downstream Beteiligungs GmbH and RWE Beteiligungsverwaltung Ausland GmbH.

On 31 May 2016, the General Meeting of VSE Holding approved the transfer of 49% shares of Východoslovenská energetika Holding a.s. from RWE Downstream Beteiligungs GmbH, with its registered office: Germany, 45128 Essen, Opernplatz 1 to RWE International SE, with its registered office: Germany, 45128 Essen, Opernplatz 1. The registration with the Central Securities Depository of the Slovak Republic took place on 8 June 2016.

On 17 June 2016, the General Meeting of the Company approved the transfer of 49% shares of Východoslovenská energetika Holding a.s. from RWE International SE, with its registered office: Germany, 45128 Essen, Opernplatz 1 to RWE Gas International N.V., with its registered office: Kingdom of the Netherlands, 5211AK 's-Hertogenbosch, Willemsplein 4. The registration with the Central Securities Depository of the Slovak Republic took place on 30 June 2016.

On 26 August 2016, a shareholder of VSE H, RWE Gas International N.V., changed its business name to innogy International Participations N.V. (hereinafter referred to as “innogy”).

On 20 August 2019, the General Meeting of Východoslovenská energetika Holding a.s. approved the transfer of 49% shares of VSE Holding from innogy International Participations N.V., with its registered office: Kingdom of the Netherlands, 5211AK 's-Hertogenbosch, Willemsplein 4 to RWE Slovak Holding B.V., with its registered office: Kingdom of the Netherlands,4931NC Geertruidenberg, Amerweg 1. The registration with the Central Securities Depository of the Slovak Republic took place on 22 August 2019.

On 14 August 2020, the General Meeting of Východoslovenská energetika Holding a.s. approved the transfer of 49% of the shares in VSE Holding from RWE Slovak Holding B.V., with its registered office: Kingdom of the Netherlands, 4931NC Geertruidenberg, Amerweg 1, to E.ON First Future Energy Holding B.V., with its registered office: Kingdom of the Netherlands, 1014BA Amsterdam, Kabelweg 37 ('E.ON").
The transfer became effective by registration in the Central Securities Depository of the Slovak Republic on 24 August 2020.

The General Meetings of Východoslovenská energetika Holding a.s. and the Company decide within the competencies provided by the shareholders' agreement and articles of association of the respective company. The General Meeting of Východoslovenská energetika Holding a.s. elects the members of the Board of Directors of VSE H and grants previous consent with election of the members of the Board of Directors by General Meeting of the Company.

The Boards of Directors of Východoslovenská energetika Holding a.s. and the Company manage the operations of the respective company and decide on all matters unless these are assigned to competencies of the General Meeting or the Supervisory Board by the shareholders' agreement and articles of association. The Boards of Directors of Východoslovenská energetika Holding a.s. and the Company consist of five members. The chairman and two members of the Boards of Directors are nominated by E.ON. Ministry of Economy of SR nominates one vice-chairman and one member of the Boards of Directors.

The Supervisory Boards are the supreme controlling bodies of Východoslovenská energetika Holding a.s. and the Company. The Supervisory Boards supervise the activities of the Boards of Directors of the respective company and its business activities. The Supervisory Boards of Východoslovenská energetika Holding a.s. and the Company consist of nine members. The vice-chairman of the Supervisory Board is nominated by E.ON. Ministry of Economy of SR is represented by the chairman and four members. The employees are represented by three members.

Based on amended shareholders agreement which became effective on 1 September 2020, E.ON SE became ultimate controlling party of the whole VSE H group, of which the Company is a part. The consolidated financial statements are available directly at the seat of the Company.

Registered address of the Company

Mlynská 31
042 91 Košice
Slovak Republic

Company number: 44 483 767
VAT number: SK2022730457

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

The financial statements for the period ended 31 December 2019 have been approved by the General Meeting held on 24 April 2020.

2. Summary of significant accounting policies

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

2.1. Basis for preparation

The Act on Accounting of the Slovak Republic no. 431/2002 as amended requires certain companies to prepare financial statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter "IFRS").

The financial statements for the year ended 31 December 2020 have been prepared as ordinary financial statements under § 17 Sec. 6 Act of NR SR No. 431/2002 Coll. as amended ("Accounting Act") for the accounting period from 1 January 2020 to 31 December 2020.

These financial statements have been prepared in accordance with IFRS. The Company applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), as adopted by the European Union, which were in force as of 31 December 2020. Consolidated financial statements of the group Východoslovenská energetika Holding a.s. are available at seat of the Company, stated in Note 1.

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

The financial statements have been prepared under the historical cost convention except for:

- financial assets and liabilities that are initially measured at fair value and subsequently at amortized cost using effective interest rate,
- issued financial guarantee contracts, and
- financial assets at fair value through other comprehensive income.

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

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

(a) New and amended standards adopted by the Company during the year ended 31 December 2020

The following new standards and interpretations became effective for the Company and were applied from 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The amendments had immaterial impact on financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective. The amendments had immaterial impact on financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company has assessed the impact of this amendment on its financial statements and considers the presentation of these financial statements as meeting the criteria of this amendment.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is

not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The amendments had immaterial impact on financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The amendments had immaterial impact on financial statements.

(b) New standards, amendments and interpretations issued and effective from 31 December 2020 and not early adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 201, and which the Company has not early adopted.

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. These amendments have not been endorsed by the EU yet. The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Company is currently assessing the impact of the standard on its financial statements. This standard has not been endorsed by the EU yet.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). This amendment specifies to a limited extent that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the accounting period. Liabilities are long-term if the entity has a material right to defer settlement for at least twelve months at the end of the reporting period. The new regulation no longer requires that such a right be unconditional. Management's expectations that the right to defer settlement will subsequently be exercised do not affect the classification of liabilities. The right to defer exists if, at the end of the reporting period, the entity meets all the relevant conditions for deferral. A liability is classified as current when the condition is breached before or at the end of the reporting period, even if the creditor waives the requirement to comply with the condition after the end of the reporting period. Conversely, a loan is classified as long-term if the terms of the loan agreement are breached only after the end of the accounting period. In addition, the amendment clarifies the requirements for the classification of debt, which the company can settle by converting it into equity instruments. Settlement is defined as the settlement of a liability by payment in cash, another source of economic benefits or an equity instrument of an entity. Exceptions are liabilities with a conversion option to equity instruments if, in the case of a compound instrument, the conversion option is classified as a component of equity. These amendments have not been endorsed by the EU yet. The Company is currently assessing the impact of the amendments on its financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

These amendments have not been endorsed by the EU yet. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

  Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Amendments to IFRS 17 have not been endorsed by the EU yet. Amendments to IFRS 4 have been endorsed by the EU on 16 December 2020. The Company is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. These amendments have not been endorsed by the EU yet. The Company is currently assessing the impact of the amendments on its financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

These amendments have been endorsed by the EU on 13 January 2021. The Company is currently assessing the impact of the amendments on its financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2. Subsidiaries

The Company applies acquisition method of accounting as set out in IFRS 3 as accounting policy for business combinations under common control (relevant for contribution in kind described in Note 1).

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when (i) has the power to govern those of their relevant activities that significantly affect their revenues, (ii) has the right, or rights, to participate in the variable returns from its involvement in those entities, and (iii) has the ability to exercise its power above those entities in order to affect the amount of the investor's income.

In assessing whether the Company controls another entity, the existence and effect of substantive voting rights, including substantive potential voting rights, are considered. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Company may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protection rights of other investors, e.g. those that relate to significant changes in the entity's operations or that apply only in exceptional circumstances do not prevent the Company from exercising a controlling influence in that entity.

Investments in subsidiaries are carried at cost in these separate financial statements according to IAS 27. Impairment losses are recognized using respective allowance accounts.

2.3. Financial investments with changes in fair value recognized through other comprehensive income (FVOCI)

Investment in shares and interests are classified as financial assets at fair value through other comprehensive income and comprise of equity securities that are not held for trading, and the Group has decided to irrevocably classify them in this category.

Investments in shares and interests are recognized at fair value. Dividends from the investments in shares and interests are recognized in profit or loss for the year as other financial income, when the Company has the right to receive payment, and it is likely that dividends will be received.

2.4. Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

2.5. Property, plant and equipment

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

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

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

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

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

Machinery and equipment	
Devices leased to households	2-10 years
Other non-current tangible assets at cost not exceeding EUR 1,700	1 year

Most significant items of property, plant and equipment are household devices that are rented to household customers. See Note 2.20 for accounting policies related to revenue derived from such customer arrangements.

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

Land and assets under construction are not depreciated.

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

2.6. Intangible assets

Customer portfolio

Intangible assets are valued at cost less accumulated amortization and accumulated impairment losses.

The Company has recognized intangible assets related to two customer portfolios:

1. Customer portfolio recognized at fair value at the date of contribution-in-kind of the sales division of VSE H to the Company on 1 July 2014. It is amortised on a straight-line basis based on the timing of projected cash flows of the transferred contracts considering expected churn rates. Initially recognized fair value of the customer portfolio was EUR 67,050 thousand. Subsequently it is amortized on a straight-line basis over the estimated expected average customer contract duration period. The carrying amount of the portfolio as of 31 December 2020 is EUR 49,618 thousand (31 December 2019: EUR 52,300 thousand). The portfolio consists of electricity customers.
2. The ČEZ households' acquisition customer portfolio was recognized at cost at the date of acquisition of ČEZ customer portfolio which is 1 December 2017. It is subsequently amortised over the estimated expected average customer contract duration period. The carrying amount of the portfolio as of 31 December 2020 is EUR 7,012 thousand (31 December 2019: 7,332 thousand). The portfolio consists of household electricity and gas customers.

Refer to Note 1 for more details on transactions.

Computer software and other intangible assets

The Company does not have intangible assets with indefinite useful lives and internally generated intangible assets.

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

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

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

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

Software and other intangible assets	2-9 years
Customers portfolio	25 years

2.7. Impairment of non-financial assets

Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units or CGUs). The Company concluded that it is one cash-generating unit. Non-financial assets that were impaired are reviewed for possible reversal of the impairment at each end of the reporting period.

2.8. Financial assets

Classification

The Company classifies its financial assets in two measurement categories - i) financial assets subsequently measured at amortised cost and ii) financial assets measured at fair value through other comprehensive income.

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

Recognition and derecognition

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

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

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

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

Trade receivables are amounts due from customers for services performed or commodities delivered in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company recognizes current receivables that are generally due for settlement within 30 days and non-current receivables arising from the retail instalment sale and finance lease activities.

Solutions to business cover tailored solutions and solutions for plants lighting, thermal insulation of buildings and an e-mobility package. These solutions may be offered with special payment terms over 36 months hence includes financing component and its long-term part is classified as non-current. Nominal value of receivable is discounted to present value and difference is recognised as interest income. The impact of discounting is immaterial.

Impairment

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

The Company implemented a model for estimation of expected credit loss for trade receivables. A history of unpaid receivables was gathered, and a provision matrix was created based on customer segmentation and expected credit loss by segments according to history of defaulting receivables over a period of 24 months. IFRS 9 also requires applying forward looking information to estimate expected credit losses. The provision matrix adjustment mechanism was implemented to satisfy this requirement.

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

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

2.9. Leases

Lease arrangements where the Company is a lessee

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- lease payments to be made based on determined lease term (the Company has lease arrangements where more than insignificant economic penalty is present).

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

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

To determine the incremental borrowing rate, the Company used recent third-party financing received by the VSE H Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. The weighted average Company's incremental borrowing rate applied to the lease liabilities on 31 December 2020 was 0.63% (31 December 2019: 0.61%).

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

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

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

In case the lease contracts define rental period, the lease term is established based on this period. When the Company considered that it is reasonably certain to exercise extension options available in the contracts the lease term was extended. In case of the contracts with indefinite rental periods and equal termination options of the Company and lessors, which typically cover few months, the Company has estimated the lease terms to 5 years.

The Company assessed the following lease terms for contracts with indefinite rental periods:

ROU Asset	Lease term (in years)
Administrative premises	5-10

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

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

Lease arrangements where the Company is lessor

The Company's activities as a lessor mainly include the rental of non-commodity products to households. The accounting for these leases is described in detail in Note 2.20.

2.10. Financial liabilities

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

Issued financial guarantee contracts are recognised as financial liabilities at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of (i) the amount determined in accordance with the expected interest loss model under IFRS 9, or (ii) the initial measurement less the accumulated amount of revenue recognised in accordance with IFRS 15. The fair value is based on the

present value of the difference in cash flows between the contractual interest payments required to satisfy the guarantee and the payments that would be required without the guarantee.

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

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

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

2.11. Inventories

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

2.12. Cash and cash equivalents, receivables from cash-pooling

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

As at 31 December 2020 the Company has recognised receivable from cash-pooling in the amount of EUR 28,349 thousand (31 December 2019: EUR 21,089 thousand). Receivables from cash-pooling within the VSE H Group are repayable on demand.

2.13. Share capital

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

2.14. Dividends

Dividend pay-out is recognized as liability and decreases equity as of the end of the reporting period only if it has been declared by the end of the reporting period.

2.15. Legal reserve fund

Legal reserve fund is created in accordance with Commercial Code, based on financial statements, in the amount of 10% of profit after tax, up to 20% of share capital of the Company. Legal reserve fund can be used only for increase of share capital or cover the losses.

2.16. Current and deferred income tax

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to

situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

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

Deferred income tax is determined using income tax rates legislation related to special levy charges that have been enacted or substantially enacted by the end of the reporting period, and that are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.
Deferred income tax assets are recognized to the extent that it is probable, that future taxable profit will be available against which the temporary differences can be utilised.

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

2.17. Value added tax

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

2.18. Employee benefits

Pension plans and jubilee awards

The Company has defined benefit and defined contribution plans.

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

Unfunded defined benefit pension plan

According to the contract with the Trade Unions effective as at 31 December 2020 the Company is obliged, based on the number of years in service, to pay its employees on retirement or disability the following multiples of their average monthly salary (condition that an employee is not entitled to termination benefits must be met):

	Multiple of the average monthly salary	
Years of service	**2020**	**2019**
up to 10 years	2x	2x
10-15	3x	3x
15-20	4x	4x
20-25	5x	5x
25-30	6x	6x
30-35	7x	7x
more than 35	8x	8x

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

The Company also pays life jubilees benefits. Jubilee benefits when the employee reaches age of 50 years depend on the length of the service within the Company and are as follows:

	Benefit	
Years of service	**2020**	**2019**
over 5 years	522 EUR	374 EUR
over 10 years	522 EUR	500 EUR
over 20 years	670 EUR	670 EUR

The same or similar obligation had been included in the contracts with the Trade Unions since 1994. The Company has created expectations on the side of its employees that it will continue to provide the benefits, and according to the management's judgment that it is not realistic for the Company to cease providing them.

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

The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. For determining the present value, the discount rate derived from the yield curve for high quality Europe corporate bonds (AA) quoted as at 11 December 2020 (2019: 11 December 2019) was used (source: Bloomberg). Subsequently, the figures were adjusted by program applying R Svensson method to calculate forward discount rate used. The yield curves used are not materially different compared to the yield curves as of the year-ends.

Re-measurements (formerly Actuarial gains and losses) arising from experience adjustments and changes in actuarial assumptions are recognized immediately in Other comprehensive income (OCI).

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

Defined contribution pension plans

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

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

Throughout the year, the Company contributed to such schemes in the amount of up to 13.0% (2019: 13.25%) of gross salaries up to a monthly salary, which is defined by the relevant law together with the contributions of the employees of a further up to 5.0% (2019: 4.75%) of gross salaries. The costs contributed by the Company are charged to the profit or loss in the same period as the related salary costs.

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

	Benefit	
Years of service	**From 1 January 2020**	**From 1 January 2019**
up to 5 years	1.50 % of gross salary	1.50 % of gross salary
from 5 till 10 years	1.75 % of gross salary	1.75 % of gross salary
from 10 till 15 years	2.00 % of gross salary	2.00 % of gross salary
from 15 till 20 years	2.50 % of gross salary	2.50 % of gross salary
from 20 till 25 years	3.00 % of gross salary	3.00 % of gross salary
from 25 till 30 years	3.50 % of gross salary	3.50 % of gross salary
from 30 till 35 years	4.00 % of gross salary	4.00 % of gross salary
from 35 till 40 years	5.00 % of gross salary	5.00 % of gross salary
Over 40 years	6.00 % of gross salary	6.00 % of gross salary

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefit. In the case of an offer made to encouraged voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.19. Provisions and contingent liabilities

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

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

2.20. Revenue from contracts with customers

The Company accounts for revenue from contracts with customers in accordance with IFRS 15 Revenue from Contracts with Customers. The standard provides a single, principles based five-step model to be applied to all contracts with customers:

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

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

Revenues from supply and distribution of electricity and gas

General revenue recognition policies

The Company sells electricity and gas primarily to final users of commodities and recognizes revenues from such sales for both supply and distribution. Customer contracts combining supply and distribution of commodity are called integrated contracts.

The Company subcontracts its sister company VSD and other electricity distribution companies in Slovakia for delivering the distribution services.

The Company sells gas to final users in households segment since December 2017 after acquisition of ČEZ portfolio (Note 1). The Company subcontracts one gas distribution company for delivering the distribution services in all regions of Slovakia.

Integrated customer contracts contain in general three promises – supply of commodity, distribution of commodity via the distribution system of the distribution company, and balancing services for the clients' deviations from nominated amounts of the commodity. The Company has made judgment that distribution of commodity is not a separate performance obligation, because in practice customers tend to pay for distribution services under the integrated customer contracts to the Company and this is also a market standard. In exceptional cases it is possible for final user of commodity to conclude a separate contract for the distribution of a commodity directly with a distribution company or grid operator, depending on connection requirements. The customers in fact contract for a combined output and not the sum of individual inputs (commodity and distribution). Therefore, distribution service is not distinct, and it is not considered to be a separate performance obligation.

Volume flexibility clauses in customer contracts (take-or-pay clauses or balancing services provided to customers) could be considered as written option, however the Company has considered that the written option is not genuine. Therefore IFRS 9 will not be applicable. Promise to deliver balancing services is considered to be highly interrelated with the supply of commodity and as such, it is not distinct and not a separate performance obligation.

The supply and distribution of wholesale customers is measured and billed on monthly basis for both commodities.

The supply and distribution of electricity retail customers in households segment is measured and billed on annual basis for each of eleven billing cycles. Each customer is allocated to one of these eleven billing cycles. Annual metering of billing cycles is phased during the year, each month until January to November approximately one eleventh of the customers is measured. The Company uses type diagrams of delivery (TDD) for estimation of the monthly supply to the household segment between the date of last measurement and the end of the reporting period. Retail customers in household segment are billed on a monthly basis in the form of advance payments. The final bill is issued after measurement once a year.

The supply and distribution of gas retail customers in households segment is measured and billed on annual basis for each of twelve billing cycles. Each customer is allocated to one of these twelve billing cycles. Annual metering of billing cycles is phased throughout the whole year. The Company uses type diagrams of delivery (TDD) for estimation of the monthly supply to the household segment between the date of last measurement and the end of the reporting period. Retail customers in household segment are billed on a monthly basis in the form of advance payments. The final bill is issued after measurement once a year.

The supply and distribution of retail customers in electricity commodity, in the segment of small entrepreneurs, is measured and billed on the annual basis from 1 January till 31 December. Small entrepreneurs pay monthly or quarterly prepayments during the year.

The energy supply has the character of contractual performance rendered over time and the Company recognises revenue in the moment of the commodity delivery, based on the measured or estimated volume and price for the unit and after the customer discounts.

Revenue from sale of electricity on the spot market is recognized when the contract is fulfilled.

Specific revenue recognition policies for B2C customers (households and small entrepreneurs) for commodities

Commodity contracts with B2C customers are mainly based on pricelists and have no minimum contract duration. Customers can choose different tariffs driven by energy consumption, number of electricity phases, smart meters presence and other factors. There is a legal option as per Slovak energy legislation to change the energy supplier in case of price changes, therefore any discount programmes for these customers do not impact revenue recognition as there is no minimum contract duration in case of price changes. Volume of such discounts has historically been not material.

Specific revenue recognition policies for B2B customers (large and medium businesses) for commodities

The Company has B2B customers with commodity contracts that include take-or-pay clauses with minimum contract duration, typically 12 months. These clauses provide customers with unexercised rights upon inception of customer contracts. The Company has performed analysis of probability of activation of these take-or-pay clauses and concluded that they are very rarely used. The Company monitors activation of these clauses periodically and if they became material, the Company would recognize revenue and contract asset.

Non-commodity products and services and multiple element arrangements considerations

Revenues from rent of non-commodity products and services provided to households

The Company rents out the following goods – LED bulbs, shower heads, energy conserving sockets, alarms, water filters. The Company has a separate pricelist for leasing out these goods. The contracts with customers are rolling month-to-month and there is no minimum contract duration. The stand-alone selling price is equal to the transaction price and there are no bundles except for the offering discussed in the paragraph below. The Company accounts for revenues over time on as-billed basis.

The Company offers its customers rent of the goods mentioned above also in bundles with discounts for one or more elements included in the bundle. The customer can terminate the contract without penalty and there is no enforceable right of the Company beyond one-month period. Therefore, the Company accounts for revenues over time on as-billed basis.

The Company also leases out water heaters and washing machines. These customer contracts have a lease term of 36 months with pre-agreed right of customer to purchase the equipment at the end of the lease term for an agreed price. In case the contract is terminated by a customer, the customer must pay a fine equal to outstanding payments. Such customer contract is a finance lease as the Company will receive the entire fair value of the water heater during the contract duration via lease payments. Revenues are recognized over time during the period of the lease contract.

Revenues from customer loyalty programmes provided to households

The Company offers loyalty card programme where a customer pays monthly fee depending on the level of services. In this scheme, customers receive benefits such as year-round discounts in shops. Additionally, customers could choose from or combine the following levels of services:

- assistance services
- warranty services for electric appliances
- warranty services for gas appliances
- family doctor services.

All the above services are undertaken by a third party contracted by VSE. In the event of emergency, the customer contacts a call centre operated by a third party. Since 1 December 2017 the Company has become a contractual agent of the insurance company, in provision of insurance embedded in loyalty card programme. As a result, the Company is an agent in the scheme and recognizes commission revenues from loyalty card programme.

Since September 2018, the Company launched the new customer loyalty programme called innogy SuperDomov (iSD). The products and services previously and currently sold as separate products or as a part of the previous Loyalty Card programme, were grouped and currently they are sold in the form of the bundles within twelve possible packages. The differences in the content and price of the packages reflect the Company's estimate of the behaviour and needs of its customers. According to IFRS 15 each product or service included in the package is identified and allocated separate transaction price which takes into consideration also the price discounts and variable payments for the sale of commodity (electricity/gas). The basis for the separate transaction price allocation are individual selling prices for which the Company provides these products and services separately. In case that the total price of the customer loyalty programme package is lower than the sum of the individual selling prices, the Company allocates the discount pro rata to each individual products and services. The volume of revenues sold in this scheme and its impact on revenue recognition in 2019 was not material.

Revenues from these programmes are recognized over time.

Income from insurance intermediation

The company offers its customers various household insurance packages as well as property insurance. The company mediates insurance, i.e. the insurance risk is borne by the insurance company. The company collects a commission for insurance mediation, which it account for within revenues.

Revenues from services provided to businesses

The Company performs work on electrical equipment, installation of circuit breakers, special coatings against heat or cold and projects for lighting, heating and cooling of manufacturing halls and buildings, and provides e-mobility packages. These contracts are typically short-term in nature and there is significant financing component. Revenue is recognized over time.

Revenues within the group VSEH

Revenues from sales and sales support services provided for innogy Slovensko s.r.o.:

Revenues are based on Service Level Agreement ('SLA') and are recognized over time. The Company provides sales, marketing and sales support services to the customers on behalf of innogy Slovensko s.r.o. Revenues are recognized over time.

Revenues from electricity purchase and sales to Východoslovenská distribučná a.s.:

The Company recognizes revenue from services related to purchase of electricity to cover losses for VSD. The revenues are recognized over time.

2.21. Contract assets and contract liabilities

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

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

Contract liabilities in accordance with IFRS 15 are established in case the Company received payments from customers exceeding the services provided or commodities delivered to customers.

2.22. Contract costs

Incremental costs of obtaining a customer contract that the Company would not have incurred had the contract not been obtained, are capitalized and amortized during the estimated period in which the economic benefits from the contract will flow to the Company. The capitalized costs are regularly tested for impairment according to the standard IAS 36 and adjusted for the contracts cancelled and the contracts where the customer payments are delayed.

The Company has assessed that the incremental costs of obtaining the contract as immaterial.

2.23. Net loss from balancing services with OKTE

OKTE's responsibility is to calculate, bill and to collect or settle deviations caused by more or less electricity being offtaken than nominated and by overall balance of electricity network. Therefore, contract between the Company and OKTE related to balancing services is not in scope of IFRS 15. As a result, the annual loss from settlement of balancing services with OKTE is presented on net basis in profit or loss.

2.24. Interest income

Interest income is recognized on accrual basis using the effective interest rate method independent of timing of settlement of interest. The Company derives interest revenue from finance lease arrangements described in Note 2.20.

2.25. Related party disclosures

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

2.26. Offsetting financial instruments

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

2.27. Transactions under common control

The Company applies acquisition accounting as set out in IFRS 3 as accounting policy for business combinations under common control. This is relevant for historical contribution-in-kind described in Note 1 when supply part of business was contributed from VSEH to the Company.

3. Financial risk management

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

3.1 Credit risk

The Company is exposed to credit risk because of the possibility of failure of business partner and subsequent non-payment or non-delivery of commodity, goods or services supplied. The assessment of credit risk associated with customers of the Company is covered by internal directive ("CBO manual") on responsibility segregation for process of elaboration of price offer, conclusion of contracts, products development, spot market trading, and reporting.

The Company is exposed to credit risk due to financial guarantees. For information on guaranteed borrowings see Note 26.

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

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

Trade and other receivables

Majority of trade and other receivables are with external customers. Key customers of the Company are final users of commodity.

The Company is applying a system of advance payments for small price-list customers (retail), thus significantly eliminating credit risk for the period for which the customers offtake of commodity is not measured. Consumption of households are measured during the year in eleven cycles for electricity delivery and in twelve cycles for gas delivery. Consumption of small entrepreneurs is measured either during period from 1 January to 31 December or on monthly basis for gas customers (see Note 2.20 for more details). At the year-end, the advance payments billed to households are recognized within unbilled electricity balance in the SOFP. Respective individual net debit balance is presented in trade receivables and individual net credit balance is presented in contract liabilities.

Credit risk of customers is considered within the process of commenting and approving standard contracts and terms and conditions for customer segments as well as individual contracts for large customers.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The Company has analysed historical credit losses experienced over a period of 24 months before 31 December 2020 and 31 December 2019 respectively. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Company has identified the GDP and the unemployment rate in Slovakia and European Union countries to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2020, the Company decided to adjust the expected credit losses by a risk premium due to the expected economic slowdown. The Company expects a reduced ability to settle its receivables due to a coronavirus pandemic (no adjustment as of 31 December 2019).

In 2020, the Company changed the categories of receivables due to technical solutions that allow a more detailed analysis of receivables.

Fully impaired types of receivables mainly include receivables for imposed sanctions and reminder fees. Based on historical experience, the Company anticipates very low recoverability of these receivables. Therefore, it creates a provision for them in full.

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

As at 31 December 2020	Not yet due	Overdue 0 to 1 months	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
Wholesale								
Expected credit loss percentage	1.51%	1.51%	1.55%	1.97%	8.39%	54.47%	100.0%	
Trade and other receivables	25,016	487	74	7	0	9	0	25,593
Expected credit loss	378	7	1	0	0	5	0	391
Recognized bad debt allowance	378	7	1	0	0	5	0	391
Retail – commercial								
Expected credit loss percentage	2.01%	3.55%	8.84%	20.28%	51.54%	89.21%	100.0%	
Trade and other receivables	10,002	401	206	31	48	63	50	10,801
Expected credit loss	201	14	18	6	25	56	50	370
Recognized bad debt allowance	201	14	18	6	25	56	50	370
Retail – households								
Expected credit loss percentage	3.66%	8.45%	15.98%	26.16%	47.42%	85.89%	100.0%	
Trade and other receivables	12,425	194	504	172	234	46	23	13,598
Expected credit loss	455	16	81	45	111	40	23	771
Recognized bad debt allowance	455	16	81	45	111	40	23	771
OKTE								
Expected credit loss percentage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Trade and other receivables	-	-	-	-	-	-	-	0
Expected credit loss	-	-	-	-	-	-	-	0
Recognized bad debt allowance	-	-	-	-	-	-	-	0
Receivables within VSE H group								
Expected credit loss percentage	0.0%	0.0%	1.0%	1.4%	1.8%	2.2%	2.6%	
Trade and other receivables	1,965	145	0	100	0	200	200	2,610
Expected credit loss	0	0	0	1	0	4	5	10
Recognized bad debt allowance	0	0	0	1	0	4	5	10
Customers in bankruptcy								
Expected credit loss percentage	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Trade and other receivables	978	149	94	68	132	331	9,690	11,442
Expected credit loss	880	149	94	68	132	331	9,690	11,344
Recognized bad debt allowance	966	149	94	68	132	331	9,690	11,430
Receivables for imposed sanctions and reminder fees								
Expected credit loss percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Trade and other receivables	106	45	55	39	273	781	402	1,701
Expected credit loss	106	45	55	39	273	781	402	1,701
Recognized bad debt allowance	106	45	55	39	273	781	402	1,701

				Overdue				
As at 31 December 2019	**Not yet due**	**0 to 1 months**	**1 to 2 months**	**2 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**	**Total**
Wholesale								
Expected credit loss percentage	0.05%	0.1%	0.3%	1.3%	61.3%	90.1%	100.0%	
Trade and other receivables	22,219	1,274	264	31	7	1	1	23,797
Expected credit loss	11	1	1	-	4	-	1	18
Recognized bad debt allowance	9	1	1	-	4	-	1	16
Retail – commercial								
Expected credit loss percentage	0.8%	2.6%	9.3%	23.0%	53.1%	88.5%	100.0%	
Trade and other receivables	6,560	594	89	22	22	10	1	7,298
Expected credit loss	52	15	8	5	12	9	1	102
Recognized bad debt allowance	46	15	8	5	12	9	1	96
Retail – households								
Expected credit loss percentage	2.1%	5.8%	14.2%	24.8%	47.0%	85.5%	100.0%	
Trade and other receivables	6,160	2,737	589	209	297	141	-	10,133
Expected credit loss	55	158	84	52	140	121	-	610
Recognized bad debt allowance	10	213	102	64	178	129	-	696
OKTE								
Expected credit loss percentage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Trade and other receivables	464	-	-	-	-	657	-	1,121
Expected credit loss	-	-	-	-	-	-	-	-
Recognized bad debt allowance	-	-	-	-	-	-	-	-
Receivables within VSE H group								
Expected credit loss percentage	0.0%	0.0%	1.0%	1.4%	1.8%	2.2%	2.6%	
Trade and other receivables	-	173	-	-	-	-	-	173
Expected credit loss	-	-	-	-	-	-	-	-
Recognized bad debt allowance	-	-	-	-	-	-	-	-
Customers in bankruptcy								
Expected credit loss percentage	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Trade and other receivables	779	224	70	52	250	587	10,831	12,793
Expected credit loss	701	224	70	52	250	587	10,831	12,715
Recognized bad debt allowance	647	217	64	46	237	587	10,829	12,627
Other operations								
Expected credit loss percentage	11.7%	25%	25%	25%	46.4%	53.0%	100.0%	
Trade and other receivables	4,391	-	-	72	16	90	4	4,573
Expected credit loss	514	-	-	18	8	48	4	592
Recognized bad debt allowance	400	-	-	16	11	53	4	484

Almost all of the balances representing customers in bankruptcy and related bad debt provision are significantly aged balances and therefore historical analysis performed by the Company for relevant period excluded this impact except for customers entered to bankruptcy during analysed period whose impact was reflected in relevant other categories.

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

in EUR thousand	As at 31 December 2020	2019
up to 90 days including	2,771	6,400
from 91 to 120 days including	206	331
from 121 to 150 days including	248	166
from 151 to 180 days including	233	95
from 181 to 360 days including	1,430	1,486
from 361 days and more	10,365	10,837
Total	**15,253**	**19,315**

Until 31 January 2021 Company collected EUR 23,359 thousand of trade receivables unpaid as at 31 December 2020 (31 January 2020: EUR 25,943 thousand of trade receivables unpaid as at 31 December 2019).

The movements of bad debt provisions are presented in the profit or loss on line “Net impairment losses on financial assets”. Movements are presented below:

in EUR thousand	2020	2019
Balance at 1 January	**13,919**	**12,296**
Movement of bad debt provision	754	1,623
Balance at 31 December	**14,673**	**13,919**

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

in EUR thousand	2019	2018
Movement of bad debt provision	754	1,623
Write-off of receivables	1,484	1,436
Impairment of financial investment (Note 8)	400	315
Other	(20)	12
Total	**2,618**	**3,386**

Loan provided to subsidiary

In 2019 the Company provided a loan to its subsidiary iWATT in amount of EUR 200 thousand. The loan was provided with the interest rate of 5.00% p.a. and it is due as at 31 December 2022. In 2020, the principal of this loan was increased by EUR 400 thousand to total of EUR 600 thousand. The interest rate and the maturity remained unchanged.

Receivables from cash-pooling

Identified impairment loss from receivables from cash-pooling was considered by management to be immaterial.

Cash and bank accounts

Credit risk also originates from cash and bank accounts. Risk resulting from bank accounts is reduced through diversification of deposits in several banks. As a result, the Company evaluates the risk of bank accounts as standard.

The table below shows the amounts of cash and bank accounts and overdraft facilities:

in EUR thousand	Rating		Bank balance	
Bank	**2020**	**2019**	**31 December 2020**	**31 December 2019**
VÚB	A2/P-1	A2/P-1	1,236	713
ING bank	Aa3/P-1	Aa3/P-1	1,019	6,889
Citibank	Aa3/P-1	Aa3/P-1	409	121
Total			**2,664**	**7,723**

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

3.2 Liquidity risk

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

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

in EUR thousand	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2020						
Lease liabilities (Note 6)	17	50	68	170	153	458
Contract liabilities with customers	13,071	-	-	-	-	13,071
Bank overdraft	3	-	-	-	-	3
Trade and other payables (net of liabilities within the VSE H Group) (Note 14)	30,297	-	-	-	-	30,297
Liabilities within the VSE H group (Note 14)	10,481	-	-	-	-	10,481
Total	**53,869**	**50**	**68**	**170**	**153**	**54,310**
31 December 2019						
Lease liabilities (Note 6)	-	67	-	-	458	525
Contract liabilities with customers	13,858	-	-	-	-	13,858
Bank overdraft	3	-	-	-	-	3
Trade and other payables (net of liabilities within the VSE H Group) (Note 14)	30,297	-	-	-	-	30,297
Liabilities within the VSE H group (Note 14)	10,481	-	-	-	-	10,481
Total	**54,639**	**67**	**-**	**-**	**458**	**55,164**

In addition, the Company issued financial guarantees as per Note 26 that can be called immediately in case the primary obligor does not meet its obligations.

3.3 Cash flow interest rate risk

As the Company has no other significant interest earning assets besides bank accounts and finance lease receivables, the interest income and operating cash-flow are only slightly dependent on the changes of market interest rates. As the interest paid is not significant for the Company, the impact of the interest rate risk is limited.

3.4 Foreign exchange risk

Management does not consider foreign exchange risk as a significant exposure to the Company's operations as it has only immaterial volume of transactions in currency other than its functional currency.

3.5 Capital management

The Company defines capital as equity. The Company's capital management objective is focused on maintaining optimal structure of debt and own capital (debt/equity ratio) on the consolidated level of VSEH. Management monitors debt/equity ratios only at the level of consolidated financial statements for the VSEH group. The value of ratio as at 31 December 2020 is 103% (104% as at 31 December 2019). Currently, the Company is financed wholly by internal resources. The balance of cash and cash equivalents is EUR 2,664 thousand as at 31 December 2020 (EUR 7,726 thousand as at 31 December 2019). In case of need of external resources there is available cash-pooling financing (Note 2.12) implemented within VSEH group and additional uncommitted credit facilities available for VSE H.

3.6 Fair value estimation of financial instruments

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The Company has no financial instruments classified within Level 1 of fair value hierarchy.

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

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

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Fair value of cash and cash equivalents and cash-pooling balances is not significantly different from respective carrying amounts.

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

Level 1 – Cash in hand (Note 12);

Level 2 – Cash and cash equivalents except for cash in hand (Note 12), Receivables from cash-pooling (Note 2.12), Trade and other receivables (Note 3.1), Trade and other payables (Note 14); Lease liabilities (Note 6);

Level 3 – Issued financial guarantee contracts (Note 26), Financial investments at fair value through other comprehensive income (Note 9).

4. Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

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

Unbilled revenues from electricity supply and distribution

As a result of the fact that the retail customers in the household segment are metered at one of the eleven cycles which are phased between January and November of a calendar year (more detailed description in Note 2.20), remaining part of electricity supply and distribution for the reporting period gives rise to unbilled revenues from electricity supply and distribution. It is an accounting estimate which is based on the estimate of the supplied resp. distributed volume to households in technical units (MWh) between the date of last metering and the end of the reporting period.

The balance of unbilled revenues from electricity supply and distribution is determined as the estimated delivery in MWh multiplied by unit price in EUR/MWh deducted by the amount of advance billing to the customers. It is determined on individual customer level.

If the supply in households segment was higher by 1%, or 12 GWh (2019: 11 GWh) and assuming the level of advances received from customers would remain on the same level, the volume of unbilled electricity would be changed by EUR 914 thousand (2019: EUR 811 thousand). The SOFP would be debited and profit or loss would be credited by these amounts.

Economic useful life of tangible and intangible fixed assets

The economic useful life of tangible and intangible fixed assets stated in Note 2.5 and Note 2.6 was based on the best estimate of the Company's management. Should the estimated useful life of tangible and intangible fixed assets be shorter by 10%, the Company would record additional annual amortization and depreciation charge of tangible and intangible fixed assets of EUR 582 thousand (2019: EUR 580 thousand). Should the estimated residual useful life of tangible and intangible fixed assets be longer by 10%, the Company would record depreciation and amortization charge lower by EUR 477 thousand (2019: EUR 475 thousand).

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates. Details on expected loss rates are in Note 3.1.

5. Property, plant and equipment

in EUR thousand	Machinery, equipment, vehicles and office equipment	Construction in progress	Total
At 1 January 2019			
Cost	2,431	45	2,476
Accumulated depreciation	(1,337)	-	(1,337)
Impairment	-	-	-
Net book value	**1,094**	**45**	**1,139**
Additions	-	811	811
Transfers	723	(723)	-
Remaining value of disposed assets	(43)	-	(43)
Depreciation charge	(360)	-	(360)
Closing net book value	**1,414**	**133**	**1,547**
At 31 December 2019			
Cost	2,679	133	2,812
Accumulated depreciation	(1,265)	-	(1,265)
Net book value	**1,414**	**133**	**1,547**
At 1 January 2020			
Cost	2,679	133	2,812
Accumulated depreciation	(1,265)	-	(1,265)
Impairment	-	-	-
Net book value	**1,414**	**133**	**1,547**
Additions	-	414	414
Transfers	547	-547	-
Financial leasing	(124)	-	(124)
Remaining value of sold assets	(1)	-	(1)
Damages	(45)	-	(45)
Remaining value of disposed assets	(13)	-	(13)
Depreciation charge	(409)	-	(409)
Closing net book value	**1,369**	**-**	**1,369**
At 31 December 2020			
Cost	2,788	-	2,788
Accumulated depreciation	(1,419)	-	(1,419)
Net book value	**1,369**	**-**	**1,369**

Main part of property, plant and equipment is represented by products rented to customers as described in the Note 2.20 (EUR 1,138 thousand as of 31 December 2020; EUR 1,387 thousand as of 31 December 2019).

No property, plant and equipment item is pledged. If the customer fails to pay for the purchase / rental of non-commodity products, the Company has the right of return of rented products immediately.

The Company does not recognise or use any significant real estate subscribed in Cadastral Register, which is not legally permitted for the usage of the Company as at the end of the reporting period.

As of 31 December 2020, the Company insured its property, plant and equipment in total value of EUR 4,174 thousand.

6. Right of use assets and lease liabilities

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

Amounts recognised in the SOFP

The SOFP shows the following amounts relating to leases:

	31 December 2020	31 December 2019
Right-of-use assets		
Buildings	460	529
	460	**529**
Lease liabilities		
Current	67	67
Non-current	391	458
	458	**525**

Additions to the right-of-use assets during the 2020 financial year were EUR 0 thousand (2019: EUR 557 thousand).

Amounts recognised in the statement of profit or loss

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

	2020	2019
Depreciation charge of right-of-use assets		
Buildings	68	147
	68	**147**
Interest expense (included in finance cost)	3	1
Expense relating to short-term leases (included in service expenses)	377	8
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in service expenses)	-	-

The total cash outflow for leases in 2020 was EUR 445 thousand (2019: EUR 64 thousand).

7. Intangible assets

in EUR thousand	Computer software	Customer portfolio	Intangible assets not yet ready for use	Total
At 1 January 2019				
Cost	6,305	75,048	1,068	82,421
Accumulated amortization	(3,649)	(12,415)	-	(16,064)
Net book value	**2,656**	**62,633**	**1,068**	**66,357**
Additions	-	-	1,112	1,112
Transfer from CIP	1,361	-	(1,361)	-
Amortization charge	(1,423)	(3,001	-	(4,424)
Closing net book value	**2,594**	**59,632**	**819**	**63,045**
At 31 December 2019				
Cost	7,666	75,048	819	83,533
Accumulated amortization	(5,072)	(15,416)	-	(20,488)
Net book value	**2,594**	**59,632**	**819**	**63,045**
At 1 January 2020				
Cost	7,666	75,048	819	83,533
Accumulated amortization	(5,072)	(15,416)	-	(20,488)
Net book value	**2,594**	**59,632**	**819**	**63,045**
Additions	-	-	865	865
Transfer from CIP	1,324	-	(1,324)	-
Amortization charge	(1,557)	(3,002)	-	(4,559)
Closing net book value	**2,361**	**56,630**	**360**	**59,351**
At 31 December 2020				
Cost	8,990	75,048	360	84,398
Accumulated amortization	(6,629)	(18,418)	-	(25,047)
Net book value	**2,361**	**56,630**	**360**	**59,351**

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

Internally generated intangible assets are not material.

8. Subsidiaries

The Company's subsidiaries at 31 December 2020 are set out below. See Note 1 for further details on history of set up and acquisition of subsidiaries. These subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

As at 31 December 2020

Name	Country of incorporation	Date of incorporation	Date of commencement of operation	% interest held	Purpose
innogy Solutions s.r.o.	Slovak Republic	October 2003	October 2003	100%	HVAC Projects
iWATT s.r.o.	Slovak Republic	June 2019	June 2019	80%	IT and Marketing Services

As at 31 December 2019

Name	Country of incorporation	Date of incorporation	Date of commencement of operation	% interest held	Purpose
innogy Solutions s.r.o.	Slovak Republic	October 2003	October 2003	100%	HVAC Projects
iWATT s.r.o.	Slovak Republic	June 2019	June 2019	100%	IT and Marketing Services

Investments in subsidiaries measured at cost less impairment allowance is as follows:

in EUR thousand	As at 31 December 2020	2019
innogy Solutions s.r.o.	1,400	1,400
iWATT s.r.o.	-	500
Total	**1,400**	**1,900**

Financial results of subsidiaries are as follows:

2020 in EUR thousand	Assets	Liabilities	Equity	Profit / (loss)
innogy Solutions s.r.o..	1,361	1,356	5	(430)
iWATT s.r.o.	497	644	(147)	(396)
	1,858	**2,000**	**(142)**	**(826)**

2019 in EUR thousand	Assets	Liabilities	Equity	Profit / (loss)
innogy Solutions s.r.o..	2,019	1,594	424	(182)
iWATT s.r.o.	535	285	249	(251)
	2,554	**1,879**	**673**	**(433)**

The financial figures for year 2020 are based on interim not audited and not approved financial statements as at 31 December 2020. They are not expected to differ significantly from the final amounts.

As of 1 January 2020, the Company sold 20% share in iWATT s.r.o. Investment of the Company hence decreased to EUR 400 thousand.

Management of the Company has considered that there are impairment indicators related to financial results of subsidiaries, especially because the entities incurred losses. Management has analysed fair value and value in use of these subsidiaries and concluded that as of 31 December 2020, investment in innogy Solutions s.r.o. is impaired by EUR 315 thousand (as of 31 December 2019: EUR 315 thousand). As of 31 December 2020, investment in iWATT s.r.o. is impaired by EUR 400 thousand (as of 31 December 2019: EUR 0 thousand) Impairment is already reflected in the table above.

9. Financial instruments by category

Financial assets

in EUR thousand	As at 31 December 2020	As at 31 December 2019
Financial assets – investments in subsidiaries at cost		
Investments in subsidiaries (Note 8)	1,400	1,900
Financial assets at fair value through other comprehensive income		
Financial investments at fair value through other comprehensive income (Note 1)	322	322
Financial assets at amortised cost		
Loan provided to subsidiary (Note 3.1)	600	200
Trade and other receivables (Note 3.1)	50,472	45,969
Receivable from cash-pooling (Note 2.12)	28,349	21,089
Cash and cash equivalents (Note 12)	2,664	7,726
Total financial assets	**83,807**	**77,206**

Financial assets at fair value through other comprehensive income (Note 1) are as follows:

Name	% share in paid-up share capital As at 31 December 2020	As at 31 December 2019
People2People, s. r. o.	8.01%	8.77%

Financial liabilities

in EUR thousand	As at 31 December 2020	As at 31 December 2019
Financial liabilities at amortised cost		
Lease Liabilities (Note 6)	458	525
Trade and other payables net of liabilities within VSE H Group (Note 14)	29,949	30,314
Liabilities within VSE H Group included in trade and other payables (Note 14)	10,481	10,305
Bank overdraft	3	3
Payables to employees (Note 14)	348	327
Total financial liabilities	**41,239**	**41,474**

10. Other non-financial assets

in EUR thousand	As at 31 December 2020	2019
Deferred expenses	1,070	667
Other receivables including prepayments and other accrued income	407	541
Total	**1,477**	**1,208**

11. Inventories

in EUR thousand	As at 31 December 2020	2019
Merchandise	593	745
Total	**593**	**745**

The cost of inventory recognized as an expense and recognized as “Merchandise sold” amounted to EUR 133 thousand (2019: EUR 176 thousand).

12. Cash and cash equivalents

in EUR thousand	As at 31 December 2020	2019
Cash at bank (Note 3.1)	2,664	7,723
Cash in hand	-	3
Total	**2,664**	**7,726**

The effective interest on a weighted average basis on cash-pooling deposits was 0.0% p.a. (2019: 0.0% p.a.) with daily settlements.

For the purposes of the Statement of Cash Flows, the cash and cash equivalents comprise of the above-mentioned items.

Citibank issued bank guarantees for the Company in the amount of EUR 3,009 thousand (2019: EUR 2,889 thousand).

The Company had no restrictions related to cash and cash equivalents in 2020 and 2019.

13. Equity

The amount of subscribed and paid share capital of the Company as to 31 December 2020 is EUR 58,751 thousand (31 December 2019: EUR 58,751 thousand).

The total authorized number of ordinary shares is 2. One share in a nominal value of EUR 35 thousand and one share in a nominal value of EUR 58,716 thousand in relation to transition of Sales division from VSEH to VSE in 2014.

There is no share capital not listed in the Commercial Register as at 31 December 2020.

The Company created the legal reserve fund in amount of 20% of share capital established at the transformation to the joint-stock company.

Financial statements of the Company for prior accounting period have been approved by General Meeting on 24 April 2020. Profit for the year 2019 in amount of EUR 6,169 thousand was used for settlement of unsettled losses from prior periods (EUR 2,701 thousand). Remaining part of the profit (EUR 3,468 thousand) was paid out as dividend to shareholders of the Company.

The decision on profit distribution for accounting period 2020 will be made by the General Meeting of the Company. The Board of Directors had not presented a proposal for distribution of 2020 profit as of the date of these financial statements.

The retained earnings are as at 31 December 2020 reduced as a result of reassessment of employee benefit obligations in the amount of EUR 105 thousand (2019: EUR 42 thousand).

14. Trade and other payables

	As at 31 December	
in EUR thousand	**2020**	**2019**
Financial liabilities at amortised cost		
Trade and other payables net of liabilities within VSE H Group (Note 9)	29,949	30,314
Liabilities within VSE H Group included in trade and other payables (Note 9)	10,481	10,305
Payables to employees (Note 9)	348	327
Total financial liabilities	**40,778**	**40,946**

There are no liabilities pledged or secured in another way.

The Company recognizes no payables overdue as at 31 December 2020 and as at 31 December 2019.

For an assessment of the financial guarantees issued, see Note 26.

15. Contract liabilities

	As at 31 December	
in EUR thousand	**2020**	**2019**
Contract liability from net customer prepayments for unmeasured period (See Note 2.20)	13,071	13,858
Total	**13,071**	**13,858**

16. Other non-financial liabilities

	As at 31 December	
in EUR thousand	**2020**	**2019**
Income tax liability	283	377
Social securities and other taxes	421	396
Accrual for bonuses and untaken holiday	1,329	1,452
VAT liability	1,763	1,089
Other	48	105
Total	**3,844**	**3,419**

17. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using an enacted tax rate of 21% with an uplift related to a special levy legislation (2019: enacted tax rate of 21% with an uplift related to a special levy legislation). The change in tax rate is described in Note 23.

in EUR thousand	As at 31 December 2020	2019
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	429	425
- Deferred tax asset to be recovered within 12 months	1,947	1,650
	2,376	**2,075**
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	(11,744)	(12,393)
- Deferred tax liability to be recovered within 12 months	(55)	(51)
Total	**(11,799)**	**(12,444)**

The gross movement on the deferred income tax account is as follows:

in EUR thousand	2020	2019
At the beginning of the period	(10,369)	(11,243)
Income in profit or loss (Note 23)	946	874
At 31 December	**(9,423)**	**(10,369)**

The movement in deferred tax assets and liabilities during the year is as follows:

in EUR thousand	At 1 January 2020	(Charged)/ credited to the profit or loss	At 31 December 2020
Difference between tax base and carrying amount of non-current assets	(12,014)	563	(11,451)
Finance lease receivable	(244)	52	(192)
Finance lease liability - IFRS 16	120	(14)	106
Provisions against bad debts	1,183	338	1,521
Provision for other liabilities and charges	586	7	593
Total	**(10,369)**	**946**	**(9,423)**

in EUR thousand	At 1 January 2019	(Charged)/ credited to the profit or loss	At 31 December 2019
Difference between tax base and carrying amount of non-current assets	(12,354)	340	(12,014)
Finance lease receivable	(386)	142	(244)
Finance lease liability - IFRS 16	27	93	120
Provisions against bad debts	827	356	1,183
Provision for other liabilities and charges	643	(57)	586
Total	**(11,243)**	**874**	**(10,369)**

18. Provisions

in EUR thousand	Restructuring	Other	Total
At 1 January 2020	**41**	**320**	**361**
Creation of provision	81	-	81
Used/paid during year	(102)	(23)	(125)
At 31 December 2020	**20**	**297**	**317**

in EUR thousand	Restructuring	Other	Total
At 1 January 2019	**54**	**-**	**54**
Creation of provision	4	320	324
Used/paid during year	(17)	-	(17)
At 31 December 2019	**41**	**320**	**361**

Restructuring provision

The Company plans for a reduction of 1 job in 2021. This decision was approved in 2020 by the Company's representatives and communicated to the trade unions. The estimated staff restructuring costs to be incurred are EUR 20 thousand and the provision will be used in 2021.

Other provisions

The provision includes amounts relating to customer claims arising from the contractual terms of customer programs.

19. Employee benefits

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

	As at 31 December	
in EUR thousand	**2020**	**2019**
SOFP obligation for:		
Present value of recognized unfunded retirement obligations	866	731
Jubilee awards	45	37
Disability benefits	54	46
Liability in the SOFP	**965**	**814**

Use of the provision for retirement depends on the termination of employment by employees at the normal retirement date, which is expected in accordance with actual legislation. Provision for jubilee awards is expected to be used at life or work milestones, when such an event occurs.

in EUR thousand	2020	2019
Income statement charge included in operating and financial profit		
Current service cost	106	95
Interest cost	10	14
Past service cost, other	9	6
Total charge / (credit) included in employee benefit expense	**125**	**115**

in EUR thousand	2020	2019
Re-measurements for:		
Defined pension benefits	63	40
Total re-measurements	**63**	**40**

The movements in defined benefit pension over the year are as follows:

in EUR thousand	Present value of obligation
As at 1 January 2020	**814**
Reclass to other VSE H group company	-
Current service cost	106
Past service cost	9
Interest cost	10
	939
Re-measurements:	
Gain (-) / loss (+) from change in financial assumptions	72
Gain (-) / loss (+) from change in demographic assumptions and in fluctuation	(52)
Gain (-) / loss (+) from actual adjustments	43
	63
Payments from plan	(37)
As at 31 December 2020	**965**

in EUR thousand	Present value of obligation
As at 1 January 2019	**690**
Reclass to other VSE H group company	(13)
Current service cost	95
Past service cost	6
Interest cost	14
	792
Re-measurements:	
Gain (-) / loss (+) from change in financial assumptions	95
Gain (-) / loss (+) from change in demographic assumptions and in fluctuation	(55)
Gain (-) / loss (+) from actual adjustments	-
	40
Payments from plan	(18)
As at 31 December 2019	**814**

The principal actuarial assumptions to determine the pension liability were as follows:

31 December 2020	
Number of employees with entitlement to the benefits	260
Percentage of employees, who will annually terminate their employment with Company prior to retirement (withdrawal rate)	3.18%
Expected salary increases	2.0% p.a. in 2021 – 2023 and 2.7% in following years
Discount rate	Bloomberg's yield curve for high quality Euro corporate bonds AA in range from (0.54)% to 0.60%

31 December 2019

Number of employees with entitlement to the benefits	258
Percentage of employees, who will annually terminate their employment with Company prior to retirement (withdrawal rate)	2.82%
Expected salary increases	3.0% p.a. in 2020 – 2022 and 2.7% in following years
Discount rate	Bloomberg's yield curve for high quality Euro corporate bonds AA in range from (0.37)% to 1.16%

Sensitivity analysis of liability for employee benefits of the Company is stated in following table (in EUR thousand). The Company does not expect a significantly different change in the liability for employee benefits due to a change in fluctuations, or other parameters, compared to the previous year.

Description of change of parameter	Liability as at 31 December 2020	Change in comparison with basic scenario	Change in comparison with basic scenario in %
Basic scenario	965		
Increase of mortality by 10% compared to principal assumptions	954	-10	-1
Decrease of mortality by 10% compared to principal assumptions	975	10	1
Increase in salaries +0,25% compared to principal assumptions	1 000	35	4
Decrease in salaries -0,25% compared to principal assumptions	931	-34	-3
Discount rate +0,5% compared to principal assumptions	894	-71	-7
Discount rate -0,5% compared to principal assumptions	1 043	78	8

Description of change of parameter	Liability as at 31 December 2019	Change in comparison with basic scenario	Change in comparison with basic scenario in %
Basic scenario	814		
Increase of fluctuation by 2%	599	(215)	(26)
Decrease of fluctuation by 2%	1,113	299	37
Increase in salaries +1% compared to principal assumptions	876	61	8
Decrease in salaries -1% compared to principal assumptions	759	(56)	(7)
Discount rate +1% compared to principal assumptions	701	(114)	(14)
Discount rate -1% compared to principal assumptions	955	141	17

Sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

Amounts paid for defined contribution pension plans:

in EUR thousand	2020	2019
Defined contribution pension plans	916	893
Total	**916**	**893**

20. Revenue from contracts with customers

The Company derives revenue from the transfer of commodities, goods, services and leases. Further details are as follows:

in EUR thousand	2020	2019
Electricity to industrial and commercial customers, of which:	287,770	268,044
- *Revenues within VSE H group*	*16,090*	*14,081*
Electricity to residential customers (households and small businesses)	217,426	198,720
Gas to residential customers	12,499	12,056
Revenues from non-commodity products and services	9,002	9,238
Revenue from services within VSE H Group	2,058	2,219
Other revenues	287	1,360
Total revenues from contracts with customers	**529,042**	**491,637**

21. Profit from operations

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

in EUR thousand	2020	2019
Revenues (Note 20)	**529,042**	**491,637**
Purchases of electricity and gas	(238,700)	(207,609)
Distribution and transmission costs	(245,214)	(238,698)
Electricity and gas costs:	**(483,914)**	**(446,307)**
Raw materials and other consumed materials, merchandise sold	**(749)**	**(1,544)**
Wages and salaries	(6,968)	(7,721)
Defined contribution pension plan (Note 19)	(916)	(893)
Social security costs	(1,259)	(1,563)
Other staff costs	(354)	(343)
Employee benefit expense	**(9,497)**	**(10,520)**
Costs from Service Level Agreements (SLA) within the VSE H group	(4,790)	(5,152)
Advertising	(307)	(878)
Sales support	(608)	(773)
Services from subcontractors related to non-commodity business	(2,690)	(3,843)
IT and telecommunication charges	(898)	(797)
Cash collection & post services	(2,361)	(1,981)
Personnel lease and part time services	(157)	(202)
Consultancy fees	(934)	(433)
Education and Trainings	(195)	(195)
Other services	(1,302)	(1,109)
Assurance services provided by auditor	(39)	(45)
Services	**(14,281)**	**(15,408)**
Depreciation (Note 5)	(409)	(360)
Remaining value of disposed assets (Note 5)	(13)	-
Amortisation of right-of-use assets (Note 6)	(68)	(147)
Amortization (Note 7)	(4,559)	(4,424)
Depreciation and amortization	**(5,049)**	**(4,931)**
Net impairment losses on financial asset (Note 3.1)	**(2,618)**	**(3,386)**
Net loss from sale of assets	**(1)**	**-**
Net loss from balancing services with OKTE (Note 2.23)	**(3,731)**	**(3,502)**
Other net gains	867	2,165
Profit from operations	**10,069**	**8,204**

22. Finance income and costs

in EUR thousand	2020	2019
Interest income - finance lease	129	196
Interest income – non-commodity sale	108	100
Interest expense	(14)	(18)
Finance income - net	**223**	**278**

23. Income tax expense

in EUR thousand	2020	2019
Current tax, of which:	3,494	3,187
Special levy on businesses in regulated sectors	261	183
Deferred tax (Note 17)	(946)	(874)
Income tax expense	**2,548**	**2,313**

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

in EUR thousand	2020	2019
Profit before tax	10,292	8,482
Income tax calculated at tax rate of 21% (2019: 21%)	2,161	1,781
Tax effects of:		
Expenses not deductible for tax purposes	310	418
Effect of special levy scheme payments	77	114
Other		-
Tax charge	**2,548**	**2,313**
Effective tax rate	**25%**	**27%**

The corporate income tax rate applicable for the year 2020 is 21% (2019: 21%).

The Company pays a special levy that is relevant for regulated business. The special levy is presented under income tax expense, as special levy is profit based expense, and therefore also in scope of IAS 12. Basis for special levy payment is profit before tax.

Until 2016, the legislation on special levy was approved annually for only one year ahead with very limited impact on deferred tax. Amendment 338/2016 to this legislation effective from 31 December 2016 has changed the annual approval to indefinite period of time and temporary has increased special levy rates for next 4 years.

Under standard conditions, 21% would be the rate applied on temporary differences to calculate deferred tax position in the SOFP. However, as special levy is de facto tax, the size of the uplift to 21% tax rate should be determined by projecting the special levy payments for future periods.

The Company performed this projection resulting into adjusted tax rate of 22.92% (2019: 22.68%) applied for deferred tax determination.

24. Cash generated from operations

The Company prepared cash flow statement using indirect method.

in EUR thousand	2020	2019
Profit before tax	**10,292**	**8,482**
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	409	360
Amortisation of intangible assets (Note 7)	4,559	4,424
Amortisation of right-of-use assets (Note 6)	68	147
Remaining value of disposed assets (Note 5)	13	
Payments for short-term and low-value leases (Note 6)	377	8
Change in provisions (Note 18 and Note 19)	44	391
Change in bad debt provision (Note 3.1)	754	1,623
Impairment of financial investment (Note 8)	400	315
Interest income (Note 22)	(237)	(296)
Interest expense (Note 22)	14	18
Shortages and damages	45	43
Write-off of receivables (Note 3.1)	1,484	1,436
Other non-cash operations	2	(95)
Changes in working capital:		
Inventories (Note 11)	152	(146)
Trade and other receivables (Note 3.1)	(6,741)	(6 891)
Trade and other payables (Note 14)	(168)	2 847
Contract liabilities (Note 15)	(787)	3 368
Other non-financial assets (Note 10)	(269)	(960)
Other non-financial liabilities (Note 16)	519	(191)
Payable from acquisition of subsidiaries	586	(958)
Cash generated from operations	**11,516**	**13,925**

25. Contingencies

Taxation

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

26. Commitments and issued financial guarantees

Capital commitments

As at 31 December 2020, the Company does not have material capital commitments (31 December 2019: none).

Commitments of Guarantor

During 2019 the Company has become a guarantor for four long term bank borrowings of group company VSD. In case the debtor fails to fulfil its payment obligations against banks, the Company is obliged to

perform the obligations of the debtor to the banks. The principal amounts of borrowings of VSD (VSE H until 2018) guaranteed by the Company are as follows:

in EUR thousand	2020	2019
ING Bank, a Branch of ING-DiBa AG	60,000	60,000
ING Bank, a Branch of ING-DiBa AG	50,000	50,000
UniCredit Bank Czech Republic and Slovakia, a.s.	60,000	60,000
Slovenská sporiteľňa, a.s.	50,000	50,000
Total	**220,000**	**220,000**

The Company has assessed that fair value of these financial guarantees is not material to the financial statements as there is a history of bank loans provided to VSEH that were not secured by financial guarantees and interest differential was insignificant between the guaranteed and unguaranteed loans.

27. Related party transactions and balances

Related parties are divided into following categories:

a) Parent company
- VSE H

b) Entities under control of RWE that are not part of VSE H Group (Company was part of RWE group until 31 August 2020)

- RWE Supply&Trading GmbH
- RWE AG

c) Entities under control of E.ON that are not part of VSE H Group (Company is part of E.ON group since 1 September 2020)

- E.ON SE
- E.ON Hrvatska d.o.o.*
- E.ON Energija, d.o.o.*
- innogy SE*
- innogy Westenergie GmbH*
- innogy International Participations N.V. *
- innogy Energie, s.r.o.*
- innogy Gastronomie*
- innogy Česká republika a.s. *
- innogy South East Europe s.r.o*
- KA Contracting SK, s.r.o.*
- EFFEH Slovensko s.r.o. (RWE Slovensko s. r. o.)

*The companies were transferred to the E.ON Group on 19 September 2019. From 20 September 2019 to 31 August 2020, they were not considered related parties. Until 18 September 2019, they were related parties under the control of RWE).

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

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

e) Entities under control of VSE H

- Východoslovenská distribučná a.s. (VSD)
- Východoslovenská energetika a.s. (VSE)
- innogy Slovensko s. r. o. (former RWE Gas Slovensko, s.r.o.)
- VSE Call centrum, s.r.o.
- VSE Ekoenergia, s.r.o.
- innogy Solutions s. r. o.
- iWATT s. r. o.

f) Key management personnel of the Company

- members of the Board of Directors
- members of Supervisory Board

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

The nature of relationship with related parties where the Company carried out significant transactions or had significant balances as at 31 December 2020 and 31 December 2019 with, are described below.

a) Parent company

Transactions with parent company VSE H are stated in the following table:

in EUR thousand	2020	2019
Sale of electricity (Note 20)	153	162
Purchase of services	(4,996)	(5,030)
Purchase of intangible assets	(196)	(173)
Dividends paid	(3,468)	-

Balances with parent company VSE H are stated in the following table:

	As at 31 December	
in EUR thousand	2020	2019
Receivable from cash-pooling (Note 2.12 and Note 12)	28,349	21,089
Other receivables	7	-
Trade and other payables (Note 14)	950	830

b) Entities under control of RWE that are not part of VSE H Group

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

in EUR thousand	2020	2019
Sale of services	-	239
Electricity procurement	(15,259)	(27,830)
Purchase of services	-	(13)
Other purchase	-	(216)

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

	As at 31 December	
in EUR thousand	**2020**	**2019**
Trade receivables (gross)	-	-
Trade and other payables	1,896	2,812

c) Entities under control of E.ON that are not part of VSE H Group

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

in EUR thousand	**2020**	**2019**
Sale of services	1	-
Purchase of services	(11)	-

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

	As at 31 December	
in EUR thousand	**2020**	**2019**
Trade receivables (gross)	-	-
Trade and other payables	-	-

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

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

in EUR thousand	**2020**	**2019**
Sale of electricity, of which:	76,687	78,524
Železnice Slovenskej republiky	58 004	66,589
Slovenské elektrárne, a.s.	*245*	*2,595*
OKTE a.s.	*11,690*	*9,340*
ZSE Energia, a.s.	*6,748*	-
Purchase of electricity, of which:	(229,093)	(166,134)
Slovenské elektrárne, a.s.	*(75,102)*	*(20,196)*
Stredoslovenská energetika, a.s.	*(18,942)*	*(16,978)*
OKTE a.s.	*(120,041)*	*(117,707)*
Západoslovenská energetika, a.s.	*(15,008)*	*(11,253)*
Purchase of gas incl. distribution (SPP - distribúcia, a. s.)	(4,217)	(4,510)
Purchase of services	(6)	(8)

The Company sold electricity mainly to Železnice Slovenskej republiky, OKTE, a.s., Západoslovenská energetika, a.s. Group and Slovenské elektrárne, a.s.

Electricity purchases related predominantly to OKTE, a.s., Slovenské elektrárne, a.s., Západoslovenská energetika, a.s. Group and Stredoslovenská energetika Holding, a.s. Group.

Balances are stated in the following table:

in EUR thousand	As at 31 December 2020	2019
Trade receivables (gross), of which:	2,651	4,236
Železnice Slovenskej republiky	1,006	2,853
Slovenské elektrárne, a.s.	-	*264*
OKTE, a.s.	*959*	*1,119*
Západoslovenská energetika, a.s.	*686*	-
Trade and other payables, of which:	14,055	6,419
Slovenské elektrárne, a.s.	*7,279*	*2,184*
Stredoslovenská energetika, a.s.	*1,180*	*1,148*
OKTE, a.s.	*1,798*	*2,133*
Západoslovenská energetika, a.s.	*3,497*	*619*
SPP - distribúcia, a. s.	*301*	*335*

e) Entities under control of VSE H

Transactions with entities under control of VSE H are stated in the following table:

in EUR thousand	2020	2019
Revenues from sales of electricity (Note 20)	15,937	13,919
Revenues from sales of services (Note 20)	2,058	2,219
Purchase of electricity	-	(4)
Purchase of gas	(7,281)	(6,880)
Purchase of distribution services	(112,018)	(110,716)
Purchase of other services	(1,169)	(892)
Loans to subsidiaries	(400)	(200)

Balances with entities under control of VSE H are stated in the following table:

in EUR thousand	As at 31 December 2020	2019
Trade receivables (gross)	2,023	381
Loans to subsidiaries	600	200
Trade and other payables (Note 14)	9,531	9,475

f) Key management personnel of the Group

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

	2020		2019	
in EUR thousand	**Board of directors**	**Supervisory board**	**Board of directors**	**Supervisory board**
Short-term employee benefits	342	101	469	92
Total	**342**	**101**	**469**	**92**

28. Events after the reporting period

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