Slovenský plynárenský priemysel, a.s.

Annual Report 2022

2022 SPP ANNUAL REPORT

TABLE OF CONTENTS

FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Ladies and Gentlemen,

The military conflict in Ukraine has fundamentally altered the energy sector and how it is perceived, while forcing us to realise its impact on our daily lives. It has also strongly affected the operation of SPP. Our priority in 2022 was to ensure uninterrupted energy supplies to all our customers, from large industrial businesses to households.

Thanks to contracts diversifying gas purchases from North Sea platforms and for the supply of liquefied natural gas (LNG), we are currently capable of covering more than 65% of client consumption from non-Russian sources. We are able to source gas supplies from the south via Italian infrastructure and also the LNG terminal in Croatia, via the northern line, as well as via the still functioning eastern transmission route through Ukraine. Thanks to our thorough preparation and the combination of year-round stability in the flow of gas from diversified sources and the volume of gas stocks in storage facilities, Slovakia was among the best prepared European countries in the winter of 2022/2023. As a last resort supplier, we are also prepared to guarantee the security of gas supplies to consumers in the upcoming period.

In 2022, SPP was the leader on the Slovak energy market, hitting a new record of almost 1.5 million points of supply. We have stabilised our overall market share in gas supplies at almost 58%. In electricity supplies to households, we maintained our position as the 4th largest supplier with a market share of nearly 12%. In total, we supplied 27 TWh of gas and 1.5 TWh of electricity to end customers.

The successful periods of 2020 and 2021 were followed by yet another in 2022, in which SPP's operating profit reached EUR 20 million. The emphasis on financial and operating stability, coupled with our conservative strategy aimed at minimising market and other risks, helped SPP achieve its business and development goals despite the challenges seen in 2022.

Last year saw the end of the period of relatively stable energy prices. As a supplier, we are able to handle substantial fluctuations in market prices only to a certain degree. It is likely that the volume of Russian gas supplies will continue to fall in the coming years. It will only be possible to replace them by a combination of various measures. In addition to diversification, it is crucial also to keep cutting gas consumption wherever possible. Reduced consumption, meaning also lower demand, will not only positively impact prices, but also move us closer to meeting climate goals.

Along with savings, the other factor stabilising energy costs for end consumers will be the decentralised production of energy from local sources tailored to the needs of clients. However, installing these local sources on a massive scale will require time and preparation, not only from producers of the technology, but also from distribution system operator. Our aim is to give customers an alternative in the form of renewable energy sources and energy services that cut the consumption of fossil fuels. A few years ago, we boosted greatly our electricity business by becoming a purchaser of electricity from renewable energy sources. Last year, we established the company ESCO Slovensko. In 10 years, we project SPP to be operating its own production sources of electricity from photovoltaics, wind energy or biomethane from biodegradable waste.

Both our customers and the public at large will increasingly expect us to apply the principles of responsible business and sustainability. In 2022, we therefore published our comprehensive Sustainability Report, compiled in accordance with GRI standards, describing in detail the impact of our activities on the environment, on employees and business partners, as well as on society as a whole. This report includes SPP's goals for the future, with which we hope to improve our sustainability and so also the resilience of us all.

I would like to thank our customers for the trust they have shown us in the past year. I want to assure them that we continue with the preparation and improvement of our products and services. At the same time, I must thank all our employees and suppliers whose energy, professionalism, abilities and skills transitioned our company through the kinds of new challenges that had never been faced until last year. While we are proud of what we have already achieved, at the same time, we continue to be bold in our plans and decisions.

Miroslav Kulla
Chairman of the Board of Directors
CEO

COMPANY PROFILE

Slovenský plynárenský priemysel, a.s. (SPP) builds on the more than 165-year tradition of operating in the energy sector, and today is the largest energy supplier in Slovakia. The company guarantees reliable, secure and competitive supplies of gas and electricity, including auxiliary services, to more than 1.5 million points of supply across all market segments and regions in Slovakia. In addition to supplying energy, SPP offers also a wide range of energy services and other complementary services. SPP has been purchasing electricity from renewable energy sources and high-efficiency cogeneration since 2020.

SPP is a joint stock company. The sole shareholder of SPP is the Slovak Republic represented by the Ministry of Economy of the Slovak Republic, which elects members of the Board of Directors and the Supervisory Board (excluding members of the Supervisory Board elected by employees). The Board of Directors is the statutory body of SPP. It manages the company's activities and makes decisions on all matters, unless reserved by legal regulations or the Articles of Association for decision-making to the General Meeting or the Supervisory Board.

The Supervisory Board is the supreme control body of SPP. It supervises the powers exercised by the Board of Directors and the performance of business activities by the company. One third of the Supervisory Board, i.e. three members, is elected by SPP employees.

SPP is the sole shareholder of SPP CZ, a.s., which operates as a gas and electricity supplier in the Czech Republic, and the sole shareholder of SPP CNG s. r. o., which focuses on selling and developing the use of CNG and LNG.

SPP also owns a 51% stake in SPP Infrastructure, a. s. while the owner of the remaining 49% is Energetický a průmyslový holding, a.s., through Slovak Gas Holding, B.V., which also exercises managerial control over SPP Infrastructure, a. s.

SPP implements its activities in the field of corporate responsibility and philanthropy through the SPP Foundation and EkoFond SPP. In 2021, ESCO Slovensko, a. s. launched its activities as a joint venture between SPP and ČEZ ESCO, a.s.

INTERNAL CONTROL SYSTEM, CORPORATE GOVERNANCE, COMPLIANCE PROGRAMME AND SPP CODE OF CONDUCT

The internal control system of SPP protects the company from internal and external risks and comprises three levels: (i) System of control mechanisms (measures) at the level of organisational units to mitigate risks present in various processes or fields of activities, (ii) Components of the internal control system, and (iii) Internal audit providing the executive management, the Board of Directors and the Supervisory Board with independent reassurances as to what extent the functioning of the control system at the first and second level complies with the requirements of the Board of Directors and executive management. SPP also established the Audit Committee which, among other tasks, monitors the efficiency of internal control, internal audit and risk management systems in the company, if they affect the compilation of financial statements. The components of SPP's internal control system include: risk management, personal data protection, information and cyber security, physical and facility security, occupational health and safety (OHS), environmental protection, protection from fraud and other illegal activities, business continuity management (BCM), corporate governance and the compliance programme. Integrated corporate governance was introduced at the initiative of SPP to sign to the Code of Corporate Governance for State-Owned Companies in Slovakia. This means the company regularly formulates a declaration containing detailed information on what extent it complies with the principles and rules of corporate management and governance laid down by the Code. Corporate governance involves the general management of the company, oversight and guidance. The compliance programme is based on the principles of the SPP Code of Conduct and is established in accordance with the values, goals and strategy of SPP. The compliance programme covers the management of SPP in relation to the specifics of the SPP environment. Based on the compliance programme, SPP demonstrates both inward and outward that it operates in accordance with the requirements of internal and legal regulations and, ultimately, also in accordance with the principles of corporate governance. The SPP Compliance Manager is responsible for the compliance programme, acting independently in his/her activities and reporting directly to the Board of Directors and CEO of SPP.

The compliance programme also includes a system for receiving and dealing with general complaints relating to SPP, as well as complaints relating to violations of the rules and principles of responsible conduct, this in accordance with best practices. SPP has established and published two channels for reporting any complaints, either by electronic means to a specific email address – compliance@spp.sk or in writing by post to the address of SPP's registered office. A complaint may be filed by a whistleblower either in his/her own name or anonymously. With anonymous complaints, a whistleblower may specify anonymous contact details to be used to send the information about the handling of his/her complaint. Complaints are handled by the Compliance Manager. In 2022, SPP did not identify any complaint filed under the Whistleblowers Protection Act. Those complaints relating to SPP Code of Conduct were being handled on an ongoing basis with the aim of enforcing SPP's values, standards of conduct and corporate culture.

BOARD OF DIRECTORS

Mgr. Miroslav Kulla, Chairman of the Board of Directors, since 9 October 2022

Ing. Milan Urban, Chairman of the Board of Directors, until 9 October 2022

Ing. Marián Široký, Vice-Chairman of the Board of Directors, since 9 October 2022

Ing. Richard Prokypčák, Vice-Chairman of the Board of Directors, until 9 October 2022

Members of the Board of Directors

Mgr. Peter Kučera, since 9 October 2022

Ing. Eduard Macejka, since 9 October 2022

JUDr. Slavomír Vorobel, MPH, since 9 October 2022

Ing. Ivan Gránsky, until 9 October 2022

Mgr. Henrich Krejčí, until 9 October 2022

Ing. Daniel Šulík, CSc., until 9 October 2022

EXECUTIVE MANAGEMENT

Mgr. Miroslav Kulla, CEO, since 12 October 2022

Ing. Richard Prokypčák, CEO, until 30 September 2022

SUPERVISORY BOARD

Dr.h.c. Ing. Tibor Mikuš, PhD., Chairman of the Supervisory Board

Members of the Supervisory Board

Mgr. Iveta Barancová

Ing. Miloš Dančo

JUDr. Martin Javorček

Ing. Július Mazán, since 21 January 2022

PhDr. Zuzana Ružeková

Viera Uhrová

Mgr. Renáta Zolnaiová, since 19 May 2022

Ing. Michal Ďurkovič, until 21 January 2022

Norbert Lojko, MBA, until 30 April 2022

Ing. Katarína Marton, until 19 April 2022

COMPANY VISION AND GOALS

The unforeseen developments of 2022 proved that when it comes to the energy sector, in addition to decarbonisation, other key challenges include boosting energy independence, security and the diversification of sources. In fact, energy security and ensuring Europe's independence from Russian fossil fuels by accelerating the transition to clean energy were confirmed as goals in the REPowerEU plan presented by the European Commission in the course of the year.

In 2022, the main priority of SPP remained unchanged – to be a reliable, responsible and secure supplier of energy and other services to our customers. As a result of Russia's unjustified invasion of Ukraine, we faced a new key challenge in the need to strengthen our energy security by diversifying gas supplies. Along with the diversification of gas supplies, as the largest supplier of energy in Slovakia SPP bore huge responsibility in ensuring sufficient volumes of gas for the 2022/2023 winter heating season.

Thanks to our responsible approach to doing business, the expertise and high-level commitment of our employees, SPP concluded diversification contracts in 2022 that enabled the company to secure up to 65% of gas supplies to our customers from non-Russian sources. At the same time, throughout the past year SPP procured a record volume of gas for storage in storage facilities. With these measures, the company fundamentally strengthened the energy security of Slovakia for the 2022/2023 heating season and beyond.

As a result of major hikes in energy prices on the commodity markets, throughout the year SPP cooperated intensely with all relevant entities, most notably the Ministry of Economy of the Slovak Republic as the company's sole shareholder, in preparing measures to mitigate the impacts of high energy prices on end consumers. As part of these measures, SPP adopted multiple tasks that mitigated the impact of higher electricity or gas prices on end customers in Slovakia.

However, despite these latest challenges, SPP did not ease up on the goals set out in its long-term strategy, such as business development, RES creation, or the provision of ESCO services etc. It is precisely the investments in these areas that will prove to be of key importance in reducing fossil fuel consumption and cutting emissions of greenhouse gases. In 2022, SPP compiled and published the SPP Sustainability Report for the first time, in which it sets out in detail the goals of sustainable investments into improving energy efficiency and developing renewable energy sources by 2030.

ECONOMIC AND FINANCIAL PERFORMANCE

In 2022, SPP's **revenues from customer contracts** totalled €3 955 million, up more than €2 031 million year-on-year. Revenues were positively influenced primarily by higher natural gas and electricity sales, both on the domestic market and abroad. Compared with the previous period, SPP's trade volume in natural gas rose sharply on the foreign markets.

Key items in operating expenses comprised gas purchase costs, gas storage costs and electricity purchase costs. Those comprised mainly gas transmission and storage costs that saw a steep year-on-year rise due to the diversification of sources and the maximisation of gas reserves.

Despite the extraordinary situation experienced in 2022, SPP reported a positive **operating income** of €20 million.

Loss from financial operations before tax came to €4 million in 2022, mainly as a result of higher interest cost. In 2022, SPP was forced to draw a significant volume of current loans, chiefly with the aim of financing the purchase of much higher volumes of gas reserves to safeguard stable supplies to all our consumers throughout the 2022/2023 heating season. Total income tax represents a revenue of €9 million and relates to the impact of deferred income tax. Profit after tax amounted to €25 million, down €209 million against the previous year, caused by the fact that SPP Infrastructure, a.s. did not pay out any dividends.

Comparison of financial results (in EUR million)

	2022	*2021*
Revenues from customer contracts	**3 955**	**1 924**
Profit before tax	**16**	**244**
Income tax	**9**	**(10)**
Profit after tax	**25**	**234**

CAPITAL STRUCTURE

Total assets of SPP rose to €6 520 million as of the balance sheet date. They were up €1 041 million against the previous period (index of 1.19). Non-current assets amounted to €2 397 million. Among key items in non-current assets were long-term financial investments and real-estate investments, followed by buildings and plants (including unfinished capital construction).

Non-current assets comprised 36.8% of total assets. The entry 'Buildings, plants, machinery and equipment and intangible non-current assets' fell by €8 million compared with the balance as of 31 December 2021. Other non-current assets rose by €123 million against a year earlier and non-current financial investments stayed at the 2021 level.

Capital expenditures totalled €8 million in 2022. The company invested mostly in technical, commercial and IT communication systems, as well as in the reconstruction of SPP's office buildings and facilities.

As of the balance sheet date, **current assets** consisted of receivables, inventories and cash. Their total volume reached €4 123 million, which accounts for 63.2% of total assets. They rose by €919 million against the previous year. This substantial increase in current assets was caused by rising receivables, particularly receivables from financial non-hedging derivatives and receivables from gas sales. The year-on-year increase in gas reserves came out at €1 329 million. Compared with the previous period, the balance of financial means fell significantly, caused mostly by a sharp increase in commodity prices on exchanges and the company's year-long efforts to maximise the volume of natural gas reserves.

Assets Structure Comparison (in € million)

	2022	2021	2022	2021
Non-current assets	2 397	2 275	36.8%	41.5%
Current assets	4 123	3 204	63.2%	58.5%

Shareholders' equity reached EUR 3 164 million in 2022, representing 48.5% of the company's total capital. In addition to share capital, equity included the statutory reserve fund, other funds, retained earnings and income of the current period. Shareholders' equity in SPP rose by €365 million year-on-year. This increase was down to the fact that the state, as the sole shareholder, boosted SPP's cash at hand in the form of a €500 million deposit to the company's capital funds to ensure financial stability and the ability to handle potential crisis situations on the natural gas market during the winter months.

The company's **share capital** consisted of the capital registered in the Commercial Register, comprising €885 million. It consists of 26 666 536 ordinary shares with a par value of €33.19.

SPP Shareholder Structure as of 31 December 2022

Ministry of Economy of the Slovak Republic 26 666 536 shares 100%

Comparison of Total Capital Structure (in € million)

	2022	2021	2022	2021
Equity	3 164	2 799	48.5%	51.1%
Liabilities	3 356	2 680	51.5%	48.9%

The **balance** of the company's **statutory reserve fund** stood at €1 198 million as of 31 December 2022.

In 2022, **liabilities** totalled €3 356 million, up €676 million against the initial balance. Total liabilities comprised non-current liabilities of €405 million and current liabilities of €2 951 million. The year-on-year change was due to higher non-current and current liabilities from a significant increase in costs caused by rising prices of purchased commodities. The requirements for margin hedging of exchange and bank transactions, coupled with high prices and the maximisation of gas reserves, impacted the higher volume of current loans drawn by SPP.

EQUITY HOLDINGS

Subsidiaries, joint ventures and affiliated companies

1. SPP Infrastructure, a. s., Bratislava (SPP share 51%)
2. SPP CZ, a.s., Brno, Czech Republic (SPP share 100%)
3. SPP CNG s. r. o., Bratislava (SPP share 100%)
4. ESCO Slovensko, a. s., Bratislava (SPP share 50%)

Other subsidiaries

1. Nadácia SPP, Bratislava (SPP share 100%)
2. Ekofond SPP, n.o. (SPP share 100%)

The company operates an organisational unit in the Czech Republic.

RISK MANAGEMENT

The period of 2022 was dominated by Russia's military invasion of Ukraine. The events that followed resulted in a market situation characterised by unprecedented volatility of gas supplies from the Russian Federation, energy security concerns and subsequent steps taken with the aim of diversifying sources and procuring sufficient gas volumes for the winter of 2022/2023. The said facts manifested mainly in a record increase in gas and electricity market prices on European exchanges, an enormous increase in the volume of imported liquefied natural gas and record gas volumes stored in gas storage facilities as of 31 December 2022. The side effects of these unexpected changes included interventions by European governments aimed at mitigating the consequences of rising prices for European consumers, financial injections provided to energy suppliers due to significant losses caused by failed supplies from the Russian Federation, greater requirements for liquidity caused by price hikes and the need to maximise the balance of gas reserves.

SPP promptly responded to the situation emerging on the markets by diversifying natural gas sources, modifying the strategy of how the company works with its gas storage facilities and through related changes in implementing the hedging strategy and managing the company's liquidity. Throughout this process, SPP relied on its functional conservative risk management strategy for minimising market and other risks, thanks to which the company handled this extraordinary situation without major impacts on the financial results or company stability.

The adopted risk management strategy that centred on ensuring financial and operating stability, thus remains a key pillar for achieving the company's business and development goals, also with respect to the challenges of 2023.

The risk management system in SPP includes a respective organisational structure with clearly defined lines of responsibility, as well as effective procedures in risk identification, analysis, evaluation, handling, monitoring, review, recording and reporting. These procedures make it possible to minimise financial losses or other negative consequences of a potential manifestation of risks so that they do not significantly affect SPP's capacity to conduct its business activities and provide services to customers. The risk management system addresses all known risks to which the company is or may be exposed.

In managing its risks, in 2022 SPP focused mostly on the following:

a) Market risks that manifested in 2022 on the purchasing side mainly in the form of unstable supplies from the Russian Federation under the long-term contract with Gazprom Export, while on the sales side these were mainly due to uncertainties in the volumes offtaken by end consumers as a result of rising commodity prices and record high price levels and price volatility. In 2022, SPP continued in its strategy to minimise open positions by implementing a conservative hedging policy and by managing limited open positions in the portfolio within set limits;
b) Credit risks relating to the potential inability or unwillingness of business partners to timely meet their contractual obligations towards SPP. SPP manages this risk using its internal credit risk assessment process and by setting the payment and price conditions for defined counterparties and segments with the aim of minimising both credit and potential market risks. Where necessary in order to hedge against above-limit credit risk, the company uses third-party guarantees, bank guarantees and the mutual offsetting of receivables;
c) Liquidity risks pertaining to the potential default of SPP in meeting the company's liabilities towards third parties. SPP manages this risk by continuously monitoring the liquidity situation, including the application of stress tests with subsequent management of credit lines, existing contractual relations and others;
d) Operating risks arising from deficiencies in internal processes, information systems, from possible human error or from the occurrence of adverse phenomena in the external environment that impact internal processes;
e) Other risks, in particular strategic, regulatory and legal risks.

ENERGY TRADING

SPP – THE LEADER IN ENERGY SUPPLIES

In 2022, SPP once again confirmed its position as a responsible and reliable energy market leader in Slovakia with about 1.5 million points of supply.

In the past year, SPP supplied 27 TWh of gas to end customers in Slovakia. SPP's total share in the gas market reached almost 58%. Electricity sales to end customers totalled 1.5 TWh. The share of SPP in the household electricity segment rose to about 12%. With this result, the company confirmed its stable position among the four largest electricity suppliers. Of all the suppliers, most customers have chosen SPP as their new electricity supplier since the opening of the energy market. At the end of last year, the company supplied electricity to almost 300 000 points of supply.

DEVELOPMENTS IN THE GAS AND ELECTRICITY MARKET

In 2022, overall gas and electricity consumption in Slovakia fell year-on-year as consumers endeavoured to cut their energy costs, sometimes even involving industrial production shutdowns due to wholesale gas and electricity prices rising sharply on the market, hitting all-time highs during the summer season. The lower consumption was also due to above-average warm weather and the slower recovery of the post-pandemic economy because of growing inflation pressures. The European gas market was greatly affected by restrictions on import flows from Russia through main gas supply lines, combined with the dynamic rise in the importance of supply diversification, in particular by importing liquefied natural gas (CNG) to the continent. The geopolitical tensions led to more emphasis being put on stocking up European underground storage facilities ahead of the 2022/2023 heating season. We succeeded in achieving the established target to have storage facilities filled to 80% as of November 1, also with the help of a relatively warm autumn season. In 2022, the inflation pressures did not elude the prices of other energy commodities either. The extreme dry summer season and ongoing reforms of the European Union's energy and climate policy also contributed to raising the prices of emission allowances. EU member states also approved and adopted multiple intervention measures to protect consumers from high electricity and gas prices.

GAS PURCHASING AND STORAGE

SPP has long been actively trading gas on international commodity markets, where it achieves the short-term and long-term optimisation of sources available to the company. The primary purpose of purchasing gas in 2022 was to cover demand and to create reserves for the domestic market. As a result of unstable supplies by Gazprom export LCC, SPP procured alternative sources to supply its customers and drastically diversified its portfolio. To balance temperature differences between the summer and winter seasons, SPP uses the storage capacities at its disposal in Slovakia. In addition, the company also has other storage capacities abroad. SPP managed to completely fill its storage capacities to 100% ahead of the winter season and maintained the balance of reserves at historical highs to the end of 2022. SPP's priority is still the reliability of supplies to our customers.

ACTIVITIES IN THE CZECH REPUBLIC

SPP has been operating in the Czech Republic through its subsidiary since late 2008. The volume of gas supplied in 2022 by SPP CZ, a.s. totalled around 1.80 TWh. By this result, the company confirmed its position among respected and stable energy suppliers. SPP supplies gas to customers in Czechia in all segments, including gas traders, large industrial companies, customers in the small businesses and organisations segment, and also households. The company has been successfully offering electricity to customers in the households and small customers segment for almost two years already, with more than 5 000 points of supply.

PUTTING THE CUSTOMER FIRST

In 2022, SPP confirmed its position as a leader in reliability, availability, and premium customer service. Last year, the company opened its third SPP Customer Centre in a shopping mall, this time in OC Novum in Prešov. Yet another modern SPP Customer Centre that provides visitors with quality services combined with state-of-the-art technology. The new customer approach concept won the Visa Slovak Top Shop prize, awarded to the SPP Customer Centre Nivy for the month of August. It received huge praise for modern elements, utilisation of digital technology, navigation and visual style.

SPP provides services to its customers via a network of 20 SPP Customer Centres. In 2022, SPP focused on developing digitalisation and improving the quality of its online customer services through the company's My SPP portal. SPP made major changes to its corporate website with the emphasis on customer experience and simplification of information access.

For household gas customers, SPP utilised price-fixing tools to secure the required commodity volumes at the agreed guaranteed price. The adoption of these measures had a stabilising effect on price fluctuations on the energy market. SPP customers are given the option of the dual supply of electricity and gas "under one roof". In 2022, the company prepared a follow-up to the successful campaign *Clean Energy From SPP* through the two campaigns *Slovakia's Biggest CO_2 Filter is the Forest* and *The Biggest Clean Energy Generator is the Sun*, which focused on supporting sales of complementary green services – Carbon Footprint and Clean Energy. The communication concept *Clean Energy From SPP* won a unique award in the national marketing communication effectiveness competition – Effie.

Through its complementary services *Clean Electricity From SPP, SPP Carbon Footprint* and *Ecofee From SPP*, the company offers customers the supply of electricity produced from renewable energy sources (RES) and covered by guarantees of RES electricity origin, as well as information and advice on how to reduce one's impact on the environment.

In the **Small Businesses and Organisations** (Small Customers) segment, SPP continued in 2022 to provide its customers with one of the best offers on the market. Based on their own preferences, customers could choose from the range of SPP products based on discounts on the standard price list or based on fixed prices during the contractually agreed period. Customers continued to express interest in the beneficial electricity offer from SPP. Last year, the company supplied electricity to more than 15 000 points of supply in the business segment. Some customers in this segment became part of our initiative to restore the protected forests of Slovakia.

The products and services offered by SPP to **corporate customers** focused on the company's expertise, an individualised service, long-term good relations and trust, as well as on the guaranteed secure and uninterrupted supply of energy. SPP received positive feedback in this segment thanks to its progressive and flexible approach to creating business offers and the contractual terms and conditions for customers, reflecting latest market prices.

PRICES AND REGULATION

The supply of gas to customers in the household segment with the agreed D1 – D6 tariff types, as well as to small business customers, continued in 2022 to be subject to price regulation by the Regulatory Office for Network Industries (RONI).

In 2022, the supply of electricity to households and small businesses was also subject to price regulation by RONI.

A small business in 2022 was defined as an end gas customer from the Small Businesses and Organisations (Small Customers) category with 2020 gas consumption not greater than 100 000 kWh, or an end electricity customer with electricity consumption not greater than 30 000 kWh.

In 2022, the group of vulnerable customers entitled to regulated prices got extended. From 2023, this group includes undertakings providing social services, social and legal child protection services and social guardianship, as well as customers using electricity or gas to produce heat and hot water for households in a common heat and hot water production facility. At the same time, the Government of the Slovak Republic and the Ministry of Economy of the Slovak Republic adopted multiple measures, in reaction to the exceptional hike in electricity and gas prices, so as to mitigate the impacts on certain customer groups in 2023.

In 2022, SPP acted as a supplier of last resort in gas supplies, in accordance with RONI's decision. Supplies of gas in this mode are subject to price regulation by RONI. SPP supplied gas in the last resort mode without any interruptions or restrictions.

DEVELOPMENT OF PRODUCTS AND SERVICES FOCUSING ON SUSTAINABILITY

In 2022, SPP again successfully operated as a purchaser of electricity produced from renewable energy sources (RES) and high-efficiency combined heat and power (CHP) sources. The company provides its reliable services to over 2 000 manufacturers operating throughout Slovakia. The company supplied electricity produced from RES in Slovakia and covered by guarantees of RES electricity origin directly to its customers via its *Clean Electricity From SPP* and *Clean PTV Electricity* services. The purchaser's activities enabled SPP to become a major player in the trading of electricity produced from renewable sources. At the end of the year, we expanded the portfolio of services to include *Clean PTV Electricity*, which not only gives customers coverage of a fixed volume in MWh, but also means they support projects for the construction of photovoltaic panels on public buildings, mostly schools. A fixed amount will be regularly transferred each month for this very purpose from customers' payments. In 2023, the whole amount will be distributed to projects selected by public voting.

As part of the *Clean Electricity From SPP* and *Clean PTV Electricity* services, the company sends personalised video advice to its customers, giving them tips on how to behave more environmentally-friendly. This means customers get information on potential savings calculated on the basis of their consumption data. SPP supported this service with the successful online campaign *"Origin of Electricity Also Matters"*, which emphasised its important environmental aspect. In addition to personalised information on how to cut costs and CO_2 emissions, customers also receive a certificate of support for renewable energy sources or support for projects for the construction of PTV electricity sources in schools.

In 2022, a crucial service linking the portfolio of SPP products and services to the company's activities in the field of sustainability, environmental protection and corporate social responsibility was the **SPP Carbon Footprint+** service. The essence of this service was not just to provide customers with advice on how to save energy and behave more sustainably in all areas, but with each concluded contract SPP committed itself to planting trees in the protected forests of Slovakia. Together with its customers, SPP has planted more than 450 000 saplings so far. The advice and tips given to customers on possible energy savings and how to behave more sustainably were prepared in 2022 in cooperation with authorities in topics like fast fashion, lifestyle and diet changes, among others. This service also included personalised videos and a personalised certificate informing about the number of trees planted annually in line with the commitment given in the contract.

BUSINESS DEVELOPMENT

Achieving a reduction of greenhouse emissions and carbon neutrality will require a combination of measures. These should be based on improving energy efficiency through comprehensive energy services and the development of renewable energy sources. In SPP, we perceive the ambitious goals to reduce greenhouse gas emissions and protect the environment as opportunities to develop our business even further. To this end, investments into improving energy efficiency and developing renewable energy sources form part of the SPP Vision and Strategy 2030, which the company adopted in 2020, reflecting the company's sustainability goals up to 2030 as set out in the first SPP Sustainability Report compiled last year for the 2021 period.

ENERGY AND BIOLOGICAL WASTE RECOVERY CENTRES

While preparing projects in cooperation with our partner, Austrian company Brantner, SPP acquired a lawful environmental impact assessment for its project in Nové Zámky. Regarding the project in Martin, a first-instance decision has been issued and design work continues on both centres to enable the procurement of necessary technology and the construction of these centres as soon as possible. Their unique technology will convert waste that currently ends up in landfills into biomethane, biocompost or even recycled secondary raw materials and solid alternative fuels. In terms of innovation and the utilisation of state-of-the-art technological solutions, the Energy and Biological Waste Recovery Centers are at the top of the imaginary ranking of options available in waste processing.

RENEWABLE ENERGY SOURCES

SPP considers improving energy efficiency and developing renewable energy sources (RES) as key tools for achieving carbon neutrality.

In 2022, SPP put the company's first photovoltaic power plants (PVPPs) into operation on our grounds in Bratislava and Košice and initiated more projects for the use of local sources on SPP's grounds in Michalovce and Martin. SPP also initiated the development of projects for the company's own PVPPs with the projected output ranging from a few kW to single-digit MW at the facilities of our commercial customers. The PVPPs for schools initiative generated a lot of interest. The first 6 projects are already being implemented and more are in the pipeline.

As part of activities in support of RES development, in 2022 SPP successfully continued its activities as a purchaser of electricity from renewable sources (RES) and high-efficiency combined heat and power (CHP) sources. The company provided its reliable services to more than 2 000 manufacturers throughout Slovakia. In Slovakia, SPP supplies electricity produced by RES directly to its customers.

Another promising development concerns more comprehensive RES projects combined with battery storage centres, which will enable improved flexibility of the power grid and storage of electricity coming from renewable sources.

ENERGY SERVICES

In addition to its own production from RES, SPP has been primarily investing in the development of services to improve energy efficiency through energy services (ESCO) via the company ESCO Slovensko, a.s., a joint venture of SPP and ČEZ ESCO, a.s. This joint venture completed a number of interesting projects in 2022 aimed at both the public and private sector, as well as acquisitions that will contribute to further expansion of the ESCO services portfolio in future.

The year 2022 also saw SPP provide energy services via the company's own ESCO sub-department. It offers customers products and services related to the design of energy solutions, the assessment of energy sources, the decarbonisation of sources, energy audits and energy saving advice.

SPP was also involved in cogeneration and trigeneration projects, i.e., sources that simultaneously produce electricity, heat and cold (CHP) not only for internal consumption, but also to supply energy produced by the company's own RES located on SPP's grounds in Bratislava to new external customers.

MOBILITY

In 2022, SPP continued to support the utilisation of CNG as a more environmentally-friendly alternative to traditional fuels. Through its subsidiary SPP CNG s.r.o. (SPP CNG), the company provided continuous and reliable operation of the network of CNG filling stations. CNG sales totalled 4.01 million kg in 2022, up 32% against 2021.

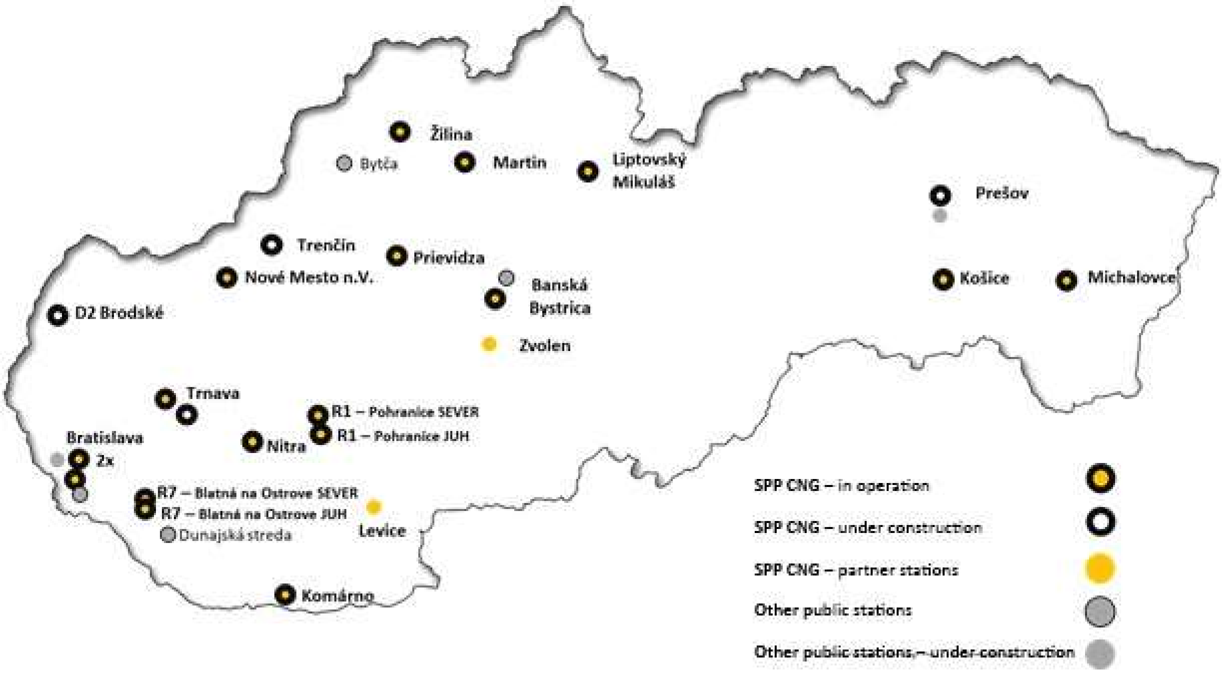
The present development of SPP's network of CNG filling stations focuses on bus transport and municipal waste collection. In 2022, a high-capacity CNG filling station was opened in Martin, serving also to supply CNG to buses operated by the Martin Public Transport Company. The construction of the CNG filling station in Trenčín has begun as well and once finished (completion of construction is planned for the summer of 2023), it will be used to fill buses of the public transport operator.

The development of SPP's CNG filling station network for the public focuses on filling the gaps along the new road infrastructure by completing the construction of new stations. In August 2022, two CNG filling stations were opened on the R1 motorway near Nitra at the Pohranice North and South rest stops. The company SPP CNG s.r.o. currently operates 17 CNG filling stations.

The latest news in this field is the final approval for use of the first SPP LNG filling station in Trnava at the end of 2022. The construction of two more LNG filling stations in Prešov and on the D2 highway near Brodské is underway as well. All these stations form part of the fueLCNG project with grant support from the European Climate Infrastructure and Environment Executive Agency (*CINEA*). They will be open to the public in 2023. The filling stations will focus on servicing both domestic and international freight traffic within the European TEN-T corridor.

SPP is also investing in the development of a network of electric charging stations. In 2022, the company launched operation of its own multi-stand electric charging stations in Bratislava, Zvolen and Michalovce. Given the potential of hydrogen-based technologies, SPP positioned itself in this field and initiated the preparation of several hydrogen projects in 2022. The first hydrogen filling station was prepared to be put into operation in Košice.

Infrastructure of CNG Filling Stations



OUR EMPLOYEES, THE KEY TO OUR SUCCESS

The main challenge of SPP in 2022 was to keep employees motivated and engaged in the context of external influences, such as the energy crisis, rising inflation, or the war in Ukraine. The management's open and transparent communication with employees, the development and education of employees, and the granting of support and benefits, ensured continuity for the company in the provision of customer services and the fulfilment of established corporate goals.

EMPLOYEE RELATIONS

SPP employees enjoyed benefits in accordance with the Collective Agreement in force.

In 2022, collective bargaining took place concerning the Collective Agreement for the upcoming period. This resulted in the new Collective Agreement for 2023-2024. The agreement mainly focuses on remuneration, but it also introduces new benefits in the field of health care, such as preventive premium standard employee medical checks. SPP continues to appreciate its employees on the occasion of their work anniversaries. Employee benefits include contributions to supplementary pension savings. SPP also does not overlook employees who find themselves in a difficult life situation. To help them cope, the company provides them with support in the form of financial contributions. Based on experience gained from the Covid period, the company has introduced working from home as a standard option, in line with best market practices.

SPP remains a member of the ***Coalition of Employers for Mental Health***. In cooperation with the **League for Mental Health**, the company brought online discussions to employees on various interesting topics in the field of mental health. The company has regularly provided employees with verified and up-to-date information supporting a healthy lifestyle, for instance through the traditional event ***SPP Health Days***. As part of SPP Health Days, employees had a chance to have their health checked and get inspired by lectures on many interesting topics on physical and mental health. At the same time, employees had the opportunity to make use of the Helpline, through which they were able to consult with experts on their work-related and personal problems. The opportunity to use the Multisport Card contributed to promoting a healthy lifestyle among employees.

As part of the corporate culture management and development project, SPP organised a new round of the annual internal competition – ***Best Team of 2021*** and ***Best Employee of 2021***. The aim of the competition is not just to award and highlight the work of the company's best employees, but also to support personal initiative shown by individual employees and teamwork in fulfilling set goals.

DEVELOPMENT AND EDUCATION

In the field of employee development and education, SPP organised training activities in 2022 as required by the company and employees. Training mostly focused on developing and broadening expertise, developing managerial skills, strengthening digital skills, critical thinking and customer orientation. The training and developmental activities were also aimed at supporting the sharing of internal know-how among employees, supporting informal relationships and boosting the mental and physical health of employees.

In 2022, the company launched the new internal portal called Our SPP with the goal of digitising the training process. The portal allows the budgeting of training costs, the planning and approval of training activities, the taking of e-learning courses and keeping records on attended training courses.

SPP continued smoothly in the ongoing 2-year development programme for employees with promising skills – ***SPP High Potentials***. In 2022, SPP allowed university students to do their internships at the company as part of the framework of the ***SPP Graduate Programme***.

In addition to that, SPP organised standard employee training in the field of occupational health & safety and cyber security, as well as in the field of compliance. In the coming period, SPP will continue to focus on improving the skills of its employees in areas important for maintaining the company's competitiveness and customer trust.

EMPLOYEE STRUCTURE

As at 31 December 2022, the company had 726 employees. Of those, 478 were women – representing 65.84% of the total workforce.

Employee Qualification Structure as of 31 December 2022

basic education	2	0.28%
secondary vocational education	17	2.34%
complete secondary education with leaving exam	258	35.54%
university degree	449	61.84%

Employee Age Structure as of 31 December 2022

30 or younger	58	7.99%
31 – 40	151	20.80%
41 – 50	255	35.12%
older than 50	262	36.09%

The average employee age as of 31 December 2022 was 45.68 years of age.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

In the interest of providing transparent information to the public on non-financial matters relating to SPP's activities, SPP published for the first time in 2022 the comprehensive Sustainability Report compiled in accordance with GRI standards. The Sustainability Report includes the assessment of SPP's environmental impacts, the calculation of SPP's carbon footprint, relations towards employees and business partners and assistance to communities through the activities of Nadácia SPP (SPP Foundation) and Ekofond SPP. Reflecting on key impacts of SPP, the SPP Sustainability Report 2021 also includes the future goals of SPP for improving business sustainability and for reducing greenhouse gas emissions:

- 2050 – to achieve 100% reduction in total greenhouse gas emissions
- 2040 – to achieve 100% reduction in emissions resulting from SPP's internal consumption
- 240 GWh – biomethane production by 6 EBWRC (Energy and Biological Waste Recovery Centres) projects for the production of renewable gas that we will put into operation by 2030; of which 3 EBWRC projects will be operational by 2026
- 200 MW – total installed output of sources for our electricity production from RES to be put into operation by 2030; of which half will be put into operation by 2026
- 1.5 MW – total installed output of sources for electricity production from RES for internal consumption at our own sites, to be put into operation by us by 2026
- 5 MW – total installed output of electrolysers to be put into operation by us by 2026
- 5 MW – total installed output of the battery storage facility to be put into operation by us by 2026
- €460 million – financial value of investments in the production of energy from RES spent by 2030 (independently or in cooperation with partners); of which €230 million will be spent on investments in RES energy production by 2026
- 200 000 – number of saplings planted in protected forests in 2022
- 300 – total number of saved century-old firs in Kežmarské Žľaby in 2021-2022
- 30% – share of women holding middle and top management positions by 2026
- To minimise paper consumption and to become a paperless company by 2026
- To introduce and evaluate sustainability standards in the supply chain by 2026

The company perceives the regular preparation of its Sustainability Report as a means to assess the impacts of SPP's business activities and to fulfil established goals. The company therefore plans to continue compiling them in the coming years.

Pursuant to obligations arising from Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment (hereinafter the "Taxonomy Regulation" or "EU Taxonomy"), SPP assesses and publishes information about the proportion of its turnover, capital expenditures and operating expenditures for the 2022 period that are associated with taxonomy-eligible or taxonomy-aligned economic activities in the EU Taxonomy Compliant Reporting section found on page 19 of this Annual Report.

The taxonomy-eligible economic activities are provided in the list published as part of the Climate Delegated Act amending the EU Taxonomy regulation and in the Complementary Disclosures Delegated Act as regards specific public disclosures in certain energy sectors. The said list only includes a very limited list of activities, which to a large extent does not cover business activities of SPP in the field of electricity and gas supply, which formed a substantial portion of SPP's turnover. The list of taxonomy-eligible activities likewise does not cover investments regarding real estate management and IT systems, which formed a substantial portion of capital expenditures and operating expenditures of SPP. With this in mind, SPP pursued activities featured in the list published under the EU Taxonomy only to a very limited extent in 2022.

In 2022, SPP continued preparing projects for the company's own production of electricity and gas from renewable sources in accordance with the targets adopted in the SPP Sustainability Report 2021. These projects will be gradually put into operation in the coming years. At the same time, SPP continued with its activities as an electricity purchaser, providing services to producers of electricity from renewable sources, and with providing energy services via its subsidiary ESCO Slovensko, a.s.

As an energy market leader, SPP is aware that part of being a responsible and sustainable business lies in its relationships with people, communities, and the country in which it operates, which is why the company perceives its corporate responsibility and activities on the development of the ESG concept as its long-term commitment.

SPP pursues activities in the field of social responsibility, philanthropy and sponsorship mostly based on long-term partnerships, either directly or via the non-profit organisations of which it is a founder, i.e. Nadácia SPP (SPP Foundation) and Ekofond SPP, as well as the SPP Gallery and the Slovak Gas Museum. These are mostly in the field of protecting the natural and cultural heritage of Slovakia, environmental protection, supporting culture, art, education, communities, disadvantaged groups and sports activities.

PROTECTING NATURAL HERITAGE AND THE ENVIRONMENT

TOGETHER WITH OUR CUSTOMERS, WE HAVE PLANTED MORE THAN 115 000 SAPLINGS IN THE PROTECTED FORESTS OF SLOVAKIA

In line with the *SPP Carbon Footprint* product, together with our customers we supported the planting of more than 115 000 saplings in 2021. We planted saplings in the protected forests of Slovakia for every customer who chose this product in 2021. When planting new trees, SPP makes sure that it populates forests where mature trees have the opportunity to make a real contribution to reducing greenhouse gas emissions and to protecting the atmosphere and biodiversity. These areas were always of European importance – NATURA 2000 – or protected bird nesting areas with species such as the golden eagle, wood grouse and other protected bird species.

EKOFOND SPP SAVED 361 CENTURY-OLD FIRS IN THE HIGH TATRAS

Ekofond SPP is also active in environmental protection. In cooperation with the Tatra National Park Administration (TANAP), it has till now contributed to the protection of 361 century-old fir trees at various locations in the TANAP parks, thus jointly rescuing a total 33 000 m^2 of forest area. The average age of these firs of up to 26 metres in height ranges between 115 and 140 years. The saved trees, which are rare not only by their age, but also by their reproductive ability, thereby ensure the natural renewal of the forest cover in TANAP. At the same time, the fund supported the management of wetlands at this location, spanning an area of 7.35 hectares. In this way, Ekofond SPP raises awareness of the importance of preserving the original Tatra Mountains natural gene pool and draws attention to the irreplaceable importance of forests, not only as part of our natural heritage, but also as an irreplaceable tool for mitigating the impacts of climate change, air protection and biodiversity.

In cooperation with the Bratislava Regional Conservation Association, Ekofond SPP was devoted to planting trees and facilitated the planting of 2 600 white, grey and black poplars in the natural floodplain forests of the terrestrial Danube delta in the ISTRAGOV locality. The fund also contributed to the restoration of wetlands at this location.

Ekofond SPP considers it beneficial to link activities in the field of sustainability and environmental protection to education. Therefore, in 2021 Ekofond SPP continued with its project focusing on ecological beekeeping and, in cooperation with the Slovak University of Agriculture in Nitra, it initiated the gradual transformation of SPP company grounds into low-maintenance patches that effectively capture rainwater, support variety and biodiversity and act as a rich source of food for our bees. Ekofond SPP also educated children and young people about bees and their importance in protecting biodiversity. The SMART ENERGY exhibition, which is on display not only in the Slovak Gas Museum but also at four secondary schools where the Energy Equipment of Buildings Technician study course is taught, was designed to arouse interest in innovations in areas such as energy efficiency, smart technologies, and smart solutions in energy utilisation.

Since 2022, all educational activities of Ekofond SPP are under the umbrella of the **Ekofond SPP for the Future** educational programme, which is unique as its purposeful activities combine elements of environmental education, teamwork, critical thinking topics in working with information and by creating a link to values in the field of morality, ethics, and journalistically-responsible work. This programme aims to entice and deepen interest in environmental topics, disseminate “energy literacy” and support sharing goals/projects/activities/information among peers and close persons or even broader communities by using media, in particular social media. The programme’s ambition is to gradually open various topics focusing on energy (not just as a physical quantity), energy efficiency, environmental protection and sustainability.

PROTECTION OF THE CULTURAL HERITAGE OF SLOVAKIA AND PROMOTION OF CULTURE AND ART

THE SPP FOUNDATION HAS BEEN A PARTNER OF THE CULTURAL MONUMENT OF THE YEAR – FENIX COMPETITION FOR 17 YEARS

Nadácia SPP (SPP Foundation) has long supported the protection of Slovakia’s cultural heritage. In 2022, for the 15th time the SPP Foundation was the general partner of the *Cultural Monument of the Year – Fénix* competition announced by the Ministry of Culture of the Slovak Republic. The aim of the competition is to award the efforts of owners of national cultural monuments, volunteers and local governments that invest not only considerable funds into rescuing monuments, but also their energy and time, thereby helping to preserve the country’s cultural heritage for future generations. As is now a tradition, the public were given the opportunity to vote on the special prize awarded by the SPP Foundation. For more information about the Cultural Monument of the Year – Fénix competition and about restored national cultural monuments, please visit www.kpr-fenix.sk.

As part of supporting partnerships, the SPP Foundation supported the **CE ZA AR 2022 Architecture Award** project. The project aims to outwardly present the work of members of the Slovak Chamber of Architects, show it to the public through an annual exhibition and so also to potential investors and local government representatives. The project also aims to educate the public at large on the mission of architects and to promote sound solutions. The CE ZA AR prize is awarded in 6 categories.

The **SPP Gallery** has played an integral part in supporting art and culture since 2000. Since its founding, it has hosted almost 160 exhibitions in various fields of the fine arts. Paintings, photographs, illustrations and sculptures have all found their place in the gallery. The SPP Gallery organised 5 exhibitions in 2022. For instance, visitors could admire an exhibition of fairy-tale creatures and 3D objects from the imaginary world of illustrator and graphic designer Igor Derevenec. The exhibition by the young photographer, the holder of the Wildlife Photographer of the Year award, Martin Greguš, attracted a lot of attention in the autumn when he unveiled the world premiere of his photographs and short films at the SPP Gallery. The 33 Days with Bears exhibition showcased a unique collection of 50 photographs capturing the coexistence between bears and the photographer, who spent 33 days in the Hudson Bay in Canada.

In 2022, SPP was a general partner of the prestigious international **Bratislava Music Festival**, as well as the main partner of the Architecture and Design Days **DAAD 2022**.

The **Slovak Gas Museum** has been mapping the history and present of the gas industry in our country for over 26 years. With more than 400 exhibits, this museum is one of a kind in Slovakia. Nowadays, it also focuses on educating children and young people in areas of energy efficiency, environmental protection and sustainability.

SUPPORTING SPORTS

SPP HAS BEEN A MEMBER OF THE PARALYMPIC FAMILY FOR 18 YEARS

SPP has been a key partner of the **Slovak Paralympic Committee** for 18 years. SPP was once again the general partner of the Slovak Paralympic Team at the XIII Winter Paralympic Games in Peking. It was also thanks to this support that Slovak representatives managed to win 6 medals, including 3 gold medals. SPP sees the provision of support to Paralympic athletes as an opportunity to draw attention to problems encountered by people with disabilities in their daily life.

Since 2021, SPP has been the **main partner of the sprinter Ján Volko**. The fastest Slovak achieved a great result in the 100m sprint competition at the European Championships in Munich, coming 4th despite strong competition from the best sprinters in Europe. Through this partnership, SPP is interested in supporting not only elite athletes, but also the development of talent and promoting physical activity among children and young people at a community level. In 2022, the SPP Foundation announced the ***You Too Engage In Sports!*** grant scheme aimed at supporting and developing physical activities among children and youth.

SUPPORT TO COMMUNITIES AND DISADVANTAGED GROUPS

In 2022, the SPP Foundation announced grant schemes such as ***Together With SPP For Communities*** (SPPoločne pre komunity) for supporting good neighbourly relations and connecting different generations in Slovak communities, ***One Step Ahead*** (O krok vpred) for rehabilitation of children and adults suffering from neurological disorders of the locomotory system. ***Let's Do It With SPP*** (SPPravmeTo) for educational facilities that implement formal and non-formal educational programmes for children and youth, the ***Employee Grant Programme*** for SPP employees to allow them to provide assistance where they deem it necessary, and the ***Crutch*** (Opora) grant scheme for social service providers, organisations and institutions dedicated to assisting people with special needs. More info at www.nadaciaspp.sk.

In 2022, SPP also supported the **Way Out** (Cesta von) association that helps children from marginalised groups and improves their chance to break out of generational poverty through education.

OCCUPATIONAL HEALTH AND SAFETY

The occupational health and safety policy in 2022 and the set goals in the field of fire protection was to take care of a safe and healthy working environment in accordance with the requirements of generally binding legal regulations in the field of occupational health and safety and in the protection, promotion, and development of public health. SPP raised the fire protection requirements in buildings and facilities with an emphasis on adapting the legitimate interests of the company and persons working based on contracts and agreements with contractual partners.

No extraordinary event or safety incident was recorded in 2022 by SPP employees that could have negatively affected the life or health of persons, neither at SPP workplaces nor in buildings used by SPP.

SPP is the holder of certificates confirming the implementation of a quality management system as per the requirements of ISO 9001:2015 international standard, environmental management system as per the requirements of ISO 14001:2015 standard and the OHS management system as per the requirements of ISO 45001:2018 international standard within the framework of maintaining the company’s Integrated Management System (IMS) for gas and electricity sales. The integration of the ISO 27000:2013 information security management system to IMS took place in 2022 and inspection audits by certification organisations were successfully performed.

ENVIRONMENTAL PROTECTION

Environmental protection constituted part of the company’s top priorities in 2022 period. The adopted environmental management system underwent a successful supervisory audit as per ISO 14001:2015 standard in 2022, by which the company confirmed compliance with the requirements of the applied standard. Aiming to continuously improve our environmental behaviour, in 2022 we proceeded with the planned introduction of the Eco-Management and Audit Scheme (EMAS) at the company headquarters in Bratislava. Presently, the process of including SPP into the EMAS is at the implementation phase, following the performance of an external audit by a certified audit company. The Eco-Management and Audit Scheme is a voluntary instrument of the European Union that assists in evaluating, managing, and improving the environmental performance of a company. It is a suitable tool for achieving environmental and economic objectives, managing significant environmental aspects, risks and opportunities, and achieving compliance with legislative and other requirements.

Waste management in SPP is a targeted process aimed at complying with the principles of environmental protection and the waste management hierarchy. The conditions for collecting separated waste have been created in company premises and the share of separated waste components has been rising over the long term. In 2022, we introduced for employees the collection of biodegradable kitchen and restaurant waste at our offices in Bratislava. The waste collection is done using containers designated for the purpose that are located in kitchenettes. This waste is then recovered by a contractually authorised organisation. In the upcoming period, we plan to expand this collection to include our sites in Zvolen and Košice as well. We carry out the annual optimisation of waste management aimed at maximum recovery of produced waste and the setting of required capacities of collection containers at SPP sites.

The company operates small and medium sources of air pollution. In the course of 2022, the high level of operating safety and rigorous inspections of operated technical facilities have, along with investments, created the prerequisites for reducing emissions of all monitored pollutants released into the air.

Environmental protection, sustainable development and energy efficiency at all levels have become an integral part of SPP’s long-term development strategy.

POST BALANCE SHEET EVENTS

No events occurred after 31 December 2022 that would have a significant impact on the company’s individual financial statements.

FINANCIAL STATEMENTS

Individual Financial Statements of SPP (selected data in € million)

	Year ended 31 December 2022	*Year ended 31 December 2021*
Revenues from customer contracts	3 955	1 924
Other gains and losses	1135	72
Purchase of natural gas, purchase of electricity and consumption of material and energy, change in inventories, capitalisation	(4 891)	(1 843)
Storage of natural gas and other services	(106)	(70)
Depreciation and amortisation	(9)	(9)
Personnel costs	(34)	(32)
Adjustments to bad or doubtful receivables, net	9	(3)
Provisions and impairment losses, net	(39)	(15)
Operating profit	**20**	**24**
Profit/(loss) from investments	3	221
Cost of financing	(7)	(1)
Profit/(loss) before tax	**16**	**244**
Income tax	9	(10)
PROFIT FOR THE PERIOD	**25**	**234**

Consolidated Financial Statements of SPP Group (selected data in € million)

	Year ended 31 December 2022	***Year ended 31 December 2021***
Revenues from customer contracts	4 116	1 969
Other gains and losses	1 133	72
Capitalisation	6	2
Purchase of natural gas, purchase of electricity and consumption of material and energy	(5 046)	(1 884)
Depreciation and amortisation	(9)	(9)
Storage of natural gas and other services	(109)	(73)
Personnel costs	(36)	(34)
Adjustments to bad or doubtful receivables, net	9	(3)
Provisions and impairment losses, net	(39)	(16)
Operating profit	**25**	**24**
Profit/(loss) from investments	3	1
Share in profits of affiliated companies and joint ventures	317	277
Cost of financing	(8)	(1)
Profit/(loss) before tax	**337**	**301**
Income tax	9	(9)
PROFIT FOR THE PERIOD	**346**	**292**
Net profit belonging to:		
SPP shareholders	346	292
Minority holdings of other owners of subsidiaries	-	-
Total	**346**	**292**

EU TAXONOMY COMPLIANT REPORTING

Information about the proportion of turnover, capital expenditures and operating expenditures associated with taxonomy-eligible or taxonomy-aligned economic activities in 2022.

The information about the proportion of turnover, capital expenditures and operating expenditures of SPP for the year ended 31 December 2022 describes the proportion of activities associated with taxonomy-eligible economic activities under the first two environmental objectives (climate change mitigation and climate change adaptation) as per Article 8 of the EU Taxonomy.

Under the EU Taxonomy, an eligible economic activity (hereinafter "taxonomy-eligible economic activity") is an economic activity described in delegated acts supplementing the EU Taxonomy, regardless of whether the economic activity meets some or all technical screening criteria set out in these delegated acts.

An economic activity aligned with the EU Taxonomy (hereinafter "taxonomy-aligned economic activity") refers to any activity that meets all of the following requirements under Article 3 of the EU Taxonomy:

- contributes substantially to one or more of the environmental objectives,
- does not significantly harm any of the environmental objectives,
- is carried out in compliance with minimum safeguards, and
- complies with technical screening criteria in the Climate Delegated Act supplementing the EU Taxonomy regulation.

SPP assessed the activities against taxonomy-eligible economic activities as defined and set out in the Climate Delegated Act (Annex I – Climate Change Mitigation and Annex II – Climate Change Adaptation) and in the Complementary Disclosures Delegated Act as regards specific public disclosures for certain energy sectors (hereinafter "Complementary Delegated Act"). The summary proportion of taxonomy-eligible and taxonomy-aligned activities in individual indicators of SPP is listed in Table 1. The resultant list of all taxonomy-eligible economic activities is summarised in Table 2. The activities listed in Table 2 below contribute to the turnover, capital expenditures and operating expenditures of SPP.

Table 1 – Proportion of taxonomy-eligible and taxonomy-aligned activities in 2022 (turnover, capital expenditures, operating expenditures)

Year ended 31st December 2022	Total (€ million)	Proportion of taxonomy-eligible (non-aligned) economic activities (in %)	Proportion of taxonomy-aligned economic activities (in %)	Proportion of taxonomy-non-eligible economic activities (in %)
Turnover	4 116.00	0.07	0.00	99.93
Capital expenditures	9.46	0.01	3.11	96.88
Operating expenditures	9.02	11.97	0.04	87.98

Table 2 – Taxonomy-eligible economic activities of SPP

Economic activity	Description	Relevant to KPI	NACE code
4.1. Electricity generation using solar photovoltaic technology	Production of electricity using photovoltaic technology for consumption by SPP and for external customers.	Capital expenditures, Operating expenditures	35.11 42.22
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	Operation of the co-generation and tri-generation unit for combined production of electricity, heat and cooling for consumption by SPP and for external customers.	Turnover, Capital expenditures	35.11 35.30
6.5. Transport by motorbikes, passenger cars and commercial vehicles	Financial and leasing activities associated with the operation of SPP's vehicle fleet.	Operating expenditures	64 77.11
7.7. Acquisition and ownership of buildings	Buying real estate and exercising ownership of that real estate	Turnover, Operating expenditures	68

1. Accounting Policies of SPP

Key performance indicators include the turnover indicator, capital expenditures indicator and operating expenditures indicator. The templates provided in Annex II to the Disclosures Delegated Act were used to present indicators for the purposes of EU Taxonomy[1]. Given that the indicators must include assessment of the alignment of activities with the EU Taxonomy for the first time for the reporting period of 2022, data for a comparable period are not provided. With respect to the fact that SPP also performs activities specified in the Complementary Delegated Act, the applicable disclosures in Table 6 are provided in accordance with the respective delegated regulation.

1.1. Turnover

The proportion of taxonomy-aligned economic activities in the total turnover of SPP was calculated as the proportion of net turnover from products and services associated with taxonomy-aligned economic activities (numerator) to the total turnover from customer contracts (denominator) for the year ended 31 December 2022.

The taxonomy-eligible economic activities defined in the energy sector include, in particular, the production, installation, construction and operation of facilities, while not including activities associated with electricity and gas supply. SPP generates a key portion of its turnover by supplying electricity and gas to end customers, which is a taxonomy-non-eligible activity regardless of whether it involves the supply of electricity or gas from renewable sources. For this reason, the vast majority of SPP's economic activities in 2022 cannot be classified as taxonomy-eligible or, possibly, taxonomy-aligned.

[1] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

In the course of 2022, SPP continued implementing projects for the company’s own small-scale local energy production from renewable sources. Specifically, this concerned the following projects:

- Project for the photovoltaic power plant on SPP’s grounds in Michalovce, which anticipates the generation and distribution of electricity to the public grid,
- Project for the supply of heat and cooling to the polyfunctional complex Prístavná 1 under construction (Energocentrum on SPP’s grounds in Bratislava), and
- Projects for photovoltaic facilities in selected elementary schools in Bratislava and Horné Saliby, which anticipate electricity supply primarily to these schools, with any excess production going to the public grid.

SPP also continued to prepare projects for the company’s own generation of electricity and gas from renewable sources in accordance with targets adopted in the SPP Sustainability Report 2021. These projects will be gradually put into operation in the coming years. The project for the supply of heat and cooling to the polyfunctional complex Prístavná 1 under construction represents a taxonomy-eligible, yet taxonomy-non-aligned economic activity.

Table 3 – Turnover KPI

Economic activities	Code(s)	Absolute turnover mil EUR	Proportion of turnover %	Substantial contribution criteria (1) %	(2) %	(3) %	(4) %	(5) %	(6) %	DNSH criteria (1) yes/no	(2) yes/no	(3) yes/no	(4) yes/no	(5) yes/no	(6) yes/no	Minimum safeguards yes/no	Taxonomy aligned proportion of turnover Year N %	Taxonomy aligned proportion of turnover Rok N-1 %	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITES																				
A.1 Environmentally sustainable activites (Taxonomy-aligned)																				
Turnover of environmentally sustainable activites		0,00	0,00%																	
sustainable activites (not Taxonomy-aligned																				
4.30. High-efficiency co-generation of heat/cool and	35.30	0,61	0,01%																	
7.7 Acquisition and ownership of buildings	68	2,19	0,05%					Not applicable										Not applicable		
Turnover of Taxonomy-eligible but not		2,80	0,07%																	
Total turnover of Taxonomy-eligible activities (A.1 + A.2) (A)		2,80	0,07%														0,00%			
B. TAXONOMY-NON-ELIGIBLE-ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		4 113,20	99,93%																	
Total (A+B)		4 116,00	100,00%																	

Environmental objectives:
(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Circular economy
(5) Pollution
(6) Biodiversity and ecosystems

1.2. Capital expenditures

The capital expenditures indicator was calculated as the proportion of capital expenditures associated with taxonomy-aligned economic activities (numerator) to total capital expenditures as defined by the EU Taxonomy (denominator) for the year ended 31 December 2022.

The denominator comprises capital expenditures associated with investments in real estate and IT systems that form a major portion of SPP’s capital expenditures. Those are mostly additions to tangible and non-tangible assets recognised under the standards IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IFRS 16 Leases.

The numerator comprises the portion of capital expenditures associated with assets or processes related to taxonomy-aligned economic activities. The said capital expenditures form part of the plan for expanding the taxonomy-aligned economic activities that will be implemented in the period of the coming five years. The projects for local photovoltaic power plants that are under construction or in preparation represent a taxonomy-aligned economic activity. These projects are in accordance with technical criteria laid down by the Climate Delegated Act given their significant contribution to the mitigation of climate change, and given the fact that they do not cause any major harm to other objectives:

- Climate change adaptation (projects are not threatened by physical climate risks from Appendix A to the Climate Delegated Act),

- Transition to a circular economy (materials come from trustworthy manufacturers focusing on sustainability and recyclability), and
- Protection of biodiversity (projects do not interfere with natural reserves and are mostly installed on the roofs of buildings).

The project for the supply of heat and cooling to the polyfunctional complex Prístavná 1 under construction represents a taxonomy-eligible, yet taxonomy-non-aligned economic activity.

Table 4 – Capital expenditures KPI

				Substantial contribution criteria						DNSH criteria										
Economic activites	Code(s)	Absolute CapEx mil EUR	Proportion of CapEx %	(1) %	(2) %	(3) %	(4) %	(5) %	(6) %	(1) yes/ no	(2) yes/ no	(3) yes/ no	(4) yes/ no	(5) yes/ no	(6) yes/ no	Minimum safeguards yes/no	Taxonomy aligned proportion of CapEx Year N %	Taxonomy aligned proportion of CapEx Year N-1 %	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITES																				
A.1 Environmentally sustainable activites (Taxonomy-aligned)																				
4.1. Electricity generation using solar photovoltaic technology	35.11 42.22	0,29	3,11%	100,00%	0,00%					-	yes	-	yes	-	yes	yes	3,11%	-	-	-
CapEx of environmentally sustainable activites		0,29	3,11%	100,00%	0,00%												3,11%	-	-	-
A.2 Taxonomy-eligible but not environmentally																				
4.30. High-efficiency co-generation of heat/cool and	35.30	0,00	0,01%	Not applicable														Not applicable		
CapEx of Taxonomy-eligible but not		0,00	0,01%																	
Total CapEx of Taxonomy-eligible activities (A.1 +		0,30	3,12%														3,11%			
B. TAXONOMY-NON-ELIGIBLE-ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		9,17	96,88%																	
Total (A+B)		9,46	100,00%																	

Environmental objectives:
(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Circular economy
(5) Pollution
(6) Biodiversity and ecosystems

1.3. Operating expenditures

The operating expenditures indicator was calculated as the proportion of operating expenditures associated with taxonomy-aligned economic activities (numerator) to total operating expenditures as defined by the EU Taxonomy (denominator). The operating expenses under EU Taxonomy include expenses associated with the maintenance and repair of buildings, machinery and equipment, with short-term lease and rental, and research and development. In the case of SPP, these operating expenditures mostly comprise expenditures associated with the maintenance of buildings and short-term lease expenses.

The numerator comprises a portion of SPP's operating expenditures associated with assets or processes related to taxonomy-aligned economic activities, and forms part of the capital expenditures plan to expand taxonomy-aligned economic activities. The projects for photovoltaic power plants that are under construction or in preparation represent a taxonomy-aligned economic activity. The numerator comprises limited operating expenditures associated with the implementation thereof. Operating expenditures associated with rental and leasing of the vehicle fleet and the project for the supply of heat and cooling to the polyfunctional complex Prístavná 1 under construction were classified as taxonomy-eligible, yet taxonomy-non-aligned economic activities.

Operating expenditures associated with the purchase of outputs of taxonomy-aligned economic activities are likewise classified as taxonomy-aligned operating expenditures. Given the shortage of publicly available information from suppliers in respect of the alignment of provided services with the EU Taxonomy in the first reporting year, SPP does not report this type of operating expenditures. In the coming years, SPP will require the company's suppliers to provide information on whether their outputs represent a taxonomy-aligned economic activity.

Table 5 – Operating expenditures KPI

				Substantial contribution criteria						DNSH criteria										
Economic activites	Code(s)	Absolute OpEx *mil EUR*	Proportion of OpEx %	(1) %	(2) %	(3) %	(4) %	(5) %	(6) %	(1) *yes/ no*	(2) *yes/ no*	(3) *yes/ no*	(4) *yes/ no*	(5) *yes/ no*	(6) *yes/ no*	Minimum safeguards *yes/no*	Taxonomy aligned proportion of OpEx Year N %	Taxonomy aligned proportion of OpEx Year N-1 %	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITES																				
A.1 Environmentally sustainable activites (Taxonomy-aligned)																				
4.1. Electricity generation using solar photovoltaic	42.22	0,004	0,04%	100,00%	0,00%						yes		yes		yes	yes	0,04%			
OpEx of environmentally sustainable activites		0,004	0,04%	100,00%	0,00%												0,04%			
sustainable activites (not Taxonomy-aligned																				
6.5. Transport by motorbikes, passenger cars and	77.11	0,34	3,71%																	
7.7 Acquisition and ownership of buildings	68	0,42	4,69%																	
4.30. High-efficiency co-generation of heat/cool and	35.30	0,32	3,57%	Not applicable													Not applicable			
sustainable activites (not Taxonomy-aligned		1,08	11,97%																	
Total OpEx of Taxonomy-eligible activities (A.1 +		1,08	12,01%														0,04%			
B. TAXONOMY-NON-ELIGIBLE-ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		7,94	87,99%																	
Total (A+B)		9,02	100,00%																	

Environmental objectives:
(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Circular economy
(5) Pollution
(6) Biodiversity and ecosystems

Table 6 – Proportion of fossil gas related activities in turnover KPI, Capital expenditures KPI and Operating expenditures KPI

		Amount and proportion							
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)			
Economic activities	Carried out by undertaking YES/NO	Amount (mil EUR)	%	Amount (mil EUR)	%	Amount (mil EUR)	%	Amount (mil EUR)	%
Nuclear and fossil gas related activities									
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES	Not applicable							
Taxonomy-aligned economic activities (denominator)									
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the denominator of turnover KPI)	Not applicable	0,00	0,00%	0,00	0,00%	0,00	0,00%	Not applicable	
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the denominator of CapEx KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the denominator of OpEx KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
Total (amount and proportion in the denominator of turnover KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
Total (amount and proportion in the denominator of CapEx KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
Total (amount and proportion in the denominator of OpEx KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
Taxonomy-aligned economic activities (numerator)									
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the numerator of turnover KPI)	Not applicable	0,00	0,00%	0,00	0,00%	0,00	0,00%	Not applicable	
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the numerator of CapEx KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the numerator of OpEx KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
Total (amount and proportion in the numerator of turnover KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
Total (amount and proportion in the numerator of CapEx KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
Total (amount and proportion in the numerator of OpEx KPI)		0,00	0,00%	0,00	0,00%	0,00	0,00%		
Taxonomy-eligible but not taxonomy-aligned economic activities									
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the denominator of turnover KPI)	Not applicable	0,61	0,01%	Not applicable					
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the denominator of CapEx KPI)		0,00	0,01%						
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the denominator of OpEx KPI)		0,32	3,57%						
Total (amount and proportion in the denominator of turnover KPI)		0,61	0,01%						
Total (amount and proportion in the denominator of CapEx KPI)		0,00	0,01%						
Total (amount and proportion in the denominator of OpEx KPI)		0,32	3,57%						
Taxonomy non-eligible economic activities	none								

2. Minimum safeguards

The assessment of economic activities with respect to their alignment with the EU Taxonomy also includes the evaluation of compliance with minimum safeguards. The minimum social safeguards include those procedures that should ensure that economic activities take place in accordance with:

- OECD Guidelines for Multinational Enterprises (2011)[2],
- UN Guiding Principles on Business and Human Rights (UNGP)[3], including principles and rights established in the eight core conventions of the International Labour Organisation as set out in the Declaration on Fundamental Principles and Rights at Work[4], and
- International Bill of Human Rights[5].

As no further European Commission guidelines were available as of the compilation date of this Annual Report, the Final Report on Minimum Safeguards was used for assessing the minimum safeguards, as published by the Platform on Sustainable Finance in October 2022.

The assessment of compliance with minimum social safeguards was performed for the following four areas:

1. Human rights (including labour and consumer rights)
2. Corruption and bribery
3. Taxation
4. Fair competition

In assessing compliance with minimum social safeguards, SPP followed a two-dimensional assessment approach. This means the company took into account the implementation of adequate procedures to prevent negative impacts, but also the dimension of outputs that is used to monitor the outputs.

SPP understands the responsibility it carries from the position of the biggest energy supplier in Slovakia and in its daily business activities it not only declares, but also closely monitors, compliance with the principles of ethical behaviour that form part of the SPP Code of Conduct. The Code includes all four main areas of minimum social safeguards.

[2] https://www.oecd.org/daf/inv/mne/48004323.pdf

[3] https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

[4] https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/normativeinstrument/wcms_716594.pdf

[5] https://www.ohchr.org/sites/default/files/Documents/Publications/Compilation1.1en.pdf

CONTACTS

Slovenský plynárenský priemysel, a.s.
Mlynské nivy 44/a
825 11 Bratislava
Slovak Republic
Phone: +421 2 62 62 11 11
E-mail: spp@spp.sk
Website: www.spp.sk

Households

SPP Customer Care Line
Phone: 0850 111 363 (from 1 June 2020, weekdays from 8 a.m. to 6 p.m.)
E-mail: zakaznickalinka@spp.sk
For calls from abroad or from networks of alternative operators: +421 2 58 69 90 90

Small Businesses & Organisations

SPP Business Line
Phone: 0850 111 565 (from 1 June 2020, weekdays from 8 a.m. to 6 p.m.)
E-mail: biznislinka@spp.sk
For calls from abroad or from networks of alternative operators: +421 2 58 69 90 92
SPP Fair Hotline
Phone: 0800 126 076 (from 1 June 2020, weekdays from 8 a.m. to 6 p.m.)

Please visit www.spp.sk website for the list of SPP Customer Centres

Slovak Gas Museum

Slovenský plynárenský priemysel, a.s.
Mlynské nivy 44/c
825 11 Bratislava
Phone: +421 2 62 62 41 64, 0911 704 489
(weekdays from 10 a.m. to 2 p.m.)
E-mail: muzeum@spp.sk
Entry to the museum is free of charge. Visits must be arranged in advance.

SPP Gallery

Slovenský plynárenský priemysel, a.s.
Mlynské nivy 44/c
825 11 Bratislava
Phone: +421 2 62 62 42 42, 0911 704 489
(weekdays from 10 a.m. to 6 p.m.)
E-mail: galeria@spp.sk
Entry to the gallery is free of charge.

Slovenský plynárenský priemysel, a.s.

INDEPENDENT AUDITOR’S REPORT AND SEPARATE FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU) FOR THE YEAR ENDED 31 DECEMBER 2022

Building a better
working world

Ernst & Young Slovakia, spol. s r.o.
Žižkova 9
811 02 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
www.ey.com/sk

Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Directors and to the Audit Committee of Slovenský plynárenský priemysel, a.s.:

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Slovenský plynárenský priemysel, a.s. ('the Company'), which comprise the balance sheet as at 31 December 2022, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ('IFRS EU').

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 Separate Financial Statements section of our report. We are independent of the Company in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ('the Act on Statutory Audit') related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the separate financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of the separate financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements including the presented information as well as whether the separate financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ('the Act on Accounting'). Our opinion on the separate financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the separate financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited separate financial statements or our knowledge obtained in the audit of the separate financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of separate financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2022 is consistent with the separate financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the separate financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

15 March 2023
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067

CONTENTS

Slovenský plynárenský priemysel, a.s.
BALANCE SHEET
as at 31 December 2022 and 31 December 2021
(EUR '000)

	Note	31 December 2022	31 December 2021
ASSETS:			
NON-CURRENT ASSETS			
Investment property	8	21 781	15 800
Land, property, plant and equipment	7	66 627	73 258
Investments in subsidiaries, joint ventures and associated companies	6	2 057 981	2 057 506
Non-current intangible assets	9	11 825	12 835
Other non-current assets		238 758	115 657
Total non-current assets		2 396 972	2 275 056
CURRENT ASSETS			
Inventories	10	1 434 813	106 200
Receivables and prepayments	11	2 669 822	1 633 932
Cash and cash equivalents		16 966	1 459 950
Other assets		62	62
Total current assets		4 121 663	3 200 144
Assets held for sale		953	3 454
TOTAL ASSETS		**6 519 588**	**5 478 654**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	18	885 062	885 062
Legal and other reserves	19	1 837 648	1 337 584
Hedging reserve	19	399 923	335 840
Retained earnings	19	41 224	240 046
Total equity		3 163 857	2 798 532
NON-CURRENT LIABILITIES			
Deferred income	15	2 694	2 818
Provisions	13	40 161	39 153
Retirement and other long-term employee benefits	12	837	1 015
Deferred tax liability	25.2	76 915	89 274
Other non-current liabilities	16	283 923	122 216
Total non-current liabilities		404 530	254 476
CURRENT LIABILITIES			
Trade and other payables	17, 16	2 360 747	2 263 609
Tax liabilities from income tax	25.1	11 432	710
Short-term loans	14	535 988	150 000
Provisions and other current liabilities	13	43 034	11 327
Total current liabilities		2 951 201	2 425 646
Total liabilities		3 355 731	2 680 122
TOTAL EQUITY AND LIABILITIES		**6 519 588**	**5 478 654**

The financial statements on pages 4 to 52 were signed on 15 March 2023 on behalf of the Board of Directors:

Mgr. Miroslav Kulla
Chairman of the Board of Directors
Chief Executive Officer

Ing. Marián Široký
Vice-Chairman of the Board of Directors

(EUR '000)

	Note	*Year ended 31 December 2022*	*Year ended 31 December 2021*
Revenue from contracts with customers	20	3 955 394	1 924 195
Other gains and losses	20	1 135 055	71 930
Own work capitalised		5 462	1 509
Purchases of natural gas, electricity, consumables and services		(4 897 533)	(1 844 442)
Depreciation and amortisation	7, 8, 9	(8 817)	(9 067)
Storage of natural gas and other services		(105 984)	(69 832)
Personnel expenses	21	(34 257)	(32 133)
Provisions for bad and doubtful debts, net	11	9 332	(3 055)
Provisions and impairment losses, net	13	(39 062)	(15 499)
Operating profit		19 590	23 606
Investment income	22	3 007	220 870
Finance costs	23	(6 892)	(516)
Profit before income taxes		15 705	243 960
INCOME TAX	25	9 273	(9 511)
NET PROFIT FOR THE PERIOD		**24 978**	**234 449**

(EUR '000)

	Note	***Year ended 31 December 2022***	***Year ended 31 December 2021***
NET PROFIT FOR THE PERIOD		24 978	234 449
OTHER COMPREHENSIVE INCOME (may be reclassified to profit or loss in the future):	26		
Cash flow hedging		81 118	405 979
Deferred tax related to items of other comprehensive income for the period		(17 035)	(89 274)
OTHER COMPREHENSIVE INCOME (not reclassified to profit or loss in the future):	26		
Change in the liability for employee benefits		64	15
Deferred tax related to items of other comprehensive income for the period		-	-
OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD		64 147	316 720
TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD		**89 125**	**551 169**

(EUR ‘000)

	Registered capital	*Legal and other funds*	*Hedging reserve*	*(Accumulated loss)/ Retained earnings*	*Total*
At 31 December 2020	**885 062**	**1 197 569**	**19 135**	**399 997**	**2 501 763**
Net profit for the period	-	-	-	234 449	234 449
Other comprehensive income for the period	-	15	316 705	-	316 720
Total comprehensive income	**885 062**	**1 197 584**	**335 840**	**634 446**	**3 052 932**
Dividends paid	-	-	-	(394 400)	(394 400)
Shareholder’s contribution	-	140 000	-	-	140 000
At 31 December 2021	**885 062**	**1 337 584**	**335 840**	**240 046**	**2 798 532**
Net profit for the period	-	-	-	24 978	24 978
Other comprehensive income for the period	-	64	64 083	-	64 147
Total comprehensive income	**885 062**	**1 337 648**	**399 923**	**265 024**	**2 887 657**
Dividends	-	-	-	(223 800)	(223 800)
Shareholder’s contribution	-	500 000	-	-	500 000
At 31 December 2022	**885 062**	**1 837 648**	**399 923**	**41 224**	**3 163 857**

(EUR '000)

	Note	*Year ended 31 December 2022*	*Year ended 31 December 2021*
OPERATING ACTIVITIES			
Cash flows from operating activities	27	(2 310 697)	1 149 348
Interest paid		(4 021)	(20)
Interest received		3 287	863
(Income tax paid)/refund of tax overpayments		(9 398)	(9 571)
Net cash flows from operating activities		(2 320 829)	1 140 620
INVESTING ACTIVITIES			
Expenditure on provided borrowings		-	(660)
Revenue from loans granted		55	-
Expenditure on financial investments		-	(35 823)
Purchase of property, plant and equipment		(8 123)	(6 022)
Proceeds from the sale of land, property, plant and equipment and intangible assets		4 759	432
Dividends received		-	96 227
Net cash inflow/(outflow) from investing activities		(3 309)	54 154
FINANCING ACTIVITIES			
Proceeds from interest-bearing borrowings		1 567 801	302 400
Expenditures for the repayment of interest-bearing borrowings		(1 182 000)	(30 000)
Increase in the capital fund from the shareholder's contribution		500 000	-
Dividends paid	19	(3 800)	(254 400)
Payment of principal portion of lease liabilities	16	(688)	(583)
Other proceeds and expenditures from financial activities, net		(98)	(120)
Net cash flows from financing activities		881 215	17 297
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 442 923)	1 212 071
EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS		(61)	10
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1 459 950	247 869
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**16 966**	**1 459 950**

	31 December 2021	*Cash flow*	*Non-cash change – proceeds*	*Non-cash change – offset*	*31 December 2022*
Dividends received	-	-	-	-	-
Short-term loan	-	-	-	-	-
Total liabilities from financing activities	**-**	**-**	**-**	-	**-**

	31 December 2020	*Cash flow*	*Non-cash change – proceeds*	*Non-cash change – offset*	*31 December 2021*
Dividends received	-	96 227	(220 000)	123 773	-
Short-term loan	1 373	122 400	-	(123 773)	-
Total liabilities from financing activities	**1 373**	**218 627**	**(220 000)**	**-**	-

(EUR '000)

1. GENERAL

1.1. General Information

Slovenský plynárenský priemysel, a.s. ("SPP") was founded on 21 December 1988 by a Memorandum of Association as a 100% state-owned enterprise in the Slovak Republic. On 1 July 2001, SPP was transformed into a joint-stock company (akciová spoločnosť) that was 100% owned by the National Property Fund of the Slovak Republic. The Government of the Slovak Republic became the 100% owner of SPP in 2014.

SPP is the largest and most important Slovak energy supplier. In the area of gas supply, it directly follows the 165-year tradition of the Slovak gas industry and since 2012 it has also been operating on the electricity supply market. SPP guarantees reliable, safe and competitive gas and electricity supplies and related services in all regions of Slovakia. The company successfully supplies natural gas and electricity to more than 1.4 million consumption points. In addition to energy supply, SPP also provides energy services and energy smart solutions. At the same time, SPP also acts as an electricity purchaser in support of the production of electricity produced from renewable energy sources and high-efficiency combined production.

SPP is 100% owner of the company SPP CZ, a.s. with registered address in the Czech Republic, whose main business activity is the purchase and sale of natural gas and electricity. At the same time, SPP is also 100% owner of the company SPP CNG s.r.o., which sells compressed natural gas. SPP also owns 51% non-controlling interest in the company SPP Infrastructure, a.s. In 2021, SPP created a joint venture ESCO Slovensko, a.s., which operates on the energy provision market (see Note 6). In 2021, SPP successfully completed the purchase of the customer portfolio of ČEZ Slovensko, s.r.o., focused on electricity and gas supply mainly for business entities, cities and organizations.

These financial statements represent the separate financial statements of SPP. They were prepared for the reporting period from 1 January to 31 December 2022 in accordance with the International Financial Reporting Standards as adopted by the EU.

Identification number (IČO)	35 815 256
Tax identification number (DIČ)	2020259802

The Annual General Meeting approved the 2021 financial statements of SPP on 3 May 2022.

1.2. Principal Activities

Since 1 July 2006, after the legal unbundling process, SPP has been selling natural gas and electricity.

1.3. Employees

The average number of SPP employees for the year ended 31 December 2022 was 711, of which 6 represented the executive management (for the year ended 31 December 2021: 685, of which 7 represented the executive management).

The actual number of full-time employees as at 31 December 2022 was 726 (as at 31 December 2021: 689).

1.4. Registered Address

Mlynské nivy 44/a
825 11 Bratislava
Slovak Republic

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

Application of New and Revised International Financial Reporting Standards

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the European Union (hereinafter the "EU"), and that are relevant to its operations and effective for annual periods beginning on 1 January 2022.

Initial application of new standards and amendments to the existing standards and new interpretations effective for the current reporting period

The following standards and amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and amendments to various standards due to the "IFRS Quality Improvement Project (2018-2020 cycle)" –** resulting from the annual IFRS Quality Improvement Project, primarily aimed at removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (effective for accounting periods beginning on or after 1 January 2022).

The adoption of these standards and amendments to the existing standards and new interpretations has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards and interpretations issued by IASB and adopted by the EU, but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to existing standards and interpretations issued by IASB and adopted by the EU are not yet effective:

- **IFRS 17 "Insurance Contracts", including amendments to IFRS 17 –** adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates"** – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2: Disclosure of accounting policies** – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction"** – adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 17 "Insurance Contracts: Initial application of IFRS 17" and IFRS 9 "Financial instruments" – comparative information –** adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023).

The Company has elected not to adopt these new standards and amendments to the existing standards and new interpretations in advance of their effective dates. The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretations, which were not endorsed for use in the EU as at the reporting date (effective dates stated below are for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IAS 1 "Presentation of Financial Statements" -** Classification of liabilities as current or non-current date, classification of liabilities as current or non-current – deferral of fffective date and non-current liabilities with covenants (effective for annual periods beginning on or after 1 January 2024),

- **Amendments to IFRS 16 "Leases: Lease liability in a sale and leaseback"** (effective for accounting periods beginning on or after 1 January 2024),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" -** these amendments have not yet been adopted by the EU.

The Company anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unchanged.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at the balance sheet date.

3. SUMMARY OF ACCOUNTING POLICIES

a) Basis of Accounting

The separate financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS relevant for SPP as adopted by the EU currently do not significantly differ from IFRS as issued by the IASB.

The financial statements are prepared under the historical cost convention, except for the certain financial instruments. The principal accounting policies adopted are detailed below. The reporting and functional currency of SPP is the euro (EUR). The separate financial statements were prepared under the going-concern assumption.

SPP will prepare and issue consolidated financial statements for the year ended 31 December 2022 that comply with IFRS as adopted by the EU. The consolidated financial statements are issued separately and do not accompany these separate financial statements. For a better understanding of the Company's consolidated financial position and results of operations, reference should be made to the consolidated financial statements for the year ended 31 December 2022.

b) Subsidiaries, Joint Ventures and Associated Companies

Investments in subsidiaries, joint ventures and associated companies are recognised at acquisition cost. The cost of the investment in a subsidiary is based on the costs attributed to the acquisition of the investment, which represents the fair value of the consideration given and directly attributable transaction costs.

Subsequently, investments in subsidiaries, joint ventures and associated companies are measured at cost less impairment. In accordance with IAS 36, the Company assesses at each reporting date whether there is evidence that such investments may be impaired.

Impairment of non-monetary assets

Assets with indefinite useful lives are not depreciated; however, they are tested for impairment each year. Depreciated assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be realisable. As regards the impairment of financial investments in subsidiaries or joint ventures and associated companies, the Company assesses whether the carrying amount of an investment in the separate financial statements exceeds the carrying amount of the net assets of an investee recognised in the consolidated financial statements including the corresponding goodwill, or whether the dividends received exceed the total aggregate profit of the subsidiary or joint venture and associated company in the period the dividends are awarded. An impairment loss is recognised in the amount by which the carrying amount of an asset exceeds its realisable value. The realisable value is the higher of the fair value of an asset less costs of sale, or the value in use. To assess impairment of assets, assets are classified into groups at the lowest levels for which separately identifiable cash flows (cash-generating units) exist. Impaired non-monetary assets, except for goodwill, are assessed at each reporting date to determine whether the impairment can be derecognised or not.

c) Financial Assets

The Company recognises and classifies financial assets in accordance with IFRS 9 "Financial Instrument" which superseded IAS 39 "Financial Instruments: Recognition and Measurement" with effect from 1 January 2018.

Financial assets are classified in the following categories: Financial assets subsequently measured at amortised cost, financial assets subsequently measured at fair value through other comprehensive income (FVOCI) and financial assets at fair value through profit or loss (FVTPL).

Although the permitted measurement of financial assets at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss is similar to the IAS 39 measurement, the criteria for classification to the corresponding categories are different.

The Company recognises financial assets subsequently measured at amortised cost and financial assets at fair value through profit or loss.

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following conditions are met:
i) The assets are held in a business model whose objective is to hold assets in order to collect contractual cash flows; and
ii) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Financial assets classified as at FVTPL mainly include agreements on the purchase or sale of commodities not meeting the measurement exception under IFRS 9 and financial derivatives concluded to ensure economic hedging to which the hedge accounting was not applied.

Interest income is recognised by applying the effective interest rate, except for current receivables when the recognition of interest would be immaterial.

Impairment of financial assets

For the impairment of loan receivables, the Company applies a three-stage model of excepted credit losses (ECL). Under this model, an immediate impairment loss in an amount equal to a 12-month expected credit loss is recognised upon the initial recognition of the financial assets. If there is a significant increase of the credit risk, a provision is estimated based on expected credit losses for the full lifetime of financial assets, not only based on the 12-month expected credit loss.

For trade receivables and current receivables, the Company applies a simplified model for the assessment and recognition of impairment losses on financial assets under which a provision is recognised of expected credit losses over the full lifetime of trade receivables at the moment of their initial recognition. Such estimates are revised as at the reporting date.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

d) Financial Liabilities

Financial liabilities are classified as either financial liabilities at "fair value through profit or loss" (FVTPL) or as "other financial liabilities".

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability held for trading is either a derivative instrument or it is designated as at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Finance costs' line in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method. Interest gains and losses on the translation of foreign currencies are recognised in the income statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities only when the Company's obligations are met, cancelled or expired. The difference between the carrying amount of the financial liability and the consideration paid and the amount payable is recognised in the income statement.

e) Derivative Financial Instruments

The Company enters into a number of derivative contracts in order to manage the risk of changes in commodity prices, interest rates and the foreign exchange risk, including forward currency contracts and interest rate and commodity swaps and other derivative contracts, eg. futures.

Derivative financial instruments are contracts: (i) whose value changes in response to a change in one or more identifiable variables; (ii) that require no significant net initial investment; and (iii) that are settled at a certain future date. Derivative financial instruments, therefore, include swaps, futures, and firm commitments to buy or sell non-financial assets that include the physical delivery of the underlying assets, except for contracts intended for their own use (the so-called own use exemption).

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Company designates hedging instruments that include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair-value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(EUR '000)

In the event that a financial derivate does not meet or no longer meets the requirements for hedge accounting, changes in the fair value are directly recognised in the income statement as "Mark-to-market" or as "Mark-to-market on commodity contracts other than trading instruments" in ordinary operating income from derivative financial instruments with non-financial assets as the underlying assets, and in financial revenues or expenses in the case of currency, interest rate or equity derivatives. Derivative financial instruments used by the Company for trading activities with own energy and energy on behalf of customers, and other derivative financial instruments that are due in less than 12 months are recognised in the statement of financial position as current assets or current liabilities, while derivative financial instruments due after this period are classified as non-current items.

<u>Cash flow hedges</u>

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are recognised as follows:

- If an expected hedged transaction subsequently leads to the recognition of a non-financial asset or a non-financial liability, or if a forecast hedged transaction with a non-financial asset or a non-financial liability becomes a firm commitment, the amounts accumulated in other comprehensive income are derecognized and directly included in the initial measurement of such an asset or a liability.

- For other instances, amounts accumulated in other comprehensive income are reclassified from the hedging reserve to profit or loss in the periods when the hedged item is recognized in profit or loss in the same income statement line as the recognized hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Some derivative contracts are fully secured by accepted financial collateral from counterparties, which eliminates counterparty's risk as well as the Company's own default risk.

f) Land, Property, Plant and Equipment, and Intangible Assets

Property, plant and equipment ("non-current assets") and intangible assets were recognised at cost net of accumulated depreciation as at 31 December 2022 and 31 December 2021. Cost includes all costs attributable to placing the non-current asset into service for its intended use.

Items of non-current assets that are retired or disposed of for another reason are derecognised from the balance sheet at the net book value. Any gain or loss resulting from such retirement or disposal is included in the income statement.

Other items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. Depreciation is charged to the income statement computed so as to amortise the cost of the non-current assets to their estimated residual values over their residual useful lives.

The useful lives of non-current assets used are as follows:

	2022	***2021***
Buildings	30 - 40	30 - 40
Right of use of leased premises	5 -10	5 -10
Plant and machinery	3 - 15	3 - 15
Right of use of vehicles	5	5
Inventory	4 - 8	8 - 15
Software – tangible	3 - 4	3 - 4
Other non-current tangible assets	8	8

Land is not depreciated as it is deemed to have an indefinite useful life.

Intangible assets with limited useful lives that are acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are re-assessed at the end of each reporting period.

The useful lives of intangible assets can be summarised as follows:

	2022	***2021***
Software	4 – 10	4 – 10
Other non-current intangible assets	4 – 10	4 – 10

At each reporting date, an assessment is made as to whether there is any indication that the realisable value of the Company’s non-current assets is less than the carrying amount. When such an indication occurs, the realisable value of the asset, being the higher of the asset’s fair value less costs of disposal and the present value of future cash flows (“value-in-use”), is estimated. The resulting impairment loss provision is recognised in full in the income statement in the year in which the impairment occurs. The discount rates used to calculate the present value of the future cash flows reflect the current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or significantly to postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision recorded, if appropriate.

Expenditures relating to an item of non-current assets after being placed into service are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the enterprise. All other expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

g) Investment Property

Investment property that is held to generate income from a lease is initially recognised at cost inclusive of costs related to acquisition. They are subsequently recognised at historical cost. The Company does not apply any revaluation model for such assets.

h) Research and Development

Costs of research and development are charged to expenses except for expenses incurred for development projects that are recognised as non-current intangible assets of an expected economic benefit. Development costs that were expensed in the year in which they were incurred are not subsequently capitalised in the following reporting periods.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of natural gas stored in underground storage facilities and raw materials is calculated using the weighted arithmetic average method. The cost of natural gas and raw materials includes the cost of acquisition and related costs, and the cost of inventories developed internally includes materials, other direct costs, and production overheads. Other costs related to the acquisition of natural gas also include the effect of hedging. The positive impact of hedging, i.e. profit from the settlement of derivative operations, reduces the valuation of natural gas in the underground storage facilities and vice versa, the negative impact of hedging, i.e. loss from the settlement of derivative operations increases the valuation of natural gas in the underground storage facilities.

A provision in the required amount is recorded for inventories if there is an indication of their impairment.

The Company separately recognises natural gas held for trading, which is remeasured to fair value as at the reporting date. Changes in the fair value of natural gas held for trading are recognised directly in profit or loss.

j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and cash in bank, and highly liquid securities with insignificant risk of changes in value and original maturities of three months or less from the date of issue.

k) Dividends

Dividends are recognised in equity in the period in which they were approved. The payment of dividends to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends were approved by the Company's shareholder.

Dividend income is recognised when the right of payment has been established and the economic benefits are expected to be received.

l) Accounting for Government Grants

Received government grants are recognised when there is reasonable assurance that the grant will be received and that any conditions attached to the grant will be met. If the government grant relates to the settlement of costs, it is recognised as income over the period required for a systematic compensation of the grant with related costs for the settlement of which the grant is intended. If the government grant relates to the acquisition of non-current assets, it is recognised as deferred income and recognised in the income statement on a straight-line basis over the estimated useful life of the relevant asset.

Government grants are recognised in the balance sheet using a deferred income method.

m) Provisions for Liabilities

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation. The applied discounted rate reflects the current market expectations regarding the time value of money and risks specific to the relevant liability. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they were incurred, except for borrowing costs directly attributable to acquisition, construction or production of the relevant non-current assets. Such borrowing costs are recognised as part of the cost of such assets until they are placed into service.

o) Recognition of Revenue from Contracts with Customers

Revenue from contracts with customers is recognised upon the delivery of goods or services net of value added tax and discounts at a point in time or over a certain time period in accordance with IFRS 15 in order to disclose the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for such goods or services.

Revenues from the sale of natural gas and revenues from the sale of electricity are recognised at the moment the commodity is supplied to the customer based on the actually measured or estimated energy consumption at the agreed price.

p) Other Gains and Losses

The Company recognises other gains that do not meet the requirements of the standard, IFRS 15 "Revenue from Contracts with Customers" and the corresponding losses in profit or loss on a net basis. Other gains and losses include the result of trading activities and the sale of a commodity with physical delivery falls under the scope of IFRS 9, gains and losses on the sale of assets and raw materials, other taxes and charges, FX differences from operating activities and other operating profits and losses. The Company recognises the result of trading activities on a net basis after the recognition of purchases or sales and the remeasurement of open positions.

q) Social Security and Pension Schemes

The Company is required to make contributions to various mandatory government insurance schemes, together with contributions by employees. The cost of social security payments is charged to the income statement in the same period as the related salary cost.

r) Retirement and Other Long-Term Employee Benefits

The Company has a long-term employee benefit program comprising a lump-sum retirement benefit, and work jubilee benefits, for which no separate financial funds were earmarked. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service period of employees. The benefit obligation is measured at the present value of the estimated future cash flows discounted by market yields on Slovak government bonds, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognised in the statement of other comprehensive income. Past service costs are recognised when incurred as expenses.

s) Leases

The assessment of whether or not a contract contains or represents a lease depends on the substance of the contract and requires an assessment of whether the performance of the contract depends on the use of a specific, clearly identifiable asset or whether the contract grants the right to use the asset for a period of time for equivalent. The lessee has the right to control the use of the asset and obtain significant economic benefits from its use.

The Company does not apply IFRS 16 to leases of intangible assets, short-term lease contracts (less than one year) and to leases where the underlying asset has a low value.

At the date of the lease, as a lessee, the Company recognises an asset with the right of use and recognise lease liability. An asset with the right of use is initially measured at cost and recognised in the separate balance sheet line "Land, property, plant and equipment". An asset with the right of use is subsequently measured using the cost model. The amortization period is equal to the estimated useful life of the underlying asset or the lease term. Depreciated assets with the right of use are tested for impairment whenever the events or changes in conditions occur that could mean the carrying amount may not be recoverable, but at least as of balance sheet date.

The lease liability is initially recognised at the present value of future lease payments and is presented in the separate balance sheet line "Trade and other payables", or "Other non-current liabilities". Subsequently, the lease liability is increased by the relevant interest calculated on the basis of the incremental borrowing rate and reduced by the lease payments. Interest is reported in the individual statement of profit or loss and other comprehensive income in the line "Cost of financing".

Leases for an indefinite period of time are limited to the earliest date on which the lease can be terminated by the lessee or the lessor (taking into account previous customs and economic reasons for those practices). The useful life of fixed-term leasing contracts corresponds to the contractual period.

Total lease payments under exceptions (leases of intangible assets, short-term lease contracts and leases where the underlying asset is of low value) are recognised as an expense on a straight-line basis over the lease term in the individual income statement and other comprehensive income.

<u>Company as a lessor</u>

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

<u>Property lease classification – Company as a lessor</u>

The Company has entered into commercial property leases, which are recognised on the balance sheet line "Investment property". The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

t) Income Tax

Income tax is calculated from the profit/loss before tax recognised under International Financial Reporting Standards adjusted pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic after adjustments for individual items increasing and decreasing the tax base in line with Act No. 595/2003 Coll. on Income Tax, as amended, using the applicable income tax rate.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled. Deferred tax is charged or credited to the statement of profit and loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity.

The principal temporary differences arise from depreciations on property, plant, and equipment and various provisions and reserves. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Current and deferred tax for the year

Current and deferred tax are recognised through profit or loss statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

A special levy is recognised as part of income taxes.

Special Levy on Business in Regulated Industries

Pursuant to the requirements of the IFRS, the income tax also includes a special levy as per Act No. 235/2013 Coll. on a Special Levy on Business in Regulated Industries and on Amendment to and Supplementation of Certain Acts. It is recognised through profit or loss statement.

The Company is a regulated entity and has been obliged to pay special levies since September 2012. The levy period is a calendar month and the levy rate effective for 2022 is 0,00363 (the levy rate effective for 2021 was 0,00363). The base for the Company's levy is the profit/loss before tax recognised in accordance with IFRS and adjusted to the profit/loss recognised pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic and further adjusted pursuant to the Special Levy Act.

u) Foreign Currencies

Transactions in foreign currencies are initially recorded at the exchange rates of the European Central Bank (ECB) valid on the transaction dates. Monetary assets, receivables, and payables denominated in foreign currencies are retranslated at the ECB exchange rates valid on the reporting date. Foreign exchange gains and losses are included in the income statement.

v) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount can be recovered through a sale transaction rather than through continuing use. This condition is considered fulfilled only when the sale is highly probable, and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

4. ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, as described in Note 3, SPP has made the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognised in the financial statements. There is a significant risk of material adjustments in future periods relating to such matters, including the following:

Litigation

SPP is involved in various legal proceedings for which management has assessed the probability of loss that may result in cash outflow. In making this assessment, SPP has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. The final amount of any potential losses in relation to the legal proceedings is not known and may result in a material adjustment to the previous estimates. Details of the legal cases are included in Note 28.

Provision for Litigation and Potential Disputes

The financial statements include a provision for litigation and potential disputes which were estimated using available information and an assessment of the achievable outcome of the individual disputes. The provision is not recognised unless a reasonable estimate can be made.

Impairment of Property, Plant and Equipment

The Company calculated and recorded amounts for the impairment of property, plant and equipment on the basis of an evaluation of their future use, on planned liquidation or sale, and based on information received from real estate agencies. For some of these items, no final decision has yet been made and thus the assumptions on the use, liquidation, or sale of assets may change. Refer to Note 7 for details on the impairment of property, plant and equipment.

Impairment of Investments in Subsidiaries and Joint and Associated Company

Financial investments in subsidiaries and in a joint venture and associated company were initially measured at cost. The realisable value of SPP CZ, a.s. depends on the sale of natural gas to customers in the Czech Republic. The realisable value of SPP CNG, s.r.o. depends on CNG sales in Slovakia. The realisable value of SPP Infrastructure, a.s. depends on the financial results of its subsidiaries and joint ventures; as regards eustream, a.s., NAFTA, a.s., SPP Storage, s.r.o. and Pozagas, a.s., the realisable value depends on the overall demand for gas transmission and gas storage services and on the performance of long-term contracts which generate a significant portion of income for these companies; as regards SPP - distribúcia, a.s., the realisable value depends on the development of regulatory environment and gas consumption in Slovakia, as almost all income is regulated by a distribution tariff consisting of fixed and variable portions depending on the actual volume of distributed gas. The realisable value of the joint venture ESCO Slovensko, a.s., which operates on the energy provision market depends on the financial results of its subsidiaries and joint ventures. SPP monitors the financial results of its subsidiaries and joint venture and associated company.

SPP identified impairment of the investment in SPP CZ, a.s. (subsidiary) for the first time in 2013. SPP identified impairment of the investment in SPP Infrastructure, a.s. (associated company) in 2014 due to a decrease in the share capital and in 2015 due to a decrease in the legal reserve fund of SPP Infrastructure, a.s. SPP identified impairment of the investment in SPP CNG, s.r.o. (subsidiary) for the first time in 2018.

Unbilled revenues from gas and electricity sales

SPP records significant amounts as revenues from gas and electricity sales on the basis of estimated gas and electricity consumption by small industrial customers and residential customers. Actual consumption of such customers is determined based on an annual deduction performed after the reporting date. SPP makes an estimate of these revenues by allocating actual measured gas and electricity consumption to the individual categories of customers on the basis of past consumption trends and applying the valid natural gas and electricity prices. Actual consumption by customers in the different categories may vary and so the amounts recorded as revenues may change, given the price differences between categories of customers.

The Company uses a model that makes it possible to estimate these revenues with sufficient accuracy and ensures that the risk of a significant difference between the quantity sold and the resulting estimated revenue is not material.

Allowances for bad debts

The Company applies a simplified approach under IFRS 9 for trade and short-term receivables, i.e. measures expected credit losses (ECL) using lifetime expected losses. Impairment losses on trade and other receivables are recognised in income statement. An impairment loss is reversed if the reversal can be objectively attributed to an event that occurs after the recognition of an impairment loss.

Provision for Onerous Contracts

As at 31 December 2022, the separate financial statements include significant amounts recognised as provisions for onerous contracts with respect to non-cancellable contractual commitments to supply natural gas to customers and business partners based on sales contracts. These provisions are based on current market information on the future development of natural gas prices in spot markets, which are volatile. For more information, see Note 13.

Natural gas supply

In the context of the ongoing military conflict in Ukraine and the related sanctions against the Russian Federation, the Company is following the development of the situation very closely and assessing its potential direct impact on its business. The Company supplies gas to its customers on standard terms, while trying to diversify its natural gas sources by purchasing on European commodity markets and using other natural gas flows in addition to those from the Russian Federation, as well as by maintaining adequate natural gas reserves in storage facilities. The Company is following the development of the situation very closely and is analysing all available business options and tools to ensure a smooth gas supply to customers, both in the short and long term. In order to diversify sources, the Company has concluded contracts for the purchase of gas from offshore fields in the North Sea and liquefied natural gas (LNG), as one of several measures by the Company to strengthen the security of gas supply.

In view of the extraordinary events during 2022, SPP continues negotiations with Gazprom export LLC, with the aim of eliminating the negative impacts caused by unstable natural gas supplies. The agreement has not yet been finalised.

Decisions in Application of Accounting Policies

In addition to key sources of uncertainty listed above, the Company used judgment when applying accounting policies and assessing the requirements of the standards as described in Note 3, which have a significant impact on the recognition of items in the separate financial statements. These requirements mainly include:

- Evaluation of requirements under IFRS 13 for the measurement of non-financial assets at fair value (see Notes 3e, 3i and 3p); and
- Assessment of the IFRS 9 rules for the application of an exemption allowing one not to account for certain commodity buy and sell contracts as financial derivatives (see Note 3e).

(EUR '000)

5. FINANCIAL INSTRUMENTS

a) Financial Risk Management

The Company is exposed to various financial risks, including the effects of changes of purchase and sale prices of natural gas and electricity. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. In 2022 and 2021, the Company entered into derivative transactions, for example, forward currency contracts, commodity swaps and futures contracts, in order to manage certain risks. The purpose of forward currency contracts is to eliminate the effects of changes in the CZK/EUR exchange rates owing to future payments and revenues denominated in a foreign currency. The purpose of commodity swaps and futures contracts is to limit the price risks of sale contracts with customers and purchase contracts with suppliers.

The main risks arising from the Company's financial instruments are commodity price risk, interest rate risk, credit risk and liquidity risk. Risk management is performed by the Risk Management and Reporting Department in accordance with the procedures approved by the Board of Directors.

(1) Commodity Price Risk

The Company is a party to framework agreements for the purchase of natural gas, electricity, other services and materials. In addition, the Company enters into contracts for the sale of natural gas and electricity and natural gas storage. Contracts for natural gas storage are at fixed prices, which are escalated every year based on price indices.

As at 31 December 2022 the Company used **commodity swap contracts** to manage the risk of commodity price fluctuations. As at 31 December 2021, the Company also used hedging derivative contracts to hedge sale transactions.

The following table details the open commodity swap contracts at the reporting date:

Open commodity swap contracts	***31 December 2022***		***31 December 2022***	
	Nominal amount		***Change in fair value***	
	Hedging	***Held for trading***	***Hedging***	***Held for trading***
Purchase/(Sell) gas				
Less than 3 months	478 615	(394 661)	(151 991)	275 856
3 to 12 months	797 211	(65 325)	1 219	186 635
Over 12 months	499 147	(13 283)	(14 270)	4 830

Open commodity swap contracts	***31 December 2021***		***31 December 2021***	
	Nominal amount		***Change in fair value***	
	Hedging	***Held for trading***	***Hedging***	***Held for trading***
Purchase/(Sell) gas				
Less than 3 months	223 087	(11)	282 162	440
3 to 12 months	324 660	(973)	353 295	57
Over 12 months	178 569	(2 723)	92 667	(462)

The Company uses hedging financial instruments to secure cash flow hedging and fair value of sales contracts.

Cash flow hedging

The main risk affecting the price of natural gas is defined as commodity risk caused by price movements. The aim of cash flow hedging is therefore to ensure a fixed cost of sourcing the sales contracts, which are sold at fixed price. The risk of a change in the values of the input parameter affecting the price of natural gas is thus fully eliminated based on an agreement with the counterparty to compensate their development.

The Company recognises the following commodity contracts:

	At 31 December 2022	***At 31 December 2021***
Commodity swaps		
Nominal amount in MWh	13 195 984	9 517 622
Nominal amount in EUR ths.	777 323	94 512

(EUR '000)

The effect of hedging instruments in the balance sheet is as follows:

	At 31 December 2022	***At 31 December 2021***
Line in the statement of financial position		
Other non-current assets	-	12 957
Receivables and prepayments	296 003	298 150
Other non-current liabilities	(57 938)	(716)
Trade and other payables	(269 494)	(8 062)
Nominal value recorded in contingent assets and liabilities	777 323	94 512

The effect of hedging instruments in the income statement and in the statement of other comprehensive income is as follows:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Line in the income statement		
Purchase of natural gas, electricity and material and energy consumption	482 124	105 066
Revenue from contracts with customers	-	-
Line in the statement of other comprehensive income		
Hedging derivatives (cash flow hedging)	(31 428)	302 328

<u>Fair value hedging</u>

To eliminate the commodity risk, the Company decided to manage the risks by offering a fixed price to the customer through "back to back" hedging in the form of commodity swaps of the sales formula. The objective of the hedging instrument is to hedge the fair value of the yield contract. The risks of changes in the values of the input parameters affecting the selling price of natural gas are thus fully eliminated based on an agreement with the counterparty to compensate their development.

The effect of hedging instruments in the balance sheet is as follows:

	At 31 December 2022	***At 31 December 2021***
Line in the statement of financial position		
Other non-current assets	87 718	80 688
Receivables and prepayments	129 643	399 776
Other non-current liabilities	(44 050)	(261)
Trade and other payables	(306 924)	(53 908)
Nominal value recorded in contingent assets and liabilities	997 650	631 803

The effect of hedged items in the balance sheet is as follows:

	At 31 December 2022	***At 31 December 2021***
Line in the statement of financial position		
Other non-current assets	44 042	261
Receivables and prepayments	306 903	53 908
Other non-current liabilities	(87 476)	(80 578)
Trade and other payables	(130 364)	(394 401)

Financial collateral

As at 31 December 2022, the Company has a liability of EUR 596 411 thousand (31. December 2021: EUR 1 147 724 thousand) from financial collateral accepted from counterparties with whom the Company has concluded hedging derivative contracts. The fair value of financial collateral is equal to the value of received funds. The Company is obliged to repay the collateral to the counterparties after the settlement of the contracts. There are no other significant conditions connected with the use of the financial collateral.

(EUR '000)

In addition to commodity swaps, as of 31 December 2022 and 31 December 2021, the Company also used **futures contracts** to manage the risk of movements in prices of natural gas and electricity.

Open futures contracts as of balance sheet date:

Open futures contracts	***31 December 2022***		***31 December 2022***	
	Nominal value		***Change in fair value***	
	Hedging	***Held for trading***	***Hedging***	***Held for trading***
Purchase/(Sell) gas				
Less than 3 months	(140 204)	-	7 428	-
3 to 12 months	(156 831)	-	57 484	-
Over 12 months	-	-	-	-

Open futures contracts	***31 December 2022***		***31 December 2022***	
	Nominal value		***Change in fair value***	
	Hedging	***Held for trading***	***Hedging***	***Held for trading***
Purchase/(Sell) electricity				
Less than 3 months	(26 658)	-	3 405	-
3 to 12 months	(78 209)	-	9 581	-
Over 12 months	(131 975)	-	(1 580)	-

Open futures contracts	***31 December 2021***		***31 December 2021***	
	Nominal value		***Change in fair value***	
	Hedging	***Held for trading***	***Hedging***	***Held for trading***
Purchase/(Sell) gas				
Less than 3 months	(22 172)	-	33 998	-
3 to 12 months	(48 379)	-	48 623	-
Over 12 months	(1 163)	-	917	-

Open futures contracts	***31 December 2021***		***31 December 2021***	
	Nominal value		***Change in fair value***	
	Hedging	***Held for trading***	***Hedging***	***Held for trading***
Purchase/(Sell) electricity				
Less than 3 months	90 681	-	43 990	-
3 to 12 months	58 134	-	93 533	-
Over 12 months	3 637	-	1 191	-

The Company uses hedging financial instruments to secure cash flow hedging and fair value of sales contracts.

Cash flow hedging

The main risk affecting the price of natural gas and electricity is defined as commodity risk caused by price movements. The aim of cash flow hedging is therefore to ensure a fixed cost of sourcing the sales contracts, which are sold at fixed price. The risk of a change in the values of the input parameter affecting the price of natural gas and electricity is thus fully eliminated based on an agreement with the counterparty to compensate their development.

The Company recognises the following futures contracts:

	At 31 December 2022	***At 31 December 2021***
Futures contracts		
Nominal amount in MWh	(3 905 761)	1 717 820
Nominal amount in EUR ths.	(532 714)	152 021

(EUR '000)

The effect of hedging instruments in the statement of other comprehensive income is as follows:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Line in statement profit and loss		
Purchases of natural gas, electricity and consumption of materials and energy	193 718	-
Line in the statement of other comprehensive income		
Hedging derivatives (cash flow hedging)	536 660	122 785

Fair value hedging

To eliminate the commodity risk, the Company decided to manage the risks by offering a fixed price to the customer through "back to back" hedging in the form of futures contracts of the sales formula. The objective of the hedging instrument is to hedge the fair value of the yield contract. The risks of changes in the values of the input parameters affecting the selling price of natural gas and electricity are thus fully eliminated based on an agreement with the counterparty to compensate their development.

The effect of hedging instruments and hedged items in the balance sheet is as follows:

	At 31 December 2022	***At 31 December 2021***
Nominal value recorded in contingent assets and liabilities	(1 163)	(71 283)
Line in the balance sheet		
Other non-current assets	-	1 307
Receivables and prepayments	917	29 988
Other non-current liabilities	-	(19 619)
Trade and other payables	-	(111 144)

(2) Interest Rate Risk

The Company was exposed to minimum interest rate risks associated with interest rate volatility, as it only drew current loans with variable interest rate from commercial banks.

The risk of interest rate volatility is monitored in SPP. The volatility of interest rates on short-term loans does not pose a significant level of risk to the SPP, given that these loans are drawn down to cover the seasonality that results from the nature of the business linked to the heating curve during the year. The periods of financing need are alternated by periods of excess cash and resulting deposits. Any change in interest rates during periods of increased financing need is partly offset by higher yields on deposit operations in times of cash surplus.

As of 31 December 2022, short-term loans from commercial banks in the amount of EUR 485 801 thousand and short-term loans from non-financial entities under the authority of the Ministry of Economy of the Slovak Republic (hereinafter referred to as "MH SR") in the amount of EUR 50 187 thousand were drawn. As of 31 December 2021, short-term loans from commercial banks amounting to EUR 150 000 thousand had been drawn up.

(3) Credit risk related to receivables

The Company sells its products and services to various customers that, neither individually nor as a whole in terms of volume and solvency, represent a significant risk that receivables will not be settled pursuant to the valid risk management policy. The Company has policies in place that ensure that products and services are sold to customers with an appropriate credit history and that an acceptable limit to credit exposure is not exceeded.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet, net of provisions.

(EUR '000)

(4) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash with an appropriate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines, and the ability to close open market positions. Due to the dynamic nature of the underlying business, Treasury department aims to maintain flexibility by keeping committed credit lines available and synchronising the maturity of financial assets with financial needs. To settle outstanding liabilities, the Company has funds and undrawn credit lines at its disposal.

As of 31 December 2022, short-term loans from commercial banks in the amount of EUR 485 801 thousand and short-term loans from non-financial entities under the authority of the MH SR in the amount of EUR 50 187 thousand were drawn. As of 31 December 2021, short-term loans from commercial banks amounting to EUR 150 000 thousand had been drawn up.

Loans with a maturity of less than 1 year are drawn in EUR at a variable interest rate linked to 1 month EURIBOR. In the case of short-term loans from non-financial entities under the authority of the MH SR, a fixed interest rate was agreed.

Most short-term credit lines contain a clause for the automatic extension of the loan term unless either party terminates it within the deadline.

All loans are provided without any collateral, using common market provisions (pari-passu, ban to pledge assets, substantial negative impact). With regard to the balance of the credit facilities drawn as at 31 December 2022 of EUR 535 988 thousand (whereas the funds and tradable securities amounted to EUR 16 966 thousand), the net debt totals EUR 519 022 thousand. If necessary, maturing credit facilities may be paid off from undrawn credit facilities, as well as from available funds and tradable securities (at 31 December 2022 of EUR 429 199 thousand from banks).

The table below summarises the maturity of financial liabilities at 31 December 2022 and 31 December 2021 based on contractual undiscounted payments:

31 December 2022	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
Loans (Note 14)	-	535 988	-	-	-	535 998
Other liabilities	-	951 402	661 945	283 690	233	1 897 270
Trade payables	-	721 693	-	-	-	721 693

31 December 2021	***On demand***	***Less than 3 Months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
Loans (Note 14)	-	150 000	-	-	-	150 000
Other liabilities	-	1 475 592	391 282	121 926	290	1 989 090
Trade payables	-	375 067	-	-	-	375 067

b) Capital Risk Management

The Company manages its capital to ensure that it continues as a going concern while maximising the return to shareholder through optimising the debt and equity ratio, as well as through ensuring a high credit rating and sound capital ratios.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to the Company's owner, which comprise the registered capital, legal and other reserves and retained earnings as disclosed in Notes 18 and 19 and loans as disclosed in Note 14.

The gearing ratio:

	At 31 December 2022	***At 31 December 2021***
Debt (i)	535 988	150 000
Cash and cash equivalents	16 966	1 459 950
Net debt	519 022	-
Equity (ii)	3 163 857	2 798 532
Net debt to equity ratio	**16 %**	**0 %**

(i) Debt is defined as non-current and short-term borrowings
(ii) Page 5

(EUR '000)

c) Categories of Financial Instruments

	At 31 December 2022	*At 31 December 2021*
Financial assets		
Loans and receivables (including cash and cash equivalents)	1 276 621	2 182 875
Financial derivatives held for trading	679 659	150 795
Financial derivatives recognised as hedging	940 097	876 536
Financial liabilities		
Financial liabilities carried at amortised costs	2 094 159	1 681 632
Financial derivatives held for trading	161 701	162 084
Financial derivatives recognised as hedging	899 091	668 689

d) Estimated Fair Value of Financial Instruments

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows using forward interest rates as at the reporting date and agreed forward rates taking into account the credit risks of various parties.

The fair value of commodity swaps is determined using forward commodity prices and forward exchange rates at the reporting date and the agreed forward rates, taking into account the credit risk of various parties.

The fair value of ordinary shares not in a book-entry form has been estimated using a valuation technique based on assumptions that they are not supported by observable market prices. The valuation requires management to make estimates of the expected future cash flows from shares that are discounted at current rates.

<u>Estimated fair values of financial assets and liabilities that are not regularly remeasured to fair value</u>

The estimated fair values of other instruments, mainly current financial assets and liabilities approximate their carrying amounts.

When determining the fair value of non-traded derivatives and other financial instruments, the Company uses a number of methods and market assumptions that are based on the market conditions prevailing as at the reporting date. Other methods, mainly the estimated discounted value of future cash flows, are used to determine the fair value of other financial instruments.

The following table provides an analysis of financial instruments that, upon initial revaluation, are subsequently recognised at fair value, in accordance with the fair value hierarchy.

Level 1 of the fair value measurement represents those fair values that are derived from the prices of similar assets or liabilities quoted on active markets.

Level 2 of the fair value measurement represents those fair values that are derived from input data other than the quoted prices included in Level 1, which are observable on the market for assets or liabilities directly (e.g. prices) or indirectly (e.g. derived from prices).

Level 3 of the fair value measurement represents those fair values that are derived from valuation models, including subjective input data for assets or liabilities not based on market data.

(EUR '000)

2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**90 158**	**1 529 598**	**-**	**1 619 756**
Financial derivatives held for trading	14 369	665 290	-	679 659
Financial derivatives recognised as hedging	75 789	864 308	-	940 097
Available-for-sale financial assets	-	-	-	-
Financial liabilities at fair value	**16 618**	**1 044 174**	**-**	**1 060 792**
Financial derivatives held for trading	14 690	147 011	-	161 701
Financial derivatives recognised as hedging	1 928	897 163	-	899 091

2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**35 431**	**991 900**	**-**	**1 027 331**
Financial derivatives held for trading	4 136	146 659	-	150 795
Financial derivatives recognised as hedging	31 295	845 241	-	876 536
Available-for-sale financial assets		-	-	-
Financial liabilities at fair value	**65 123**	**765 650**	**-**	**830 773**
Financial derivatives held for trading	16 634	145 450	-	162 084
Financial derivatives recognised as hedging	48 489	620 200	-	668 689

Embedded Derivative Instruments

The Company signed a long-term contract for purchases of natural gas denominated in EUR with a direct link to the development of the relevant spot market. Both the economic characteristics and risks of embedded forward derivative instruments, and natural gas prices are generally believed to be closely related to the economic characteristics and risks of the underlying purchase agreements. Hence, in accordance with IFRS 9, SPP does not recognise embedded derivatives separately from the host contract.

The Company has assessed all other significant contracts and agreements for embedded derivatives that should be recorded. The Company concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and recognised separately as at 31 December 2022 and 31 December 2021 under the requirements of IFRS 9.

(EUR '000)

6. SUBSIDIARIES, ASSOCIATED COMPANIES, JOINT VENTURES AND OTHER INVESTMENTS

As at 31 December 2021	***Subsidiaries***	***Joint ventures and associated companies***
Opening balance, net	11	2 026 551
Additions	-	30 339
Disposals	-	-
Impairment	-	-
Closing balance, net	**11**	**2 056 890**
Cost	6 551	2 056 890
Impairment	(6 540)	-
Closing balance, net	**11**	**2 056 890**

As at 31 December 2022	***Subsidiaries***	***Joint ventures and associated companies***
Opening balance, net	11	2 056 890
Additions	-	-
Non-cash deposit	532	-
Disposals	(2)	-
Impairment	-	-
Closing balance, net	**541**	**2 056 890**
Cost	7 081	2 056 890
Impairment	(6 540)	-
Closing balance, net	**541**	**2 056 890**

Within long-term financial investments, the long-term part of the loan granted to subsidiary SPP CNG s.r.o. of EUR 550 thousand with fixed interest rate is disclosed as at 31 December 2022 (31 December 2021: EUR 605 thousand). The loan including the interest for the relevant period is payable in equally distributed instalments: 1 instalment per year until the end of each 12-month period following the granting of the loan until the final maturity date of 30 September 2032.

The information on subsidiaries, joint ventures and associated companies of SPP as at 31 December 2022 and 31 December 2021 can be summarised as follows:

Name	***Country of incorporation***	***Ownership interest %***	***Principal activity***
SPP CZ, a.s.	Czech Republic	100	Purchase and sale of natural gas and electricity
SPP CNG s.r.o.	Slovakia	100	Sale of CNG
SPP Infrastructure, a.s.	Slovakia	51	Asset holding
ESCO Slovensko, a.s.	Slovakia	50	Asset holding
Nadácia SPP	Slovakia	100	Foundation
Ekofond SPP, n.o.*	Slovakia	100	Non-profit organisation
EkoFond, n.f.**	Slovakia	100	Non-investment fund

**preceding name "Nezisková organizácia EF"*
*** ceased to exist by merger with Nadácia SPP on 1.1.2022*

As at 31 December 2022 and 31 December 2021, the 51% non-controlling ownership interest in SPP Infrastructure, a.s. is recognised in accordance with the relevant IFRS as a financial investment in an associated company.

As at 31 December 2022 and 31 December 2021, the 50% non-controlling ownership interest in ESCO Slovensko, a.s. is recognised in accordance with the relevant IFRS as a financial investment in a joint venture.

(EUR '000)

Additional information on subsidiaries, joint ventures and associated companies:

	Equity		***Profit/(loss)***	
Name and seat of the company	***2022***	***2021***	***2022***	***2021***
SPP CZ, a.s. Seat: Nové sady 996/25, Staré Brno, 602 00 Brno, Czech Republic	125 533 ths. CZK	24 262 ths. CZK	127 189 ths. CZK	6 748 ths. CZK
SPP CNG s.r.o. Seat: Mlynské nivy 44/a, Bratislava	3 904	3 246	126	(420)
SPP Infrastructure, a.s. [(1)] Seat: Plátennícka 19013/2, Bratislava	5 029 941	4 568 683	461 258	268 015
ESCO Slovensko, a.s. Seat: Tomášikova 28C, Bratislava	57 014	59 036	(2 023)	(1 522)
Nadácia SPP Seat: Mlynské nivy 44/a, Bratislava	299	299	-	-
Ekofond SPP, n.o. Seat: Mlynské nivy 4924/44/a, Bratislava	1	1	-	-
Ekofond, n.f.* Seat: Mlynské nivy 44/a, Bratislava ** ceased to exist by merger with Nadácia SPP on 1.1.2022*	-*	1	-*	-

[(1)] In 2017, SPP Infrastructure, a.s. changed its reporting period to the fiscal year from 1 October to 30 September. The profit/(loss) for 2021 is for the period from 1 January 2021 to 31 December 2021 and the profit/(loss) for 2022 is for the period from 1 January 2022 to 31 December 2022.

(EUR ‘000)

7. LAND, PROPERTY, PLANT AND EQUIPMENT

	Land	***Buildings***	***Right of use of rented premises***	***Plant, machinery and equipment***	***Means of transportation***	***Right of use of means of transportation***	***Fixture & fittings***	***Software tangible***	***Other non-current tangible assets***	***Assets in course of construction***	***Total***
Year ended 31 December 2021											
Opening net book value	3 633	56 948	1 900	2 480	-	386	48	-	572	437	66 404
Additions	-	-	438	80	-	188	-	-	-	3 838	4 544
Placed into service	-	262	-	449	-	-	70	-	-	(781)	-
Reclassifications between categories	-	-	-	-	-	-	-	-	-	-	-
Reclassifications – assets for sale	23	794	-	5	-	-	-	-	-	-	822
Reclassifications – IAS 40	(58)	6 975	-	-	-	-	-	-	-	-	6 917
Disposals	(23)	(352)	-	-	-	-	(1)	-	-		(376)
Depreciation charge	-	(3 816)	(365)	(849)	-	(225)	(10)	-	-	-	(5 265)
Change of provisions	(5)	206	-	11	-	-	-	-	-	-	212
Closing net book value	**3 570**	**61 017**	**1 973**	**2 176**	**-**	**349**	**107**	**-**	**572**	**3 494**	**73 258**
At 31 December 2021											
Acquisition cost	4 203	128 409	2 857	37 584	220	651	2 697	637	579	3 494	181 331
Provisions and accumulated depreciation	(633)	(67 392)	(884)	(35 408)	(220)	(302)	(2 590)	(637)	(7)	-	(108 073)
Net book value	**3 570**	**61 017**	**1 973**	**2 176**	**-**	**349**	**107**	**-**	**572**	**3 494**	**73 258**
Year ended 31 December 2022											
Opening net book value	3 570	61 017	1 973	2 176	-	349	107	-	572	3 494	73 258
Additions	-	30	1 064	4	-	252	6	-	-	5 761	7 117
Placed into service	205	1 707	-	2 527	-	-	24	-	-	(4 463)	-
Reclassifications between categories	-	-	-	-	-	-	-	-	-	-	-
Reclassifications – assets for sale	(24)	2 528	-	(3)	-	-	-	-	-	-	2 501
Reclassifications – IAS 40	40	(7 078)	-	-	-	-	-	-	-	-	(7 038)
Disposals	(250)	(4 418)	(171)	(47)	-	-	-	-	-		(4 886)
Depreciation charge	-	(3 113)	(457)	(983)	-	(231)	(21)	-	-	-	(4 805)
Change of provisions	2	526	-	(48)	-	-	-	-	-	-	480
Closing net book value	**3 543**	**51 199**	**2 409**	**3 626**	**-**	**370**	**116**	**-**	**572**	**4 792**	**66 627**
At 31 December 2022											
Acquisition cost	4 175	113 969	3 421	33 844	220	663	2 437	637	579	4 792	164 737
Provisions and accumulated depreciation	(632)	(62 770)	(1 012)	(30 218)	(220)	(293)	(2 321)	(637)	(7)	-	(98 110)
Net book value	**3 543**	**51 199**	**2 409**	**3 626**	**-**	**370**	**116**	**-**	**572**	**4 792**	**66 627**

(EUR '000)

Type and amount of insurance of property, plant, machinery and equipment and non-current intangible assets:

Insured assets	*Type of insurance*	*Cost of insured assets* 2022	2021	*Name of the insurance company*
Buildings, halls, structures, machinery, equipment, fittings, low-value TFA, other TFA, works of art, inventories Movables, assets, inventories	Insurance of assets	202 290	213 235	Colonnade Insurance S.A., pobočka poisťovne z iného členského štátu

Cost of fully depreciated non-current assets (includes also software classified in non-current intangible assets), which were still in use as at 31 December 2022, amounted to EUR 95 651 thousand (31 December 2021: EUR 103 634 thousand).

8. INVESTMENT PROPERTY

	2022	*2021*
Opening net book value	15 800	23 939
Depreciation charge	(1 268)	(1 006)
Change in provisions	211	(216)
Additions, disposals and reclassifications to non-current tangible assets	7 038	(6 917)
Closing net book value	**21 781**	**15 800**

SPP leases gas-industry not related assets - mainly buildings - to Ministry of Economy of the Slovak Republic and SPP – distribúcia, a.s. In accordance with IAS 40, SPP selected for the recognition at historical cost. The Company estimated that the restated value of the assets according to a fair value model would be EUR 29 993 thousand if a fair value model was used (as at 31 December 2021: EUR 26 589 thousand).

9. NON-CURRENT INTANGIBLE ASSETS

	Software	*Other non-current intangible assets*	*Assets in course of construction*	*Total*
Year ended 31 December 2021				
Opening net book value	9 308	607	2 051	11 966
Additions	78	-	3 586	3 664
Placed into service	1 220	3 020	(4 240)	-
Reclassifications	-	-	-	-
Disposals	-	-	-	-
Amortisation	(1 657)	(1 139)	-	(2 796)
Change of provisions	1	-	-	1
Closing net book value	**8 950**	**2 488**	**1 397**	**12 835**
At 31 December 2021				
Acquisition cost	77 362	6 128	1 464	84 954
Provisions and accumulated depreciation	(68 412)	(3 640)	(67)	(72 119)
Net book value	**8 950**	**2 488**	**1 397**	**12 835**
Year ended 31 December 2022				
Opening net book value	8 950	2 488	1 397	12 835
Additions	28	4	1 655	1 687
Placed into service	2 321	53	(2 374)	-
Reclassifications	-	-	-	-
Disposals	-	-	-	-
Amortisation	(1 815)	(882)	-	(2 697)
Change of provisions	-	-	-	-
Closing net book value	**9 484**	**1 663**	**678**	**11 825**
At 31 December 2022				
Acquisition cost	79 248	6 185	745	86 178
Provisions and accumulated depreciation	(69 764)	(4 522)	(67)	(74 353)
Net book value	**9 484**	**1 663**	**678**	**11 825**

(EUR '000)

10. INVENTORIES

	31 December 2022	*31 December 2021*
Natural gas	1 479 814	55 779
Natural gas held for trading	46 343	50 412
Raw materials and other inventory	51	9
Provisions	(91 395)	-
Total	**1 434 813**	**106 200**

As at 31 December 2022 the Company recorded a provision for natural gas related to the adjustment of the cost of natural gas to its net realisable value. As at 31 December 2021 the Company did not record a provision for natural gas.

11. RECEIVABLES AND PREPAYMENTS

	31 December 2022	*31 December 2021*
Trade receivables from natural gas and electricity sales	677 974	318 410
Contractual assets from sales to customers	11 024	36 610
Prepayments for natural gas distribution	11	12 537
Receivables from financial derivatives	1 380 998	911 674
Prepayments and other receivables	599 815	354 701
Total	**2 669 822**	**1 633 932**

As at 31 December 2022, trade receivables from natural gas and electricity sales are shown net and represent receivables from billed gas and electricity supplies.

Contractual assets from sales to customers represent estimated amounts of unbilled commodity supplies to customers whose actual consumption will be determined based on a meter reading after the end of the calendar year. Such amounts are billed in the following 12 months based on the actual measured consumption and valid tariffs.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables of EUR 113 423 thousand (31 December 2021: EUR 130 873 thousand).

As at 31 December 2022, receivables and prepayments also include receivables from SPP CZ, a.s. of EUR 57 362 thousand (31 December 2021: EUR 19 185 thousand) and from SPP CNG s.r.o. of EUR 1 778 thousand (31 December 2021: EUR 586 thousand).

As at 31 December 2022, the Company recorded receivables within maturity of EUR 2 651 301 thousand and overdue receivables of EUR 131 944 thousand (excluding provisions). In the comparable period, i.e. as at 31 December 2021, the Company recorded receivables within maturity of EUR 1 625 966 thousand and overdue receivables of EUR 138 839 thousand (excluding provisions).

Maturities of trade receivables used as a benchmark for the Company's internal policy of provisioning:

	31 December 2022	*31 December 2021*
Within maturity	2 651 301	1 625 966
Less than 3 months	19 378	7 514
3 to 12 months	5 386	4 568
More than 12 months	107 180	126 757
Total	**2 783 245**	**1 764 805**

(EUR '000)

The movements in provisions for current receivables were as follows:

	31 December 2022	*31 December 2021*
Opening balance	(130 873)	(164 183)
Creation	(4 569)	(6 763)
Use	8 117	36 365
Reversal	13 902	3 708
Reclassification between current and non-current portions	-	-
Closing balance	**(113 423)**	**(130 873)**

Following the government-approved proposal for financial stabilization for the discharge of debt of medical institutions and in accordance with the Resolution of the Government of the Slovak Republic No. 425/2017 "Concept of debt relief of medical institutions", the Company, as a creditor, had the opportunity to satisfy its claims in the fourth stage of the process of discharge of claims against medical institutions. The acceptance of special provisions on the debt relief process for medical institutions satisfied the creditor's claims worth EUR 11 301 thousand and, at the same time, the dissolution of provisions on receivables, including interests and charges, amounting to EUR 13 665 thousand.

12. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits programme at SPP was originally launched in 1995. This is a defined benefit programme, under which employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, work jubilee payments. In 2020, collective agreement was signed which was valid until the end of 2022. On 19 December 2022, a new collective agreement for 2023 and 2024 was signed, under which employees are entitled to retirement payments based on the number of years worked at SPP upon retirement after meeting the relevant conditions. Retirement benefits range from three to five average monthly salaries of employees with a guaranteed minimum (EUR 700) and threshold maximum amount (EUR 1 500) of the relevant multiples. The amount of long-term employee benefits - work anniversaries is determined based on the number of years of continuous work. There are 6 periods, where the first-time remuneration begins to be paid when 10 years are reached (120 EUR) and the last when 40 years are reached (620 EUR). As at 31 December 2022 the obligation relating to retirement and other long-term employee benefits was calculated based on the valid collective agreement effective from 1 January 2023. As at 31 December 2021 the obligation relating to retirement and other long-term employee benefits was calculated based on the valid collective agreement effective from 1 January 2021.

As at 31 December 2022, there were 761 (31 December 2021: 733) employees of SPP covered by this programme. As of that date, it was an un-funded programme, with no separately allocated assets to cover the programme's liabilities.

The movements in the net liability recognised in the balance sheet for the year ended 31 December 2022 are as follows:

	Long-term benefits	*Post-employment benefits*	*Total at 31 December 2022*	*Total at 31 December 2021*
Net liability at 1 January	261	830	1 091	1 167
Expenses of the past and current service, net	14	46	60	72
Interest expense	2	7	9	2
Employee benefits paid	(22)	(99)	(121)	(120)
Actuarial (gains)/losses:				
Actuarial (gains)/losses from a change in demographic assumptions	-	-	-	-
Actuarial (gains)/losses from a change in financial assumptions	(51)	(245)	(296)	(71)
Actuarial (gains)/losses arising from experience	4	181	185	41
Net liabilities	**208**	**720**	**928**	**1 091**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2022	91	837	928
At 31 December 2021	76	1 015	1 091

(EUR '000)

A breakdown of items related to the liability for employee benefits recognised in the income statement for the reporting period is stated below:

	Long-term benefits	*Post-employment benefits*	*Total at 31 December 2022*	*Total at 31 December 2021*
Expenses of the past and current service, net	14	46	60	72
Interest expense	2	7	9	2
Other (decrease of liability)	(47)	-	(47)	(15)
Total expenses for employee benefits	**(31)**	**53**	**22**	**59**

A breakdown of items related to the liability for employee benefits recognised in the statement of other comprehensive income is stated below:

	Long-term benefits	*Post-employment benefits*	*Total at 31 December 2022*	*Total at 31 December 2021*
Actuarial (gains)/losses from a change in demographic assumptions	-	-	-	-
Actuarial (gains)/losses from a change in financial assumptions	-	(245)	(245)	(58)
Actuarial (gains)/losses arising from experience	-	181	181	43
Total actuarial (gains)/losses	**-**	**(64)**	**(64)**	**(15)**

Sensitivity analysis – in the event of an increase/decrease in the discount rate and/or inflation, the amount of the liability for employee benefits would change as follows:

	Long-term benefits	*Post-employment benefits*	*Total at 31 December 2022*
Increase in the discount rate by 0.25%	205	705	910
Increase in inflation by 0.25%	212	731	943
Decrease in the discount rate by 0.25%	212	735	947
Decrease in inflation by 0.25% (at 0%)	209	709	918

Key assumptions used in actuarial valuation:

	At 31 December 2022	*At 31 December 2021*
Market yield on government bonds	3.969 %	0.832 %
Annual future real rate of salary increases	0.50 %	0.50 %
Annual employee turnover	Ranging from 1.9% to 20% depending on the age category, average of 6.01%	Ranging from 1.9% to 20% depending on the age category, average of 6.01%
Retirement ages (male and female)	The average estimated age for drawing an old age pension benefit is 63.6.	The average estimated age for drawing an old age pension benefit is 63.5.

(EUR '000)

13. PROVISIONS

The movements in provisions for liabilities are summarised as follows:

	Provision for onerous contracts	***Other provisions***	***Total at 31 December 2022***	***Total at 31 December 2021***
Balance at 1 January	12 037	38 212	50 249	38 812
Effect of discounting	(38)	-	(38)	29
Additions	41 440	1 949	43 389	16 265
Use	(7 238)	-	(7 238)	(3 791)
Reversal	(4 326)	-	(4 326)	(1 066)
Closing balance	**41 875**	**40 161**	**82 036**	**50 249**

The provisions are included in liabilities as follows:

	Current provisions	***Non-current provisions***	***Total provisions***
At 31 December 2022	41 875	40 161	82 036
At 31 December 2021	11 096	39 153	50 249

a) Provision for Onerous Contracts

The Company identified and accounted for a provision for onerous contracts in connection with irrevocable contractual obligations to supply natural gas to customers and business partners from sales contracts in 2023 and beyond.

This provision is based on the assumption that the future costs of purchasing natural gas, which are mainly affected by the buying and selling hedging operations carried out during 2022 to ensure a diversified gas supply, will exceed the economic benefits obtained from sales in 2023. In this context, the company calculated a provision for onerous contracts exclusively for 2023, since the dehedge operations carried out in 2022 related to the years 2022 and 2023.

The calculation of this provision depends on many assumptions of current market information about the future evolution of natural gas prices in spot markets, which are fluctuating. The actual amount of losses incurred in connection with these contracts may vary slightly.

b) Other Provisions

Other provisions amounting to EUR 40 161 thousand (31 December 2021: EUR 38 212 thousand) comprise a provision for various pending court and other potential disputes. Refer also to Note 28.

14. LOANS

	31 December 2022 Secured	***31 December 2022 Unsecured***	***31 December 2022 Total***	***31 December 2021 Secured***	***31 December 2021 Unsecured***	***31 December 2021 Total***
Interest-bearing borrowings	-	535 988	535 988	-	150 000	150 000
Bonds	-	-	-	-	-	-
Total	**-**	**535 988**	**535 988**	**-**	**150 000**	**150 000**
Loans by currency						
EUR						
– with fixed interest rate	-	50 187	50 187	-	-	-
– with variable interest rate	-	485 801	485 801	-	150 000	150 000
Total loans	**-**	**535 988**	**535 988**	**-**	**150 000**	**150 000**
Loans are due as follows:						
Less than 1 year	-	535 988	535 988	-	150 000	150 000
1 to 2 years	-	-	-	-	-	-
2 to 5 years	-	-	-	-	-	-
More than 5 years	-	-	-	-	-	-
Total loans	**-**	**535 988**	**535 988**	**-**	**150 000**	**150 000**

(EUR ‘000)

In 2022 and 2021, SPP drew loans denominated in EUR with variable and fixed interest rate. As at 31 December 2022, loans with variable interest rate were drawn from commercial banks in total amount EUR 485 801 thousand which were partially repaid in January 2023, and short-term financial assistance with a fixed interest rate from entities under the authority MH SR in the amount of EUR 50 187 thousand with a maturity on 31 March 2023, were drawn. As of 31 December 2021, floating rate loans from commercial banks were drawn, which were repaid on 20 January 2022.

Short-term loans can be drawn on a revolving basis with one-month interest period or as an overdraft loan facility. The loans were not secured by any assets.

Interest rates on loans:

Loans	**2022**	**2021**
EUR		
– with fixed rate	3%	-
– with a variable rate	1M EURIBOR plus margin	1M EURIBOR plus margin

The carrying amount and face value of loans and bonds:

	Carrying amount		***Face value***	
	31 December 2022	***31 December 2021***	***31 December 2022***	***31 December 2021***
Loans	535 988	150 000	535 988	150 000
Bonds	-	-	-	-
Total	**535 988**	**150 000**	**535 988**	**150 000**

SPP has the following outstanding credit facilities:

	31 December 2022	***31 December 2021***
Variable rate:		
- due within 1 year	429 199	214 000
- due after more than 1 year	-	-
Fixed rate:		
- due within 1 year	-	-
- due after more than 1 year	-	-
Total	**429 199**	**214 000**

15. DEFERRED INCOME

Deferred income mainly comprises the unused part of the European Commission grant related to the implementation of the fueLCNG project amounting to EUR 2 653 thousand (31 December 2021: EUR 2 796 thousand).
Maximum amount of the grant amounts to EUR 15 207 thousand.

16. OTHER NON-CURRENT LIABILITIES AND LEASE LIABILITIES

	At 31 December 2022	***At 31 December 2021***
Non-current liabilities from financial derivatives	281 831	120 464
Non-current lease liabilities	2 092	1 752
Total	**283 923**	**122 216**

The Company recognised lease liabilities as follows:

	At 31 December 2022	***At 31 December 2021***
Short-term lease liabilities (Note 17)	701	582
Non-current lease liabilities	2 092	1 752
Lease liabilities total	**2 793**	**2 334**

(EUR '000)

Maturity analysis of lease liabilities:

	At 31 December 2022	***At 31 December 2021***
Within 1 year	701	582
1 to 5 years	1 859	1 462
More than 5 years	233	290
Total	**2 793**	**2 334**

17. TRADE AND OTHER PAYABLES

	At 31 December 2022	***At 31 December 2021***
Payables from natural gas purchases and sales	526 855	271 774
Payables from electricity purchases and sales	53 965	42 773
Contractual payables from sales to customers	93 229	32 543
Other trade payables and other payables	865 742	1 170 447
From which Short-term lease liabilities	*701*	*582*
Amounts due to employees	6 155	5 819
Social security and other taxes	26 866	21 899
Payables from financial derivatives	778 961	710 309
Payables from distribution activities	8 974	8 045
Total	**2 360 747**	**2 263 609**

The payables from natural gas and electricity purchases and sales of represent current liabilities resulting from the purchase of natural gas and electricity, and overpayments to customers purchasing natural gas and electricity.

Contractual payables from sales to customers represent overpayments for commodity supplies to customers, which are calculated by the Company using the model for unbilled deliveries and are accounted for with the double entry as a decrease in revenue from the sale of the commodity in the current year. The actual customer consumption will be determined by deductions after the end of the calendar year. These amounts will be recognised based on the actual consumption measured that will be determined by meter readings conducted in the 12 months following the end of the calendar year.

Maturity of contractual payables as at 31 December 2022:

	Current liabilities	***Non-current liabilities***	***Total***
At 31 December 2022	93 229	-	93 229
At 31 December 2021	32 543	-	32 543

Other trade payables and other payables comprise mainly from financial collateral of EUR 596 411 thousand accepted from counterparties with whom the Company has concluded hedging derivative contracts and unpaid dividends of EUR 220 000 thousand.

Trade payables and other payables as at 31 December 2022 also include payables to SPP CZ, a.s. of EUR 18 635 thousand (31 December 2021: EUR 2 632 thousand) and to SPP CNG s.r.o. of EUR 1 355 thousand (31 December 2021: EUR 569 thousand).

As at 31 December 2022, SPP recorded payables within maturity of EUR 2 360 747 thousand; no overdue payables were recorded. As at 31 December 2021 (for the comparable period), SPP recorded payables within maturity of EUR 2 263 609 thousand and no overdue payables were recorded.

The Company has no significant payables secured by liens or another form of security.

(EUR '000)

Social fund payables:

	Amount
Opening balance as at 1 January 2022	178
Total additions:	300
from expenses	*300*
non-mandatory allotment	-
Total drawing:	(199)
monetary bonuses and gifts	*(22)*
work jubilee benefits	*(16)*
catering allowance	*(84)*
benefit cafeteria	*(9)*
other drawing as per the collective agreement	*(68)*
Closing balance as at 31 December 2022	**279**

18. REGISTERED CAPITAL

As a result, the Company's registered capital as at 31 December 2022 and 31 December 2021 comprises 26 666 536 fully-paid shares (with a face value of EUR 33.19), which are owned by the Slovak Republic represented by the Ministry of Economy of the Slovak Republic.

The registered capital was incorporated in the Commercial Register in the full amount.

Pursuant to the Company's Articles of Association, if all shares (except for treasury shares acquired by the Company pursuant to Article 161a or Article 161b of the Commercial Code) are held by one shareholder, in cases where the law requires a two-third (2/3) majority, a two-third (2/3) majority of votes of the shareholders present at a general meeting is required to adopt decisions. If the company has a sole shareholder, such a shareholder acts in the capacity of the general meeting in the form of written decisions that must be signed by the shareholder. In cases stipulated by law, such decisions must be in the form of a notarial deed.

19. LEGAL AND OTHER FUNDS AND RETAINED EARNINGS

Since 1 January 2006, SPP has been required to prepare financial statements in accordance with IFRS as adopted by the EU (both separate and consolidated) only. Distributable profit represents amounts only as stated in the separate financial statements.

Legal reserve fund and other funds

The legal reserve fund of EUR 1 197 683 thousand (31 December 2021: EUR 1 197 683 thousand) is recorded in accordance with Slovak law and is not distributable to the shareholders. The reserve is created from retained earnings to cover possible future losses or increases in the registered capital. Transfers of at least 10% of the current year's profit are required to be made until the reserve is equal to at least 20% of the registered capital.

On 20 April 2021, the sole shareholder of the Company imposed on the Company the payment of dividends from retained profits of previous years of EUR 140 million, while at the same time approved the creation of a capital fund from shareholder's contribution of EUR 140 million; whereas these transactions were netted as at 20 May 2021.

On 16 November 2022, the Company's sole shareholder resolved to increase the capital fund from shareholder contributions in the amount of EUR 500 million.

(EUR '000)

Hedging Reserve

Hedging reserve represents gains and losses arising from cash flow hedging.

	Year ended 31 December 2022	***Year ended 31 December 2021***
Opening balance	335 840	19 135
Gain/loss from cash flow hedging		
Commodity swap and futures contracts	506 232	425 114
Interest rate swap contracts	-	-
Income tax applicable to gains/losses recognised through equity	(106 309)	(89 274)
Transfer to profit/loss		
Commodity swap contracts	(425 114)	(19 135)
Interest rate swap contracts	-	-
Income tax applicable to gains/losses recognised through profit/loss	89 274	-
Closing balance	**399 923**	**335 840**

A hedging reserve represents a cumulative accrued portion of gains and losses arising from a change in the fair value of hedging instruments concluded for cash flow hedging purposes. A cumulative gain or loss arising from a change in the fair value of hedging derivatives recognised and accumulated in the hedging reserve is reclassified to profit or loss provided that the hedged transaction has an effect on the income statement.

As at 31 December 2022 the Company recognised a deferred tax liability related to hedging reserve of EUR 106 309 thousand (31 December 2021: EUR 89 274 thousand).

Gains/(losses) arising from a change in the fair value of the hedging instruments transferred during the current period from equity to profit or loss are disclosed in the following lines of the income statement:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Sale of natural gas	-	-
Purchases of natural gas, consumables and energy consumption	425 114	19 135
Other costs, net	-	-
Finance (costs)/revenues	-	-
Income tax charged to expenses	(89 274)	-
Total	**335 840**	**19 135**

Retained Earnings and Profit Distribution

Other funds and reserves in equity are not distributable to the Company's shareholders.

Type of allotment	***Distribution of 2021 profit***	***Distribution of 2020 profit***
Net profit amount for dividends pay-out and other allotments	223 800	250 000
Transfer to retained earnings	10 649	9 080
Profit for the 2021/2020 period	**234 449**	**259 080**

On 20 April 2021 the Company's sole shareholder decided to transfer funds from the Company to Nadácia SPP of EUR 2.2 million to support community activities of the Nadácia SPP in accordance with its Foundation charter and the Action plan for 2021.

On 20 April 2021, the Company's sole shareholder decided to transfer funds from the Company to EkoFond SPP, n.f. (non-profit fund) of EUR 2.2 million to support the activities of the non-profit organisation Ekofond SPP, n.f. in accordance with its statute and the Action plan for 2021.

(EUR ‘000)

On 11 March 2022 the Company’s sole shareholder decided to transfer funds from the Company to Nadácia SPP in amount of EUR 2.5 million to support community activities of the Nadácia SPP in accordance with its Foundation charter, especially in connection with the war in Ukraine.

On 3 May 2022 the Company’s sole shareholder decided to transfer funds from the Company to Nadácia MH SR in amount of EUR 1.3 million to support community activities of the Nadácia MH SR (Ministry of Economy) for public benefit purpose.

SPP treated these transfers as transactions with the owners exercising their ownership powers and the transfers of funds were recognised as other distributions of profit.

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Year ended 31 December 2022	*Year ended 31 December 2021*
Revenues from the sale of natural gas	3 411 785	1 566 517
Revenues from the sale of electricity	531 495	349 758
Other revenues	12 114	7 920
Total revenues from contracts with customers	**3 955 394**	**1 924 195**

Other gains and losses

In view of the developments in the commodity markets and in accordance with the adopted business strategy, during 2022 the Company reclassified a significant portion of hedging derivatives - originally recognised in the hedging derivatives reserve in equity - to non-hedging derivatives, because of which it recognised a gain on derivative transactions in the amount of EUR 1 004 557 thousand (for the year ended 31 December 2021: EUR 4 928 thousand).

21. PERSONNEL EXPENSES

	Year ended 31 December 2022	*Year ended 31 December 2021*
Wages, salaries and bonuses	24 565	22 814
Social security costs	9 692	9 319
Total staff costs	**34 257**	**32 133**

The Company pays a contribution of 35.2% of the relevant statutory assessment base, which is capped at EUR 7 931 (except for accident and health insurance). Employees contribute a further 13.4% of their assessment bases into these funds, however capped at the above limit.

22. INVESTMENT INCOME

	Year ended 31 December 2022	*Year ended 31 December 2021*
Interest income	3 286	870
Dividends from joint ventures and associated companies	-	220 000
Other income/(losses) on investments, net	(279)	-
Total investment income	**3 007**	**220 870**

23. FINANCE COSTS

	Year ended 31 December 2022	*Year ended 31 December 2021*
Interest expense	(4 262)	(52)
Foreign exchange differences from financing activities – gain/(loss)	(61)	10
Other	(2 569)	(474)
Total finance costs	**(6 892)**	**(516)**

(EUR ‘000)

24. COSTS OF AUDIT SERVICES

	Year ended 31 December 2022	*Year ended 31 December 2021*
Audit of financial statements	79	79
Other assurance services	-	9
Total	**79**	**88**

25. TAXATION

25.1. Income Tax

Income tax comprises the following:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Current income tax	19 463	13
Special levy on business in regulated industries	658	9 498
Deferred income tax (Note 25.2)		
– Current year	(29 394)	-
Total	**(9 273)**	**9 511**

The reconciliation between the reported income tax and the theoretical amount calculated using the standard tax rates is as follows:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Profit before taxation	15 705	243 960
Income tax at the rate of 21%	3 298	51 232
Effect of income exempt from taxation and adjustments from permanent differences between net book and net tax values of assets and liabilities	(3 312)	(46 540)
Reversal of a deferred tax and effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised	(9 950)	(3 800)
Special levy incl. the effect of a special levy as a tax-deductible item	637	8 606
Other adjustments	54	13
Income tax for the year	**(9 273)**	**9 511**

The actually recognised tax rate differs from the tax rate of 21% stipulated by law in 2022 and 2021 mainly due to the adjustments of the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to the valid tax legislation. Such adjustments mainly include non-taxable dividends, tax non-deductible provisions for liabilities and provisions for assets, a difference between tax and accounting deprecation charges of non-current assets, non-tax loss from non-hedging derivative transactions, tax deductible expenses after payment and others.

As at 31 December 2022, the Company has recognised tax payable in the income statement in the amount of EUR 19 463 thousand.

Pursuant to the requirements of IFRS, the income tax also includes a special levy on business in regulated industries pursuant to a special regulation (see Note 3, part t).

As at 31 December 2022, the Company accounted a receivable from the special levy on business in regulated sectors of EUR 7 977 thousand (31 December 2021: liability of EUR 710 thousand), which it had recognised together with a current income tax liability due of EUR 19 463 thousand (31 December 2021: liability of EUR 0 thousand), on the balance sheet on the line income tax liabilities net of EUR 11 432 thousand (31 December 2021: liability of EUR 710 thousand).

(EUR '000)

25.2. Deferred Income Tax

The Company applied the income tax rate of 21% to the deferred income tax calculation.

As the Company does not expect to realize sufficient tax benefits in the foreseeable future with which to settle all temporary differences, a deferred tax asset has not been recognized as of 31 December 2021, and a deferred tax asset has been recognized as of 31 December 2022, in the amount of the tax income expected to be available to realize the deferred tax asset.

The following table shows deferred tax assets and liabilities recognised in the income statement and in equity and deferred tax assets not recognised in the income statement:

At 31 December 2022	***Deferred tax asset/(liability) recognised in the income statement***	***Unrecognised deferred tax asset/ (liability)***	***Deferred tax asset/ (liability) recognised in equity***
Difference on the residual values of fixed assets	-	7 609	-
Provisions and employee benefits	10 201	-	-
Allowance for receivables	-	2 202	-
Allowance for inventories	19 193	-	-
Tax losses	-	6 286	-
Hedging reserve	-	-	(106 309)
Total	**29 394**	**16 097**	**(106 309)**

At 31 December 2021	***Deferred tax asset/(liability) recognised in the income statement***	***Unrecognised deferred tax asset/ (liability)***	***Deferred tax asset/ (liability) recognised in equity***
Difference on the residual values of fixed assets	-	6 872	-
Provisions and employee benefits	-	3 883	-
Allowance for receivables	-	2 060	-
Allowance for inventories	-	-	-
Tax losses	-	17 115	-
Hedging reserve	-	-	(89 274)
Total	**-**	**29 930**	**(89 274)**

As at 31 December 2022, the Company recognised a deferred tax asset in the income statement of EUR 29 394 thousand (31 December 2021: EUR 0 thousand) and deferred tax liability related to the hedging reserve in equity (Note 19)of EUR 106 309 thousand (31 December 2021: EUR 89 274 thousand) with the double entry net on the balance sheet on the line deferred tax liability of EUR 76 915 thousand (31 December 2021: EUR 89 274 thousand).

The amount of temporary differences and tax loss for which no deferred tax asset has been recognized as of 31 December 2022 was EUR 76 652 thousand (31 December 2021: EUR 142 522 thousand).

The amount and year of possible deduction of unutilised tax losses, for which no deferred tax asset is recognised:

Possible deduction of the tax loss in:	***2023***
Total tax losses	**29 933**

(EUR '000)

26. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

Disclosure of tax effects relating to each component of other comprehensive income:

At 31 December 2022	***Before tax***	***Tax***	***After tax***
Increase/(decrease) in financial investment revaluation reserve	-	-	-
Hedging derivatives (cash flow hedging)	81 118	(17 035)	64 083
Other	64	-	64
Other comprehensive income for the period	**81 182**	**(17 035)**	**64 147**

At 31 December 2021	***Before tax***	***Tax***	***After tax***
Increase/(decrease) in financial investment revaluation reserve	-	-	-
Hedging derivatives (cash flow hedging)	405 979	(89 274)	316 705
Other	15	-	15
Other comprehensive income for the period	**405 994**	**(89 274)**	**316 720**

27. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2022	***Year ended 31 December 2021***
Profit before tax	15 705	243 960
Adjustments for:		
Depreciation and amortisation	8 714	8 943
Interest loss/(income), net	976	(818)
(Income)/loss from financial investments	11 827	(220 000)
Derivatives	(281 288)	230 692
Provisions and other non-cash items	101 983	13 784
Loss/(profit) from sale of non-current assets	(428)	(55)
(Increase)/decrease in receivables and prepayments	(549 222)	(496 961)
(Increase)/decrease in inventories	(1 420 009)	(10 111)
Increase/(decrease) in trade and other payables	(198 955)	1 379 914
Cash flows from operating activities	**(2 310 697)**	**1 149 348**

28. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2022, capital expenditure of EUR 11 824 thousand (31 December 2021: EUR 9 840 thousand) had been committed under contractual arrangements for the acquisition of non-current assets but were not recognised in these financial statements.

Operating Lease Arrangements – the Company as a lessee

Vehicles

The Company leases means of transport under an operating lease contract. The term of the prior framework contract was until 31 December 2022, partial contracts have individual terms of lease and the Company has no option right to purchase the assets after the expiry of the lease term. In 2022, a new framework agreement was signed for an indefinite term.

Non-residential premises, land and movable assets

The Company leases non-residential premises and plots of land.

The carrying amounts of recognised assets from the right of use and movements during the period are disclosed in Note 7.

The carrying amounts of recognised lease liabilities and movements during the period are disclosed in Note 16.

(EUR '000)

The amounts recognised in the income statement are as follows:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Depreciation expense of right-of-use assets	688	590
Interest expense on lease liabilities	12	10
Total amount recognised in the income statement	**700**	**600**

Operating leases – the Company as a lessor

The Company leases non-residential premises (approx. 65 880 m²), land plots including external carparks and movable assets. The annual lease revenues recognised in income statement for period amounted to EUR 3 003 thousand (2021: EUR 3 957 thousand). Leased non-residential premises, land and movable assets are recognised by the Company on the balance sheet as investment property.

As the lease contracts are mostly concluded for an indefinite period, the Company discloses the future minimum repayments of non-cancellable lease receivables only for the following period:

Period	***At 31 December 2022***	***At 31 December 2021***
Within 1 year	4 495	4 391

Natural Gas Purchase

SPP has concluded a long-term contract for the purchase of natural gas from Gazprom export LLC, the price of which is determined according to an agreed price formula.

As a result of the decline in natural gas supplies from Gazprom export LLC, SPP has secured supplies to its customers from alternative sources and diversified its portfolio. SPP met the shortfall in natural gas volumes primarily through purchases on liquid European markets.

Natural Gas Storage Contracts

The Company stores natural gas in underground storage facilities operated by NAFTA, a.s. that are used for depositing and extracting natural gas as per seasonal demand, as well as for securing the supplies' safety standard as required by law. The storage fee is set in individual storage contracts.

Gas and Electricity Sales Contracts

Composite natural gas and electricity supply contracts with small businesses and households define products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity, SPP as a natural gas and electricity supplier.

The sale of natural gas and electricity to medium- and large-sized customers is the subject matter of composite gas supply contracts or gas supply contracts, composite electricity supply contracts or electricity supply contracts with an assumed liability for a deviation. The contracts are usually agreed for one or more years.

The prices agreed in the contracts usually comprise capacity and commodity components. The price for distribution and other components is determined based on RONI's price decisions for distribution companies and the market and transmission system operator.

Taxation

The Company has transactions with subsidiaries and associated companies and other related parties. The tax environment in which the Company operates in the Slovak Republic is dependent on the prevailing tax legislation and practice, with relatively little existing precedent. The tax authorities in the Slovak Republic have broad powers of interpretation of tax laws, which, moreover, are often amended, which could result in unexpected results from tax inspections.

Litigation and Potential Losses

The Company is involved in a number of legal disputes relating to disputed bills of exchange and alleged breaches of contracts. In addition to the bills of exchange and disputes described below, the Company is also involved in other litigation arising in the normal course of business that is not expected, either individually or in the aggregate, to have a significant adverse effect on the accompanying financial statements. The final outcome of such litigation may result in liabilities higher than the provisions recognised.

Bills of exchange

The management of the Company is aware of the existence of bills of exchange that were allegedly signed by the former General Director of SPP prior to 1999. SPP announced publicly that it would repudiate the validity of these bills of exchange signed by the former General Director before the court, on the basis of the suspicion that these bills are fraudulent and are in no way related to any contractual relations of SPP.

At present, seven (7) bills of exchange with principal totalling EUR 43.24 million are at various stages of legal proceedings before courts in the Slovak Republic. In another nine (9) cases related to bills of exchange with principal totalling approximately EUR 153 million a final and binding court decision was made in favour of SPP.

The management of SPP, following the advice of its legal counsel, defends the interests of the Company in these cases by all legitimate means available. SPP recorded a provision for potential losses related to several bills of exchange. The amount of the provision has not been disclosed separately, as the management of SPP believes that any such disclosure could seriously jeopardise the position of SPP in the relevant litigation. These financial statements do not include any other provisions for potential losses related to the bills of exchange as the final outcome of the remaining cases is uncertain and cannot currently be predicted.

Other litigations

SPP is a defendant in other litigations.

The amounts of the provisions and other information relating to these individual litigations have not been disclosed separately as the management of SPP believes this could seriously jeopardise the position of SPP in the disputes.

Legislative Conditions for Business Activities in the Energy Sector

Legal and Regulatory Framework for the Natural Gas and Electricity Supply Market in the Slovak Republic in compliance with Slovak Legislation and European Union ("EU") Legislation

Act No. 251/2012 Coll. on Energy (the "**Energy Act**") and on Amendments to and Supplementation of Certain Acts and Act No. 250/2012 Coll. on Regulation in Network Industries (the "**Act on Regulation**"), which was amended several times during 2022, represent a basic legal framework for business in the energy sector.

Other generally binding legal regulations directly affecting the business activities of the company include Act No. 321/2014 Coll. on Energy Efficiency and on amendments to certain acts (the "**Energy Efficiency Act**") and Act no. 309/2009 Coll. on the promotion of renewable energy sources and high-efficiency combined production and on amendments to certain acts (the "**RES Act**"). The Energy Efficiency Act, among other things, establishes a framework for rational use of energy, measures to promote and improve energy efficiency, rights and obligations of persons in the field of energy efficiency and energy auditing, business in the provision of energy services and states rules in providing information to end-users consumers of energy. The RES Act regulates the institution of the buyer of electricity from renewable energy sources and high-efficiency combined production, while for the calendar year 2022 (and subsequently also for years 2023 to 2025), SPP become the buyer of electricity for the entire territory of the Slovak Republic, based on the direct selection by the Ministry of Economy of the Slovak Republic.

The European Green Convention and the adaptation of existing directives and regulations in the field of energy, internal gas market, environmental protection, climate change and air protection, or transport will have a significant impact on the Company's business in the future. The Integrated National Energy and Climate Plan for 2021-2030 ("**INECP**") is the main energy and climate strategy document at the level of the Slovak Republic. Along with INECP, the Company's business activities will also be influenced by other policies and strategies at the SR level (e.g. Envirostratégia 2030) as well as the setting up of the Recovery and Resilience and EU resources Plan under the new multiannual budget for 2021-2027, of which a significant share should be allocated to projects aimed at improving the environment.

Under EU law, SPP commercial activities are influenced by measures to avoid high energy prices and improve security of energy supply. One of these measures is Council Regulation (EU) 2022/2576 of 19 December 2022 on strengthening solidarity through better coordination of gas purchases, reliable reference prices and cross-border gas exchanges, which introduces a new mechanism for joint gas purchases within the EU through a service provider selected by the European Commission.

SPP business is also affected by the Regulation of the European Parliament and of the Council No. 2019/943 on the internal market of electricity from 5 June 2019. The Regulation contains requirements related to the development of the renewable sources of energy and environmental policy, in particular specific rules regarding responsibility for compensation of deviations for certain installations generating electricity from renewable energy sources. Commission Implementing Regulation (EU) No 2021/280 from 22 February 2021 amending Regulations (EU) 2015/1222, (EU) 2016/1719, (EU) 2017/2195 and (EU) 2017/1485 also has an indirect impact on SPP's activities in the context of this Regulation in order to align them with the Regulation (EU) 2019/943.

The Company is a wholesale energy market participant and is therefore obliged to comply with obligations arising from Regulation of the European Parliament and of the Council No. 1227/2011 on the Wholesale Energy Market Integrity and Transparency ("**REMIT**"). The obligations mainly include compliance with the obligation to disclose confidential information, prohibition of insider trading, prohibition of market manipulation and the obligation to provide records of transactions on wholesale energy markets, including orders to trade, to the Agency for Cooperation of Energy Regulators. Details related to data reporting are regulated by Commission Implementing Regulation (EU) No. 1348/2014. The new Regulation (EU) 2017/1938 of the European Parliament and of the Council concerning measures to safeguard the security of gas supply entered into force on 1 November 2017. The major changes include a greater application of the regional principle, the extension of information obligations for utility companies regarding gas supply contracts which may have an impact on safeguarding the security of gas supply, and the introduction of a solidarity mechanism among EU Member States.

In addition to the above European and national generally binding legal regulations, the legislative conditions for businesses operating in the energy sector are also affected by legal regulations applicable to the following areas: protection of personal data [(Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("**GDPR**"), Act No. 18/2018 Coll. on Personal Data Protection, Act No. 452/2021 Coll. on Electronic Communications)], free access to information (Act No. 211/2000 Coll. on Free Access to Information and on Amendment to and Supplementation of Certain Acts) ("**Info Act**"), conclusion of contracts in the public sector (Act No. 315/2016 Coll. on Register of Public Sector Partners and on Amendment to and Supplementation of Certain Acts) ("**RPSP Act**"), consumer rights protection (Act No. 250/2007 Coll. on Consumer Protection) and trading on the financial instruments market (MiFID II Directive 2014/65/EU) or Act No. 566/2001 Coll. on Securities and Investment Services, Regulation (EU) 600/2014 on markets in financial instruments (MiFIR), Regulation (EU) 596/2014 on market abuse (MAR), Directive 2014/57/EU on criminal sanctions for market abuse (CSMAD), Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)) and also in the field of fighting against money laundering (Act No. 297/2008 Coll. on protection against the legalization of income from criminal activity and on protection against terrorist financing and on amendments to certain acts), or in the field of so called "Whistleblowing" (Act No. 54/2019 Coll. on the protection of whistle-blowers of anti-social activities and on amendments to certain acts) and cyber security (Act No. 69/2018 Coll. on cyber security, Directive (EU) 2022/2555 on measures to ensure a high common level of cybersecurity across the Union (NIS 2)).

Price Regulation

The basic framework in the price regulation of gas and electricity supplies is formed by the Act on Regulation. The year 2023 is the first year of the new regulatory period 2023-2027. The Regulatory Policy, published on 29 March 2022, defines the strategy, scope and basic contours of how regulation will be implemented, for the electricity, gas, thermal energy and water sectors. The objective of the regulatory policy for the coming regulatory period is to create a transparent and predictable regulatory environment that is motivating for investment and at the same time creates the conditions for the effective implementation of EU policies.

Price regulation in 2022 covered gas supply to households, gas supply to vulnerable customers, gas supply to suppliers of last resort, electricity supply to households, electricity supply to vulnerable customers and the production, distribution and supply of heat and the performance of the activities of an electricity purchaser. During 2022, the group of vulnerable customers has been expanded so that, starting from 2023, vulnerable customers entitled to a regulated price for the supply of electricity and gas are, in addition to small enterprises to include also social service establishments, establishments for the social protection of children and social welfare and customers using electricity or gas to produce heat and hot water for households in a common heat and hot water production facility.

Price regulation in the above-mentioned areas is regulated by implementing legislation, namely Decree No. 450/2022 Coll. of the Office of the Regulatory Authority of the Slovak Republic (ÚRSO), which establishes price regulation of gas supply, Decree No. 312/2022 Coll. of the Office of the Regulatory Authority of the Slovak Republic (ÚRSO), which establishes price regulation in the electricity sector and Decree No. 18/2017 Coll. of the Office of the Regulatory Authority of the Slovak Republic (ÚRSO), which establishes price regulation in the electric power industry and certain conditions for the performance of regulated activities in the electricity sector. As a result of the situation related to the high increase in gas and electricity prices in the territory of the Slovak Republic, the Government of the Slovak Republic and the Ministry of Economy of the Slovak Republic ("MH SR") have adopted a number of measures to reduce these impacts on certain groups of customers.

On the basis of these measures, the Company will apply to households and vulnerable customers during the calendar year 2023 the maximum prices calculated in the manner specified in the decision of the Ministry of Economy of the Slovak Republic on the imposition of obligations in the general economic interest, as well as ordered by the Government of the Slovak Republic Regulation No. 19/2023 Coll., which establishes the maximum prices for part of the regulated supply of gas for end-users of gas in household and small consumers of gas and regulated supply of electricity for small consumers of electricity and the conditions for their application ("Regulation No. 19/2023") and Government of the Slovak republic Regulation No. 465/2022 Coll., which establishes the maximum prices for part of the regulated supply of electricity and gas to selected end-users and the level of tariffs for households and selected electricity end-users, as amended ("Regulation No. 465/2022").

Pursuant to Regulation No. 19/2023 and Regulation No. 465/2022, the difference in the Company's costs between the price for gas and electricity supply set by the Office of the Regulatory Authority in its pricing decisions and the price set by Regulation No. 19/2023 and Regulation No. 465/2022 will be paid in the form of compensations approved by the Ministry of Economy of the Slovak Republic.

SPP also performs the role of an agent under the Decision of the MH SR in the general economic interest for the purpose of ensuring the security, regularity, quality and price of electricity supply to household electricity consumers. Based on this Decision, SPP purchases electricity from a designated producer (Slovenské elektrárne, a.s.) or on the market and supplies it at a designated price to any electricity supplier that is a settlement entity under the Energy Act and carries out the activity of supplying electricity to households on the territory of the Slovak Republic, for the purpose of supplying electricity to households in the Slovak Republic.

(EUR '000)

29. RELATED PARTY TRANSACTIONS

The Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, was the 100% owner of SPP's shares as at 31 December 2022 and 31 December 2021. Accordingly, the Government of the Slovak Republic and all companies are controlled or jointly controlled by the Government of the Slovak Republic are related entities of the Company ("entities of the Government of the Slovak Republic"). Except for the transactions listed below and excluding taxes and transactions related to the supply of natural gas and electricity, the Company did not have any individually significant transactions with the entities of the Government of the Slovak Republic in year 2022 and year 2021. In the case of disclosure of individually insignificant transactions with entities of the Government of the Slovak Republic, the Company used the exemption under IAS 24, section 25.

During the year, the Company entered into the following transactions with related parties:

	Year ended 31 December 2022					***At 31 December 2022***		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables including granted loans***	***Provisions for receivables***	***Payables***
Ministry of Economy of the SR	1 750	-	-	220 000	(500 000)	158	-	220 000
Subsidiaries	148 720	-	86	-	3 032	59 752	-	19 900
Associated companies	-	-	-	-	-	-	-	-
Joint ventures	73	-	-	-	28	-	-	1
Other related parties	35 310	-	408 100	-	177	15 668	-	36 581

The Company's management considers the transactions with related parties to have been made on an arm's length basis.

Transactions with subsidiaries, associated companies and joint ventures, and other related parties mainly represent services related to purchases, sales and transmission of natural gas, lease of non-current assets and natural gas storage.

	Year ended 31 December 2021					***At 31 December 2021***		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
Ministry of Economy of the SR	1 019	-	-	390 000	(140 000)	98	-	-
Subsidiaries	33 633	-	3	-	4 400	20 432	-	3 200
Associated companies	220 031	-	-	-	-	-	-	-
Joint ventures	49	-	-	-	-	-	-	-
Other related parties	13 513	-	330 690	-	-	20 171	-	153

(EUR '000)

The compensation of the members of the Company's bodies and executive management was as follows:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the Company's bodies, total	1 859	1 616
Of which:		
Board of Directors and executive management	*1 696*	*1 420*
Supervisory Board	*163*	*196*
Benefits in kind to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's bodies, total	61	63
Of which:		
Board of Directors and executive management	*61*	*63*
Supervisory Board	-	-

30. SUPPLEMENTARY INFORMATION TO COMPLY WITH OTHER STATUTORY REQUIREMENTS FOR SEPARATE FINANCIAL STATEMENTS

a) Members of the Company's Bodies

Body	***Function***	***Name***
Board of Directors	Chairman	Mgr. Miroslav Kulla since 9.10.2022
	Chairman	Ing. Milan Urban until 9.10.2022
	Vice-Chairman	Ing. Marián Široký since 9.10.2022
	Vice-Chairman	Ing. Richard Prokypčák until 9.10.2022
	Member	Mgr. Peter Kučera since 9.10.2022
	Member	Ing. Eduard Macejka since 9.10.2022
	Member	JUDr. Slavomír Vorobel, MPH since 9.10.2022
	Member	Ing. Ivan Gránsky until 9.10.2022
	Member	Mgr. Henrich Krejčí until 9.10.2022
	Member	Ing. Daniel Šulík, CSc. until 9.10.2022
Supervisory Board	Chairman	Dr. h. c. Ing. Tibor Mikuš, PhD.
	Member	Mgr. Iveta Barancová
	Member	Ing. Miloš Dančo
	Member	Ing. Michal Ďurkovič until 21.1.2022
	Member	JUDr. Martin Javorček, MBA
	Member	Norbert Lojko, MBA until 30.4.2022
	Member	Ing. Katarína Marton until 19.4.2022
	Member	Ing. Július Mazán since 21.1.2022
	Member	PhDr. Zuzana Ružeková
	Member	Viera Uhrová
	Member	Mgr. Renáta Zolnaiová since 19.4.2022
Executive	Chief Executive Officer	Mgr. Miroslav Kulla since 12.10.2022
	Chief Executive Officer	Ing. Richard Prokypčák until 30.9.2022
	Director of Sales Division	Mgr. Peter Kučera since 1.12.2022
	Director of Sales Division	Ing. Miroslav Mital until 30.9.2022
	Director of the Business Development Division	Ing. Rastislav Nemec
	Director of Finance Division	Ing. Miroslav Jankovič
	Director of Corporate Matters Division	Mgr. Tomáš Niepel, LL.M.
	Director of the Internal Services Division	Ing. Markusek Adrián
	Director of the Equity Management Division	Mgr. Peter Kučera do 30.11.2022

(EUR '000)

b) Consolidated Financial Statements

As at 31 December 2022, SPP provided consolidated financial information as a consolidated reporting entity for higher consolidation to the Ministry of Economy of the Slovak Republic, with its registered seat at Mlynské nivy 44/a, 827 15 Bratislava.

The ultimate reporting entity that consolidates SPP as at 31 December 2022 is the Ministry of Finance of the Slovak Republic.

The consolidated and separate financial statements are published on the Company's website (www.spp.sk).

The consolidated and separate financial statements of SPP published in periods before 31 December 2013 were published in the Commercial Journal and filed with the Commercial Register of Bratislava 1 District Court (Záhradnícka 10, 812 44 Bratislava). The consolidated and separate financial statements of SPP and its subsidiaries and associated companies in the period after 1 January 2014 are filed and published with the Register of Financial Statements for entities based in the Slovak Republic and in the Collection of Deeds (Sbírka listin) for entities based in the Czech Republic. The consolidated and separate financial statements of subsidiaries, joint ventures and associated companies for the periods until 31 December 2013 and of companies based outside the Slovak Republic are available at the relevant Courts of Records according to their registered offices.

31. POST-BALANCE SHEET EVENTS

After 31 December 2022, no events occurred that would have a material impact on the individual financial statements of the company.

Prepared on:	***Signature of a member of the statutory body of the reporting entity or a natural person acting as a reporting entity:***	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
15 March 2023			
Approved on:	Mgr. Miroslav Kulla Chairman of the Board of Directors Chief Executive Officer	Ing. Miroslav Jankovič Chief Financial Officer	Ing. Zoltán László Director of Accounting and Taxes Department
	Ing. Marián Široký Vice-Chairman of the Board of Directors		

Proposal
for the distribution of SPP's profit for 2022

The 2022 Profit Distribution Proposal has been prepared in accordance with the Articles of Association of Slovenský plynárenský priemysel, a.s., Article XIX – PROFIT DISTRIBUTION, Article XVIII – CREATION AND USE OF THE RESERVE FUND, Article XX – CREATION OF OTHER FUNDS, and in accordance with the provisions of the Commercial Code.

The 2022 Profit Distribution Proposal is based on the audited 2022 Individual Financial Statements.

I.	**Net profit**	**€24 978 144.25**
II.	**Replenishment of statutory reserve fund** pursuant to Article XVIII of the Articles of Association, the reserve fund has reached the 20% share capital limit	**€0.00**
III.	**Net profit** **allocated for dividends**	**€0.00**
IV.	**Transfer to retained earnings**	**€24 978 144.25**
V.	**Royalties to members of company bodies**	**€0.00**

Slovenský plynárenský priemysel, a.s.

INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU)

FOR THE YEAR ENDED 31 DECEMBER 2022

This is an English language translation of the original Slovak language document.

Ernst & Young Slovakia, spol. s r.o.
Žižkova 9
811 02 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
www.ey.com/sk

Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Directors and to the Audit Committee of Slovenský plynárenský priemysel, a.s.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Slovenský plynárenský priemysel, a.s. and its subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2022, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ('IFRS EU').

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ('the Act on Statutory Audit') related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the consolidated financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements including the presented information as well as whether the consolidated financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or the business within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ('the Act on Accounting'). Our opinion on the consolidated financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the consolidated financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

We considered whether the Group's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of consolidated financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2022 is consistent with the consolidated financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Group and its situation, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

15 March 2023
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067

CONTENTS

Slovenský plynárenský priemysel, a.s.
CONSOLIDATED BALANCE SHEET
31 December 2022 and 31 December 2021
(in thousand EUR)

	Note	31 December 2022	31 December 2021
ASSETS:			
NON-CURRENT ASSETS			
Investment property	9	21 781	15 800
Land, property, plant and equipment	8	66 944	73 682
Investments recognised using the equity method	7	1 614 801	1 220 140
Other investments		1 090	616
Non-current intangible assets	10	11 834	12 865
Other non-current assets		239 078	115 886
Total non-current assets		**1 955 528**	**1 438 989**
CURRENT ASSETS			
Inventories	11	1 434 813	106 200
Receivables and prepayments	12	2 682 353	1 644 741
Cash and cash equivalents		18 548	1 464 096
Other assets		62	62
Total current assets		**4 135 776**	**3 215 099**
Non-current assets held for sale		953	3 454
TOTAL ASSETS		**6 092 257**	**4 657 542**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	19	885 062	885 062
Legal and other reserves	20	1 847 418	1 346 226
Hedging reserve	20	261 203	120 110
Retained earnings		(266 718)	(388 713)
Total equity		**2 726 965**	**1 962 685**
NON-CURRENT LIABILITIES			
Deferred income	16	2 694	2 818
Provisions	14	40 161	39 153
Retirement and other long-term employee benefits	13	837	1 015
Deferred tax liability	26	76 915	89 274
Other non-current liabilities	17	284 114	122 483
Total non-current liabilities		**404 721**	**254 743**
CURRENT LIABILITIES			
Trade and other payables	18, 17	2 368 348	2 277 178
Short-term loans	15	535 988	150 000
Tax liabilities from income tax	26	12 024	710
Provisions and other current liabilities	14	44 211	12 226
Total current liabilities		**2 960 571**	**2 440 114**
Total liabilities		**3 365 292**	**2 694 857**
TOTAL EQUITY AND LIABILITIES		**6 092 257**	**4 657 542**

The financial statements on pages 4 to 52 were signed on 15 March 2023 on behalf of the Board of Directors:

Mgr. Miroslav Kulla
Chairman of the Board of Directors
Chief Executive Officer

Ing. Marián Široký
Vice-Chairman of the Board of Directors

(in thousand EUR)

	Note	***Year ended 31 December 2022***	***Year ended 31 December 2021***
Revenues from contracts with customers	21	4 115 567	1 968 975
Other gains and losses		1 133 536	72 419
Own work capitalised		5 462	1 509
Purchases of natural gas, electricity and consumables and services		(5 045 880)	(1 883 829)
Depreciation and amortisation	8, 9, 10	(8 948)	(9 192)
Storage of natural gas and other services		(109 322)	(73 182)
Staff costs	22	(35 619)	(33 630)
Provisions for bad and doubtful receivables, net	12	9 184	(3 033)
Provisions and impairment losses, net	14	(39 309)	(16 040)
Operating profit		**24 671**	**23 997**
Gain/(loss) on investments	23	3 113	863
Share in profit of associated undertakings and joint ventures	7	316 631	277 071
Finance costs	24	(7 396)	(610)
Profit/(loss) before income taxes		**337 019**	**301 321**
Income tax	26	8 776	(9 404)
PROFIT FOR THE PERIOD		**345 795**	**291 917**

(in thousand EUR)

	Note	*Year ended 31 December 2022*	*Year ended 31 December 2021*
Net profit for the period		**345 795**	**291 917**
Other comprehensive income (may be reclassified to profit or loss in the future):	27	**142 221**	**130 595**
Movement in FX translation reserve - impact from the consolidation of the subsidiary and the share from the associated company		1 128	2 591
Hedging derivatives (Cash flow hedging):		178 528	167 298
Gains (losses) for the period		*81 118*	*405 979*
Gains (losses) for the period – the share from the associated company		*97 410*	*(238 681)*
Deferred tax related to items of other comprehensive income reclassified to profit or loss in the future		(17 035)	(89 274)
Deferred tax related to items of other comprehensive income reclassified to profit or loss in the future - the share from the associated company		(20 400)	49 980
Other comprehensive income (not reclassified to profit or loss in the future):	27	**64**	**15**
Change in the liability for employee benefits		64	15
Other net comprehensive income for the period		**142 285**	**130 610**
Total net comprehensive income/(loss) for the period		**488 080**	**422 527**

Slovenský plynárenský priemysel, a.s.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Years ended 31 December 2022 and 31 December 2021
(in thousand EUR)

	Registered capital	*Legal and other funds*	*FX translation reserve*	*Hedging reserve*	*Retained earnings*	*Share in equity attributable to SPP's shareholders*	*Minority interests of other owners of subsidiaries*	*Total*
At 31 December 2020	**885 062**	**1 197 569**	**6 051**	**(7 894)**	**(286 230)**	**1 794 558**	**-**	**1 794 558**
Net profit for the period	-	-	-	-	291 917	291 917		291 917
Other comprehensive income for the period	-	15	2 591	128 004	-	130 610	-	130 610
Total comprehensive income	**885 062**	**1 197 584**	**8 642**	**120 110**	**5 687**	**2 217 085**		**2 217 085**
Dividends	-	-	-	-	(394 400)	(394 400)	-	(394 400)
Shareholder's contribution	-	140 000	-	-	-	140 000	-	140 000
At 31 December 2021	**885 062**	**1 337 584**	**8 642**	**120 110**	**(388 713)**	**1 962 685**	**-**	**1 962 685**
Net profit for the period	-	-	-	-	345 795	345 795		345 795
Other comprehensive income for the period	-	64	1 128	141 093	-	142 285	-	142 285
Total comprehensive income	**885 062**	**1 337 648**	**9 770**	**261 203**	**(42 918)**	**2 450 765**		**2 450 765**
Dividends	-	-	-	-	(223 800)	(223 800)	-	(223 800)
Shareholder’s contribution	-	500 000	-	-	-	500 000	-	500 000
At 31 December 2022	**885 062**	**1 837 648**	**9 770**	**261 203**	**(266 718)**	**2 726 965**	**-**	**2 726 965**

(in thousand EUR)

	Note	*Year ended 31 December 2022*	*Year ended 31 December 2021*
Operating activities			
Cash flows from operating activities	28	(2 313 229)	1 150 252
Interest paid		(4 128)	(60)
Interest received		3 438	855
(Income tax paid)/Tax overpayments refunded		(9 398)	(9 571)
Net cash flows from operating activities		(2 323 317)	1 141 476
Investing activities			
Acquisition of property, plant and equipment		(8 123)	(6 026)
Expenditure on provided borrowings		-	(660)
Revenue from loans granted		55	-
Expenditure on financial investments		-	(35 823)
Proceeds from the sale of land, property, plant and equipment and intangible assets		4 760	433
Dividends received		-	96 227
Net cash inflow/(outflow) from investing activities		(3 308)	54 151
Financing activities			
Proceeds from interest-bearing borrowings		1 567 801	302 400
Expenses for interest-bearing borrowings		(1 182 000)	(30 000)
Increase in the capital fund from the shareholder's contributions		500 000	-
Dividends paid	20	(3 800)	(254 400)
Payment of principal portion of lease liabilities	17	(765)	(657)
Other proceeds and expenditures from financial activities, net		(98)	(120)
Net cash flows from financing activities		881 138	17 223
Net (decrease)/increase in cash and cash equivalents		**(1 445 487)**	**1 212 850**
Cash and cash equivalents at the beginning of the period		**1 464 096**	**251 236**
Effects of foreign exchange fluctuations		(61)	10
Cash and cash equivalents at the end of the period		**18 548**	**1 464 096**

	31 December 2021	*Cash-flow*	*Non-cash change – proceeds*	*Non-cash change – offset*	*31 December 2022*
Dividends received	-	-	-	-	-
Short-term loan	-	-	-	-	-
Total liabilities from financing activities	**-**	**-**	-	-	**-**

	31 December 2020	*Cash-flow*	*Non-cash change – proceeds*	*Non-cash change – offset*	*31 December 2021*
Dividends received	-	96 227	(220 000)	123 773	-
Short-term loan	1 373	122 400	-	(123 773)	-
Total liabilities from financing activities	**1 373**	**218 627**	**(220 000)**	**-**	**-**

(in thousand EUR)

1. GENERAL

1.1. General Information

The consolidated financial statements for the year ended 31 December 2022 have been prepared by Slovenský plynárenský priemysel, a.s. ("SPP") and its subsidiaries and associated undertakings (the "Group") in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). The reporting currency of the Group is the Euro (EUR). The consolidated financial statements were prepared under the going-concern assumption.

The consolidated financial statements for the year ended 31 December 2022 have been prepared pursuant to Article 22 of Act No. 431/2002 Coll. on Accounting, as amended, for the reporting period from 1 January 2022 until 31 December 2022.

SPP (formerly Slovenský plynárenský priemysel, š. p.) was founded on 21 December 1988 by a Memorandum of Association as a 100% state-owned enterprise in Slovakia. On 1 July 2001, SPP was transformed into a joint-stock company (akciová spoločnosť) that was 100% owned by the National Property Fund of the Slovak Republic. The Government of the Slovak Republic became the 100% owner of SPP in 2014.

SPP is the largest and most important Slovak energy supplier. In the area of gas supply, it directly follows the 165-year tradition of the Slovak gas industry and since 2012 it has also been operating on the electricity supply market. SPP guarantees reliable, safe and competitive gas and electricity supplies and related services in all regions of Slovakia. The company successfully supplies natural gas and electricity to more than 1.4 million consumption points. In addition to energy supply, SPP also provides energy services and energy smart solutions. At the same time, SPP also acts as an electricity purchaser in support of the production of electricity produced from renewable energy sources and high-efficiency combined production.

SPP is 100% owner of the company SPP CZ, a.s. with registered address in the Czech Republic, whose main business activity is the purchase and sale of natural gas and electricity. At the same time, SPP is also 100% owner of the company SPP CNG s.r.o., which sells compressed natural gas. SPP also owns 51% non-controlling interest in the company SPP Infrastructure, a.s. and since 2021 a joint venture ESCO Slovensko, a.s., which operates on the energy provision market (see Note 5 and Note 7). In 2021, SPP successfully completed the purchase of the customer portfolio of ČEZ Slovensko, s.r.o., focused on electricity and gas supply mainly for business entities, cities and organizations.

Identification number (IČO)	35 815 256
Tax identification number (DIČ)	2020259802

On 3 May 2022, the Annual General Meeting approved the 2021 consolidated financial statements of SPP.

1.2. Principal Activities

The sale of natural gas and electricity in Slovakia and the Czech Republic has been the core activity since May 2014.

1.3. Employees

The average number of SPP employees for the year ended 31 December 2022 was 741, of which 9 represented the executive management (for the year ended 31 December 2021: 734, of which 10 represented the executive management).

The actual number of full-time employees as at 31 December 2022 was 756 (as at 31 December 2021: 738).

1.4. Registered Address

Mlynské nivy 44/a
825 11 Bratislava
Slovakia

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

2.1. Application of New and Revised International Financial Reporting Standards

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the European Union (hereinafter the "EU"), and that are relevant to its operations and effective for annual periods beginning on 1 January 2022.

Initial application of new standards and amendments to the existing standards and new interpretations effective for the current reporting period

The following standards and amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and amendments to various standards due to "IFRS quality improvement project (cycle 2018 – 2020)"** – resulting from the annual IFRS quality improvement project, the main aim of which is to eliminate inconsistencies and clarify the wording – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022).

The adoption of these standards and amendments to the existing standards and new interpretations has not led to any material changes in the Group's financial statements.

Standards and amendments to the existing standards and interpretations issued by IASB and adopted by the EU, but not yet effective

At the date of authorization of these financial statements, the following new standards and amendments to existing standards and interpretations issued by IASB and adopted by the EU are not yet effective:

- **IFRS 17 "Insurance Contracts", including amendments to IFRS 17 –** adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates**" – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2: Disclosure of accounting policies** – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction" -** adopted by the EU on 11 August 2022 (with effect for accounting periods beginning on or after 1 January 2023),

- **Amendments to IFRS 17 "Insurance Contracts: Initial Application of IFRS 17" and IFRS 9 "Financial Instruments" – Comparative Information –** adopted by the EU on 8 September 2022 (with effect for accounting periods beginning on or after 1 January 2023).

The Group has elected not to adopt these new standards and amendments to the existing standards and new interpretations in advance of their effective dates. The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the reporting date (effective dates stated below are for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IAS 1 "Presentation of financial statements" -** Classification of liabilities as current or non-current, classification of liabilities as current or non-current – deferral of effective date and non-current liabilities with covenants (with effect for accounting periods beginning on or after 1 January 2024),

- **Amendments to IFRS 16 "Leases: Lease liability on sale and leaseback"** (Effective for accounting periods beginning on or after 1 January 2024),

- **Amendments IFRS 10 "Consolidated Financial Statements"** and **IAS 28 "Investments in Associates and Joint Ventures"** - these amendments have not yet been adopted by the EU.

The Group anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the Group's financial statements in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unchanged.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at the balance sheet date.

3. SUMMARY OF ACCOUNTING POLICIES

a) Basis of Accounting

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS relevant to the SPP Group, as adopted by the EU, do not significantly differ from IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared under the historical cost convention, except for the certain financial instruments. The principal accounting policies adopted are detailed below. The accompanying consolidated financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of certain Group companies in order to conform the Slovak statutory and other financial statements to financial statements prepared in accordance with IFRS as adopted by the EU.

b) Business Combinations

(1) Subsidiaries

Those business undertakings in which SPP, directly or indirectly, has an interest of usually more than one half of the voting rights or otherwise has power to exercise control over the operations are defined as subsidiary undertakings (subsidiaries) and have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to SPP and they are no longer consolidated from the date when such control ceases.

The acquisition of subsidiaries is accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the interests in equity issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Due to the insignificance, SPP decided not to include the following accounting subsidiaries in the consolidation - SPP CNG s.r.o., SPP Foundation, EkoFond, n.f., Ekofond SPP, n.o.. SPP believes that the non-consolidation of these subsidiaries does not have a material impact on the consolidated financial statements.
Non-consolidated subsidiaries are stated at cost less impairment. The adjusted value of such subsidiaries is presented in Other investments.

Identifiable acquired assets and assumed liabilities are recognised at fair value as at the acquisition date, except for:

- Deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits,* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree, which are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups of assets and liabilities) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously-held equity interest in the acquiree over the net of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously-held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that represent the existing equity securities and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may initially be measured either at fair value or at the non-controlling interest's proportional share in the acquiree's identifiable net assets. The selection of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in other IFRS.

When a business combination is carried out in stages, the Group's previously-held interest in the acquiree is remeasured to fair value at the acquisition date (ie the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that had previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill arising on consolidation is recognised as an asset and represents the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities, and contingent liabilities.

Goodwill is initially recognised at cost, is subsequently not depreciated and is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if there is an indication that it may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

All transactions, balances, and unrealised profits and losses on transactions within the Group have been eliminated upon consolidation.

(2) Investments in Joint Ventures and Associated Undertakings

Financial investments in joint ventures and associated undertakings are accounted for using the equity method.

Joint ventures and associated undertakings are entities in which SPP exercises substantial, but not controlling, influence. Owing to their impairment, a provision is recorded.

When applying the equity method, investments in joint ventures and associated undertakings are recognised in the balance sheet at cost adjusted for subsequent changes in the Group's share in the net assets of a joint venture and associated undertaking. Goodwill related to joint ventures and associated undertakings is recognised in the carrying amount of an investment and is not depreciated. The income statement reflects a share in the joint ventures and associated undertakings' operating results. If a change occurs that was recognised directly in the joint ventures' and associated undertakings' equity, the Group will recognise its share in such change and if necessary, recognise it in the statement of changes in equity. Profits and losses from transactions between the Group and joint ventures and associated undertakings are eliminated to the extent of the Group's investment in joint ventures and associated undertakings.

c) Financial Assets

The Group recognises and classifies financial assets in accordance with IFRS 9 "Financial Instrument" which superseded IAS 39 "Financial Instruments: Recognition and Measurement" with effect from 1 January 2018.

Financial assets are classified in the following categories: financial assets subsequently measured at amortised cost, financial assets subsequently measured at fair value through other comprehensive income (FVOCI) and financial assets at fair value through profit or loss (FVTPL).

Although the permitted measurement of financial assets at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss is similar to the measurement under IAS 39, the criteria for classification into the corresponding categories are different.

The Group recognises financial assets subsequently measured at amortised cost and financial assets at fair value through profit or loss.

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following conditions are met:
i) The assets are held in a business model whose objective is to hold assets in order to collect contractual cash flows; and
ii) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Financial assets classified as at FVTPL mainly include agreements on the purchase or sale of commodities not meeting the measurement exception under IFRS 9 and financial derivatives concluded to ensure economic hedging to which the hedge accounting was not applied.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

For the impairment of loan receivables, the Group applies a three-stage model of expected credit losses (ECL). Under this model, an immediate impairment loss in an amount equal to a 12-month expected credit loss is recognised upon the initial recognition of the financial assets. If there is a significant increase of the credit risk, a provision is estimated based on expected credit losses for the full lifetime of financial assets, not only based on the 12-month expected credit loss.

For trade receivables and current receivables, the Group applies a simplified model for the assessment and recognition of impairment losses on financial assets under which a provision is recognised in the amount of expected credit losses over the full lifetime of trade receivables at the moment of their initial recognition. Such estimates are revised as at the reporting date.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

d) Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading, is a derivative instrument or is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Finance costs' line in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method. Interest, gains and losses on the translation of foreign currencies are recognised in the income statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities only when the Group's obligations are met, cancelled or expired. The difference between the carrying amount of the financial liability and the consideration paid and the amount payable is recognised in the income statement.

e) Derivative Financial Instruments

The Group enters into a number of derivative contracts in order to manage the risk of changes in commodity prices and interest rates and the foreign exchange risk, including forward currency contracts and interest rate and commodity swaps and other derivative contracts, eg futures.

Derivative financial instruments are contracts: (i) whose value changes in response to a change in one or more identifiable variables; (ii) that require no significant net initial investment; and (iii) that are settled at a certain future date. Derivative financial instruments, therefore, include swaps, futures, and firm commitments to buy or sell non-financial assets that include the physical delivery of the underlying assets, except for contracts intended for their own use (the so-called own use exemption).

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates hedging instruments that include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair-value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(in thousand EUR)

In the event that a financial derivate does not meet or no longer meets the requirements for hedge accounting, changes in the fair value are directly recognised in the income statement as "Mark-to-market" or as "Mark-to-market on commodity contracts other than trading instruments" in ordinary operating income from derivative financial instruments with non-financial assets as the underlying assets, and in financial revenues or expenses in the case of currency, interest rate or equity derivatives. Derivative financial instruments used by the Group for trading activities with own energy and energy on behalf of customers, and other derivative financial instruments that are due in less than 12 months are recognised in the consolidated statement of financial position as current assets or current liabilities, while derivative financial instruments due after this period are classified as non-current items.

<u>Cash flow hedges</u>

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are recognised as follows:

- If an expected hedged transaction subsequently leads to the recognition of a non-financial asset or a non-financial liability, or if an expected hedged transaction with a non-financial asset or a non-financial liability becomes a firm commitment, the amounts accumulated in other comprehensive income are derecognised and directly included in the initial measurement of such an asset or liability.
- For other instances, amounts accumulated in other comprehensive income are reclassified from the hedging reserve to profit or loss in the periods when the hedged item is recognised in profit or loss in the same income statement line as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Some derivative contracts are fully secured by accepted financial collateral from counterparties, which eliminates counterparty's risk as well as the Group's own default risk.

f) Land, Property, Plant and Equipment, and Intangible Assets

Property, plant and equipment ("non-current assets") and intangible assets were recognized at cost net of accumulated depreciation. Cost includes all costs attributable to placing the non-current asset into service for its intended use.

Items of property, plant, and equipment and intangible assets that are retired or otherwise disposed of are removed from the balance sheet at the net book value. Any gain or loss resulting from such retirement or disposal is included in the income statement.

Other items of property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives. Depreciation is charged to the income statement computed so as to amortise the cost of the assets to their estimated residual values over their residual useful lives.

The useful lives of non-current assets used are as follows:

	2022	***2021***
Buildings and structures	30 – 40	30 – 40
Right of use of leased premises	5 – 10	5 -10
Plant and machinery	3 – 15	3 – 15
Right of use of vehicles	5	5
Fixtures and fittings	4 – 8	8 – 15
Software – tangible	3 – 4	3 – 4
Other non-current tangible assets	8	8

Land is not depreciated as it is deemed to have an indefinite useful life.

Intangible assets with limited useful lives that are acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are re-assessed at the end of each reporting period.

The useful lives of intangible assets can be summarised as follows:

	2022	***2021***
Software	4 - 10	4 – 10
Other non-current intangible assets	4 - 10	4 – 10

At each reporting date, an assessment is made as to whether there is any indication that the realisable value of the Group’s non-current assets is less than the carrying amount. When such an indication occurs, the realisable value of the asset, being the higher of the asset’s fair value less costs of disposal and the present value of future cash flows (“value-in-use”), is estimated. The resulting impairment loss provision is recognised in full in the income statement in the year in which the impairment occurs. The discount rates used to calculate the present value of the future cash flows reflect the current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or to significantly postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision recorded, if appropriate.

Expenditures relating to an item of non-current assets after being placed into service are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the enterprise. All other expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

g) Investment Property

Investment property that is held to generate rental income is initially recognised at cost inclusive of costs related to acquisition. Investment properties are subsequently recognised at historical cost. The Group does not apply any revaluation model for such assets.

h) Research and Development

Costs of research and development are charged to expenses except for expenses incurred for development projects that are recognized as non-current intangible assets of an expected economic benefit. Development costs that were expensed in the year in which they were incurred are not subsequently capitalized in the following reporting periods.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of natural gas stored in underground storage facilities and raw materials is calculated using the weighted arithmetic average method. The cost of natural gas and raw materials includes the cost of acquisition and related costs, and the cost of inventories developed internally includes materials, other direct costs, and production overheads. Other costs related to the acquisition of natural gas also include the effect of hedging. The positive impact of hedging, i.e. profit from the settlement of derivative operations, reduces the valuation of natural gas in the underground storage facilities and vice versa, the negative impact of hedging, i.e. loss from the settlement of derivative operations increases the valuation of natural gas in the underground storage facilities.

A provision in the required amount is recorded for inventories if there is an indication of their impairment.

The Group separately recognises natural gas held for trading, which is remeasured to fair value as at the reporting date. Changes in the fair value of natural gas held for trading are recognised directly in profit or loss.

j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and cash in bank, and highly-liquid securities with insignificant risk of changes in value and original maturities of three months or less from the date of issue.

k) Dividends

Dividends are recognized in equity in the period in which they were approved. The payment of dividends to the SPP's shareholder is recognized as a liability in the Group's financial statements in the period in which the dividends were approved by the SPP's shareholder.

l) Accounting for Government Grants

Received government grants are recognised when there is reasonable assurance that the grant will be received and that any conditions attached to the grant will be met. If the government grant relates to the settlement of costs, it is recognised as income over the period required for a systematic compensation of the grant with related costs for the settlement of which the grant is intended. If the government grant relates to the acquisition of non-current assets, it is recognised as deferred income and recognised in the income statement on a straight-line basis over the estimated useful life of the relevant asset. The government grants are recognised in the balance sheet using a deferred income method.

m) Provisions for Liabilities

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation. The applied discount rate reflects the current market expectations regarding the time value of money and risks specific to the relevant liability. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

n) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they incurred, except for borrowing costs directly attributable to the acquisition, construction or production of the relevant non-current assets. Such borrowing costs are recognized as part of the cost of such assets until they are placed into service.

o) Recognition of Revenues from Contracts with Customers

Revenues from contracts with customers are recognised upon the delivery of goods or services net of value added tax and discounts at a point in time or over a certain time period in accordance with IFRS 15 in order to disclose the transfer of goods or services to customers in amounts that reflect the consideration to which the Group expects to be entitled in exchange for such goods or services.

Revenues from the sale of natural gas and revenues from the sale of electricity are recognised at the moment the commodity is supplied to the customer based on the actually measured or estimated energy consumption at the agreed price.

p) Other Gains and Losses

The Group recognises other gains that do not meet the requirements of the new standard, IFRS 15 "Revenue from Contracts with Customers" and the corresponding losses in profit or loss on a net basis. Other gains and losses include the result of trading activities and the sale of a commodity with physical delivery falls under the scope of IFRS 9, gains and losses on the sale of assets and raw materials, other taxes and charges, FX differences from operating activities, gains and losses from derivative operations and other operating profits and losses. The Group recognises the result of trading activities on a net basis after the recognition of purchases or sales and the remeasurement of open positions.

q) Social Security and Pension Schemes

The Group is required to make contributions to various mandatory government insurance schemes, together with contributions by employees. The cost of social security payments is charged to the income statement in the same period as the related salary cost.

r) Retirement and Other Long-Term Employee Benefits

The Group has a long-term employee benefit program comprising a lump-sum retirement benefit and work jubilee benefits, for which no separate financial funds were earmarked. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service period of employees. The benefit obligation is measured at the present value of the estimated future cash flows discounted by market yields on Slovak government bonds, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognised in the statement of other comprehensive income. Past service costs are recognised when incurred as expenses.

s) Leases

The assessment of whether or not a contract contains or represents a lease depends on the substance of the contract and requires an assessment of whether the performance of the contract depends on the use of a specific, clearly identifiable asset or whether the contract grants the right to use the asset for a period of time for equivalent. The lessee has the right to control the use of the asset and obtain significant economic benefits from its use.

The Group does not apply IFRS 16 to leases of intangible assets, short-term lease contracts (less than one year) and to leases where the underlying asset has a low value.

At the date of the lease, as a lessee, the Group recognizes an asset with the right of use and recognizes lease liability. An asset with the right of use is initially measured at cost and recognized in the consolidated balance sheet line “Land, property, plant and equipment”. An asset with the right of use is subsequently measured using the cost model. The amortization period is equal to the estimated useful life of the underlying asset or the lease term. Depreciated assets with the right of use are tested for impairment whenever the events or changes in conditions occur that could mean the carrying amount may not be recoverable, but at least as of balance sheet date.

The lease liability is initially recognized at the present value of future lease payments and is presented in the consolidated balance sheet line “Trade and other payables”, or “Other non-current liabilities”. Subsequently, the lease liability is increased by the relevant interest calculated on the basis of the incremental borrowing rate and reduced by the lease payments. Interest is reported in the consolidated statement of profit or loss and other comprehensive income in the line “Finance costs”.

Leases for an indefinite period of time are limited to the earliest date on which the lease can be terminated by the lessee or the lessor (taking into account previous customs and economic reasons for those practices). The useful life of fixed-term leasing contracts corresponds to the contractual period.

Total lease payments under exceptions (leases of intangible assets, short-term lease contracts and leases where the underlying asset is of low value) are recognized as an expense on a straight-line basis over the lease term in the consolidated income statement and other comprehensive income.

<u>Group as a lessor</u>

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Property lease classification – Group as a lessor</u>

The Group has entered into commercial property leases, which are recognized on the balance sheet line “Investment property”. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

t) Income Tax

Income tax is calculated from the profit/loss before tax recognised under International Financial Reporting Standards adjusted pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic after adjustments for individual items increasing and decreasing the tax base in line with Act No. 595/2003 Coll. on Income Tax, as amended, using the applicable income tax rate.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realized, or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity.

The principal temporary differences arise from depreciations on property, plant, and equipment and various provisions. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated undertakings, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current and deferred tax for the year

Current and deferred tax are recognised through profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. A special levy is recognised as part of income taxes. Where current tax and deferred tax arise from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

Special levy on business in regulated industries

Pursuant to the requirements of the IFRS, the Group's income tax also includes a special levy as per Act No. 235/2013 Coll. on Special Levy on Business in Regulated Industries and on Amendment to and Supplementation of Certain Acts. It is recognised through profit or loss.

SPP is a regulated entity and has been obliged to pay special levies since September 2012. The levy period is a calendar month and the levy rate effective for 2022 is 0,00363 (the levy rate effective for 2021 was 0,00363). The base for the SPP's levy is profit/loss before tax recognised under IFRS and adjusted to the profit/loss recognised pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic and adjusted pursuant to the Special Levy Act.

u) Foreign Currencies

Transactions in foreign currencies are initially recorded at the exchange rates of the European Central Bank (ECB) valid on the transaction dates. Monetary assets, receivables and payables denominated in foreign currencies are retranslated at the ECB exchange rates valid on the reporting date. Foreign exchange gains and losses are included in the income statement.

On consolidation, the assets and liabilities of the foreign subsidiaries are translated at the ECB exchange rates prevailing on the reporting date. Revenues and expenses are translated at the average exchange rates for the period. Foreign exchange differences, if any, are classified as equity as foreign exchange translation reserve. Such reserve is recognised as income or as an expense at the moment the financial investment in a subsidiary is disposed of.

v) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount can be recovered through a sale transaction rather than by continued use. This condition is considered fulfilled only when the sale is highly probable, and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

4. ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, as described in Note 3, the Group has made the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognised in the financial statements. There is a significant risk of material adjustments in future periods relating to such matters, including the following:

Litigation

The Group is involved in various legal proceedings for which management has assessed the probability of loss that may result in cash outflow. In making this assessment, the Group has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. The final amount of any potential losses in relation to the legal proceedings is not known and may result in a material adjustment to the previous estimates. Details of the legal cases are included in Note 29.

Provision for Litigation and Potential Disputes

The financial statements include a provision for litigation and potential lawsuits which were estimated using the available information and an assessment of the likely outcome of individual lawsuits. The provision is not recognised unless a reasonable estimate can be made.

Impairment of Property, Plant and Equipment

The Group calculated and recorded amounts related to the impairment of property, plant and equipment on the basis of an assessment of their future use, planned liquidation or sale, based on information received from real estate agencies. For some of these items, no final decision has yet been made and thus the assumptions regarding the use, liquidation, or sale of the assets may change. Refer to Note 8 for details on the impairment of property, plant and equipment.

Unbilled revenues from gas and electricity sales

The Group records significant amounts as revenues from gas and electricity sales on the basis of estimated gas and electricity consumption by small industrial customers and residential customers. Actual consumption of such customers is determined based on an annual deduction performed after the reporting date. The Group makes an estimate of these revenues by allocating actual measured gas and electricity consumption to the individual categories of customers on the basis of past consumption trends and applying the valid natural gas and electricity prices. Actual consumption by customers in the different categories may vary and so the amounts recorded as revenues may change, given the price differences between categories of customers.

The Group uses a model that makes it possible to estimate these revenues with sufficient accuracy and ensures that the risk of a significant difference between the quantity sold and the resulting estimated revenue is not material.

Allowances for bad debts

The Group applies a simplified approach under IFRS 9 for trade and short-term receivables, i.e. measures expected credit losses (ECL) using lifetime expected losses. Impairment losses on trade and other receivables are recognized in income statement. An impairment loss is reversed if the reversal can be objectively attributed to an event that occurs after the recognition of an impairment loss.

Provision for Onerous Contracts

As at 31 December 2022, the consolidated financial statements include significant amounts recognised as provisions for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers and business partners based on the sales contracts. These provisions are based on current market information on the future development of natural gas prices in spot markets, which are volatile. For more information, see Note 14.

(in thousand EUR)

Natural gas supply

In the context of the ongoing military conflict in Ukraine and the related sanctions against the Russian Federation, the Group is following the development of the situation very closely and assessing its potential direct impact on its business. The Group supplies gas to its customers on standard terms, while trying to diversify its natural gas sources by purchasing on European commodity markets and using other natural gas flows in addition to those from the Russian Federation, as well as by maintaining adequate natural gas reserves in storage facilities. The Group is following the development of the situation very closely and is analysing all available business options and tools to ensure a smooth gas supply to customers, both in the short and long term. In order to diversify sources, the Group has concluded contracts for the purchase of gas from offshore oil fields in the North Sea and liquefied natural gas (LNG), as one of several measures by the Group to strengthen the security of gas supply.

In view of the extraordinary events during 2022, SPP continues negotiations with Gazprom export LLC, with the aim of eliminating the negative impacts caused by unstable natural gas supplies. The agreement has not yet been finalised.

Decisions in Application of Accounting Policies

In addition to key sources of uncertainty listed above, the Group used a judgment when applying accounting policies and assessing the requirements of the standards as described in part 3, which have a significant impact on the recognition of items in the consolidated financial statements. These requirements mainly include:

- Evaluation of requirements under IFRS 13 for the measurement of non-financial assets at fair value (see Notes 3e, 3i and 3p); and
- Assessment of the IFRS 9 rules for the application of an exemption allowing one not to account for certain commodity buy and sell contracts as financial derivatives (see Note 3e).

5. STRUCTURE OF THE GROUP

Consolidated Subsidiaries

The following subsidiary is consolidated as at 31 December 2022 and 31 December 2021:

Name	***Seat***	***Ownership share %***	***Principal activity***
SPP CZ, a.s.	Nové sady 996/25, Staré Brno, Brno, Czech Republic	100.00	Gas and electricity purchase and sale

Non-consolidated subsidiaries

As at 31 December 2022 and as at 31 December 2021 below stated subsidiaries are not consolidated due to the insignificancy:

Name	***Seat***	***Ownership share %***	***Principal activity***
SPP CNG s.r.o.	Mlynské nivy 44/a, Bratislava, SR	100.00	Compressed natural gas purchase and sale
Nadácia SPP	Mlynské nivy 44/a, Bratislava, SR	100.00	Non – profit organization
Ekofond SPP, n.o.*	Mlynské nivy 44/a, Bratislava, SR	100.00	Non – profit organization
EkoFond, n.f. **	Mlynské nivy 44/a, Bratislava, SR	100.00	Non – profit organization
ENRA SERVICES s.r.o.***	Nové sady 996/25, Staré Brno, 602 00 Brno, ČR	100.00	Natural gas purchase and sale

** Preceding name Nezisková organizácia EF*
*** ceased to exist by merger with Nadácia SPP on 1.1.2022*
**** the Company ceased to exist by erasure from the Commercial register on 7 September 2021*

6. FINANCIAL INSTRUMENTS

a) Financial Risk Factors

The Group is exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates and gas and electricity purchase and selling prices. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. In 2022 and 2021, the Group entered into derivative transactions, for example, forward currency contracts and commodity swaps and futures contracts in order to manage certain risks.

The purpose of forward currency contracts was to eliminate the effects of changes in the CZK/EUR exchange rates owing to future payments and revenues in foreign currency. The purpose of commodity swaps and futures contracts is to limit the price risks of sales contracts made with customers and purchase contracts with suppliers.

The main risks arising from the Group's financial instruments are foreign currency risk, commodity risk, interest rate risk, risk of default related to receivables and liquidity risk. Risk management is performed by the Risk Management and Reporting Department in accordance with procedures approved by the Board of Directors or management of the individual Group companies.

(1) Foreign Currency Risk

The Group is exposed to foreign currency risk arising from transactions in foreign currencies, primarily in Czech crowns (CZK).

Analysis of financial assets and financial liabilities denominated in foreign currency:

	Financial assets		***Financial liabilities***	
	As at 31 December 2022	***As at 31 December 2021***	***As at 31 December 2022***	***As at 31 December 2021***
CZK	100 462	36 488	24 486	16 060

Sensitivity to foreign currency changes

The following tables show the Group's sensitivity to a 3% weakening of the Euro against the CZK. The sensitivity analysis includes items denominated in a foreign currency and adjusts the currency translation at the end of the reporting period by the 3% FX change. A negative value indicates a decrease in the income statement if the euro weakens with regard to the relevant currency.

	Impact of CZK	
	As at 31 December 2022	***As at 31 December 2021***
Effect on profit/loss before tax	97	25

The effects mainly relate to the risk relating to outstanding receivables and payables in CZK as at the reporting date.

(2) Commodity Price Risk

The Group is a party to framework agreements for the purchase of natural gas, electricity and other services and material. In addition, the Group enters into contracts for the sale of natural gas, electricity and natural gas storage. Contracts for natural gas storage are at fixed prices, which are escalated based on price indices every year.

As at 31 December 2022 the Group used **commodity swap** contracts to manage the risk of commodity price fluctuations. In the same way as at 31 December 2021, the Group used hedging derivative contracts to hedge sales transactions.

The following table details the open swap commodity contracts at the reporting date:

Open swap commodity contracts	***As at 31 December 2022***		***As at 31 December 2022***	
	Nominal value		***Fair value***	
In million EUR	***Hedging***	***Held for trading***	***Hedging***	***Held for trading***
Purchase/(sell) gas				
Less than 3 months	478 615	(394 661)	(151 991)	275 856
3 to 12 months	797 211	(65 325)	1 219	186 635
Over 12 months	499 147	(13 283)	(14 270)	4 830

Open swap commodity contracts	***As at 31 December 2021***		***As at 31 December 2021***	
	Nominal value		***Fair value***	
In million EUR	***Hedging***	***Held for trading***	***Hedging***	***Held for trading***
Purchase/(sell) gas				
Less than 3 months	223 087	(11)	282 162	440
3 to 12 months	324 660	(973)	353 295	57
Over 12 months	178 569	(2 723)	92 667	(462)

The Group uses hedging financial instruments to secure cash flow hedging and fair value of sales contracts.

Cash flow hedging

The main risk affecting the price of natural gas is defined as commodity risk caused by price movements. The aim of cash flow hedging is therefore to ensure a fixed cost of sourcing the sales contracts, which are sold at fixed price. The risk of a change in the values of the input parameter affecting the price of natural gas is thus fully eliminated based on an agreement with the counterparty to compensate their development.

The Group recognizes the following commodity contracts:

	At 31 December 2022	***At 31 December 2021***
Commodity swaps		
Nominal amount in MWh	13 195 984	9 517 622
Nominal amount in EUR ths.	777 323	94 512

The effect of hedging instruments in the balance sheet is as follows:

	At 31 December 2022	***At 31 December 2021***
Line in the in the statement of financial position		
Other non-current assets	-	12 957
Receivables and prepayments	296 003	298 150
Other non-current liabilities	(57 938)	(716)
Trade and other payables	(269 494)	(8 062)
Nominal value recorded in contingent assets and liabilities	777 323	94 512

The effect of hedging instruments in the income statement and in the statement of other comprehensive income is as follows:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Line in the income statement		
Purchase of natural gas, electricity and material and energy consumption	482 124	105 066
Revenue from contracts with customers	-	-
Line in the statement of other comprehensive income		
Hedging derivatives (cash flow hedging)	(31 428)	302 328

Fair value hedging

To eliminate the commodity risk, the Group decided to manage the risks by offering a fixed price to the customer through "back to back" hedging in the form of commodity swaps of the sales formula. The objective of the hedging instrument is to hedge the fair value of the yield contract. The risks of changes in the values of the input parameters affecting the selling price of natural gas are thus fully eliminated based on an agreement with the counterparty to compensate their development.

The effect of hedging instruments in the balance sheet is as follows:

	At 31 December 2022	***At 31 December 2021***
Line in the statement of financial position		
Other non-current assets	87 718	80 688
Receivables and prepayments	129 643	399 276
Other non-current liabilities	(44 050)	(261)
Trade and other payables	(306 924)	(53 908)
Nominal value recorded in contingent assets and liabilities	997 650	631 803

(in thousand EUR)

The effect of hedged items in the balance sheet is as follows:

	At 31 December 2022	*At 31 December 2021*
Line in the statement of financial position		
Other non-current assets	44 042	261
Receivables and prepayments	306 903	53 908
Other non-current liabilities	(87 476)	(80 578)
Trade and other payables	(130 364)	(394 401)

Financial Collateral

As at 31 December 2022, the Group has a liability of EUR 596 411 thousand (31 December 2021: EUR 1 147 724 thousand) from financial collateral accepted from counterparties with whom SPP has concluded hedging derivative contracts. The fair value of financial collateral is equal to the value of received funds. SPP is obliged to repay the collateral to the counterparties after the settlement of the contracts. There are no other significant conditions connected with the use of the financial collateral.

In addition to commodity swaps the Group also used **futures contracts** as of 31 December 2022 and 31 December 2021, to manage the risk of movements in prices of natural gas and electricity.

Open futures contracts as of balance sheet date:

Open futures contracts	*31 December 2022*		*31 December 2022*	
	Nominal value		*Change in fair value*	
	Hedging	*Held for trading*	*Hedging*	*Held for trading*
Purchase/(sell) gas				
Less than 3 months	(140 204)	-	7 428	-
3 to 12 months	(156 831)	-	57 484	-
Over 12 months	-	-	-	-

Open futures contracts	*31 December 2022*		*31 December 2022*	
	Nominal value		*Change in fair value*	
	Hedging	*Held for trading*	*Hedging*	*Held for trading*
Purchase/(sell) electricity				
Less than 3 months	(26 658)	-	3 405	-
3 to 12 months	(78 209)	-	9 581	-
Over 12 months	(131 975)	-	(1 580)	-

Open futures contracts	*31 December 2021*		*31 December 2021*	
	Nominal value		*Change in fair value*	
	Hedging	*Held for trading*	*Hedging*	*Held for trading*
Purchase/(sell) gas				
Less than 3 months	(22 172)	-	33 998	-
3 to 12 months	(48 379)	-	48 623	-
Over 12 months	(1 163)	-	917	-

Open futures contracts	*31 December 2021*		*31 December 2021*	
	Nominal value		*Change in fair value*	
	Hedging	*Held for trading*	*Hedging*	*Held for trading*
Purchase/(sell) electricity				
Less than 3 months	90 681	-	43 990	-
3 to 12 months	58 134	-	93 533	-
Over 12 months	3 637	-	1 191	-

The Group uses hedging financial instruments to secure cash flow hedging and fair value of sales contracts.

(in thousand EUR)

Cash flow hedging

The main risk affecting the price of natural gas and electricity is defined as commodity risk caused by price movements. The aim of cash flow hedging is therefore to ensure a fixed cost of sourcing the sales contracts, which are sold at fixed price. The risk of a change in the values of the input parameter affecting the price of natural gas and electricity is thus fully eliminated based on an agreement with the counterparty to compensate their development.

The Group recognizes the following futures contracts:

	At 31 December 2022	***At 31 December 2021***
Futures contracts		
Nominal amount in MWh	(3 905 761)	1 717 820
Nominal amount in EUR ths.	(532 714)	152 021

The effect of hedging instruments in the statement of other comprehensive income is as follows:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Line in the statement profit and loss		
Purchase of natural gas, electricity and material and energy consumption	193 718	-
Line in the statement of other comprehensive income		
Hedging derivatives (cash flow hedging)	537 660	122 785

Fair value hedging

To eliminate the commodity risk, the Group decided to manage the risks by offering a fixed price to the customer through "back-to-back" hedging in the form of futures contracts of the sales formula. The objective of the hedging instrument is to hedge the fair value of the yield contract. The risks of changes in the values of the input parameters affecting the selling price of natural gas and electricity are thus fully eliminated based on an agreement with the counterparty to compensate their development.

The effect of hedging instruments and hedged items in the balance sheet is as follows:

	At 31 December 2022	***At 31 December 2021***
Nominal value recorded in contingent assets and liabilities	(1 163)	(71 283)
Line in the balance sheet		
Other non-current assets	-	1 307
Receivables and prepayments	917	29 988
Other non-currents liabilities	-	(19 619)
Trade and other payables	-	(111 144)

(3) Interest Rate Risk

The Group was exposed to minimum interest rate risks associated with interest rate volatility, as it only drew current loans with variable interest rate from commercial banks.

The risk of interest rate volatility is monitored in the Group. The volatility of interest rates on short-term loans does not pose a significant level of risk to the Group, given that these loans are drawn down to cover the seasonality that results from the nature of the business linked to the heating curve during the year. The periods of financing need are alternated by periods of excess cash and resulting deposits. Any change in interest rates during periods of increased financing need is partly offset by higher yields on deposit operations in times of cash surplus.

As of 31 December 2022, short-term loans from commercial banks in the amount of EUR 485 801 thousand and short-term loans from non-financial entities under the authority of the Ministry of Economy of the Slovak Republic (hereinafter referred to as "MH SR") in the amount of EUR 50 187 thousand were drawn. As of 31 December 2021, short-term loans from commercial banks amounting to EUR 150 000 thousand had been drawn up.

(in thousand EUR)

(4) Credit Risk Related to Receivables

The Group sells its products and services to various customers that, neither individually nor jointly in terms of volume and solvency, represent significant risk that the receivable will not be settled pursuant to the valid risk management policy. The Group has policies in place that ensure that products and services are sold to customers with an appropriate credit history and that an acceptable limit to credit exposure is not exceeded.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet, net of provisions.

(5) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash with an appropriate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines, and the ability to close open market positions. Due to the dynamic nature of the underlying business, Treasury management aims to maintain flexibility by keeping committed credit lines available and synchronising the maturity of financial assets with financial needs. To settle outstanding liabilities, the Group has funds and undrawn credit lines at its disposal.

As of 31 December 2022, short-term loans from commercial banks in the amount of EUR 485 801 thousand and short-term loans from non-financial entities under the authority of MH SR in the amount of EUR 50 187 thousand were drawn. As of 31 December 2021, short-term loans from commercial banks amounting to EUR 150 000 thousand had been drawn up.

Loans with a maturity of less than 1 year are drawn in EUR at a variable interest rate linked to 1 month EURIBOR. In the case of short-term loans from non-financial entities under the authority of the Ministry of Economy of the Slovak Republic, a fixed interest rate was agreed.

Most short-term credit lines contain a clause for the automatic extension of the loan term unless either party terminates it within the deadline.

All loans are provided without any collateral, using common market provisions (pari-passu, ban to pledge assets, substantial negative impact). Regarding the balance of the credit facilities drawn as at 31 December 2022 in the amount of EUR 535 988 thousand (whereas the funds and tradable securities amounted to EUR 18 548 thousand), the net debt totals EUR 517 440 thousand. If necessary, maturing credit facilities may be paid off from undrawn credit facilities, as well as from available funds and tradable securities (at 31 December 2022 EUR 429 199 thousand from banks).

The table below summarises the maturity of financial liabilities at 31 December 2022 and 31 December 2021 based on contractual undiscounted payments:

	On demand	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
31 December 2022						
Trade payables	-	725 163	-	-	-	725 163
Other liabilities	-	951 534	663 020	283 881	233	1 898 668
Loans bearing floating interest	-	485 801	-	-	-	485 801
Loans bearing fixed interest (Note 15)	-	50 187	-	-	-	50 187
31 December 2021						
Trade payables	-	388 328	-	-	-	388 328
Other liabilities	-	1 475 828	391 282	122 193	290	1 989 593
Loans bearing floating interest	-	150 000	-	-	-	150 000
Loans bearing fixed interest (Note 15)	-	-	-	-	-	-

(in thousand EUR)

b) Capital Risk Management

The Group manages its capital to ensure that the Group companies are able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity ratio, as well as through ensuring a high credit rating and sound capital ratios.

The capital structure of the Group consists of debt, i.e. loans disclosed in Note 15, cash and cash equivalents and equity attributable to the owner of the parent company, which comprise the registered capital, legal and other reserves, and retained earnings as disclosed in Notes 19 a 20.

The gearing ratio was as follows:

	At 31 December 2022	*At 31 December 2021*
Debt (i)	535 988	150 000
Cash and cash equivalents	18 548	1 464 096
Net debt	517 440	-
Equity (ii)	2 726 965	1 962 685
Net debt to equity ratio	**19 %**	**0 %**

(i) Debt is defined as long- and short-term borrowings.
(ii) Page 8

c) Categories of Financial Instruments

	At 31 December 2022	*At 31 December 2021*
Financial assets	**2 940 270**	**3 224 630**
Financial derivatives recognised as hedging	940 097	876 536
Financial derivatives held for trading	679 659	150 795
Loans and receivables (including cash and cash equivalents)	1 290 733	2 197 299
Financial liabilities	**3 157 535**	**2 525 903**
Financial derivatives recognised as hedging	899 091	668 689
Financial derivatives held for trading	162 776	162 084
Financial liabilities carried at amortised costs	2 095 668	1 695 130

d) Estimated Fair Value of Financial Instruments

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows using forward interest rates as at the reporting date and agreed forward rates taking into account the credit risks of various parties.

The fair value of commodity swaps and futures contracts is determined using forward commodity prices and forward exchange rates as at the reporting date and agreed forward rates taking into account credit risk of various parties.

The fair value of ordinary shares not in a book-entry form has been estimated using a valuation technique based on assumptions that they are not supported by observable market prices. The valuation requires management to make estimates of the expected future cash flows from shares that are discounted at current rates.

<u>Estimated fair values of financial assets and liabilities that are not regularly remeasured to fair value</u>

The estimated fair values of other instruments, mainly current financial assets and liabilities approximate their carrying amounts.

When determining the fair value of non-traded derivatives and other financial instruments, the Group uses a number of methods and market assumptions that are based on the market conditions prevailing as at the reporting date. Other methods, mainly the estimated discounted value of future cash flows, are used to determine the fair value of other financial instruments.

The following table provides an analysis of financial instruments that, upon initial revaluation, are subsequently recognised at fair value, in accordance with the fair value hierarchy.

Level 1 of the fair value measurement represents those fair values that are derived from the prices of similar assets or liabilities quoted on active markets.

(in thousand EUR)

Level 2 of the fair value measurement represents those fair values that are derived from input data other than the quoted prices included in Level 1, which are observable on the market for assets or liabilities directly (e.g. prices) or indirectly (e.g. derived from prices).

Level 3 of the fair value measurement represents those fair values that are derived from valuation models, including subjective input data for assets or liabilities not based on market data.

Year 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**90 158**	**1 529 598**	**-**	**1 619 756**
Financial derivatives held for trading	14 369	665 290	-	679 659
Financial derivatives recognised as hedging	75 789	864 308	-	940 097
Financial liabilities at fair value	**17 693**	**1 044 174**	**-**	**1 061 867**
Financial derivatives held for trading	15 765	147 011	-	162 776
Financial derivatives recognised as hedging	1 928	897 163	-	899 091

Year 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**35 431**	**991 900**	**-**	**1 027 331**
Financial derivatives held for trading	4 136	146 659	-	150 795
Financial derivatives recognised as hedging	31 295	845 241	-	876 536
Financial liabilities at fair value	**65 123**	**765 650**	**-**	**830 773**
Financial derivatives held for trading	16 634	145 450	-	162 084
Financial derivatives recognised as hedging	48 489	620 200	-	668 689

Embedded Derivative Instruments

The Group signed a long-term contract for purchases of natural gas denominated in EUR with a direct link to the development of the relevant spot market. Both the economic characteristics and risks of embedded forward derivative instruments, and natural gas prices are generally believed to be closely related to the economic characteristics and risks of the underlying purchase agreements. Hence, in accordance with IFRS 9, the Group does not recognise embedded derivatives separately from the host contract.

The Group has assessed all other significant contracts and agreements for embedded derivatives that should be recorded. The Group concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and recognised separately as at 31 December 2022 and 31 December 2021 under the requirements of IFRS 9.

7. INVESTMENTS RECOGNISED USING THE EQUITY METHOD

Details of the Group’s joint ventures as of 31 December 2022 can be summarised as follows:

Name	***Seat***	***Ownership interest %***	***Principal activity***	***Value under equity method at 31 December 2022***
ESCO Slovensko, a. s.	Tomášikova 28C, Bratislava Slovensko	50.00	Holding company	29 701

On 10 December 2020, a shareholder agreement was signed between the companies Slovenský plynárenský priemysel, a.s. and ČEZ ESCO, a.s. and ČEZ, a. s. regarding the joint venture on the energy services provision market. The Antimonopoly Office of the Slovak Republic approved without reservation the creation of the SPP-ČEZ Joint Venture on 18 December 2020, the decision became valid on 2 January 2021. The date of conclusion of the transaction was 1 February 2021, when the general assembly meeting of the joint venture took place and decided to issue new shares, which were subsequently subscribed by SPP.

SPP has recognised this ownership interest in ESCO Slovensko, a.s. using the equity method.

(in thousand EUR)

An overview of assets, liabilities, revenues, and expenses of ESCO Slovensko, a.s. is as follows:

	At 31 December 2022	***At 31 December 2021***
Property, plant and equipment	25 072	20 319
Goodwill	18 139	14 530
Other non-current assets	6 286	6 333
Current assets	46 140	42 053
Total assets	**95 637**	**83 235**
Non-current interest-bearing borrowings	9 933	6 589
Provisions for liabilities and other long-term liabilities	1 037	2 291
Current liabilities	25 266	14 795
Total liabilities	**36 236**	**23 675**
Net assets	**59 401**	**59 560**

	To 31 December 2022	***Period from 1 February 2021 to 31 December 2021***
Revenues	67 095	26 142
Profit before income taxes	1 467	(596)
Income tax including deferred tax	(907)	(339)
Profit after tax	**560**	**(935)**
Other comprehensive profits and losses	**-**	**-**
Comprehensive net income	**560**	**(935)**

A reconciliation of the financial information stated above with the carrying amount of the share in ESCO Slovensko, a. s. recognised in these consolidated financial statements is as follows:

	At 31. December 2022	***At 31 December 2021***
Net assets of ESCO Slovensko, a.s.	59 401	59 560
Ownership interest (50%)	29 701	29 780
Goodwill	-	-
Carrying amount of the share in ESCO Slovensko, a.s.	**29 701**	**29 780**

Details of the Group's associated undertakings as at 31 December 2022 can be summarised as follows:

Name	***Seat***	***Ownership interest %***	***Principal activity***	***Value under equity method at 31 December 2022***
SPP Infrastructure, a. s.	Plátennícka 19013/2, Bratislava Slovensko	51.00	Holding company	1 585 100

SPP has recognised this ownership interest in SPP Infrastructure, a. s. using the equity method.

An overview of assets, liabilities, revenues, and expenses of SPP Infrastructure, a.s. is as follows:

	At 31 December 2022	***At 31 December 2021***
Property, plant and equipment	4 515 000	4 633 000
Loans provided	-	-
Other non-current assets	40 000	42 000
Current assets	1 330 000	525 000
Total assets	**5 885 000**	**5 200 000**
Non-current interest-bearing borrowings	1 637 000	1 686 000
Provisions for liabilities and other long-term liabilities	967 000	1 049 000
Current liabilities	680 000	638 000
Total liabilities	**3 284 000**	**3 373 000**
Net assets	**2 601 000**	**1 827 000**

(in thousand EUR)

	At 31 December 2022	***At 31 December 2021***
Revenues	1 241 000	1 243 000
Profit before income taxes	869 000	772 000
Income tax including deferred tax	(215 000)	(194 000)
Profit after tax	**654 000**	**578 000**
Other comprehensive profits and losses	**155 000**	**(365 000)**
Comprehensive net income	**809 000**	**213 000**

A reconciliation of the financial information stated above with the carrying amount of the share in SPP Infrastructure, a. s. recognised in these consolidated financial statements is as follows:

	At 31 December 2022	***At 31 December 2021***
Net assets of SPP Infrastructure, a. s.	2 601 000	1 827 000
Ownership interest (51%)	1 326 510	931 770
Goodwill	258 590	258 590
Carrying amount of the share in SPP Infrastructure, a. s.	**1 585 100**	**1 190 360**

Reconciliation of the carrying amount of shares in SPP Infrastructure, a.s. and ESCO Slovensko, a.s. reported using the equity method in these consolidated financial statements is as follows:

	Joint ventures	***Associated undertakings***	***At 31 December 2022***	***At 31 December 2021***
Opening balance as at 1 January 2022	29 780	1 190 360	1 220 140	1 318 880
Addition to financial investment in ESCO Slovensko, a.s.	-	-	-	30 339
Dividend payment	-	-	-	(220 000)
Share on profit/loss	(79)	316 710	316 631	277 071
Share on the comprehensive profit/loss	-	78 030	78 030	(186 150)
Closing balance as at 31 December 2022	**29 701**	**1 585 100**	**1 614 801**	**1 220 140**

Associate SPP Infrastructure, a.s. did not have any contingent liabilities or commitments in which the Group should take part as at 31 December 2022 and 31 December 2021.

(in thousand EUR)

8. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	***Right of use of rented premises***	***Plant, machinery and equipment***	***Right of use of means of transportation***	***Other non-current tangible assets***	***Assets in course of construction***	***Total***
Year ended 31 December 2021							
Opening net book value	60 582	2 307	2 480	386	719	454	66 928
Additions	-	438	80	188	8	3 838	4 552
Put in use	263	-	449	-	86	(798)	-
Reclassifications between categories	-	-	-	-	-	-	-
Reclassifications – IAS 40 (Property investments)	6 917	-	-	-	-	-	6 917
Disposals	(375)	-	-	-	(1)	-	(376)
Depreciation charge	(3 816)	(439)	(849)	(225)	(44)	-	(5 373)
Change of provisions	201	-	11	-	-	-	212
Reclassifications – assets held for sale	817	-	5	-	-	-	822
Closing net book value as at 31 December 2021	**64 589**	**2 306**	**2 176**	**349**	**768**	**3 494**	**73 682**
Acquisition cost	132 619	3 264	37 584	651	4 287	3 494	181 899
Provisions and accumulated depreciation	(68 030)	(958)	(35 408)	(302)	(3 519)	-	(108 217)
Net book value	**64 589**	**2 306**	**2 176**	**349**	**768**	**3 494**	**73 682**
Year ended 31 December 2022							
Opening net book value	64 589	2 306	2 176	349	768	3 494	73 682
Additions	30	1 064	4	252	9	5 761	7 120
Put in use	1 912	-	2 527	-	24	(4 463)	-
Reclassifications between categories	-	-	-	-	-	-	-
Reclassifications – IAS 40 (Property investments)	(7 038)	-	-	-	-	-	(7 038)
Disposals	(4 668)	(171)	(47)	-	-	-	(4 886)
Depreciation charge	(3 113)	(531)	(983)	(231)	(57)	-	(4 915)
Change of provisions	528	-	(48)	-	-	-	480
Reclassifications – assets held for sale	2 504	-	(3)	-	-	-	2 501
Closing net book value as at 31 December 2022	**54 744**	**2 668**	**3 626**	**370**	**744**	**4 792**	**66 944**
Acquisition cost	118 151	3 976	33 844	663	3 436	4 792	164 862
Provisions and accumulated depreciation	(63 407)	(1 308)	(30 218)	(293)	(2 692)	-	(97 918)
Net book value	**54 744**	**2 668**	**3 626**	**370**	**744**	**4 792**	**66 944**

(EUR '000)

Type and amount of insurance of non-current intangible and tangible assets

Insured assets	*Type of insurance*	*Cost of insured assets* 2022	2021	*Name and seat of the insurance company*
Buildings, halls, structures, machinery, equipment, fittings & fixtures, low-value TFA, other TFA, works of art, inventories Movables, assets, inventories	Insurance of assets	202 290	213 235	Colonnade Insurance S.A., pobočka poisťovne z iného členského štátu
Motor vehicles	Motor third-party liability insurance, motor hull insurance	91	154	Česká podnikatelská pojišťovna

9. INVESTMENT PROPERTY

	At 31 December 2022	*At 31 December 2021*
Opening net book value	15 800	23 939
Depreciation charges	(1 268)	(1 006)
Change of provisions	211	(216)
Additions and disposals and reclassifications to non-current tangible assets	7 038	(6 917)
Closing net book value	**21 781**	**15 800**

SPP leases non-gas assets - primarily buildings - to Ministry of Economy of the Slovak Republic and SPP – distribúcia, a.s. In accordance with IAS 40, SPP opted for recognition at historical cost. If the revaluation model was used, the restated value of the assets would be EUR 29 993 thousand based on the SPP's estimate (At 31 December 2021: EUR 26 589 thousand).

10. NON-CURRENT INTANGIBLE ASSETS

	Software	*Other non-current intangible assets*	*Assets in course of construction*	*Total*
Year ended 31 December 2021				
Opening net book value	9 336	611	2 052	11 999
Additions	95	-	3 586	3 681
Placed into service	1 220	3 020	(4 240)	-
Reclassifications	-	-	-	-
Disposals	-	-	(1)	(1)
Amortisation	(1 676)	(1 139)	-	(2 815)
Change of provisions	1	-	-	1
Closing net book value	**8 976**	**2 492**	**1 397**	**12 865**
At 31 December 2021				
Acquisition cost	77 468	6 136	1 464	85 068
Provisions and accumulated depreciation	(68 492)	(3 644)	(67)	(72 203)
Net book value	**8 976**	**2 492**	**1 397**	**12 865**
Year ended 31 December 2022				
Opening net book value	8 976	2 492	1 397	12 865
Additions	29	4	1 655	1 688
Placed into service	2 321	53	(2 374)	-
Reclassifications	-	-	-	-
Disposals	-	(4)	-	(4)
Amortisation	(1 833)	(882)	-	(2 715)
Change of provisions	-	-	-	-
Closing net book value	**9 493**	**1 663**	**678**	**11 834**
At 31 December 2022				
Acquisition cost	79 357	6 193	745	86 295
Provisions and accumulated depreciation	(69 864)	(4 530)	(67)	(74 461)
Net book value	**9 493**	**1 663**	**678**	**11 834**

(in thousand EUR)

11. INVENTORIES

	At 31 December 2022	*At 31 December 2021*
Natural gas	1 479 814	55 779
Natural gas held for trading	46 343	50 412
Raw materials and other inventory	51	9
Provisions	(91 395)	-
Total	**1 434 813**	**106 200**

As at 31 December 2022, a storage impairment related to natural gas was posted to adjust the cost of natural gas to its net realizable value. As at 31 December 2021, the Group did not record a provision for natural gas.

12. RECEIVABLES AND PREPAYMENTS

	At 31 December 2022	*At 31 December 2021*
Trade receivables from the sale of natural gas and electricity	656 927	309 897
Contractual assets from sales to customers	34 736	47 616
Prepayments for distribution of natural gas	11	12 537
Receivables from financial derivatives	1 380 998	911 674
Prepayments and other receivables	609 681	363 017
Total	**2 682 353**	**1 644 471**

Trade receivables from the sale of natural gas and electricity are shown net and represent receivables from billed gas and electricity supplies.

Contractual assets from sales to customers represent estimated amounts of unbilled commodity supplies to customers whose actual consumption will be determined based on a meter reading after the end of the calendar year. Such amounts are billed in the following 12 months based on the actual measured consumption and valid tariffs.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables in the amount of EUR 113 713 thousand (31 December 2021: EUR 131 008 thousand).

As at 31 December 2022, the Group recorded receivables within maturity of EUR 2 663 394 thousand and receivables overdue of EUR 132 672 thousand, excluding provisions. As at 31 December 2021, the Group recorded receivables within maturity and overdue of EUR 1 635 878 thousand and EUR 139 871 thousand, respectively, excluding provisions.

Maturities of trade receivables used as a benchmark for the Group's internal policy of provisioning:

	2022	*2021*
Within maturity	2 663 394	1 635 878
Less than 3 months	19 473	8 310
3 to 12 months	5 872	4 661
More than 12 months	107 327	126 900
Total	**2 796 066**	**1 775 749**

Movements in provisions for doubtful receivables:

	At 31 December 2022	*At 31 December 2021*
Balance as at 1 January	131 008	164 333
Use of provision	(8 117)	(36 365)
Reversal of provision	(14 036)	(3 858)
Creation of provision	4 858	6 898
Reclassification between current and non-current portions	-	-
Closing balance	**113 713**	**131 008**

Following the government-approved proposal for financial stabilization for the discharge of debt of medical institutions and in accordance with the Resolution of the Government of the Slovak Republic No. 425/2017 "Concept of debt relief of medical institutions", the Company, as a creditor, had the opportunity to satisfy its claims in the fourth stage of the process of discharge of claims against medical institutions. The acceptance of special provisions on the debt relief process for medical institutions satisfied the creditor's claims worth EUR 11 301 thousand and, at the same time, the dissolution of provisions on receivables, including interests and charges, amounting to EUR 13 665 thousand.

(in thousand EUR)

13. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefit scheme was originally introduced in the SPP in 1995. It is a defined benefit plan under which employees are entitled to a one-off allowance when they retire from retirement or invalidity pensions and, depending on the conditions laid down, to a remuneration at the jubilee work. In 2020, the SPP signed a collective agreement, which was in force until the end of 2022. On 19 December 2022, a collective agreement was signed, valid for the years 2023 to 2024, according to which employees are entitled to a severance grant according to the number of years of service in the SPP when they retire, subject to the given conditions. The severance grant allowance is set at three to five times the average monthly salary of an employee with a guaranteed minimum (EUR 700) and a limiting maximum amount (EUR 1 500) of the relevant multiples. The amount of long-term employee benefits for work anniversaries is determined by the number of years of continuous service. 6 periods are distinguished, with the first time the remuneration starting to be paid at the age of 10 (EUR 120) and the last at the age of 40 (EUR 620). As at 31 December 2022, the liability for retirement and other long-term employee benefits was calculated on the basis of the applicable collective agreement in force on 1 January 2023. As at 31 December 2021, the liability for retirement and other long-term employee benefits was calculated on the basis of the applicable collective agreement in force on 1 January 2021.

As at 31 December 2022, 761 employees of SPP (31 December 2021: 733) were covered by this program. As of that date, it was an unfunded program, with no separately allocated assets to cover the program's liabilities.

Movements in the net liability recognised in the balance sheet for the year ended 31 December 2022 are as follows:

	Long-term benefits	*Post-employment benefits*	*Total benefits at 31 December 2022*	*Total benefits at 31 December 2021*
Net liability at 1 January	261	830	1 091	1 167
Expenses of the past and current service, net	14	46	60	72
Interest expense	2	7	9	2
Employee benefits paid	(22)	(99)	(121)	(120)
Actuarial (gains)/losses:				
Actuarial (gains)/losses from a change in demographic assumptions	-	-	-	-
Actuarial (gains)/losses from a change in financial assumptions	(51)	(245)	(296)	(71)
Actuarial (gains)/losses arising from experience	4	181	185	41
Net liabilities	**208**	**720**	**928**	**1 091**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2022	91	837	928
At 31 December 2021	76	1 015	1 091

A breakdown of significant items related to the liability for employee benefits recognised in the income statement for the reporting period is stated below:

	Long-term benefits	*Post-employment benefits*	*Total at 31 December 2022*	*Total at 31 December 2021*
Expenses of the past and current service, net	14	46	60	72
Interest expense	2	7	9	2
Other (decrease of liability)	(47)	-	(47)	(15)
Total expenses for employee benefits	**(31)**	**53**	**22**	**59**

(in thousand EUR)

A breakdown of items related to the liability for employee benefits recognised in the statement of other comprehensive income:

	Long-term benefits	*Post-employment benefits*	*Total at 31 December 2022*	*Total at 31 December 2021*
Actuarial (gains)/losses from a change in demographic assumptions	-	-	-	-
Actuarial (gains)/losses from a change in financial assumptions	-	(245)	(245)	(58)
Actuarial (gains)/losses arising from experience	-	181	181	43
Total actuarial (gains)/losses	**-**	**(64)**	**(64)**	**(15)**

Sensitivity analysis – in the event of an increase/decrease in the discount rate and/or inflation, the amount of the liability for employee benefits would change as follows:

	Long-term benefits	*Post-employment benefits*	*Total at 31 December 2022*
Increase in the discount rate by 0.25%	205	705	910
Increase in inflation by 0.25%	212	731	943
Decrease in the discount rate by 0.25%	212	735	947
Decrease in inflation by 0.25% (at 0%)	209	709	918

Key assumptions used in the actuarial valuation:

	At 31 December 2022	*At 31 December 2021*
Market yield on government bonds	3.969 %	0.832 %
Annual future real rate of salary increases	0.50 %	0.50 %
Annual employee turnover	Ranging from 1.9% to 20% depending on the age category, average of 6.01%	Ranging from 1.9% to 20% depending on the age category, average of 6.01%
Retirement ages (male and female)	The average estimated age for drawing an old age pension benefit is 63.6.	The average estimated age for drawing an old age pension benefit is 63.5.

14. PROVISIONS

Movements in the provisions for liabilities are summarised as follows:

	Provision for onerous contracts	*Other provisions*	*Total at 31 December 2022*	*Total at 31 December 2021*
Balance at 1 January	12 936	38 212	51 148	38 995
Effect of discounting	(38)	-	(38)	29
Additions	42 617	1 949	44 566	17 164
Use	(8 137)	-	(8 137)	(3 974)
Reversal	(4 326)	-	(4 326)	(1 066)
Closing balance	**43 052**	**40 161**	**83 213**	**51 148**

The provisions are included in liabilities as follows:

	Current provisions	*Non-current provisions*	*Total provisions*
At 31 December 2022	43 052	40 161	83 213
At 31 December 2021	11 995	39 153	51 148

(in thousand EUR)

a) Provision for Onerous Contracts

The Group identified and accounted for a provision for onerous contracts in connection with irrevocable contractual obligations to supply natural gas to customers and business partners from sales contracts in 2023 and beyond.

This provision is based on the assumption that the future costs of purchasing natural gas, which are mainly affected by the buying and selling hedging operations carried out during 2022 to ensure a diversified gas supply, will exceed the economic benefits obtained from sales in 2023. In this context, the company calculated a provision for onerous contracts exclusively for 2023, since the dehedge operations carried out in 2022 related to the years 2022 and 2023.

The calculation of this provision depends on many assumptions of current market information about the future evolution of natural gas prices in spot markets, which are fluctuating. The actual amount of losses incurred in connection with these contracts may vary slightly.

b) Other Provisions

Other provisions amounting to EUR 40 161 thousand (31 December 2021: EUR 38 212 thousand) comprise a provision for various pending lawsuits and other potential lawsuits. Refer also to Note 29.

15. INTEREST-BEARING BORROWINGS

	31 December 2022 Secured	*31 December 2022 Unsecured*	*31 December 2022 Total*	*31 December 2021 Secured*	*31 December 2021 Unsecured*	*31 December 2021 Total*
Loans	-	535 988	535 988	-	150 000	150 000
Bonds	-	-	-	-	-	-
Total loans	**-**	**535 988**	**535 988**	**-**	**150 000**	**150 000**
Loans by currency						
EUR						
– with fixed interest rate	-	50 187	50 187	-	-	-
– with variable interest rate	-	485 801	485 801	-	150 000	150 000
Total loans	**-**	**535 988**	**535 988**	**-**	**150 000**	**150 000**
Loans are due as follows:						
Less than 1 year	-	535 988	535 988	-	150 000	150 000
1 to 2 years	-	-	-	-	-	-
2 to 5 years	-	-	-	-	-	-
More than 5 years	-	-	-	-	-	-
Total loans	**-**	**535 988**	**535 988**	**-**	**150 000**	**150 000**

In 2022 and 2021, the Group drew loans denominated in EUR with variable and fixed interest rate. As at 31 December 2022, loans with variable interest rate were drawn from commercial banks in total amount EUR 485 801 thousand which were partially repaid in January 2023, and short-term financial assistance with a fixed interest rate from entities under the authority of the Ministry of Economy of the Slovak Republic in the amount of EUR 50 187 thousand with a maturity on 31 March 2023, were drawn. As of 31 December 2021, floating rate loans from commercial banks were drawn, which were repaid on 20 January 2022.

Short-term loans can be drawn on a revolving basis with one-month interest period or as an overdraft loan facility. The loans were not secured by any assets.

Interest rates on loans:

Loans	***2022***	***2021***
EUR		
– with a fixed rate	3 %	-
– with a variable rate	1M EURIBOR plus margin	1M EURIBOR plus margin

The carrying amount and face value of loans:

	Carrying amount		***Face value***	
	31 December 2022	***31 December 2021***	***31 December 2022***	***31 December 2021***
Loans	535 988	150 000	535 988	150 000
Bonds	-	-	-	-
Total	**535 988**	**150 000**	**535 988**	**150 000**

(in thousand EUR)

The Group has the following outstanding credit facilities:

	At 31 December 2022	*At 31 December 2021*
Variable rate:		
- due within 1 year	429 199	214 000
- due after more than 1 year	-	-
Fixed rate:		
- due within 1 year	-	-
- due after more than 1 year	-	-
	429 199	**214 000**

16. DEFERRED INCOME

Deferred income mainly comprises the unused part of the European Commission grant related to the implementation of the fueLCNG project amounting to EUR 2 653 thousand (31 December 2021: EUR 2 796 thousand). Maximum amount of the grant amounts to EUR 15 207 thousand.

17. OTHER NON-CURRENT LIABILITIES AND LEASE LIABILITIES

	At 31 December 2022	*At 31 December 2021*
Non-current liabilities from financial derivatives	281 831	120 464
Non-current lease liabilities	2 283	2 019
Total	**284 114**	**122 483**

The Group recognized lease liabilities as follows:

	At 31 December 2022	*At 31 December 2021*
Short-term lease liabilities (Note 18)	777	657
Non-current lease liabilities	2 283	2 019
Lease liabilities total	**3 060**	**2 676**

Maturity analysis of lease liabilities:

	At 31 December 2022	*At 31 December 2021*
Within 1 year	777	657
1 to 5 years	2 050	1 729
More than 5 years	233	290
Total	**3 060**	**2 676**

18. TRADE AND OTHER PAYABLES

	At 31 December 2022	*At 31 December 2021*
Payables from purchases and supplies of natural gas and electricity	584 289	330 437
Contractual payables from sales to customers	93 229	32 543
Other trade payables and other payables	47 644	25 347
From which Short-term lease liabilities	*777*	*657*
Other liabilities	827 142	1 150 589
Employee liabilities	6 217	5 982
Social security and other taxes	29 791	21 971
Payables from financial derivatives	780 036	710 309
Total	**2 368 348**	**2 277 178**

The payables arising from purchases and sales of natural gas and electricity represent current liabilities resulting from the purchase of natural gas and electricity, and overpayments for natural gas and electricity supplies to customers.
Contractual payables from sales to customers represent advance payments for commodity supplies to customers which are calculated by the Group using the model for unbilled deliveries and are accounted for with the double entry as a decrease in revenue from the sale of the commodity in the current year. The actual customer consumption will be determined by deductions after the end of the calendar year. These amounts will be recognized based on the actual consumption measured that will be determined by meter readings conducted in the 12 months following the end of the calendar year.

(in thousand EUR)

Maturity of contractual payables:

	Current liabilities	***Non-current liabilities***	***Total***
At 31 December 2022	93 229	-	93 229
At 31 December 2021	32 543	-	32 543

Other trade payables and other payables comprise mainly from financial collateral of EUR 596 411 thousand accepted from counterparties with whom the Group has concluded hedging derivative contracts and unpaid dividends in total amount EUR 220 000 thousand. As at 31 December 2022, the Group recorded payables within maturity of EUR 2 368 337 thousand (31 December 2021: EUR 2 276 851 thousand) and overdue payables of EUR 11 thousand (31 December 2021: EUR 327 thousand).

The Group has no significant liability secured by a pledge or any other form of collateral.

Social fund payables:

	Amount
Opening balance as at 1 January 2022	178
Total additions:	300
from expenses	*300*
from profit	-
Total drawing:	(199)
monetary rewards and gifts	*(22)*
work jubilee benefits	*(16)*
catering allowance	*(84)*
benefit cafeteria	*(9)*
Other drawing based on collective agreement	*(68)*
Closing balance as at 31 December 2022	**279**

19. REGISTERED CAPITAL

The company's registered capital as at 31 December 2022 and 31 December 2021 comprises 26 666 536 fully-paid shares (with a face value of EUR 33.19), which are owned by the Slovak Republic represented by the Ministry of Economy of the Slovak Republic.

The registered capital was recorded in the Commercial Register in the full amount.

Pursuant to the company's Articles of Association, if all shares (except for treasury shares acquired by the company pursuant to Article 161a or Article 161b of the Commercial Code) are held by one shareholder, in cases where the law requires a two-third (2/3) majority, a two-third (2/3) majority of votes of the shareholders present at a general meeting is required to adopt decisions. If the company has a sole shareholder, such a shareholder acts in the capacity of the general meeting in the form of written decisions that must be signed by the shareholder. In cases stipulated by law, such decisions must be in the form of a notarial deed.

20. LEGAL AND OTHER FUNDS AND RETAINED EARNINGS

Since 1 January 2006, SPP has been required to prepare financial statements in accordance with IFRS as adopted by the EU (both separate and consolidated) only. Distributable profit represents retained earnings only as stated in the separate financial statements.

The legal reserve fund and other funds

The legal reserve fund in the amount of EUR 1 197 683 thousand (31 December 2021: EUR 1 197 683 thousand) is recorded in accordance with Slovak law and is not distributable to the shareholders. The reserve is created from retained earnings to cover possible future losses or increases in the registered capital. Transfers of at least 10% of the current year's profit (as presented in the individual financial statements) are required to be made until the reserve is equal to at least 20% of the registered capital.

On 20 April 2021, the sole shareholder of SPP imposed SPP payment of dividends from retained profits of previous years of EUR 140 million, while at the same time approved the creation of a capital fund from shareholder's contribution of EUR 140 million, whereas these transactions were mutually settled as at 20 May 2021.
On 16 November 2022, the sole shareholder of SPP approved an increase in the capital fund from the shareholder's contributions for a total amount of EUR 500 million.

(in thousand EUR)

Hedging reserve

Hedging reserve represents gains and losses arising from cash flow hedging.

	Year ended 31 December 2022	*Year ended 31 December 2021*
Opening balance	120 110	(7 894)
Gain/loss from cash flow hedging	274 182	86 983
Commodity swap and futures contracts	506 232	425 114
Commodity swap contracts *	(235 110)	(337 621)
Commodity forward contracts *	-	(1 530)
Interest rate swap contracts *	3 060	1 020
Income tax applicable to gains/losses recognised through equity	(106 309)	(89 274)
Income tax applicable to gains/losses recognised through equity *	48 960	70 890
Transfers to profit and loss	(95 654)	80 315
Commodity swap contracts	(425 114)	(19 135)
Commodity swap contracts *	325 380	95 880
Interest rate swap contracts *	4 080	3 570
Income tax applicable to gains/losses recognised through profit/loss	89 274	-
Income tax applicable to gains/losses recognised through profit/loss*	(69 360)	(20 910)
Closing balance	**261 203**	**120 110**

** Share from associated company*

A hedging reserve represents a cumulative accrued portion of gains and losses arising from a change in the fair value of hedging instruments concluded for cash flow hedging purposes. A cumulative gain or loss arising from a change in the fair value of hedging derivatives recognised and accumulated in the hedging reserve is reclassified to profit or loss provided that the hedged transaction has an effect on the income statement.

As at 31 December 2022 SPP recognized a deferred tax liability related to the hedging reserve of EUR 106 309 thousand (31 December 2021: EUR 89 274).

Gains/(losses) arising from a change in the fair value of the hedging instruments transferred during the current period from equity to profit or loss are disclosed in the following lines of the consolidated income statement:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Sale of natural gas and electricity	425 114	19 135
Share in profit of associated companies and joint ventures	(260 100)	(78 540)
Income tax charged to expenses	(89 274)	-
Total	**75 740**	**(59 405)**

Retained Earnings and Profit Distribution

Other funds and reserves in equity are not distributable to SPP's shareholders.

On 20 April 2021 the SPP's sole shareholder decided to transfer funds from SPP to Nadácia SPP in amount of EUR 2.2 million to support community activities of the Nadácia SPP in accordance with its Foundation charter and the Action plan for 2021.

On 20 April 2021, the SPP's sole shareholder decided to transfer funds from SPP to Ekofond SPP, n.o. (non-profit fund) of EUR 2.2 million to support the activities of the non-profit organization Ekofond SPP, n.o. in accordance with its Action plan for 2021.

On 11 March 2022 the SPP's sole shareholder decided to transfer funds from SPP to Nadácia SPP in amount of EUR 2.5 million to support community activities of the Nadácia SPP in accordance with its Foundation charter, especially in connection with the war in Ukraine.

On 3 May 2022 the SPP's sole shareholder decided to transfer funds from SPP to Nadácia MH SR in amount of EUR 1.3 million to support community activities of the Nadácia MH SR (Ministry of Economy) for public benefit purpose.

SPP treated these transfers as transactions with the owners exercising their ownership powers and the transfers of funds were recognised as other distributions of profit.

(in thousand EUR)

21. REVENUES FROM CONTRACTS WITH CUSTOMERS

	Year ended 31 December 2022	*Year ended 31 December 2021*
Revenues from the sale of natural gas	3 570 019	1 610 409
Revenues from the sale of electricity	533 704	350 879
Other revenues	11 844	7 687
Total revenues from contracts with customers	**4 115 567**	**1 968 975**

Other gains and losses

In view of the developments in the commodity markets and in accordance with the adopted business strategy, during 2022 the Group reclassified a significant portion of hedging derivatives - originally recognised in the hedging derivatives reserve in equity - to non-hedging derivatives, because of which it recognised a gain on derivative transactions in the amount of EUR 1 004 557 thousand (for the year ended 31 December 2021: EUR 4 928 thousand).

22. STAFF COSTS

	Year ended 31 December 2022	*Year ended 31 December 2021*
Wages, salaries and bonuses	25 543	23 927
Social security costs	8 560	8 102
Other social security costs and severance pay	1 516	1 601
Total staff costs	**35 619**	**33 630**

The Group contributes to 35.2% of the relevant assessment base according to the law, however, no more than from approximately EUR 7 931 (except for accident and health insurance). The employees contribute to these funds an additional 13.4% of their assessment bases, but only up to the above limit.

A company based in the Czech Republic makes contributions amounting to 33.8% (social security insurance contributions and a contribution to state employment policy of 24.8% plus public health insurance of 9%). The maximum annual assessment base for social security insurance and the contribution to the state employment policy amounts to CZK 1 868 thousand. The employees make contributions totalling 11% (social security insurance contributions and contribution to the state employment policy of 6.5% plus public health insurance contributions of 4.5%).

23. INVESTMENT INCOME

	Year ended 31 December 2022	*Year ended 31 December 2021*
Interest income	3 392	863
Other gains/(losses) on investments, net	(279)	-
Total investment income	**3 113**	**863**

(in thousand EUR)

24. FINANCE COSTS

	Year ended 31 December 2022	*Year ended 31 December 2021*
Interest expense	(4 365)	(93)
Foreign exchange gains/(losses) from financing activities	(434)	(8)
Other	(2 597)	(509)
Total finance costs	**(7 396)**	**(610)**

25. COSTS OF AUDITOR'S SERVICES

	Year ended 31 December 2022	*Year ended 31 December 2021*
Audit of financial statements	106	96
Other assurance services	-	9
Total	**106**	**105**

26. TAXATION

26.1. Income Tax

Income tax comprises the following:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Current income tax	20 043	13
Special levy on business in regulated industries	658	9 498
Share in income tax of associated undertakings and joint ventures	-	-
Deferred income tax (Note 26.2)		
– current year	(29 477)	(107)
Total	**(8 776)**	**9 404**

The reconciliation between the reported income tax and the theoretical amount calculated using the standard tax rates is as follows:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Profit/(loss) before taxation	337 019	301 321
Income tax at 21%	70 774	63 277
Effect of income exempt from taxation and adjustments from permanent differences between net book and net tax values of assets and liabilities	(70 291)	(58 692)
Reversal of a deferred tax and the effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised	(9 950)	(3 800)
Special levy incl. the effect of a special levy as a tax-deductible item	637	8 606
Other adjustments	54	13
Income tax for the year	**(8 776)**	**9 404**

The actually recognised tax rate differs from the tax rate of 21% stipulated by law in 2022 and 2021 mainly due to the adjustments of the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to valid tax legislation. Such adjustments primarily include tax non-deductible provisions for liabilities and provisions for assets, a difference between tax and accounting deprecation charges of non-current assets, the revaluation reserve for non-cash contributions, non-tax loss from non-hedging derivative transactions, tax deductible expenses after payment, etc.

As at 31 December 2022, the Group recognised the current income tax in the profit and loss account of EUR 20 043 thousand.

Pursuant to IFRS requirements, the income tax also includes a special levy on business in regulated industries pursuant to a special regulation (see Note 3, part t).

(in thousand EUR)

As at 31 December 2022, the Group accounted a receivable from the special levy on business in regulated sectors of EUR 7 977 thousand (as at 31 December 2021: liability of EUR 710 thousand), which it had recognised together with a current income tax liability due of EUR 20 055 thousand (31 December 2021: current income tax liability of EUR 0 thousand), on the balance sheet on the line income tax liabilities netto of EUR 12 024 thousand (31 December 2021: liability of EUR 710 thousand).

26.2. Deferred Income Tax

The Group applied the income tax rate of 21% to the deferred income tax calculation.

As SPP does not expect to realize sufficient tax benefits in the foreseeable future with which to settle all temporary differences, a deferred tax asset has not been recognized as of 31 December 2021, and a deferred tax asset has been recognized as of 31 December 2022, in the amount of the tax income expected to be available to realize the deferred tax asset.

The following table shows deferred tax assets and liabilities recognised in the income statement and in equity and deferred tax assets not recognised in the income statement:

As at 31 December 2022	***Deferred tax receivable/ (payable) recogised in Profit & Loss statement***	***Unrecognised deferred tax asset/ (liability)***	***Deferred tax receivable/ (payable) recognized in equity***
Difference in residual values of fixed assets	-	7 609	-
Provisions and employee benefits	10 201	-	-
Allowance to receivables	-	2 202	-
Allowance to inventory	19 193	-	-
Tax losses	-	6 286	-
Hedging reserve	-	-	(106 309)
Total	**29 394**	**16 097**	**(106 309)**

As at 31 December 2021	***Deferred tax receivable/ (payable) recogised in Profit & Loss statement***	***Unrecognised deferred tax asset/ (liability)***	***Deferred tax receivable/ (payable) recognized in equity***
Difference in residual values of fixed assets	-	6 872	-
Provisions and employee benefits	-	3 883	-
Allowance to receivables	-	2 060	-
Allowance to inventory	-	-	-
Tax losses	-	17 115	-
Hedging reserve	-	-	(89 274)
Total	**-**	**29 930**	**(89 274)**

As at 31 December 2022, SPP recognised a deferred tax asset in the income statement of EUR 29 394 thousand (31 December 2021: EUR 0 thousand) and deferred tax liability related to the hedging reserve (Note 20) of EUR 106 309 thousand (31 December 2021: EUR 89 274 thousand) with the double entry on the balance sheet on the line deferred tax liability of EUR 76 915 thousand (31 December 2021: EUR 89 274 thousand).

The amount of temporary differences and tax loss for which no deferred tax asset has been recognized as of 31 December 2022 was EUR 76 652 thousand (31 December 2021: EUR 142 522 thousand).

Amount and year of possible deduction of unused tax losses for which a deferred tax asset is not recognised:

Maturity of tax loss	***2023***
Total tax losses	**29 933**

(in thousand EUR)

27. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

Disclosure of tax effects relating to each component of other comprehensive income:

At 31 December 2022	***Before tax***	***Tax***	***After tax***
Change in FX translation reserve - impact from the consolidation of the subsidiary and the share from the associated company	1 128	-	1 128
Hedging derivatives (Cash flow hedging)	81 118	(17 035)	64 083
Hedging derivatives (Cash flow hedging) - the share from the associated company	97 410	(20 400)	77 010
Other	64	-	64
Other comprehensive income for the period	**179 720**	**(37 435)**	**142 285**

At 31 December 2021	***Before tax***	***Tax***	***After tax***
Change in FX translation reserve - impact from the consolidation of the subsidiary and the share from the associated company	2 591	-	2 591
Hedging derivatives (Cash flow hedging)	405 979	(89 274)	316 705
Hedging derivatives (Cash flow hedging) - the share from the associated company	(238 681)	49 980	(188 701)
Other	15	-	15
Other comprehensive income for the period	**169 904**	**(39 294)**	**130 610**

28. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2022	***Year ended 31 December 2021***
Profit before tax	337 019	301 321
Adjustments for:		
Depreciation and amortisation	8 948	9 192
Provisions and other non-cash items	117 200	15 021
Loss/(profit) from sale of non-current assets	(429)	(56)
Derivatives	(281 288)	230 692
Interest loss/(income), net	973	(771)
Share in profit of associated undertakings and joint ventures	(316 631)	(277 071)
(Increase)/decrease in receivables and prepayments	(558 980)	(498 441)
(Increase)/decrease in inventories	(1 420 008)	(9 388)
Increase/(decrease) in trade and other payables	(200 033)	1 379 753
Cash flows from operating activities	**(2 313 229)**	**1 150 252**

29. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2022, capital expenditure of EUR 11 824 thousand (31 December 2021: EUR 9 840 thousand) had been committed under contractual arrangements for the acquisition of non-current assets but were not recognised in these consolidated financial statements.

Operating Lease Arrangements – the Group as a lessee

The Group leases means of transport under an operating lease agreement. The term of the prior framework contract was until 31 December 2022, partial contracts have individual terms of lease and the Group has no option right to purchase the assets after the expiry of the lease term. In 2022, a new framework contract for an indefinite period was signed.

The Group also leases non-residential premises and land from third parties.

The carrying amounts of recognized assets from the right of use and movements during the period are disclosed in Note 8.

The carrying amounts of recognized lease liabilities and movements during the period are disclosed in Note 17.

(in thousand EUR)

The amounts recognized in the income statement are as follows:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Depreciation expense of right-of-use assets	762	664
Interest expense on lease liabilities	14	12
Total amount recognised in the income statement	**776**	**676**

Operating leases – the Group as a lessor

The Group leases out non-residential premises (approx. 65 880 m²), land plots including external carparks and movable assets. The annual lease revenues recognised in income statement for period amounted to EUR 3 003 thousand (in 2021: EUR 3 957 thousand). Leased non-residential premises, land and movable assets are recognised by the Group on the balance sheet as investment property.

As the lease contracts are mostly concluded for an indefinite period, the Group discloses the future minimum repayments of non-cancellable lease receivables only for the following period:

Period	***At 31 December 2022***	***At 31 December 2021***
Within 1 year	4 495	4 391

Natural Gas Purchase

SPP has concluded a long-term contract for the purchase of natural gas from Gazprom export LLC, the price of which is determined according to an agreed price formula.

As a result of the decline in natural gas supplies from Gazprom export LLC, SPP has secured supplies to its customers from alternative sources and diversified its portfolio. SPP met the shortfall in natural gas volumes primarily through purchases on liquid European markets.

Gas and Electricity Sales Contracts

Composite natural gas and electricity supply contracts with small businesses and households define products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity, SPP as a natural gas and electricity supplier.

The sale of natural gas and electricity to medium- and large-sized customers is the subject matter of composite gas supply contracts or gas supply contracts, composite electricity supply contracts or electricity supply contracts with an assumed liability for a deviation. The contracts are usually agreed for one or more years.

The prices agreed in the contracts usually comprise capacity and commodity components. The price of the distribution and other price components is determined based on RONI's price decisions for distribution companies and the market and transmission system operator.

Provided Guarantees

The Group's guarantees represent a guarantee of SPP as the parent company for SPP CZ for the benefit of third parties in the total amount of EUR 16 269 thousand as at 31 December 2022 (as at 31 December 2021: EUR 4 500 thousand). The amount of bank guarantees provided of the Group as at 31 December 2022 was EUR 132 279 thousand (as at 31 December 2021: EUR 18 279 thousand).

Significant Contractual Liabilities with Former Subsidiaries That Continue After the Completion of the SPP Group Reorganisation

After the completion of the SPP Group reorganisation, SPP continues to have significant contractual liabilities due to the purchase of storage capacities with NAFTA, a.s., and in the purchase of distribution and transport services from SPP – distribúcia, a.s. and eustream, a.s.

The Group stores natural gas in underground storage facilities operated by NAFTA, a.s. that are used for depositing and extracting natural gas as per seasonal demand, and for securing the supply safety standard as required by law. The storage fee is set in individual storage contracts.

The Group purchases transmission services and transmission capacities under *ship or pay* contracts concluded with eustream, a.s. Fees and business terms in these contracts are fully regulated by the RONI.

Fees for distribution services depend on the fixed and variable components and are also fully regulated by the RONI.

Taxation

The Group has transactions with subsidiaries and associated undertakings and other related parties. The tax environment in which the Group operates in Slovakia is dependent on the prevailing tax legislation and practice and has relatively little existing precedents. Corporate income tax in Slovakia is levied on each individual legal entity and, as a consequence, there is no concept of Group taxation or relief. The tax authorities in Slovakia have broad powers of interpretation of tax laws, which, moreover, are often amended, which could result in unexpected results from tax inspections.

Litigation and Potential Losses

The Group is involved in a number of legal disputes relating to disputed bills of exchange and alleged breaches of contracts. In addition to the bills of exchange and disputes described below, the Group is also involved in other litigation arising in the normal course of business that is not expected, either individually or in the aggregate, to have a significant adverse effect on the accompanying financial statements. The final outcome of such litigation may result in liabilities higher than the provisions recognised.

Bills of exchange

SPP's management is aware of the existence of bills of exchange that were allegedly signed by the former General Director of SPP prior to 1999. SPP announced publicly that it would repudiate the validity of these bills of exchange signed by the former General Director before the court, on the basis of the suspicion that these bills are fraudulent and are in no way related to any contractual relations of SPP.

At present, seven (7) bills of exchange with principal totalling approx. EUR 43,24 million are at different stages of legal proceedings at courts in the Slovak Republic. In another nine (9) cases related to bills of exchange with principal amounting to approx. EUR 153 million, a final and binding court decision was adopted in favour of SPP.

The management of SPP, following the advice of its legal counsel, defends the interests of the company in these cases by all legitimate means available. SPP recorded a provision for potential losses related to several bills of exchange. The amount of the provision has not been disclosed separately, as the management of SPP believes that any such disclosure could seriously jeopardise the position of SPP in the relevant litigation. These financial statements do not include any other provisions for potential losses related to the bills of exchange as the final outcome of the remaining cases is uncertain and cannot currently be predicted.

Other litigations

SPP is a defendant in other legal cases and disputes.

The amounts of the provisions and other information relating to these individual legal cases and disputes have not been disclosed separately as the management of SPP believes this could seriously jeopardise the position of SPP in these disputes.

Legislative Conditions for Business Activities in the Energy Sector

Legal and Regulatory Framework for the Natural Gas and Electricity Supply Market in the Slovak Republic in compliance with Slovak Legislation and European Union ("EU") Legislation

Act No. 251/2012 Coll. on Energy and on Amendments to and Supplementation of Certain Acts (the "**Energy Act**") and Act No. 250/2012 Coll. on Regulation in Network Industries (the "**Act on Regulation**") represent a basic legal framework for business in the energy sector and have been amended several times during 2022

Other generally binding legal regulations directly affecting the business activities of Group include Act No. 321/2014 Coll. on Energy Efficiency and on amendments to certain acts (the "**Energy Efficiency Act**") and Act no. 309/2009 Coll. on the promotion of renewable energy sources and high-efficiency combined production and on amendments to certain acts (the "**RES Act**"). The Energy Efficiency Act, among other things, establishes a framework for rational use of energy, measures to promote and improve energy efficiency, rights and obligations of persons in the field of energy efficiency and energy auditing, business in the provision of energy services and states rules in providing information to end-users consumers of energy. The RES Act regulates the institute of the buyer of electricity from renewable energy sources and high-efficiency cogeneration, while for the calendar year 2022 (and subsequently for the years 2023 to 2025), SPP became the purchaser of electricity for the entire territory of the Slovak Republic, based on a direct designation by the Ministry of Economy of the Slovak Republic.

The European Green Convention and the adaptation of existing directives and regulations in the field of energy, internal gas market, environmental protection, climate change and air protection, or transport will have a significant impact on the SPP's business in the future. The Integrated National Energy and Climate Plan for 2021-2030 ("**INECP**") is the main energy and climate strategy document at the level of the Slovak Republic. Along with INECP, the Group's business activities will also be influenced by other policies and strategies at the SR level (e.g. Envirostratégia 2030) as well as the setting up of the Recovery and Resilience and EU resources Plan under the new multiannual budget for 2021-2027, of which a significant share should be allocated to projects aimed at improving the environment.

Under EU law, SPP commercial activities are influenced by measures to avoid high energy prices and improve security of energy supply. One of these measures is Council Regulation (EU) 2022/2576 of 19 December 2022 on strengthening solidarity through better coordination of gas purchases, reliable reference prices and cross-border gas exchanges, which introduces a new mechanism for joint gas purchases within the EU through a service provider selected by the European Commission.

SPP business is also affected by the Regulation of the European Parliament and of the Council No. 2019/943 on the internal market of electricity from 5 June 2019. The Regulation contains requirements related to the development of the renewable sources of energy and environmental policy, in particular specific rules regarding responsibility for compensation of deviations for certain installations generating electricity from renewable energy sources. Commission Implementing Regulation (EU) No 2021/280 from 22 February 2021 amending Regulations (EU) 2015/1222, (EU) 2016/1719, (EU) 2017/2195 and (EU) 2017/1485 also has an indirect impact on SPP's activities in the context of this Regulation in order to align them with the Regulation (EU) 2019/943.

SPP is a wholesale energy market participant and is therefore obliged to comply with obligations arising from Regulation of the European Parliament and of the Council No. 1227/2011 on the Wholesale Energy Market Integrity and Transparency ("**REMIT**"). The obligations mainly include compliance with the obligation to disclose confidential information, prohibition of insider trading, prohibition of market manipulation and the obligation to provide records of transactions on wholesale energy markets, including orders to trade, to the Agency for Cooperation of Energy Regulators. Details related to data reporting are regulated by Commission Implementing Regulation (EU) No. 1348/2014. The new Regulation (EU) 2017/1938 of the European Parliament and of the Council concerning measures to safeguard the security of gas supply entered into force on 1 November 2017. The major changes include a greater application of the regional principle, the extension of information obligations for utility companies regarding gas supply contracts which may have an impact on safeguarding the security of gas supply, and the introduction of a solidarity mechanism among EU Member States.

In addition to the above European and national generally binding legal regulations, the legislative conditions for businesses operating in the energy sector are also affected by legal regulations applicable to the following areas: protection of personal data [(Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("**GDPR**"), Act No. 18/2018 Coll. on Personal Data Protection, Act No. 452/2021 Coll. on Electronic Communications), free access to information (Act No. 211/2000 Coll. on Free Access to Information and on Amendment to and Supplementation of Certain Acts) (the "**Info Act**"), conclusion of contracts in the public sector (Act No. 315/2016 Coll. on Register of Public Sector Partners and on Amendment to and Supplementation of Certain Acts) (the "**RPSP Act**"), consumer rights protection (Act No. 250/2007 Coll. on Consumer Protection) and trading on the financial instruments market (MiFID II Directive 2014/65/EU) or Act No. 566/2001 Coll. on Securities and Investment Services, Regulation (EU) 600/2014 on markets in financial instruments (MiFIR), Regulation (EU) 596/2014 on market abuse (MAR), Directive 2014/57/EU on criminal sanctions for market abuse (CSMAD), Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)) and also in the field of fighting against money laundering (Act No. 297/2008 Coll. on protection against the legalization of income from criminal activity and on protection against terrorist financing and on amendments to certain acts), or in the field of so called "Whistleblowing" (Act No. 54/2019 Coll. on the protection of whistle-blowers of anti-social activities and on amendments to certain acts) and cyber security (Act No. 69/2018 Coll. on cyber security, Directive (EU) 2022/2555 on measures for a high common level of cybersecurity across the Union (NIS 2)).

Price Regulation

In the field of price regulation of gas and electricity supply, the basic framework is formed by the Act on Regulation. 2023 is the first year of the new regulatory period 2023-2027. The regulatory policy, published on 29 March 2022, defines the strategy, scope and basic contours of how to implement regulation, for the electricity, gas, thermal and water sectors. The regulatory policy for the forthcoming regulatory period aims to create a transparent and predictable regulatory environment that incentivises investment while creating the conditions for the effective implementation of EU policies.

In 2022, the supply of gas to households, the supply of gas to vulnerable customers, the supply of gas to suppliers of last resort, the supply of electricity to households, the supply of electricity to vulnerable customers and the production, distribution and supply of heat and the performance of the activity of an electricity buyer were subject to price regulation in 2022. During 2022, the group of vulnerable customers entitled to regulated price for electricity and gas supply has been expanded in addition to small enterprises to include also social service facilities, child welfare and social guardianship facilities, and customers using electricity or gas for heat and domestic hot water in a shared heat generation and hot water heating facility, starting in 2023.

Price regulation in the above areas is regulated by implementing legislation, namely ÚRSO Decree No. 450/2022 Coll. establishing price regulation of gas supply, ÚRSO Decree No. 312/2022 Coll. establishing price regulation in thermal energy and ÚRSO Decree No. 18/2017 Coll. establishing price regulation in electricity and certain conditions for carrying out regulated activities in electricity. As a result of the situation associated with the high increase in gas and electricity prices in the territory of the Slovak Republic, the Government of the Slovak Republic and the Ministry of Economy of the Slovak Republic ("MH SR") have taken a number of measures to reduce these impacts on certain groups of customers.

Based on these measures, the SPP will apply to households and vulnerable customers during the calendar year 2023 maximum prices calculated in the manner specified in the decision of the Ministry of Economy of the Slovak Republic on the imposition of obligations in the general economic interest, as well as ordered by the Regulation of the Government of the Slovak Republic No. 19/2023 Coll., which establishes maximum prices for part of the regulated gas supply for household end-user gas customers and small gas customers and the regulated electricity supply for small electricity customers and the conditions for their application ("Regulation No. 19/2023") and Regulation of the Government of the Slovak Republic No. 465/2022 Coll., which establishes maximum prices for part of the regulated supply of electricity and gas to selected final customers and the level of tariffs for households and selected electricity customers, as amended ("Regulation No. 465/2022").

Pursuant to Regulation No. 19/2023 and Regulation No. 465/2022, the difference in CAP costs between the price for the supply of gas and electricity set by the ÚRSO in the pricing decisions and the price set by Regulation No. 19/2023 and Regulation No. 465/2022 will be paid in the form of compensation approved by the Ministry of Economy of the Slovak Republic.

SPP also performs the role of a so-called agent according to the Decision of the Ministry of Economy of the Slovak Republic in the general economic interest in order to ensure the safety, regularity, quality and price of electricity supply to household customers. On the basis of this decision, SPP purchases electricity from a designated producer (Slovenské elektrárne, a.s.) or on the market and supplies it at a specified price to any electricity supplier that is a clearing entity under the Energy Act and performs the activity of supplying electricity to households in the territory of the Slovak Republic, for the purpose of supplying electricity to households in the Slovak Republic.

(EUR '000)

30. RELATED PARTY TRANSACTIONS

The Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, was the 100% owner of SPP's shares as at 31 December 2022 and 31 December 2021. Accordingly, the Government of the Slovak Republic and all companies are controlled or jointly controlled by the Government of the Slovak Republic are related entities of SPP ("entities of the Government of the Slovak Republic"). Except for the transactions listed below and excluding taxes and transactions related to the supply of natural gas and electricity, SPP did not have any individually significant transactions with the entities of the Government of the Slovak Republic in year 2022 and year 2021. In the case of disclosure of individually insignificant transactions with entities of the Government of the Slovak Republic, SPP used the exemption under IAS 24, section 25.

During the year, the Group entered into the following transactions with related parties that are not consolidated entities in relevant periods in these consolidated financial statements:

	2022					***31 December 2022***		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
Ministry of Economy of the SR	1 750	-	-	220 000	(500 000)	158	-	220 000
Other companies	3 505	-	80	-	3 032	2 390	-	1 355
Associates	-	-	-	-	-	-	-	-
Joint ventures	73	-	1	-	28	-	-	1
Other related parties	35 310	-	408 100	-	177	15 688	-	36 581

Management considers that the transactions with related parties have been made on an arm's length basis.

Transactions with other companies and other related parties represent mainly services related to purchases and sales of natural gas, electricity, lease of non-current assets and storage of natural gas.

	2021					***31 December 2021***		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
Ministry of Economy of the SR	1 019	-	-	390 000	(140 000)	98	-	-
Other companies	1 511	-	-	-	4 400	1 247	-	569
Associates	31	-	-	-	-	-	-	-
Joint ventures	49	-	-	-	-	-	-	-
Other related parties	13 513	-	330 690	-	-	20 171	-	153

(in thousand EUR)

The compensation of the members of the bodies and executive management was as follows:

	Year ended 31 December 2022	***Year ended 31 December 2021***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	2 091	2 038
Of which – Board of Directors and executive management	*1 911*	*1 825*
- Supervisory Board	*180*	*213*
Other benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	61	63
Of which – Board of Directors and executive management	*61*	*63*
- Supervisory Board	-	-

31. SUPPLEMENTARY INFORMATION TO COMPLY WITH OTHER STATUTORY REQUIREMENTS FOR CONSOLIDATED FINANCIAL STATEMENTS

a) Members of the company's Bodies

Body	***Function***	***Name***
Board of Directors	Chairman	Mgr. Miroslav Kulla since 9 October 2022
	Chairman	Ing. Milan Urban until 9 October 2022
	Vice-Chairman	Ing. Marián Široký since 9 October 2022
	Vice-Chairman	Ing. Richard Prokypčák until 9 October 2022
	Member	Mgr. Peter Kučera since 9 October 2022
	Member	Ing. Eduard Macejka since 9 October 2022
	Member	JUDr. Slavomír Vorobel, MPH since 9 October 2022
	Member	Ing. Ivan Gránsky until 9 October 2022
	Member	Mgr. Henrich Krejčí until 9 October 2022
	Member	Ing. Daniel Šulík, CSc. until 9 October 2022
Supervisory Board	Chairman	Dr. h. c. Ing. Tibor Mikuš, PhD.
	Member	Mgr. Iveta Barancová
	Member	Ing. Miloš Dančo
	Member	Ing. Michal Ďurkovič until 21 January 2022
	Member	JUDr. Martin Javorček, MBA
	Member	Norbert Lojko, MBA until 30 April 2022
	Member	Ing. Katarína Marton until 19 April 2022
	Member	Ing. Július Mazán until 21 January 2022
	Member	PhDr. Zuzana Ružeková
	Member	Viera Uhrová
	Member	Mgr. Renáta Zolnaiová since 19 April 2022
Executive	Chief Executive Officer	Mgr. Miroslav Kulla since 12 October 2022
	Chief Executive Officer	Ing. Richard Prokypčák until 30 September 2022
	Director of Finance Division	Mgr. Peter Kučera since 1 December 2022
	Director of Finance Division	Ing. Miroslav Mital until 30 September 2022
	Director of Business Development Division	Ing. Rastislav Nemec
	Director of Finance Division	Ing. Miroslav Jankovič
	Director of Corporate Matters Division	Mgr. Tomáš Niepel, LL.M.
	Director of the Internal Services Division	Ing. Markusek Adrián
	Director of the Equity Management Division	Mgr. Peter Kučera until 30 November 2022

(in thousand EUR)

b) Consolidated Financial Statements

As at 31 December 2022, SPP submitted consolidated financial information as a consolidated reporting entity for higher consolidation to the Ministry of Economy of the Slovak Republic based at Mlynské nivy 44/a, 827 15 Bratislava.

The ultimate reporting entity that consolidates the SPP Group as at 31 December 2022 is the Ministry of Finance of the Slovak Republic.

SPP prepares consolidated financial statements for its group of companies. See Notes 5 and 7 for details on these companies.

The consolidated and separate financial statements of SPP are published on SPP's website www.spp.sk.

The consolidated and separate financial statements of SPP published in periods before 31 December 2013 were published in the Commercial Journal and filed with the Commercial Register of Bratislava 1 District Court (Záhradnícka 10, 811 07 Bratislava). The consolidated and separate financial statements of SPP and its subsidiaries and associated companies in the period after 1 January 2014 are filed and published with the Register of Financial Statements for entities based in the Slovak Republic and in the Collection of Deeds (Sbírka listin) for entities based in the Czech Republic. The consolidated and separate financial statements of subsidiaries, joint ventures and associates for the periods until 31 December 2013 and of companies based outside the Slovak Republic are available at the relevant Courts of Records in terms of their registered seats.

For more details on the consolidated and consolidating companies, refer to Notes 1, 5, and 7.

32. POST-BALANCE SHEET EVENTS

After 31 December 2022, no events occurred that would have a material impact on the consolidated financial statements of the group.

Prepared on:	***Signature of a member of the statutory body of the reporting entity or a natural person acting as a reporting entity:***	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
15 March 2023			
Approved on:			
	Mgr. Miroslav Kulla Chairman of the Board of Directors Chief Executive Officer	Ing. Miroslav Jankovič Chief Financial Officer	Ing. Zoltán László Director of Accounting and Taxes Department
	Ing. Marián Široký Vice-Chairman of the Board of Directors		