# Slovenský plynárenský priemysel, a.s.

Annual Report 2023

# 2023 SPP ANNUAL REPORT

TABLE OF CONTENTS



## FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Ladies and Gentlemen,

The responsible approach to business based on highlighting the security and continuity of gas and electricity supply to all our customers and on the development of new projects for generating electricity and gas from renewable energy sources (RES) with the aim of providing them with sustainable alternatives for the future, have remained priorities of our company throughout 2023.

After the challenging period of 2022, we kept diversifying and optimising the sourcing of natural gas supplies in 2023. As part of securing gas supplies from diversified sources, we concluded gas purchase contracts with five international companies – BP, ExxonMobil, Shell, RWE, and ENI.

We continue to assess all options available to us and after reviewing them thoroughly we will adopt further necessary measures in the interest of safeguarding the energy security of Slovakia and stable supplies. These measures make use of the fact that the Slovak gas network is presently interconnected with all neighbouring countries and allows bi-directional gas transmission at all interconnection points. At the same time, however, I must emphasise that securing diversified gas supply comes at a cost and each year these measures affect our bottom line.

We ended 2023 by increasing our total market share in gas supply to a 10-year maximum, at almost 64%. We supplied electricity to 300 thousand points of supply and our market share in electricity supply to households reached 12%. In total, last year we provided energy to some 1.5 million points of supply and supplied more than 37 TWh of electricity or gas to end customers or other suppliers operating on the Slovak market.

During 2023, we secured acceptable energy prices for vulnerable customers. In electricity supplies to households, SPP acted as a so-called agent, being responsible for purchasing electricity from Slovenské elektrárne, a.s. for the purposes of safeguarding more favourable prices for households in 2023. The electricity and gas supply prices were adjusted by extraordinary measures in the form of price caps introduced on electricity and gas supply using so-called crisis management or obligations in the general economic interest.

The operating profit of SPP reached €38 million for 2023 and the total profit after tax came at €290 million. The emphasis on financial and operating stability, as well as a conservative strategy aimed at minimising market and other risks, both helped us achieve our business and development goals.

We continued developing projects for internal power generation from RES. As concerns wind power generation, one of the cleanest sources with minimal negative impacts on the environment, SPP initiated several investment projects and, as part of the environmental impact assessment process, the company published 5 projects for the construction and operation of wind parks near the village of Drahovce and near the towns of Galanta and Skalica.

In electricity generation, in 2023 we continued in our projects for building photovoltaic power plants at schools and by the year end we had finished projects at 6 schools, allowing them to enjoy significant savings in electricity costs. Photovoltaic power plant projects for additional 8 schools are ready to be put into operation in early 2024.

In the field of biomethane production in Energy and Biological Waste Recovery Centre (EBWRC) projects, in 2023 SPP and our partner company BRANTNER Slovakia s.r.o. received the decisions in the EIA process for projects in additional locations and we also established the joint venture CEBZ s. r. o. The mission of this joint venture is to build the afore-mentioned technology centres to support a circular economy. These centres are to convert municipal waste that currently ends up in landfills into biomethane and biocompost, among others.

The responsibility associated with our business is directly proportional to our market position, our tradition, and interest in being successful in the future. We used the period of 2023 to further integrate the ESG concept into our activities and processes. In 2023, we were once again a proud partner of the Slovak Paralympic Team, who were getting ready to represent our country at the Summer Paralympic Games in Paris in 2024. I believe that their energy, talent and will to win will translate into successes for the Slovak team. Our position as an energy market leader obliges us to develop philanthropic activities. We supported hundreds of community-benefit projects in various social fields through SPP Foundation and EkoFond SPP.

I would like to take this opportunity to express my gratitude to our customers for the trust they have shown the SPP brand and I would like to assure them that the reliability and quality of services remain our key priority. Likewise, I would like to thank all our company's staff and other colleagues, as it is thanks only to the cooperation and commitment of us all that we were able to fulfil the tasks that stood before us. We all create the SPP brand.

doc. Ing. Vojtech Ferencz, PhD.

Chairman of the Board of Directors and 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 exercising shareholder rights through 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. began business as a joint venture between SPP and ČEZ ESCO, a.s.

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

SPP has created procedures and measures to protect the company against internal and external risks through its internal control system, comprising of three levels:

(i) System of control mechanisms (measures) introduced at the level of organisational units serving to mitigate risks present in various processes or activities,
(ii) Components of the internal control system, specified below, and
(iii) Internal auditing, which provides 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.

The components of SPP's internal control system include: risk management, personal data protection, security and security policy (information and cyber security, physical and facility security, occupational health and safety (OHS)), environmental protection, protection from money laundering fraud and other illegal activities, business continuity management (BCM), corporate governance, and the compliance programme. Corporate governance involves the general management of the company, oversight, and guidance. SPP undertook to regularly check compliance with corporate governance principles on an annual basis by signing to the Code of Corporate Governance for State-Owned Companies in Slovakia. 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 and relating to anti-social activities. 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.

Complaints are handled by the Compliance Manager and there was not a single complaint relating to serious anti-social activity in 2023.

## BOARD OF DIRECTORS

doc. Ing. Vojtech Ferencz, PhD.
Chairman of the Board of Directors
since 23 November 2023

Ing. Martin Rybár
Vice-Chairman of the Board of Directors
since 23 November 2023

**MEMBERS OF THE BOARD OF DIRECTORS**
JUDr. Pavel Jurek
since 23 November 2023

Mgr. Boris Machút
since 23 November 2023

Ing. Juraj Ondris, MBA
since 23 November 2023

**MEMBERS OF THE BOARD OF DIRECTORS**
Mgr. Miroslav Kulla
Chairman of the Board of Directors
until 22 November 2023

Ing. Marián Široký
Vice-Chairman of the Board of Directors
until 22 November 2023

Mgr. Peter Kučera
until 22 November 2023

Ing. Eduard Macejka
until 22 November 2023

JUDr. Slavomír Vorobel, MPH
until 22 November 2023

## EXECUTIVE MANAGEMENT

doc. Ing. Vojtech Ferencz, PhD.
CEO
since 24 November 2023

Mgr. Miroslav Kulla
CEO
until 22 November 2023

## SUPERVISORY BOARD

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

Ing. Ivan Šramko
Member of the Supervisory Board
since 23 November 2023
Vice-Chairman of the Supervisory Board
since 1 December 2023

### MEMBERS OF THE SUPERVISORY BOARD

Ing. Miloš Dančo
PhDr. Zuzana Ružeková
Viera Uhrová

Ing. Róbert Gold, CA
since 23 November 2023

Ing. Štefan Kapusta
since 23 November 2023

Ing. Martin Kohútik
since 23 November 2023

Mgr. Iveta Barancová
until 22 November 2023

JUDr. Martin Javorček
until 22 November 2023

Ing. Július Mazán
until 22 November 2023

Mgr. Renáta Zolnaiová
until 22 November 2023

## COMPANY VISION AND GOALS

In 2023, SPP focused primarily on key priorities, namely the reliability and security of electricity and gas supply to all the company's customers and the development of new electricity and gas sources from renewable energy sources (RES).

The company continued to diversify and optimise the sourcing of natural gas supplies in order to be able to guarantee the security and continuity of gas supply to both households and large industrial customers. As part of safeguarding uninterrupted gas supplies, in 2023 SPP extended its cooperation with BP, a company supplying natural gas from North Sea platforms. SPP also extended cooperation with ExxonMobil in 2023 for the supply of gas coming from that company's global portfolio. For the period of 2023-2024, SPP concluded additional diversification contracts for the purchase of natural gas with Shell, ENI, and RWE.

Presently, SPP is capable of readily replacing any gas supply outages from a single supplier with gas deliveries from other contractual partners thanks to concluded contracts with large international corporations and by continuously replenishing the capacity in underground storage facilities. This also applies to outages in the supply of Russian gas, should they occur. SPP continuously assesses the developments on the gas market and the options available to it. After reviewing them thoroughly, the company will adopt further necessary measures in the interest of safeguarding energy security for its customers beyond 2024.

In addition to diversification, SPP continued to fulfil the goals set out in its long-term strategy for business development, the development of RES in solar and wind power, biomethane, the provision of ESCO services, the development of alternative fuels in transport, digitisation etc. It is precisely the investments in these areas that will prove of crucial importance in cutting emissions of greenhouse gases, reducing consumption of fossil fuels, including natural gas, and replacing them with other energy sources.

Along with the Slovak Ministry of Economy and other relevant institutions, SPP cooperated in preparing measures aimed at mitigating the impact of high energy prices on households. In reaction to positive market developments, SPP repeatedly lowered the list price for the non-regulated gas and electricity supply segment in Businesses – Small Customers during 2023. We were able to fulfil these tasks thanks to our responsible approach to doing business, as well as the expertise and high-level of commitment of SPP employees. In 2023, the company thus once again confirmed its status as Slovak leader in handling comprehensive utility needs for industry, the public sector and households.

## ECONOMIC AND FINANCIAL RESULTS

In 2023, SPP's **revenues from customer contracts** totalled €3 924 million, representing a slight decline by €31 million year-on-year. Revenues were positively influenced by higher natural gas and electricity sales on the wholesale domestic market. The electricity and gas supply prices for vulnerable customers were adjusted for 2023 by extraordinary measures in the form of price caps introduced on electricity and gas supplies through so-called crisis management or obligations in the general economic interest. In addition to direct revenues from electricity and gas supply contracts, revenues therefore partially included compensations from the state budget for capped electricity and gas supply prices. Compared with the previous period, SPP's trade volume in natural gas declined on foreign markets, having to do with continuously falling market prices during the reported period.

**Key items in operating expenses** comprised gas purchase costs, gas storage costs, and electricity purchase costs. Lower gas purchase costs experienced by SPP in 2023 over the previous year related to lower gas prices on the commodity markets. Gas transmission and storage costs rose on a year-on-year basis due to the diversification of sources and maximisation of gas reserves.

In 2023, SPP reported a positive operating income of €38 million.

**Profit from financial operations** before tax reached €283 million in 2023 as a result of dividends paid out by SPP Infrastructure. Profit before tax was €321 million. Total income tax liability reached €31 million, of which a special levy comprised €13 million. Profit after tax amounted to €290 million.

**Comparison of financial results (in € million)**

| | 2023 | 2022 |
|---|---|---|
| **Revenues from customer contracts** | 3 924 | 3 955 |
| **Profit before tax** | 321 | 16 |
| **Income tax** | (31) | 9 |
| **Profit after tax** | 290 | 25 |

## CAPITAL STRUCTURE

**Total assets** of SPP fell to €4 621 million as at the balance sheet date. They were down €1 898 million against the previous period (index of 0.71). Non-current assets amounted to €2 294 million. Among key items in non-current assets were non-current financial investments and real-estate investments, followed by buildings and plants (including unfinished capital construction), other non-current assets, and a deferred tax asset.

**Non-current assets** comprised 49.6% of total assets. They fell by €103 million against the previous year. The item ‘Buildings, plants, machinery and equipment and intangible non-current assets’ saw a minimal decline. Other non-current assets dropped by €154 million against the previous period due to a decline in non-current receivables from financial derivates. Non-current financial investments rose slightly by €4 million against the period of 2022, while the deferred tax asset rose by €48 million.

**Capital expenditures** totalled €8 million in 2023. 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 €2 327 million, which accounts for 50.4% of total assets. They fell by €1 796 million against the previous year. This substantial decrease in current assets was caused, among other things, by falling receivables, particularly receivables from financial derivatives and receivables from gas sales.

**Assets Structure Comparison (in € million)**

| | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| Non-current assets | 2 294 | 2 397 | 49.6% | 36.8% |
| Current assets | 2 327 | 4 123 | 50.4% | 63.2% |

**Shareholders’ equity** amounted to €2 994 million in 2023, representing 64.8% of the company’s total capital. In addition to share capital, equity included the statutory reserve fund, other funds, provision from hedging derivates, retained earnings, and income of the current period. Shareholders’ equity in SPP fell by €170 million year-on-year. The provision from hedging derivates fell while retained earnings went moderately up.

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 2023**

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

**Comparison of Total Capital Structure (in € million)**

| | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| Equity | 2 994 | 3 164 | 64.8% | 48.5% |
| Liabilities | 1 627 | 3 356 | 35.2% | 51.5% |

The **balance** of the company's **statutory reserve fund** stood at €1 198 million as of 31 December 2023.

In 2023, liabilities totalled €1 627 million, down €1 729 million against the initial balance. Total liabilities comprised non-current liabilities of €186 million and current liabilities of €1 441 million. The year-on-year change was due to lower non-current and current liabilities from a decline in costs of purchased commodities. Lower gas prices on commodity markets had an impact on the reduced volume of SPP's short-term loans.

## EQUITY HOLDINGS

Subsidiaries, joint ventures, and affiliated companies

| | |
|---|---|
| SPP Infrastructure, a. s., Bratislava | (SPP share 51%) |
| SPP CZ, a.s., Brno, Czech Republic | (SPP share 100%) |
| SPP CNG s. r. o., Bratislava | (SPP share 100%) |
| ESCO Slovensko, a. s., Bratislava | (SPP share 50%) |
| CEBZ s. r. o. | (SPP share 50%) |

Other subsidiaries

| | |
|---|---|
| Nadácia SPP, Bratislava | (SPP share 100%) |
| Ekofond SPP, n.o. | (SPP share 100%) |

The company operates an organisational unit in the Czech Republic.

## RISK MANAGEMENT

The period of 2023 was characterised by declining volatility on commodity markets, continuing changes in gas supply chains and gas flows into Europe resulting from the conflict in Ukraine, energy security concerns, and subsequent steps taken with the aim of diversifying sources and procuring sufficient gas volumes for the winter of 2023/2024, even at the cost of incurring additional expense. Higher commodity prices led to the need for price compensations for vulnerable customers on the domestic market and uncertainties regarding the economy's capacity to absorb price hikes without significant impacts on economic growth and price inflation.

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 2024.

In conducting its business activities, SPP relies on a stable and functional risk management system. It incorporates a corresponding organisational structure with clearly defined lines of responsibility, as well as effective procedures for risk identification, analysis, evaluation, handling, monitoring, review, recording and reporting. These procedures make it possible to eliminate 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. Its implementation falls to the independent Risk Management Sub-Department.

In managing its risks, SPP focused mostly on the following in 2023:

a) Market risks that manifested in 2023 in the form of volume and price risks in purchases, sales, and gas storage facility management (mainly due to uncertainties in volumes offtaken by end consumers as a result of rising commodity prices), as well as in the field of prices in the form of a significant year-on-year change in market prices coupled with high volatility thereof. In 2023, 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 excess 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 other;
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 2023, SPP once again confirmed its position as a responsible and reliable energy market leader in Slovakia with about 1.5 million points of supply. SPP also continued to diversify and optimise the sourcing of natural gas supplies in 2023, making it capable of guaranteeing the security and continuity of gas supplies to all company customers, from households to large industrial customers.

In the past year, SPP supplied almost 30 TWh of gas to end gas customers or other gas suppliers in Slovakia. SPP's total market share rose to around 64%. Electricity sales to end customers totalled 1.8 TWh. The share of SPP in the household electricity segment came to roughly 12%. With this result, the company confirmed its stable position among the TOP 4 electricity suppliers. Of all suppliers, most customers have chosen SPP as their new electricity supplier since the opening up of the energy market. At the end of last year, the company supplied electricity to almost 300 000 points of supply. Moreover, as part of extraordinary government measures aimed at mitigating the impact of high electricity prices on household customers, SPP supplied almost 5.2 TWh of electricity to other suppliers of electricity to households, while most of this electricity came from Slovenské elektrárne, a.s. In total, SPP thus supplied more than 7 TWh of electricity to end customers or other electricity suppliers in Slovakia.

### DEVELOPMENTS IN THE GAS AND ELECTRICITY MARKET

The period of 2023 saw an ongoing year-on-year decline in total gas and electricity consumption in Slovakia, although at a slower rate. This development was due to persisting efforts by customers to achieve energy cost savings, but also due to higher-than-average temperatures. These factors outweighed the economic recovery, which was less affected by subdued inflation. After all-time record values in 2022, wholesale gas and electricity prices gradually returned to the lower levels seen two years ago with less volatile development. The European gas market was well supplied since the demand in the power and other sectors was balanced on the supply side by diversification of sources, mainly through greater imports of liquified natural gas (LNG) to the continent. The utilisation rate of European underground storage facilities ahead of the 2023/2024 heating season was above-standard at almost 100%. We succeeded in achieving well in advance the established target to have storage facilities filled to 90% as of 1 November 2023. The improvement of energy efficiency and the reduction of gas consumption are still key measures pursued by the European Union (EU). However, EU member states also agreed on the continuation of intervention measures to protect consumers from high gas prices. In 2023, the prices of other energy commodities and emission allowances fell as well, having a positive impact on electricity prices, along with the improved availability of production capacities (in particular, from renewable energy sources).

**GAS PURCHASING AND STORAGE**

SPP has long been actively trading gas on international commodity markets, where it achieves both the short-term and long-term optimisation of sources available to the company. The primary purpose of purchasing gas in 2023 was to keep covering demand and to create reserves for the domestic market. As part of securing uninterrupted gas supply, SPP extended its cooperation with BP and ExxonMobil from 2022 to 2023 and 2024 and concluded additional diversification contracts for the purchase of natural gas with Shell, ENI, and RWE. 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 fill its storage capacities to 100% ahead of the winter season and maintained the balance of reserves at historical highs until the end of 2023.

**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 2023 by SPP CZ, a.s. totalled around 3.1 TWh. Thanks to its business activities, the company succeeded in winning new customers that rank among the largest gas consumers in the Czech Republic. This result confirmed the company's 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 successful in offering electricity supplies to its customers, gaining large business customers during the reported period. Within the retail segment, the company supplies gas and electricity to almost 20 thousand points of supply.

**PUTTING THE CUSTOMER FIRST**

In the past year, SPP scored significant successes that helped the company strengthen its market position and improve services provided to its customers. SPP’s efforts in the field of marketing and customer experience produced excellent results in 2023.

One of the most striking successes of the year was the triumph of SPP Nivy Customer Centre in the Visa Slovak Top Shop public vote. This award serves as proof of the precise reconstruction and innovation of SPP Customer Centres that the company pursued, which also motivates it to continual improvement.

SPP provides services to its customers via a total of 20 SPP Customer Centres. SPP Nitra Customer Centre was moved to a shopping mall and SPP Dunajská Streda Customer Centre moved to new, modernised premises.

In 2023, SPP worked intensely on developing further its My SPP portal that provides customers with simpler and faster access to company’s services. SPP strives to continuously innovate and deploy state-of-the-art technology, such as the automated processing of certain requests, as well as biometry. As of today, more than 181 000 customers have registered with My SPP portal. SPP’s efforts in the field of customer service were once again awarded in 2023 by the world-renowned company KMPG for **Best customer service in the energy sector**.

**SPP DIGITAL CLEANUP CAMPAIGN**

In marketing campaigns, the company scored success with its SPP Digital Cleanup campaign. The campaign provides the public with information and instructions on how to save energy and, at the same time, lower $CO_2$ generation by limiting the use of digital technologies. This initiative also supports sustainable behaviour and fulfilment of ESG targets, to which the company has committed itself.

## INNOVATION OF MEDIA MIX AND CUSTOMER EXPERIENCE

In developing its media mix in SPP's marketing communication, the company focused on several key areas that provided it with more efficient communication with customers.

In the **Small Businesses and Organisations** segment (Small Customers), SPP continued in 2023 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 from the standard price list or based on fixed prices over a contractually agreed period. Customers remained interested in the advantageous electricity offer from SPP. Last year, the company supplied electricity to about 16 500 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** were built on expertise, an individualised service, long-term good relations, and trust based 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 contractual terms and conditions for customers, reflecting current market prices.

SPP's aim is to continue providing high quality professional services and innovations that produce added value to company customers. With these initiatives, SPP will be able to maintain its leadership position in the energy sector and provide value to its customers.

## PRICES AND REGULATION

The supply of gas to customers in the household segment and to other vulnerable customers meeting the legislative conditions for regulated prices continued in 2023 to be subject to price regulation by the Regulatory Office for Network Industries (RONI).

Also subject to price regulation in 2023 by the Regulatory Office for Network Industries (RONI) was the supply of electricity to customers in the household segment and other vulnerable customers meeting the legislative conditions for regulated prices.

In reaction to the exceptional hike in electricity and gas prices, the Government of the Slovak Republic and the Ministry of Economy of the Slovak Republic adopted various measures aimed at lowering final prices for households and certain vulnerable customers below regulated prices, which would otherwise have reflected the extraordinarily high electricity and gas prices on the markets in 2022, if it was not for government's measures adopted in 2023. The extraordinary measures significantly reduced the negative impact on vulnerable gas and electricity customers.

In 2023, 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 2023, SPP again successfully operated as a purchaser of electricity produced from renewable energy sources (RES) and high-efficiency combined heat and power (CHP) production. The company provided its reliable services to more than 2 000 manufacturers 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* and *Clean Electricity S* services. The purchaser's activities enabled SPP to become a major player in the trading of electricity produced from renewable sources. SPP extended its service portfolio to include the *Clean Electricity S* service, which not only gives customers coverage of a fixed volume in MWh, but it also means that 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 first school to receive a local photovoltaic source from SPP was selected by public vote.

As part of the *Clean Electricity* and *Clean Electricity S* 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 personalised certificate of support for renewable energy sources or support for projects for the construction of PTV electricity sources at schools.

In 2023, the **SPP Carbon Footprint+** service proved crucial in linking the portfolio of SPP products and services to the company's activities in the field of sustainability, environmental protection and corporate social responsibility. The essence of this service, coming in the form of advice provided on how to save energy and behave more sustainably in all walks of life, affecting the size of one's generated carbon footprint, underwent an overhaul in terms of design and contents. In 2023, customers were receiving high-quality content on a quarterly basis, as a result of cooperation between the company and inspiring experts in the given fields. A common denominator behind this information was to emphasise the efforts in minimising one's carbon footprint. Another essential part of the SPP Carbon Footprint+ service is the company's commitment to plant on behalf of customers who ordered this service or the *Ecofee* service package, such number of trees in the protected forest of Slovakia that corresponds to a specific product. Together with customers, SPP has so far planted more than 1 200 000 saplings. The Clean Energy, Clean Energy S, Carbon Footprint, and Ecofee services also included a personalised video and a personalised certificate informing about the service's benefits, the number of trees planted annually in accordance with the contractual commitment, as well as about the proportion covered by renewable energy sources.

More than 183 000 customers of SPP participated in the **Savings campaign**. Via this campaign, the company rewards customers who managed to save energy in the course of the year. The great majority of involved customers are those who are convinced of their need to reduce their carbon footprint and are also motivated by SPP's newsletters to join the campaign. In 2023, the company also developed its product portfolio aimed at a younger target group in order to raise awareness of the sustainability topic. SPP approaches this target group with a different product mix, tonality, as well as in an innovative manner, attempting to reflect the trends and advances in customer experience in the digital environment.

## BUSINESS DEVELOPMENT

In 2023, SPP continued to pursue business development projects aimed at improving energy efficiency and the development of power production from renewable energy sources (RES), in line with the SPP Vision and Strategy 2030 and targets in the field of improving sustainability. SPP is interested in contributing to the fulfilment of the Slovak Republic's targets in the field of lowering greenhouse gas emissions and environmental protection, in particular via its business development projects. By developing specific projects and implementing specific steps leading to their successful implementation, SPP ranks among the most important power companies to respond to sustainability challenges, the new energy era and the growing significance of sources involving renewable electricity and renewable gases in Slovakia's energy mix.

### ENERGY SERVICES

By utilising its own capacities, SPP is successful in offering customers products and services related to the design of energy solutions, assessment of energy sources, decarbonisation of sources, energy audits, as well as energy saving advice. SPP is also involved in projects aimed at co-generation and trigeneration, i.e., sources that simultaneously produce electricity, heat and cold (CHP).

In 2023, SPP successfully connected the new multi-functional building at Prístavná 1 in Bratislava to the supply of energy produced by the company's own high-efficiency co-generation units, thereby improving their operating efficiency, as well as the company's bottom line. To generate electricity and heat, as well as cooling, the co-generation units on SPP's grounds in Bratislava use modern technology transforming the primary medium (natural gas) into final forms of energy.

In addition to its own capacities, SPP has been investing in the development of services that improve energy efficiency via ESCO Slovensko, a.s. – a joint venture between SPP and ČEZ ESCO, a.s.

### WIND ENERGY

In 2023, SPP became widely recognised by the public at large as a major player in wind park projects after initiating the development of 7 wind parks (WP) with a planned output of more than 250 MW at three locations in Western Slovakia. These are long-term projects that must undergo a broad environmental impact assessment, year-long wind measurement, and challenging official permission processes. It is a positive sign that the Slovak Republic acceded to the European Wind Charter at the end of 2023. This initiative includes the acceleration of permission processes, a more transparent environment for developing wind power plant projects, as well as commitments of member states to build new capacities during the 2024-2026 period.

Last year's membership in WindEurope brought a major impulse to SPP and made the company more visible in the field of wind energy, while also serving as a source of know-how and contacts. SPP joined this association as the first commercial company from Slovakia. SPP attended the September meeting of the Board of Directors of WindEurope, at which it was promised support by WindEurope in the field of wind energy projects in Slovakia.

SPP is interested in being a key entity in building and operating wind power plants in Slovakia, thus contributing to energy security, self-sufficiency, and an optimal energy mix for Slovakia.

**SOLAR ENERGY**

Following the successful implementation of pilot photovoltaic power plants (PVPP) on SPP's grounds in Košice and Bratislava, in 2023 the company initiated the construction of another internal PVPP with 630 kW of installed power on the company's grounds in Michalovce. After successful installation in late 2023 and the performance of functional tests, SPP intends to put it into operation at the turn of Q1 and Q2 2024. The company also succeeded in receiving a non-repayable contribution from the Recovery Plan. Moreover, SPP has prepared and is going to implement additional PPVP projects in the coming year, located on the company's grounds in Martin, Nitra, Spišská Belá, and Košice.

Along with the company's own PPVP, the projects implemented by SPP at schools throughout Slovakia serve as a prime example of clean and cheap power production. In 2023, the company implemented and put into operation 6 PPVPs with a total installed output greater than 160 kW and initiated implementation of additional 8 PPVP projects at schools with a total installed output of 182 kW. At the same time, SPP has been in talks with 10 more schools.

**BATTERY ENERGY STORAGE SYSTEM (BESS)**

SPP initiated a project for a 4 MW BESS to be located on the company's estate in Spišská Belá where it is to provide support services for Slovenská elektrizačná prenosová sústava, a.s. (SEPS). The facility is expected to be put into operation in Q4 2024.

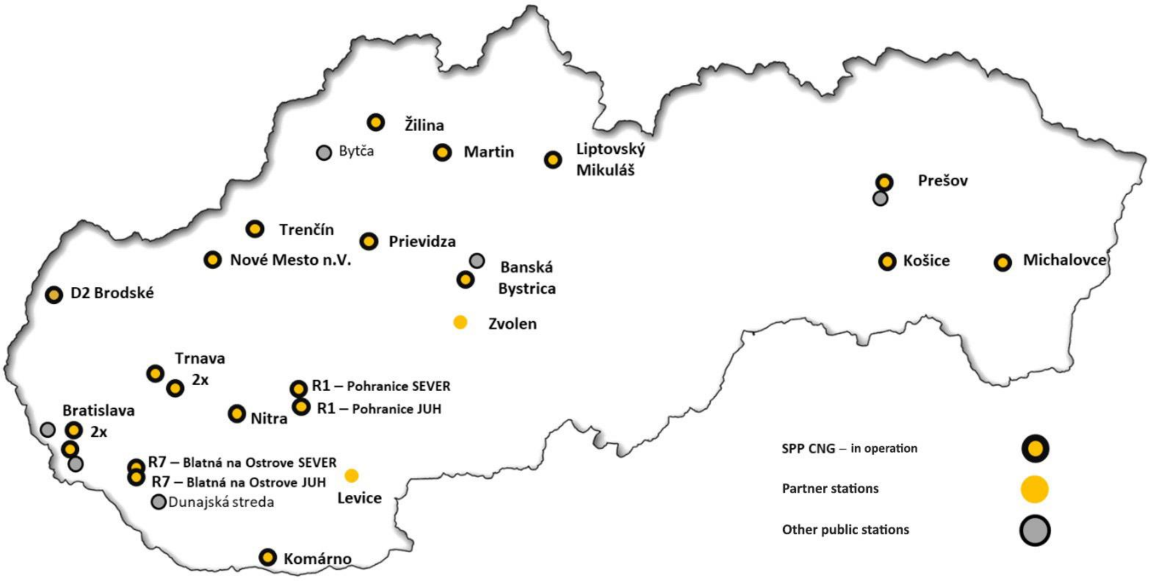
**MOBILITY**

The year 2023 was a milestone in the history of alternative mobility in Slovakia. SPP launched into operation three liquified natural gas (LNG) filling stations. By doing so, the company successfully completed the fueLCNG project that aimed to establish a pilot network of LNG filling stations distributed along the main corridors of the TEN-T network within the Slovak Republic. Motorists thus have filling stations at their disposal in Trnava, on the D2 motorway at Brodské, and in Prešov. The fueLCNG project received support from the European Commission and is co-financed from the Connecting Europe Facility (CEF) programme. The LNG stations also support filling vehicles with compressed natural gas (CNG). The high-capacity filling stations serve both for heavy freight vehicles and ordinary passenger cars. Along with the rising volume of sold LNG, SPP became a leader in Slovakia in the segment of supplying gas for transport. The company plans to strengthen this position by building 2 more LNG filling stations.

In 2023, SPP continued to support the utilisation of CNG as an alternative to traditional fuels. Through its subsidiary SPP CNG s.r.o. (SPP CNG), the company ensured continuous and reliable operation of the network of CNG filling stations. SPP CNG launched a CNG fuel to the market containing 1% sustainable biomethane in 2023. Motorists now pump fuel at SPP CNG filling stations that produces 22% less $CO_2$ emissions compared to presently supplied gasoline and diesel fuels. CNG sales totalled 4.728 million kg in 2023 and were up 17.9% against 2022. The current development of SPP's network of CNG filling stations focuses on bus transport and municipal waste collection. In 2023, SPP CNG opened a high-capacity CNG filling station at Zlatovská cesta in Trenčín, which is used by a fleet comprising 43 CNG buses operated by the public transport company in Trenčín, among others. The network of public CNG filling stations in Slovakia comprised 29 stations at the end of 2023.

In addition to LNG and CNG, SPP develops its own electromobility strategy. That is why a decision was made to implement a pilot project for an ultra-fast charging station in Prešov to complement the previously built charging stations. It is expected to be put into operation in Q4 2024.

**DISTRIBUTION OF CNG AND LNG STATIONS AS OF 31 DECEMBER 2023**




**BIOMETHANE**

In 2023, SPP established a joint venture with BRANTNER Slovakia for mechanical-biological treatment of waste to produce biomethane from the organic component of mixed municipal waste, as well as from bio-waste sorted at source. This joint venture, CEBZ s.r.o., is therefore able officially to assume responsibility for developing waste treatment centres. We managed to get a non-refundable financial contribution from the Environment operational programme for the construction of an optical sorting line in Nové Zámky (the project was awarded to BRANTNER Nové Zámky). This line will be put into operation in the first half of 2024 and, after the completion of the biological stage, it will spell a new quality for waste management in Slovakia that meets the highest legislative requirements. In 2023, SPP already held lawful environmental impact assessment standpoints for three of the four planned centres in Nové Zámky, Martin, and Poprad, having a positive impact on the acceleration of their procurement and construction.

An important milestone in the supply of biomethane is to obtain registration and certification in the International Sustainability and Carbon Certification System (ISCC EU), which enables SPP to participate in sustainable supply chains through the ISCC EU system as a biofuel (biomethane) trader. ISSC EU is recognised for all EU member states. At the same time, SPP is registered in the register of renewable gases operated by SPP - distribúcia, a.s., enabling it to fulfil all customer inquiries relating to the procurement of renewable gases.

## ENGAGED EMPLOYEES, THE KEY TO SPP'S SUCCESS

*In 2023, the main challenge for SPP was to keep employees motivated and engaged, as well as to provide them with support in adapting to rapidly changing market trends. 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 for the 2023-2024 period. The agreement mainly focuses on remuneration, benefits in the field of recuperation and health care, such as preventive premium employee medical checks, appreciation of employees on the occasion of their work anniversaries, vacations, and extra days off. 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. Working from home is a standard option, in accordance with market practice and conditions set by the employer.

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 concerning mental health. In cooperation with the League for Mental Health, the company also participated in the preparation of the unique *First Aid for Mental Health* programme, by training an internal lecturer and preparing for implementation in 2024.

The company has regularly provided employees with verified and up-to-date information supporting a healthy lifestyle, such as through the traditional event *SPP Health Days*. As part of SPP Health Days, employees had the chance to have their health checked and get inspired by lectures on many interesting topics on physical and mental health. 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 2022* and *Best Employee of 2022*. 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. Last year, the company introduced a new category – *Best Colleague of 2022*, highlighting the human contribution of colleagues to corporate culture.

**DEVELOPMENT AND TRAINING**

In 2023, SPP continued to implement training activities in line with the needs of the company and its employees.

The training was aimed both at improving vocational and professional skills, as well as personal development. Key topics in which SPP employees advanced themselves included the diversity and inclusion topic.

Another important training and development area concerned support for sharing internal know-how through the *Colleagues to Colleagues* platform, which allows employees to share their knowledge in the form of online lectures.

In 2023, SPP organised for the first time the *Impulses 2023* internal conference. This conference offered employees the opportunity to learn about the latest business expertise and new trends in business in an inspiring environment. Lecturers at the conference included both external speakers and SPP employees. Among the lectures that generated greatest interest was the artificial intelligence topic and its application in the daily work process.

The company continued to support informal relationships and strengthen the mental and physical health of employees.

SPP employees also participated in the *Leaders of Tomorrow* development programme, as part of which people from the corporate environment become leaders of young people and accompany and support them in achieving their goals.

SPP opened the sixth year of its development programme for employees with promising skills – *SPP High Potentials*. In 2023, SPP allowed university students to do their internships at the company as part of the *SPP Graduate Programme*. The company also deepened its cooperation with universities by conducting the *Energy Sector Club* semester project and by lectures in the field of personnel management at selected university faculties.

In addition, 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 upcoming 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 of 31 December 2023, the company had 738 employees. Of those, 477 were women – representing 64.63% of the total workforce.

**Employee Qualification Structure as of 31 December 2023**

| | | |
|---|---|---|
| basic education | 1 | 0.14% |
| secondary vocational education | 16 | 2.17% |
| complete secondary education with leaving exam | 272 | 36.86% |
| university degree | 449 | 60.83% |

**Employee Age Structure as of 31 December 2023**

| | | |
|---|---|---|
| 30 or younger | 47 | 6.37% |
| 31 – 40 | 154 | 20.87% |
| 41 – 50 | 266 | 36.04% |
| older than 50 | 271 | 36.72% |

The average employee age as of 31 December 2023 was 45.92 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 the second comprehensive *Sustainability Report* in 2023, 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 2022* 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 compared to 2021.

● 2040 – to achieve 100% reduction in emissions resulting from SPP's internal consumption compared to 2021.

● 240 GWh – biomethane production from 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 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 to be spent by 2030 (independently or in cooperation with partners); of which €230 million will be spent on investments in RES energy production by 2026.

● 700 000 – number of saplings planted in protected forests in 2023.

● 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 2023 period associated with taxonomy-eligible or taxonomy-aligned economic activities in the *EU Taxonomy Compliant Reporting* section found on page 24 of this Annual Report.

The taxonomy-eligible economic activities are provided in the list published in 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 in 2023 that are featured in the list published under the EU Taxonomy only to a very limited extent.

In 2023, SPP continued developing 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 and 2022. Specifically, the company was issued multiple decisions in 2023 in the EIA process as regards energy and biological waste recovery centres to produce biomethane and it also initiated the EIA process in several projects for wind power generation. SPP implemented 6 PVPPs in 2023 for its customers at schools and through its subsidiary ESCO Slovensko, a. s., it implemented PVPPs for customers providing a total output of 3 MW. More details regarding SPP's activities and their environmental impact will be published in *SPP Sustainability Report 2023*.

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 mostly relate to 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 customers, SPP has so far planted more than 1 200 000 saplings in the forests of Slovakia

Thanks to the SPP Carbon Footprint+ service, SPP and its customers together supported the planting of more than **1 200 000** saplings in 2023. SPP planted saplings in the protected forests of Slovakia for every customer who chose this product in 2023. 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 CONTRIBUTED TO THE RESTORATION OF EXTINCT WETLANDS**

**Ekofond SPP** contributed to the restoration of extinct wetlands in the area of Istragov near Gabčíkovo, namely by building an irrigation canal. At the same time, it supported the planting of 2 600 native tree species at this location – white, black, and gray poplars. Native poplar species have a much greater ability to regenerate naturally, which is why there is a much larger number of them per unit area, meaning their root systems provide better water and soil protection. The Danube floodplain forests are among the last remnants of floodplain forests in Central Europe. They are not unlike rainforests by their uniqueness, beauty, vast number of species living in them, and high biomass production. They also play a significant role in maintaining drinking water supplies while creating natural flood protection.

Ekofond SPP considers it beneficial to link activities in the field of sustainability and environmental protection to education. Since 2022, all educational activities of Ekofond SPP have been 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 while creating a link to values in the field of morality, ethics, and journalistically-responsible work. This programme aims to encourage and deepen interest in environmental topics, disseminate “energy literacy” and support the sharing of goals, projects, activities, and information among peers and associates or even the 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.

Since 2020, SPP Ekofond has been actively engaged in beekeeping at two apiaries located on SPP’s grounds in Bratislava and Košice. In addition to beekeeping itself, it actively educates about this topic not only by sharing interesting educational materials on its website, but also in the form of experiential learning – including *Medobranie* (Honey Collection) events, lectures by selected experts on current topics, best honey competition, and via educational performances for schools participating in the *Greenfluencers and Energy* competition.

In the course of 2023, Ekofond SPP focused attention on bee protection due to uncontrollable spreading of the invasive Asian hornet species (Vespa velutina nigrithorax) in Europe, causing enormous ecological and economic damage. This is a predator that hunts for various insect types (at least 159 different species were identified, e.g. honey bees and wild bees, wasps, bumblebees, hornets, ants, flies, mosquitoes), thereby reducing honey production and eliminating natural pollinators. Moreover, it bites the fruit and so degrades the harvest. It even poses a threat to anyone approaching less than 5 metres from a hive.

For this reason, Ekofond SPP announced the “Support for preventing damages caused by the invasive Asian hornet in the Slovak Republic 2023/2024” grant scheme, which aims to support voluntary fire departments in municipalities and cities to purchase technical equipment necessary for safe handling when capturing and disposing of the Asian hornet and its nests. This support also includes raising awareness of the invasive species through communication activities.

In 2023, Ekofond SPP continued in its project focusing on ecological beekeeping and, in cooperation with the Slovak University of Agriculture in Nitra, it initiated the process of gradually transforming SPP’s grounds into low-maintenance patches that effectively capture rainwater, support variety and biodiversity, and act as a rich source of food for bees living in the company’s apiaries.

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, reflects the interest among children and youth in innovations in areas such as energy efficiency, smart technologies, and smart solutions in energy utilisation.

SPP has been engaging its customers in the processes of reducing energy consumption and the utilisation of renewable energy sources at schools. Those customers who decide to reduce their energy consumption and CO2 emissions by purchasing selected products and services also support the development of photovoltaics at schools. **Through selected SPP products, they contribute to setting up local photovoltaic sources at schools.** SPP implements this project – a competition with public voting – together with Ekofond SPP, a non-profit organisation. In the very first year of the competition, i.e. in 2023, a total of 85 primary and secondary schools registered and shared prizes worth almost €45 000.

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

**SPP Foundation has been a partner of the Fénix – Cultural Monument of the Year for 17 years**

The SPP Foundation (Nadácia SPP) has long supported the protection of Slovakia's cultural heritage. For the 17th time in 2023, the SPP Foundation was the general partner of the Fénix – Cultural Monument of the Year 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 a general partner, the SPP Foundation awards the prize for the most beautiful renovated/restored monument under the official name *"Fénix - SPP Foundation Award"* based on a public vote. For more information about the Fénix – Cultural Monument of the Year competition and about restored national cultural monuments, please visit www.kpr-fenix.sk.

The SPP Foundation supported the *CE ZA AR 2023 Architecture Award* project as part of the supporting partnerships framework. The project aims to outwardly present the work of members of the Slovak Chamber of Architects and to show it to the public through an annual exhibition and so also to potential investors and local government representatives. At the same time, the project 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 opening, it has hosted almost 165 exhibitions in various fields of the fine arts. Paintings, photographs, illustrations, and sculptures have all found their place in the gallery. For instance, visitors could admire the exhibition showing photographs taken by Katarína Líšková entitled *Jungle Stories*, which complemented the presentation of the 15th anniversary of the project run by Slovak archaeologists in Guatemala. Visitors to the exhibition could immerse themselves into the Guatemalan jungle through photographs, replicas of artefacts discovered during archaeological research, as well as authentic sounds of the jungle. The SPP Gallery organised 5 exhibitions in 2023. The most successful exhibition was the exhibition of the works by *Andy Warhol* – a cult figure of the 20th century. Art lovers could admire 55 collection items, including paintings, photographs, and exhibition prints, which were lent to the gallery by the Andy Warhol Museum of Modern Art in Medzilaborce. The historically most successful exhibition attracted more than 7 000 visitors.

In 2023, SPP was a general partner of the prestigious international *Bratislava Music Festival*, as well as the main partner of Architecture and Design Days – *DAAD 2023*.

The **Slovak Gas Museum** has been mapping the past and present of the gas industry in our country for over 27 years. With more than 600 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. In 2023, more than 1 000 visitors visited the museum.

**SUPPORTING SPORTS**

**SPP HAS BEEN A MEMBER OF THE PARALYMPIC FAMILY FOR 19 YEARS**

SPP has been a key partner of the *Slovak Paralympic Committee* for 19 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-running Slovak regularly achieves top results at European and world events. Through this partnership, SPP is interested in supporting not only elite athletes, but also the development of talent and in promoting physical activity among children and young people at a community level. In 2023, the SPP Foundation once again 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 2023, the SPP Foundation announced various 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 locomotor system, *Let's Do It With SPP* (SPPravmeTo) for educational facilities that implement formal and non-formal education programmes for children and youth, the *Employee Grant Programme* for SPP employees so that they are able 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. In total, the SPP Foundation supported more than 1 100 entities in 2023 with financial contributions amounting to €3 028 573. More info at www.nadaciaspp.sk.

In 2023, 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**

Through its occupational health and safety policy in 2023 and the set goals in the field of fire protection, SPP ensured 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 its 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. In the course of 2023, we did not register any work injury or any cases of adverse health conditions associated with work.

One extraordinary event took place in SPP in 2023. A fire broke out in the office building in Bratislava, which the emergency units of the Fire and Rescue Department of Bratislava managed to put out and the measures adopted prevented the fire from reigniting and spreading further. Although this extraordinary event caused minor damage to property, it did not cause any bodily harm or loss of life of employees. SPP is a process-managed company that is regularly inspected by the certification system within the integrated management system (IMS) according to international standards ISO 9001:2015 (Quality management system), ISO 14001:2015 (Environmental management system), ISO 45001:2018 (Occupational health and safety management systems) and ISO/IEC 27001:2013 (Information security management system) in the field of operation and management of information systems for gas, electricity, and service sales processes. In 2023, external audits conducted by certification companies confirmed the performance and effectiveness of the introduced IMS system with a recommendation to continue the certification.

**ENVIRONMENTAL PROTECTION**

Environmental protection constitutes a regular component of SPP's top priorities. In 2023, the adopted environmental management system underwent a successful supervisory audit as per the ISO 14001:2015 standard, by which the company confirmed its compliance with the requirements of the applied standard. Aiming to continuously improve our environmental behaviour, in 2023 we certified the Eco-Management and Audit Scheme (EMAS) for the company headquarters in Bratislava. 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.

We consider reducing greenhouse gas emissions via several tools to be an important part of the company's strategy. One of these tools is the participation in sustainable supply chains via the International Sustainability and Carbon Certification System (ISCC EU) as a biofuel (biomethane) trader. In 2023, SPP was registered and certified under the International Sustainability and Carbon Certification (ISCC EU) scheme.

Waste management in SPP is a targeted process aimed at complying with the principles of environmental protection and the waste management hierarchy. Conditions for the collection of separated waste have been created inside company premises. By gradually expanding the sorted waste components, SPP has been reducing the volume of mixed municipal waste, promoting conservation of natural resources, and protecting ecosystems. In 2023, the company expanded waste collection to our sites in Zvolen and Košice. In the same period, a total of 10 collection containers – ashtrays for cigarette butts – were installed in Bratislava, Zvolen, and Košice, serving to collect these butts and allowing their subsequent recycling in the production of EcoButt Fibers® acetyl cellulose fibre. This fibre is used in the production of asphalt mixtures of SMA (Stone Matrix Asphalt) type, PA (Porous Asphalt), and other mixtures with a high binder content.

SPP conducts annual optimisation of waste management aimed at the 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 2023, 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 2023 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 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Revenues from customer contracts | 3 924 | 3 955 |
| NG and E compensations | 777 | 0 |
| Other gains and losses | (94) | 1 135 |
| Purchase of natural gas, purchase of electricity and consumption of material and energy, change in inventories, capitalisation | (4 396) | (4 891) |
| Storage of natural gas and other services | (123) | (106) |
| Depreciation and amortisation | (9) | (9) |
| Personnel costs | (35) | (34) |
| Adjustments to bad or doubtful receivables, net | (3) | 9 |
| Provisions and impairment losses, net | (3) | (39) |
| **Operating profit** | **38** | **20** |
| Profit/(loss) from investments | 303 | 3 |
| Cost of financing | (20) | (7) |
| **Profit/(loss) before tax** | **321** | **16** |
| Income tax | (31) | 9 |
| **PROFIT FOR THE PERIOD** | **290** | **25** |

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

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Revenues from customer contracts | 4 182 | 4 116 |
| NG and E compensations | 777 | 0 |
| Other gains and losses | (96) | 1 133 |
| Capitalisation | 4 | 6 |
| Purchase of natural gas, purchase of electricity and consumption of material and energy | (4 633) | (5 046) |
| Depreciation and amortisation | (9) | (9) |
| Storage of natural gas and other services | (127) | (109) |
| Personnel costs | (37) | (36) |
| Adjustments to bad or doubtful receivables, net | (3) | 9 |
| Provisions and impairment losses, net | (4) | (39) |
| **Operating profit** | **54** | **25** |
| Profit/(loss) from investments | 10 | 3 |
| Share in profits of affiliated companies and joint ventures | 193 | 317 |
| Cost of financing | (21) | (8) |
| **Profit/(loss) before tax** | **236** | **337** |
| Income tax | (34) | 9 |
| **PROFIT FOR THE PERIOD** | **202** | **346** |
| Net profit belonging to: | | |
| SPP shareholders | 202 | 346 |
| Minority holdings of other owners of subsidiaries | - | - |
| **Total** | **202** | **346** |

## 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 2023.***

The information about the proportion of turnover, capital expenditures, and operating expenditures of SPP for the year ended 31 December 2023 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 2023 (turnover, capital expenditures, operating expenditures)**

| *Year ended 31st December 2023* | Total (in € 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** | 4 182.00 | 0.07% | 0.00% | 99.93% |
| **Capital expenditures** | 9.60 | 4.31% | 8.58% | 87.12% |
| **Operating expenditures** | 9.63 | 11.68% | 0.04% | 88.28% |

**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<br>42.22 |
| 4.3 Electricity generation from wind power | Construction or operation of electricity generation facilities that produce electricity from wind power for external customers. | Capital expenditures, Operating expenditures | 35.11<br>42.22 |
| 4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels | Operation of a 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<br>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<br>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] 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 2023.

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 2023 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 2023, SPP continued implementing projects for the company's own small-scale local energy production from renewable sources. Specifically, this concerned the following projects:

- Photovoltaic projects at selected elementary schools in Slovakia, to enable these schools to use electricity coming directly from RES and so reduce their current electricity costs by up to 30% on average,
- Project for the photovoltaic power plant on SPP's grounds in Michalovce, which anticipates the generation and distribution of electricity to the public grid,
- Initial stages in the development of projects for the production of electricity from wind power being developed by SPP in Drahovce, Galanta, and Skalica,
- Project for the supply of heat and cooling to the multi-functional building Prístavná 1 (Energocentrum on SPP's grounds in Bratislava).

SPP also moved forward with additional 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 and 2022*. One of these projects includes the establishment of the company CEBZ s. r. o. ("CEBZ"), a joint venture between SPP and the BRANTNER Group. CEBZ will continue developing energy and biological waste recovery centres based on the principle of a circular economy, which are to produce, inter alia, biomethane made of biodegradable waste. In connection with CEBZ, SPP made an investment exceeding €2 million. These projects will be gradually put into operation in the coming years. The project for the supply of heat and cooling to the multi-functional building Prístavná 1 represents a Taxonomy-eligible, yet Taxonomy-non-aligned economic activity.

**Table 3 – Turnover KPI**

| | | | | Substantial contribution criteria | | | | | | Criteria relating to DNSH principle | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code(s) | Absolute turnover (in € million) | Proportion of turnover (in %) | (1) (in %) | (2) (in %) | (3) (in %) | (4) (in %) | (5) (in %) | (6) (in %) | (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 (in %) | Taxonomy aligned proportion of turnover Year N-1 (in %) | Category (enabling activity) | Category (transitional activity) |
| A. TAXONOMY-ELIGIBLE ACTIVITES | | | | | | | | | | | | | | | | | | | | |
| A.1 Environmentally sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | | |
| Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 0,00 | 0,00% | | | | | | | | | | | | | | | | | |
| A.2 Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities) | | | | | | | | | | | | | | | | | | | | |
| *4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels* | 35.11 35.30 | 0,61 | 0,01% | | | | | | | | | | | | | | | | | |
| *7.7 Acquisition and ownership of buildings* | 68 | 2,19 | 0,05% | | | | | | | | | | | | | | | | Not applicable | |
| Turnover of Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities) (A.2) | | 2,80 | 0,07% | | | | | Not applicable | | | | | | | | | | | | |
| 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) | | 4 179,20 | 99,93% | | | | | | | | | | | | | | | | | |
| Total (A + B) | | 4 182,00 | 100,00% | | | | | | | | | | | | | | | | | |

**Environmental objectives:**
(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Pollution
(5) Circular economy
(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 2023.

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 electricity sources from solar power and from wind power that are completed or in development 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 multi-functional building Prístavná 1 represents a Taxonomy-eligible, yet Taxonomy-non-aligned economic activity.

**Table 4 – Capital expenditures KPI**

| | | | | Substantial contribution criteria | | | | | | Criteria relating to DNSH principle | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code(s) | Absolute CapEx (in € million) | Proportion of CapEx (in %) | (1) (in %) | (2) (in %) | (3) (in %) | (4) (in %) | (5) (in %) | (6) (in %) | (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 (in %) | Taxonomy-aligned proportion of CapEx Year N-1 (in %) | Category (enabling activity) | Category (transitional activity) |
| A. TAXONOMY-ELIGIBLE ACTIVITES | | | | | | | | | | | | | | | | | | | | |
| A.1 Environmentally sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | | |
| 4.1 Electricity generation using solar photovoltaic technology | 35.11 42.22 | 0,77 | 8,06% | 100,00% | 0,00% | | | | | - | yes | - | yes | - | yes | yes | 8,06% | 3,11% | - | - |
| 4.3 Electricity generation from wind power | 35.11 42.22 | 0,05 | 0,52% | 100,00% | 0,00% | | | | | | | | | | | | 0,52% | 0,00% | | |
| CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 0,82 | 8,58% | 100,00% | 0,00% | | | | | - | yes | - | yes | - | yes | yes | 8,58% | 3,11% | - | - |
| A.2 Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities) | | | | | | | | | | | | | | | | | | | | |
| 4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels | 35.11 35.30 | 0,41 | 4,31% | Not applicable | | | | | | | | | | | | | Not applicable | | | |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities) (A.2) | | 0,41 | 4,31% | | | | | | | | | | | | | | | | | |
| Total CapEx of Taxonomy-eligible activities (A.1 + A.2) (A) | | 1,24 | 12,88% | | | | | | | | | | | | | | 8,58% | 3,11% | | |
| B. TAXONOMY-NON-ELIGIBLE-ACTIVITIES | | | | | | | | | | | | | | | | | | | | |
| CapEx of Taxonomy-non-eligible activities (B) | | 8,37 | 87,12% | | | | | | | | | | | | | | | | | |
| Total (A + B) | | 9,60 | 100,00% | | | | | | | | | | | | | | | | | |

**Environmental objectives:**
(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Pollution
(5) Circular economy
(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 completed or in development 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 multi-functional building 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, 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 | | | | | | Criteria relating to DNSH principle | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code(s) | Absolute OpEx (in € million) | Proportion of OpEx (in %) | (1) (in %) | (2) (in %) | (3) (in %) | (4) (in %) | (5) (in %) | (6) (in %) | (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 (in %) | Taxonomy aligned proportion of OpEx Year N-1 (in %) | Category (enabling activity) | Category (transitional activity) |
| A. TAXONOMY-ELIGIBLE ACTIVITES | | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | | |
| 4.1 Electricity generation using solar photovoltaic technology | 35.11<br>42.22 | 0,004 | 0,04% | 100,00% | 0,00% | | | | | | yes | | yes | | yes | yes | 0,04% | 0,04% | | |
| **OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | 0,004 | 0,04% | 100,00% | 0,00% | | | | | | | | | | | | 0,04% | 0,04% | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities)** | | | | | | | | | | | | | | | | | | | | |
| *6.5 Transport by motorbikes, passenger cars and commercial vehicles* | 64<br>77.11 | 0,31 | 3,19% | Not applicable | | | | | | | | | | | | | Not applicable | | | |
| *7.7 Acquisition and ownership of buildings* | 68 | 0,63 | 6,55% | | | | | | | | | | | | | | | | | |
| *4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels* | 35.11<br>35.30 | 0,19 | 1,94% | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities) (A.2)** | | 1,13 | 11,68% | | | | | | | | | | | | | | | | | |
| **Total OpEx of Taxonomy-eligible activities (A.1 + A.2) (A)** | | 1,13 | 11,72% | | | | | | | | | | | | | | 0,04% | 0,04% | | |
| B. TAXONOMY-NON-ELIGIBLE-ACTIVITIES | | | | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-non-eligible activities (B)** | | 8,50 | 88,28% | | | | | | | | | | | | | | | | | |
| **Total (A + B)** | | 9,63 | 100,00% | | | | | | | | | | | | | | | | | |

**Environmental objectives:**
(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Pollution
(5) Circular economy
(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 (in € million) | | Amount (in € million) | | Amount (in € million) | | Amount (in € million) | % |
| **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 | | 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 | | 0,00 | 0,00% | 0,00 | 0,00% | 0,00 | 0,00% | | |
| **Total** (amount and proportion in the numerator of turnover | | 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 **CapEex KPI**) | | 0,41 | 4,31% | | | | | | |
| 4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (proportion in the denominator of **OpEx KPI**) | | 0,19 | 1,94% | | | | | | |
| **Total** (amount and proportion in the denominator of turnover KPI) | | 0,61 | 0,01% | | | | | | |
| **Total** (amount and proportion in the denominator of CapEx KPI) | | 0,41 | 4,31% | | | | | | |
| **Total** (amount and proportion in the denominator of OpEx | | 0,19 | 1,94% | | | | | | |
| **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

[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

- International Bill of Human Rights.[5]

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.

## INDEPENDENT AUDITOR'S REPORTS

[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 2023**

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

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# 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 2023, 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 material accounting policy information.

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 2023, 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.



Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Mestského súdu Bratislava III, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

*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 2023 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.

13 March 2024
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 2023 and 31 December 2022**
**(EUR '000)**

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **ASSETS:** | | | |
| NON-CURRENT ASSETS | | | |
| Investment property | 8 | 23 132 | 21 781 |
| Land, property, plant and equipment | 7 | 66 137 | 66 627 |
| Investments in subsidiaries, joint ventures and associated companies | 6 | 2 061 667 | 2 057 981 |
| Non-current intangible assets | 9 | 10 128 | 11 825 |
| Other non-current assets | | 85 029 | 238 758 |
| Deferred tax asset | 25.2 | 48 003 | - |
| Total non-current assets | | 2 294 096 | 2 396 972 |
| CURRENT ASSETS | | | |
| Inventories | 10 | 570 041 | 1 434 813 |
| Receivables and prepayments | 11 | 1 602 792 | 2 669 822 |
| Cash and cash equivalents | | 150 222 | 16 966 |
| Other assets | | 3 013 | 62 |
| Total current assets | | 2 326 068 | 4 121 663 |
| Assets held for sale | | 951 | 953 |
| **TOTAL ASSETS** | | **4 621 115** | **6 519 588** |
| **EQUITY AND LIABILITIES:** | | | |
| CAPITAL AND RESERVES | | | |
| Registered capital | 18 | 885 062 | 885 062 |
| Legal and other reserves | 19 | 1 837 638 | 1 837 648 |
| Hedging reserve | 19 | (59 978) | 399 923 |
| Retained earnings | 19 | 331 530 | 41 224 |
| Total equity | | 2 994 252 | 3 163 857 |
| NON-CURRENT LIABILITIES | | | |
| Deferred income | 15 | 2 679 | 2 694 |
| Provisions | 13 | 40 178 | 40 161 |
| Retirement and other long-term employee benefits | 12 | 864 | 837 |
| Deferred tax liability | 25.2 | - | 76 915 |
| Other non-current liabilities | 16 | 141 740 | 283 923 |
| Total non-current liabilities | | 185 461 | 404 530 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17,16 | 1 172 415 | 2 360 747 |
| Tax liabilities from income tax | 25.1 | 18 453 | 11 432 |
| Short-term loans | 14 | 150 000 | 535 988 |
| Provisions and other current liabilities | 13 | 534 | 43 034 |
| Total current liabilities | | 1 441 402 | 2 951 201 |
| Total liabilities | | 1 626 863 | 3 355 731 |
| **TOTAL EQUITY AND LIABILITIES** | | **4 621 115** | **6 519 588** |

The financial statements on pages 4 to 53 were signed on 13 March 2024 on behalf of the Board of Directors:

doc. Ing. Vojtech Ferencz, PhD.
Chairman of the Board of Directors
Chief Executive Officer

Ing. Martin Rybar
Vice-Chairman of the Board of Directors

**(EUR '000)**

| | Note | Year ended 31 December 2023 | Year ended 31 December 2022 |
|---|---|---|---|
| Revenue from contracts with customers | 20 | 3 924 194 | 3 955 394 |
| Compensations | 20 | 777 016 | - |
| Other gains and losses | 20 | (94 378) | 1 135 055 |
| Own work capitalised | | 4 111 | 5 462 |
| Purchases of natural gas, electricity, consumables and services | | (4 398 952) | (4 897 533) |
| Depreciation and amortisation | 7, 8, 9 | (9 264) | (8 817) |
| Storage of natural gas and other services | | (122 975) | (105 984) |
| Personnel expenses | 21 | (34 879) | (34 257) |
| Provisions for bad and doubtful debts, net | 11 | (2 976) | 9 332 |
| Provisions and impairment losses, net | 13 | (3 472) | (39 062) |
| Operating profit | | 38 428 | 19 590 |
| Investment income | 22 | 302 759 | 3 007 |
| Finance costs | 23 | (20 013) | (6 892) |
| Profit before income taxes | | 321 174 | 15 705 |
| INCOME TAX | 25 | (30 868) | 9 273 |
| **NET PROFIT FOR THE PERIOD** | | **290 306** | **24 978** |

**(EUR '000)**

| | ***Note*** | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|---|
| NET PROFIT FOR THE PERIOD | | 290 306 | 24 978 |
| OTHER COMPREHENSIVE INCOME (may be reclassified to profit or loss in the future): | 26 | | |
| Cash flow hedging | | (582 154) | 81 118 |
| Deferred tax related to items of other comprehensive income for the period | | 122 253 | (17 035) |
| OTHER COMPREHENSIVE INCOME (not reclassified to profit or loss in the future): | 26 | | |
| Change in the liability for employee benefits | | (10) | 64 |
| Deferred tax related to items of other comprehensive income for the period | | - | - |
| OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD | | (459 911) | 64 147 |
| **TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD** | | **(169 605)** | **89 125** |

**Slovenský plynárenský priemysel, a.s.**
**STATEMENT OF CHANGES IN EQUITY**
**Years ended 31 December 2023 and 31 December 2022**
**(EUR ‘000)**

| | *Registered capital* | *Legal and other funds* | *Hedging reserve* | *(Accumulated loss)/ Retained earnings* | *Total* |
|---|---|---|---|---|---|
| **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** |
| Net profit for the period | - | - | - | 290 306 | 290 306 |
| Other comprehensive income for the period | - | (10) | (459 901) | - | (459 911) |
| **Total comprehensive income** | **885 062** | **1 837 638** | **(59 978)** | **331 530** | **2 994 252** |
| Dividends | - | - | - | - | - |
| Shareholder’s contribution | - | - | - | - | - |
| **At 31 December 2023** | **885 062** | **1 837 638** | **(59 978)** | **331 530** | **2 994 252** |

**(EUR '000)**

| | *Note* | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Cash flows from operating activities | 27 | (376 162) | (2 310 697) |
| Cash received as a result of compensation | | 910 037 | - |
| Interest paid | | (18 805) | (4 021) |
| Interest received | | 9 999 | 3 287 |
| (Income tax paid)/refund of tax overpayments | | (26 513) | (9 398) |
| Net cash flows from operating activities | | 498 556 | (2 320 829) |
| INVESTING ACTIVITIES | | | |
| Expenditure on provided borrowings | | (3 000) | - |
| Proceeds from provided borrowings | | 605 | 55 |
| Expenditure on financial investments | | (1 003) | - |
| Purchase of property, plant and equipment | | (7 858) | (8 123) |
| Proceeds from the sale of land, property, plant and equipment and intangible assets | | 164 | 4 759 |
| Dividends received | | 153 000 | - |
| Net cash inflow/(outflow) from investing activities | | 141 908 | (3 309) |
| FINANCING ACTIVITIES | | | |
| Proceeds from interest-bearing borrowings | | 2 739 000 | 1 567 801 |
| Expenditures for the repayment of interest-bearing borrowings | | (3 024 988) | (1 182 000) |
| Increase of shareholder's contribution | | - | 500 000 |
| Dividends paid | 29 | (220 000) | (3 800) |
| Payment of principal portion of lease liabilities | 16 | (870) | (688) |
| Other proceeds and expenditures from financial activities, net | | (79) | (98) |
| Net cash flows from financing activities | | (506 937) | 881 215 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 133 527 | (1 442 923) |
| EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS | | (271) | (61) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | 16 966 | 1 459 950 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **150 222** | **16 966** |

**(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 almost 1.5 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. In 2023, SPP and BRANTNER Slovakia s.r.o. established a joint venture CEBZ s.r.o., the aim of which is to build technology centres to promote the circular economy.

These financial statements represent the separate financial statements of SPP. They were prepared for the reporting period from 1 January to 31 December 2023 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 2022 financial statements of SPP on 18 April 2023.

### 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 2023 was 727, of which 3 represented the executive management (for the year ended 31 December 2022: 711, of which 6 represented the executive management).

The actual number of full-time employees as at 31 December 2023 was 738 (as at 31 December 2022: 726).

### 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 2023.

***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:

- **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 Statements 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),

- **Amendments to IAS 12 "Income Taxes: International Tax Reform – Pillar two model rules"** – adopted by the EU on 8 November 2023 (effective for accounting periods beginning on or after 1 January 2023).

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:

- **Amendments to IFRS 16 "Leases: Lease liability in a sale and leaseback" -** adopted by the EU on 20 November 2023 (effective for accounting periods beginning on or after 1 January 2024),

- **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 - adopted by the EU on 19 December 2023 (effective for annual periods beginning on or after 1 January 2024).

The Company has decided 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):

- **Amendments to IAS 7 "Cash Flow Statement" and IFRS 7 "Financial Instruments: Disclosures - Supplier Finance Arrangements"** (effective for accounting periods beginning on 1 January 2024 or later),

- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"** (effective for financial years beginning on or after 1 January 2024),

- **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 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 2023 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 2023.

### 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, e.g. 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.

Cash flow hedges

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 2023 and 31 December 2022. 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:

| | ***2023*** | ***2022*** |
|---|---|---|
| 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 | 4 - 8 |
| 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:

| | ***2023*** | ***2022*** |
|---|---|---|
| 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) Compensations

The Government of the Slovak Republic within the framework of crisis regulation in accordance with § 16a of the Regulation Act, beyond standard price regulation, capped maximum prices for the supply of gas and electricity to households and vulnerable customers (except for the supply of electricity to household customers) through Government Regulation 465/2022 and Government Regulation 19/2023 (see note 20).

In accordance with § 16a of the Regulation Act and Government Regulation 465/2022 and Government Regulation 19/2023, the Ministry of Economy of the Slovak Republic on a regular monthly basis pays compensation for capped prices for the supply of gas and electricity to gas and electricity suppliers.

The compensation serves to cover the difference in the price for the supply of gas and electricity determined by the Regulatory Office for network industries and the maximum price for the supply of gas and electricity determined by Government Regulation 465/2022 and Government Regulation 19/2023.

The company accounts for the compensation received from the Ministry of Economy of the Slovak Republic directly to the revenue account.

### q) 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, gains and losses from derivative operations 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.

### r) 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.

### s) 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.

### t) 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.

Company as a lessor

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.

Property lease classification – Company as a lessor

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.

### u) 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. 235/2012 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 2023 is 0,00363 (the levy rate effective for 2022 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.

### v) 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.

### w) 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, Joint Ventures and Associated Company

Financial investments in subsidiaries, joint ventures and associated company were initially recognised 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. Realizable value of the newly established joint venture CEBZ s.r.o., which will carry out activities concerning the construction and operation of energy and biological recovery centres depends on the development of the legislative environment, which affects the diversion of waste from landfill towards recycling and energy recovery, and also depends on the development of demand for biomethane. SPP monitors the financial results of its subsidiaries, joint ventures and associated company.

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 were based on 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 analyzing 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 oil fields in the North Sea as one of several measures by the Company to strengthen the security of gas supply.

In view of the extraordinary events on the market, SPP continues negotiations with Gazprom export LLC, with the aim of ensuring a stable supply of natural gas.

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 3q); 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 in purchase and selling 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 2023 and 2022, 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 and 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 2023 the Company used **commodity swap contracts** to manage the risk of commodity price fluctuations. As at 31 December 2022, 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 2023*** | | ***31 December 2023*** | |
|---|---|---|---|---|
| | ***Nominal amount*** | | ***Change in fair value*** | |
| | ***Hedging*** | ***Held for trading*** | ***Hedging*** | ***Held for trading*** |
| Purchase/(sell) gas | | | | |
| Less than 3 months | 205 636 | (196 409) | (62 510) | 67 713 |
| 3 to 12 months | 407 562 | 173 689 | (138 847) | (129 782) |
| Over 12 months | 330 393 | 47 249 | (82 145) | (41 840) |

| ***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 |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Commodity swaps | | |
| Nominal amount in MWh | 7 108 766 | 13 195 984 |
| Nominal amount in EUR ths. | 345 337 | 777 323 |

**(EUR '000)**

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

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Line in the statement of financial position | | |
| Other non-current assets | - | - |
| Receivables and prepayments | - | 296 003 |
| Other non-current liabilities | (14 292) | (57 938) |
| Trade and other payables | (80 341) | (269 494) |
| Nominal value recorded in contingent assets and liabilities | 345 337 | 777 323 |

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

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Line in the income statement | | |
| Purchase of natural gas, electricity and material and energy consumption | (238 770) | 482 124 |
| Revenue from contracts with customers | - | - |
| Line in the statement of other comprehensive income | | |
| Hedging derivatives (cash flow hedging) | (94 633) | (31 428) |

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 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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Line in the statement of financial position | | |
| Other non-current assets | 2 790 | 87 718 |
| Receivables and prepayments | 18 711 | 129 643 |
| Other non-current liabilities | (70 643) | (44 050) |
| Trade and other payables | (139 726) | (306 924) |
| Nominal value recorded in contingent assets and liabilities | 598 254 | 997 650 |

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

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Line in the statement of financial position | | |
| Other non-current assets | 69 913 | 44 042 |
| Receivables and prepayments | 138 888 | 306 903 |
| Other non-current liabilities | (2 745) | (87 476) |
| Trade and other payables | (17 874) | (130 364) |

Financial collateral

As at 31 December 2023, the Company has an asset of EUR 247 350 thousand (31 December 2022: liability of EUR 596 411 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 counterparty is obliged to repay the collateral to the Company 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 the Company also used **futures contracts** as of 31 December 2023 and as of 31 December 2022, 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 2023*** | | ***31 December 2023*** | |
|---|---|---|---|---|
| | ***Nominal value*** | | ***Change in fair value*** | |
| | ***Hedging*** | ***Held for trading*** | ***Hedging*** | ***Held for trading*** |
| Purchase/(sell) gas | | | | |
| Less than 3 months | 24 500 | - | (2 878) | - |
| 3 to 12 months | 6 252 | - | (300) | - |
| Over 12 months | (4 097) | - | 175 | - |

| ***Open futures contracts*** | ***31 December 2023*** | | ***31 December 2023*** | |
|---|---|---|---|---|
| | ***Nominal value*** | | ***Change in fair value*** | |
| | ***Hedging*** | ***Held for trading*** | ***Hedging*** | ***Held for trading*** |
| Purchase/(sell) electricity | | | | |
| Less than 3 months | (512) | - | 36 | - |
| 3 to 12 months | (5 367) | - | 197 | - |
| Over 12 months | (4 889) | - | (1 046) | - |

| ***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) | - |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Futures contracts | | |
| Nominal amount in MWh | 714 785 | (3 905 761) |
| Nominal amount in EUR ths. | 25 665 | (532 714) |

**(EUR '000)**

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

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Line in statement profit and loss | | |
| Purchases of natural gas, electricity and consumption of materials and energy | 261 409 | 193 718 |
| Line in the statement of other comprehensive income | | |
| Hedging derivatives (cash flow hedging) | 18 711 | 536 660 |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Nominal value recorded in contingent assets and liabilities | - | (1 163) |
| Line in the statement of financial position | | |
| Other non-current assets | - | - |
| Receivables and prepayments | - | 917 |
| Other non-current liabilities | - | - |
| Trade and other payables | - | - |

(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 the Company. The volatility of interest rates on short-term loans does not pose a significant level of risk to the Company, 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 2023, short-term loans from commercial banks in the amount of EUR 250 000 thousand have been drawn. 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 in the amount of EUR 50 187 thousand had been drawn.

(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 2023, short-term loans from commercial banks in the amount of EUR 250 000 thousand have been drawn. 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 in the amount of EUR 50 187 thousand had been drawn.

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). With regard to the balance of the credit facilities drawn as at 31 December 2023 of EUR 250 000 thousand (whereas the funds and tradable securities amounted to EUR 150 222 thousand), the net debt totals EUR 99 778 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 2023 of EUR 719 000 thousand from banks).

The table below summarises the maturity of financial liabilities at 31 December 2023 and 31 December 2022 based on contractual undiscounted payments:

| ***31 December 2023*** | ***On demand*** | ***Less than 3 months*** | ***3 to 12 months*** | ***1 to 5 years*** | ***> 5 years*** | ***Total*** |
|---|---|---|---|---|---|---|
| Loans (Note 14) | - | 250 000 | - | - | - | 250 000 |
| Other liabilities | - | 135 516 | 467 412 | 141 360 | 380 | 744 668 |
| Trade payables | - | 497 042 | - | - | - | 497 042 |

| ***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 |

## 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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Debt (i) | 250 000 | 535 988 |
| Cash and cash equivalents | 150 222 | 16 966 |
| Net debt | 99 778 | 519 022 |
| Equity (ii) | 2 994 252 | 3 163 857 |
| **Net debt to equity ratio** | **3 %** | **16 %** |

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

**(EUR ‘000)**

## c) Categories of Financial Instruments

| | *At 31 December 2023* | *At 31 December 2022* |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | 1 309 267 | 1 276 621 |
| Financial derivatives held for trading | 277 407 | 679 659 |
| Financial derivatives recognised as hedging | 235 710 | 940 097 |
| **Financial liabilities** | | |
| Financial liabilities carried at amortised costs | 784 989 | 2 094 159 |
| Financial derivatives held for trading | 376 160 | 161 701 |
| Financial derivatives recognised as hedging | 330 561 | 899 091 |

## 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 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.

Estimated fair values of financial assets and liabilities that are not regularly remeasured to fair value

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)**

| ***2023*** | ***Level 1*** | ***Level 2*** | ***Level 3*** | ***Total*** |
|---|---|---|---|---|
| **Financial assets at fair value** | **4 137** | **508 980** | **-** | **513 117** |
| Financial derivatives held for trading | 3 729 | 273 678 | - | 277 407 |
| Financial derivatives recognised as hedging | 408 | 235 302 | - | 235 710 |
| Available-for-sale financial assets | - | - | - | - |
| **Financial liabilities at fair value** | **18 493** | **688 228** | **-** | **706 721** |
| Financial derivatives held for trading | 13 554 | 362 606 | - | 376 160 |
| Financial derivatives recognised as hedging | 4 939 | 325 622 | - | 330 561 |

| ***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 |

### 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 2023 and 31 December 2022 under the requirements of IFRS 9.

**(EUR '000)**

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

| *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** |

| *As at 31 December 2023* | *Subsidiaries* | *Joint ventures and associated companies* |
|---|---|---|
| Opening balance, net | 541 | 2 056 890 |
| Additions | - | 2 003 |
| Non-cash deposit | 627 | - |
| Disposals | - | - |
| Impairment | 1 606 | - |
| **Closing balance, net** | **2 774** | **2 058 893** |
| | | |
| Cost | 7 708 | 2 058 893 |
| Impairment | (4 934) | - |
| **Closing balance, net** | **2 774** | **2 058 893** |

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 was disclosed as at 31 December 2022. The loan was paid in full during 2023.

The information on subsidiaries, joint ventures and associated companies of SPP as at 31 December 2023 and 31 December 2022 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 |
| CEBZ s.r.o. | Slovakia | 50 | Non-hazardous waste management |
| 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 2023 and 31 December 2022, 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 2023 and 31 December 2022, 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.

Based on an agreement between Slovenský plynárenský priemysel, a.s. and BRANTNER Slovakia, s.r.o., a joint venture with limited liability under Slovak law has been created, which will carry out activities related to the construction and operation of centres for energy and biological recovery of waste. The Antimonopoly Office approved the creation of the joint venture SPP and BRANTNER Slovakia, s.r.o. without reservation on June 15, 2023. The date of establishment of CEBZ s.r.o. was August 16, 2023. As at 31 December 2023, a 50% non-controlling interest in CEBZ s.r.o. is recognized in accordance with the relevant IFRS standards 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*** | ***2023*** | ***2022*** | ***2023*** | ***2022*** |
| **SPP CZ, a.s.** Seat: Nové sady 996/25, Staré Brno, 602 00 Brno, Czech Republic | 456 363 ths. CZK | 131 032 ths. CZK | 299 413 ths. CZK | 132 688 ths. CZK |
| **SPP CNG s.r.o.** Seat: Mlynské nivy 44/a, Bratislava | 4 681 | 3 904 | 150 | 126 |
| **SPP Infrastructure, a.s.** (1) Seat: Plátennícka 19013/2, Bratislava | 4 728 517 | 5 029 941 | 269 611 | 461 258 |
| **ESCO Slovensko, a.s.** Seat: Tomášikova 28/C, Bratislava | 55 822 | 57 010 | (1 188) | (2 026) |
| **CEBZ s.r.o.** Seat: Mlynské nivy 44/a, Bratislava | 3 460 | - | (545) | - |
| **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) In 2017, SPP Infrastructure, a.s. changed its reporting period to the fiscal year from 1 October to 30 September. The profit/(loss) for 2022 is for the period from 1 January 2022 to 31 December 2022 and the profit/(loss) for 2023 is for the period from 1 January 2023 to 31 December 2023.*

**(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 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** |
| | | | | | | | | | | | |
| Year ended 31 December 2023 | | | | | | | | | | | |
| Opening net book value | 3 543 | 51 199 | 2 409 | 3 626 | - | 370 | 116 | - | 572 | 4 792 | 66 627 |
| Additions | - | 226 | 676 | 2 557 | - | 1 069 | 5 | - | - | 3 813 | 8 346 |
| Placed into service | 12 | 3 873 | - | 2 643 | - | - | 108 | - | 49 | (6 685) | - |
| Reclassifications between categories | - | - | - | - | - | - | - | - | - | - | - |
| Reclassifications – assets for sale | 2 | - | - | - | - | - | - | - | - | - | 2 |
| Reclassifications – IAS 40 | (365) | (2 375) | - | - | - | - | - | - | - | - | (2 740) |
| Disposals | (2) | (232) | (278) | - | - | (70) | - | - | - | | (582) |
| Depreciation charge | - | (3 201) | (573) | (1 487) | - | (297) | (31) | - | (6) | - | (5 595) |
| Change of provisions | - | 73 | - | 6 | - | - | - | - | - | - | 79 |
| **Closing net book value** | **3 190** | **49 563** | **2 234** | **7 345** | **-** | **1 072** | **198** | **-** | **615** | **1 920** | **66 137** |
| | | | | | | | | | | | |
| At 31 December 2023 | | | | | | | | | | | |
| Acquisition cost | 3 823 | 114 224 | 3 181 | 36 683 | 220 | 1 451 | 2 472 | 637 | 622 | 1 920 | 165 233 |
| Provisions and accumulated depreciation | (633) | (64 661) | (947) | (29 338) | (220) | (379) | (2 274) | (637) | (7) | - | (99 096) |
| **Net book value** | **3 190** | **49 563** | **2 234** | **7 345** | **-** | **1 072** | **198** | **-** | **615** | **1 920** | **66 137** |

**(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* 2023 | 2022 | *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 | 207 904 | 202 290 | 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 2023, amounted to EUR 95 201 thousand (31 December 2022: EUR 95 651 thousand).

## 8. INVESTMENT PROPERTY

| | *2023* | *2022* |
|---|---|---|
| Opening net book value | 21 781 | 15 800 |
| Depreciation charge | (1 361) | (1 268) |
| Change in provisions | (28) | 211 |
| Additions, disposals and reclassifications to non-current tangible assets | 2 740 | 7 038 |
| **Closing net book value** | **23 132** | **21 781** |

SPP leases gas-industry not related assets – primarily buildings – mainly 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 29 873 thousand if a fair value model was used (as at 31 December 2022: EUR 29 993 thousand).

## 9. NON-CURRENT INTANGIBLE ASSETS

| | *Software* | *Other non-current intangible assets* | *Assets in course of construction* | *Total* |
|---|---|---|---|---|
| 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** |
| Year ended 31 December 2023 | | | | |
| Opening net book value | 9 484 | 1 663 | 678 | 11 825 |
| Additions | 97 | - | 736 | 833 |
| Placed into service | 414 | 638 | (1 052) | - |
| Reclassifications | - | - | - | - |
| Disposals | (12) | - | - | (12) |
| Amortisation | (1 829) | (689) | - | (2 518) |
| Change of provisions | - | - | - | - |
| **Closing net book value** | **8 154** | **1 612** | **362** | **10 128** |
| At 31 December 2023 | | | | |
| Acquisition cost | 77 599 | 6 821 | 429 | 84 849 |
| Provisions and accumulated depreciation | (69 445) | (5 209) | (67) | (74 721) |
| **Net book value** | **8 154** | **1 612** | **362** | **10 128** |

**(EUR ‘000)**

## 10. INVENTORIES

| | ***31 December 2023*** | ***31 December 2022*** |
|---|---|---|
| Natural gas | 648 746 | 1 479 814 |
| Natural gas held for trading | 15 110 | 46 343 |
| Raw materials and other inventory | 13 | 51 |
| Provisions | (93 828) | (91 395) |
| **Total** | **570 041** | **1 434 813** |

As at 31 December 2023 and 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.

## 11. RECEIVABLES AND PREPAYMENTS

| | ***31 December 2023*** | ***31 December 2022*** |
|---|---|---|
| Trade receivables from natural gas and electricity sales | 486 791 | 677 974 |
| Contractual assets from sales to customers | 159 | 11 024 |
| Prepayments for gas and electricity distribution | 11 | 11 |
| Receivables from financial derivatives | 428 088 | 1 380 998 |
| Prepayments and other receivables | 687 743 | 599 815 |
| **Total** | **1 602 792** | **2 669 822** |

As at 31 December 2023, trade receivables from natural gas and electricity sales are shown net and represent receivables from billed natural 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 112 191 thousand (31 December 2022: EUR 113 423 thousand).

As at 31 December 2023, receivables and prepayments also include receivables from SPP Infrastructure, a.s. in the amount of EUR 138 228 thousand due to unpaid dividends (31 December 2022: EUR 0 thousand), from SPP CZ, a.s. of EUR 42 477 thousand (31 December 2022: EUR 57 362 thousand) and from SPP CNG s.r.o. in the amount of EUR 1 489 thousand (31 December 2022: EUR 1 778 thousand).

As at 31 December 2023, the Company recorded receivables within maturity of EUR 1 585 482 thousand and overdue receivables of EUR 129 501 thousand (excluding provisions). In the comparable period, i.e. 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).

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

| | ***31 December 2023*** | ***31 December 2022*** |
|---|---|---|
| Within maturity | 1 585 482 | 2 651 301 |
| Less than 3 months | 17 846 | 19 378 |
| 3 to 12 months | 5 741 | 5 386 |
| More than 12 months | 105 914 | 107 180 |
| **Total** | **1 714 983** | **2 783 245** |

**(EUR '000)**

The movements in provisions for current receivables were as follows:

| | ***31 December 2023*** | ***31 December 2022*** |
|---|---|---|
| Opening balance | (113 423) | (130 873) |
| Creation | (4 772) | (4 569) |
| Use | 4 209 | 8 117 |
| Reversal | 1 795 | 13 902 |
| Reclassification between current and non-current portions | - | - |
| **Closing balance** | **(112 191)** | **(113 423)** |

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. By accepting special provisions on the debt relief process of medical institutions, the creditor's claims worth EUR 11 301 thousand were satisfied during 2022 and provisions for claims, including accessories, amounting to EUR 13 665 thousand, were dissolved.

## 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. On 23 October 2023, an amendment to the current collective agreement for the years 2023 to 2024 was signed, effective from 1 January 2024. The severance pay 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 respective multiples. The amount of long-term employee benefits for work jubilees is determined by the number of years continuously worked. There are 6 periods, where the first-time remuneration begins to be paid when 10 years are reached (EUR 120) and the last when 40 years are reached (EUR 620). As of December 31, 2023, the severance and other long-term employee benefit obligation was calculated on the basis of the applicable collective agreement effective January 1, 2023, and its amendment valid until December 31, 2024. As of 31 December 2022, the obligation for severance pay and other long-term employee benefits was calculated under the applicable collective bargaining agreement effective January 1, 2023.

As at 31 December 2023, there were 779 (31 December 2022: 761) 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 2023 are as follows:

| | ***Long-term benefits*** | ***Post-employment benefits*** | ***Total at 31 December 2023*** | ***Total at 31 December 2022*** |
|---|---|---|---|---|
| Net liability at 1 January | 208 | 720 | 928 | 1 091 |
| Expenses of the past and current service, net | 14 | 44 | 58 | 60 |
| Interest expense | 8 | 29 | 37 | 9 |
| Employee benefits paid | (25) | (54) | (79) | (121) |
| *Actuarial (gains)/losses:* | | | | |
| Actuarial (gains)/losses from a change in demographic assumptions | - | - | - | - |
| Actuarial (gains)/losses from a change in financial assumptions | 3 | 13 | 16 | (296) |
| Actuarial (gains)/losses arising from experience | (1) | (3) | (4) | 185 |
| **Net liabilities** | **207** | **749** | **956** | **928** |

| | ***Current liabilities (included in other current liabilities)*** | ***Non-current liabilities*** | ***Total*** |
|---|---|---|---|
| At 31 December 2023 | 92 | 864 | 956 |
| At 31 December 2022 | 91 | 837 | 928 |

(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 2023* | *Total at 31 December 2022* |
|---|---|---|---|---|
| Expenses of the past and current service, net | 14 | 44 | 58 | 60 |
| Interest expense | 8 | 29 | 37 | 9 |
| Other (decrease of liability) | 2 | - | 2 | (47) |
| **Total expenses for employee benefits** | **24** | **73** | **97** | **22** |

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 2023* | *Total at 31 December 2022* |
|---|---|---|---|---|
| Actuarial (gains)/losses from a change in demographic assumptions | - | - | - | - |
| Actuarial (gains)/losses from a change in financial assumptions | - | 13 | 13 | (245) |
| Actuarial (gains)/losses arising from experience | - | (3) | (3) | 181 |
| **Total actuarial (gains)/losses** | **-** | **10** | **10** | **(64)** |

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 2023* |
|---|---|---|---|
| Increase in the discount rate by 0.25% | 203 | 733 | 936 |
| Increase in inflation by 0.25% | 210 | 761 | 971 |
| Decrease in the discount rate by 0.25% | 210 | 765 | 975 |
| Decrease in inflation by 0.25% (at 0%) | 207 | 738 | 945 |

**Key assumptions used in actuarial valuation:**

| | *At 31 December 2023* | *At 31 December 2022* |
|---|---|---|
| Market yield on government bonds | 3.760 % | 3.969 % |
| 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 63.6. |

**(EUR '000)**

## 13. PROVISIONS

The movements in provisions for liabilities are summarised as follows:

| | ***Provision for onerous contracts*** | ***Other provisions*** | ***Total at 31 December 2023*** | ***Total at 31 December 2022*** |
|---|---|---|---|---|
| Balance at 1 January | 41 875 | 40 161 | 82 036 | 50 249 |
| Effect of discounting | - | - | - | (38) |
| Additions | 29 442 | 40 | 29 482 | 43 389 |
| Use | (45 353) | - | (45 353) | (7 238) |
| Reversal | (25 964) | - | (25 964) | (4 326) |
| **Closing balance** | **-** | **40 201** | **40 201** | **82 036** |

The provisions are included in liabilities as follows:

| | ***Current provisions*** | ***Non-current provisions*** | ***Total provisions*** |
|---|---|---|---|
| At 31 December 2023 | 23 | 40 178 | 40 201 |
| At 31 December 2022 | 41 875 | 40 161 | 82 036 |

a) Provision for Onerous Contracts

The Company as of 31 December 2022 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. These provisions were 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, would 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 de-hedge operations carried out in 2022 related to the years 2022 and 2023.

As of December 31, 2023, the company has not identified a provision for onerous contracts related to irrevocable contractual commitments to deliver natural gas to customers and business partners from sales contracts in 2024 and beyond.

The calculation of this provision depends on many assumptions of current market information about the future development of natural gas prices in spot markets, which are fluctuating.

b) Other Provisions

Other provisions amounting to EUR 40 201 thousand (31 December 2022: EUR 40 161 thousand) comprise a provision for various pending court and other potential disputes. Refer also to Note 28.

## 14. LOANS

| | ***31 December 2023 Secured*** | ***31 December 2023 Unsecured*** | ***31 December 2023 Total*** | ***31 December 2022 Secured*** | ***31 December 2022 Unsecured*** | ***31 December 2022 Total*** |
|---|---|---|---|---|---|---|
| Interest-bearing borrowings | - | 250 000 | 250 000 | - | 535 988 | 535 988 |
| Bonds | - | - | - | - | - | - |
| **Total** | **-** | **250 000** | **250 000** | **-** | **535 988** | **535 988** |
| | | | | | | |
| Loans by currency | | | | | | |
| EUR | | | | | | |
| – with fixed interest rate | - | - | - | - | 50 187 | 50 187 |
| – with variable interest rate | - | 250 000 | 250 000 | - | 485 801 | 485 801 |
| **Total loans** | **-** | **250 000** | **250 000** | **-** | **535 988** | **535 988** |
| | | | | | | |
| Loans are due as follows: | | | | | | |
| Less than 1 year | - | 250 000 | 250 000 | - | 535 988 | 535 988 |
| 1 to 2 years | - | - | - | - | - | - |
| 2 to 5 years | - | - | - | - | - | - |
| More than 5 years | - | - | - | - | - | - |
| **Total loans** | **-** | **250 000** | **250 000** | **-** | **535 998** | **535 988** |

**(EUR ‘000)**

In 2023 and 2022, SPP drew loans denominated in EUR with variable and fixed interest rate. As at 31 December 2023, variable interest rate loans from commercial banks amounting to EUR 250 000 thousand have been drawn, maturing during the months of January to March 2024. As at 31 December 2022, short-term loans and floating rate overdrafts from commercial banks amounting to EUR 485 801 thousand have been drawn and repaid in 2023 as well as short-term financial assistance with a fixed interest rate from entities under the Ministry of Economy of the Slovak Republic in the amount of EUR 50 187 thousand, which were repaid during 2023.

Short-term loans can be drawn on a revolving basis with an interest period of 1 to 3 months or as an overdraft loan facility. The loans were not secured by any assets.

Interest rates on loans:

| ***Loans*** | **2023** | **2022** |
|---|---|---|
| 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 2023*** | ***31 December 2022*** | ***31 December 2023*** | ***31 December 2022*** |
| Loans | 250 000 | 535 988 | 250 000 | 535 988 |
| Bonds | - | - | - | - |
| **Total** | **250 000** | **535 988** | **250 000** | **535 988** |

SPP has the following outstanding credit facilities:

| | ***31 December 2023*** | ***31 December 2022*** |
|---|---|---|
| Variable rate: | | |
| - due within 1 year | 719 000 | 429 199 |
| - due after more than 1 year | - | - |
| Fixed rate: | | |
| - due within 1 year | - | - |
| - due after more than 1 year | - | - |
| **Total** | **719 000** | **429 199** |

## 15. DEFERRED INCOME

Deferred income mainly comprises the unused part of the European Commission grant related to the implementation of the fueLCNG of EUR 2 642 thousand (31 December 2022: EUR 2 653 thousand). Maximum amount of the grant amounts to EUR 15 207 thousand.

## 16. OTHER NON-CURRENT LIABILITIES AND LEASE LIABILITIES

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Non-current liabilities from financial derivatives | 139 219 | 281 831 |
| Non-current lease liabilities | 2 521 | 2 092 |
| **Total** | **141 740** | **283 923** |

The Company recognised lease liabilities as follows:

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Short-term lease liabilities (Note 17) | 825 | 701 |
| Non-current lease liabilities | 2 521 | 2 092 |
| **Lease liabilities total** | **3 346** | **2 793** |

**(EUR '000)**

Maturity analysis of lease liabilities:

| | *At 31 December 2023* | *At 31 December 2022* |
|---|---|---|
| Within 1 year | 825 | 701 |
| 1 to 5 years | 2 141 | 1 859 |
| More than 5 years | 380 | 233 |
| **Total** | **3 346** | **2 793** |

## 17. TRADE AND OTHER PAYABLES

| | *At 31 December 2023* | *At 31 December 2022* |
|---|---|---|
| Payables from natural gas purchases and sales | 203 277 | 526 855 |
| Payables from electricity purchases and sales | 78 474 | 53 965 |
| Contractual payables from sales to customers | 126 167 | 93 229 |
| Other trade payables and other payables | 108 827 | 865 742 |
| *From which Short-term lease liabilities* | *825* | *701* |
| Amounts due to employees | 6 227 | 6 155 |
| Social security and other taxes | 72 956 | 26 866 |
| Payables from financial derivatives | 567 502 | 778 961 |
| Payables from distribution activities | 8 985 | 8 974 |
| **Total** | **1 172 415** | **2 360 747** |

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 2023:

| | *Current liabilities* | *Non-current liabilities* | *Total* |
|---|---|---|---|
| At 31 December 2023 | 126 167 | - | 126 167 |
| At 31 December 2022 | 93 229 | - | 93 229 |

Trade payables and other payables as at 31 December 2023 mainly represent liabilities from the settlement of derivative contracts with actual delivery of EUR 73 136 thousand. Other trade payables and other payables as at 31 December 2022 mainly comprised 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 2023 also include payables to SPP CZ, a.s. of EUR 19 163 thousand (31 December 2022: EUR 18 635 thousand), to SPP CNG s.r.o. of EUR 689 thousand (31 December 2022: EUR 1 355 thousand) and to CEBZ s.r.o. of EUR 1 000 thousand (31 December 2022: EUR 0 thousand).

As at 31 December 2023, SPP recorded payables within maturity of EUR 1 172 415 thousand; no overdue payables were recorded. As at 31 December 2022 (for the comparable period), SPP recorded payables within maturity of EUR 2 360 747 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 2023 | 279 |
| Total additions: | 312 |
| *from expenses* | *312* |
| *non-mandatory allotment* | - |
| Total drawing: | (338) |
| *monetary bonuses and gifts* | *(18)* |
| *work jubilee benefits* | *(19)* |
| *catering allowance* | *(90)* |
| *benefit cafeteria* | *(28)* |
| *other drawing as per the collective agreement* | *(183)* |
| **Closing balance as at 31 December 2023** | **253** |

## 18. REGISTERED CAPITAL

As a result, the Company's registered capital as at 31 December 2023 and 31 December 2022 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 2022: 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 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 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Opening balance | 399 923 | 335 840 |
| Gain/loss from cash flow hedging | | |
| Commodity swap and futures contracts | (75 922) | 506 232 |
| Interest rate swap contracts | - | - |
| Income tax applicable to gains/losses recognised through equity | 15 944 | (106 309) |
| Transfer to profit/loss | | |
| Commodity swap contracts | (506 232) | (425 114) |
| Interest rate swap contracts | - | - |
| Income tax applicable to gains/losses recognised through profit/loss | 106 309 | 89 274 |
| **Closing balance** | **(59 978)** | **399 923** |

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 2023 the Company recognised a deferred tax asset related to hedging reserve of EUR 15 944 thousand (31 December 2022: deferred tax liability in the amount of EUR 106 309 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 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Sale of natural gas | - | - |
| Purchases of natural gas and consumption of materials and energy | 506 232 | 425 114 |
| Other costs, net | - | - |
| Finance (costs)/revenues | - | - |
| Income tax charged to expenses | (106 309) | (89 274) |
| **Total** | **399 923** | **335 840** |

***Retained Earnings and Profit Distribution***

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

| **Type of allotment** | *Distribution of 2022 profit* | *Distribution of 2021 profit* |
|---|---|---|
| Net profit amount for dividends pay-out and other allotments | - | 223 800 |
| Transfer to retained earnings | 24 978 | 10 649 |
| **Profit for the 2021/2020 period** | **24 978** | **234 449** |

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.

**(EUR ‘000)**

## 20. REVENUE FROM CONTRACTS WITH CUSTOMERS, COMPENSATIONS AND OTHER GAINS AND LOSSES

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Revenues from the sale of natural gas | 3 310 074 | 3 411 785 |
| Revenues from the sale of electricity | 595 770 | 531 495 |
| Other revenues | 18 350 | 12 114 |
| **Total revenues from contracts with customers** | **3 924 194** | **3 955 394** |

### Compensations

For the year ending 31 December 2023, the company accounted for a compensation received and the entitlement to compensation received from the Ministry of Economy of the Slovak Republic related to the supply of gas and electricity in 2023 in the amount of EUR 777 016 thousand (see Note 3p and Note 28 Price regulation).

### Other gains and losses

In view of the developments in the commodity markets and in line with the adopted business strategy, during 2023 and 2022 the Company reclassified a portion of hedging derivatives - originally recognised in the hedging reserve in equity - to non-hedging derivatives, as a result of which it recognised a loss on derivative transactions in the amount of EUR 92 052 thousand (for the year ended 31 December 2022: gain from derivative operations amounting to EUR 1 004 557 thousand).

In accordance with the Contract on the implementation of extraordinary measures to eliminate the impact of the increase in electricity prices on specific groups of consumers, reg. no. MH SR 236/2023-2060-4100 of 14 September 2023, signed between the Slovak Republic on behalf of which the Ministry of Economy of the Slovak Republic and the Ministry of Finance of the Slovak Republic and Slovak Power Holding, B.V. and Slovenské elektrárne, a. s. and Slovenský plynárenský priemysel, a. s., SPP, as Agent, is entitled to financial compensation for the undelivered amount of electricity for the year 2023. For the year ended 31 December 2023, the Company recognised the financial compensation in the line Other gains and losses with a double entry in Receivables and prepayments to Slovenské elektrárne, a.s.

## 21. PERSONNEL EXPENSES

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Wages, salaries and bonuses | 24 694 | 24 565 |
| Social security costs | 10 182 | 9 692 |
| **Total staff costs** | **34 876** | **34 257** |

The Company pays a contribution of 35.2% of the relevant statutory assessment base, which is capped at EUR 8 477 (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 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Interest income | 10 238 | 3 286 |
| Dividends from joint ventures and associated companies | 291 228 | - |
| Other income/(losses) on investments, net | 1 293 | (279) |
| **Total investment income** | **302 759** | **3 007** |

**(EUR '000)**

## 23. FINANCE COSTS

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Interest expense | (19 260) | (4 262) |
| Foreign exchange differences from financing activities – gain/(loss) | (271) | (61) |
| Other | (482) | (2 569) |
| **Total finance costs** | **(20 013)** | **(6 892)** |

## 24. COSTS OF AUDIT SERVICES

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Audit of financial statements | 99 | 79 |
| Other assurance services | - | - |
| **Total** | **99** | **79** |

## 25. TAXATION

### 25.1. Income Tax

Income tax comprises the following:

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Current income tax | 20 767 | 19 463 |
| Special levy on business in regulated industries | 12 766 | 658 |
| Deferred income tax (Note 25.2) | | |
| – Current year | (2 665) | (29 394) |
| **Total** | **30 868** | **(9 273)** |

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

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Profit before taxation | 321 174 | 15 705 |
| Income tax at the rate of 21% | 67 447 | 3 298 |
| Effect of income exempt from taxation and adjustments from permanent differences between net book and net tax values of assets and liabilities | (42 185) | (3 312) |
| Reversal of a deferred tax and effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised | (6 286) | (9 950) |
| Effect of the change in the tax rate | | |
| Special levy incl. the effect of a special levy as a tax-deductible item | 11 798 | 637 |
| Other adjustments | 94 | 54 |
| **Income tax for the year** | **30 868** | **(9 273)** |

The actually recognised tax rate differs from the tax rate of 21% stipulated by law in 2023 and 2022 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 2023, the Company has recognised tax payable in the income statement in the amount of EUR 20 767 thousand (31 December 2022: EUR 19 463 thousand).

**(EUR '000)**

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 u).

As at 31 December 2023, the company accounted a liability from the special levy on business in regulated industries of EUR 7 686 thousand (as at 31 December 2022: receivable of EUR 7 977 thousand), which was recognised together with a current income tax liability due of EUR 10 767 thousand (31 December 2022: liability of EUR 19 409 thousand), on the balance sheet on the line income tax liabilities of EUR 18 453 thousand (31 December 2022: a net liability of EUR 11 432 thousand).

### 25.2. Deferred Income Tax

For the deferred income tax calculation, the Company applied the income tax rate of 21%.

As the company expects sufficient tax profits in the near future, it has booked a deferred tax asset for all temporary differences as at December 31, 2023. As at December 31, 2022, a deferred tax asset was posted only in the amount of the anticipated tax revenues for its realization.

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 2023*** | ***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* | 8 719 | - | - |
| *Provisions, employee benefits and other* | 1 480 | - | - |
| *Allowance for receivables* | 2 156 | - | - |
| *Allowance for inventories* | 19 704 | - | - |
| *Tax losses* | - | - | - |
| *Provision for hedging derivatives* | - | - | 15 944 |
| **Total** | **32 059** | **-** | **15 944** |

| ***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 | - |
| *Provision for hedging derivatives* | - | - | (106 309) |
| **Total** | **29 394** | **16 097** | **(106 309)** |

As at 31 December 2023, the Company recognised a deferred tax asset in the profit and loss account in the amount of EUR 32 059 thousand and a deferred tax asset related to the hedging reserve in equity (Note 19) in the amount of EUR 15 944 thousand with the double entry on the balance sheet on the line deferred tax asset in the amount of EUR 48 003 thousand.

As at 31 December 2022, the Company has booked a deferred tax asset in the profit and loss account in the amount of EUR 29 394 thousand and a deferred tax liability related to the hedging reserve in equity (Note 19) in the amount of EUR 106 309 thousand with a net double entry on the balance sheet line deferred tax liability of EUR 76 915 thousand.

The amount of temporary differences and tax loss for which no deferred tax asset was recognized as of 31 December 2023 was EUR 0 thousand (31 December 2022: EUR 76 652 thousand).

**(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 2023* | *Before tax* | *Tax* | *After tax* |
|---|---|---|---|
| Increase/(decrease) in financial investment revaluation reserve | - | - | - |
| Hedging derivatives (cash flow hedging) | (582 154) | 122 253 | (459 901) |
| Other | (10) | - | (10) |
| **Other comprehensive income for the period** | **(582 164)** | **122 253** | **(459 911)** |

| *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** |

## 27. CASH FLOWS FROM OPERATING ACTIVITIES

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Profit before tax | 321 174 | 15 705 |
| Adjustments for: | | |
| Depreciation and amortisation | 9 051 | 8 714 |
| Interest loss/(income), net | 9 022 | 976 |
| (Income)/loss from financial investments | (290 915) | 11 827 |
| Derivatives | 170 413 | (281 288) |
| Provisions and other non-cash items | (37 167) | 101 983 |
| Loss/(profit) from sale of non-current assets | (13) | (428) |
| (Increase)/decrease in receivables and prepayments | (669 106) | (549 222) |
| (Increase)/decrease in inventories | 862 339 | (1 420 009) |
| Increase/(decrease) in trade and other payables | (750 960) | (198 955) |
| **Cash flows from operating activities** | **(376 162)** | **(2 310 697)** |

## 28. COMMITMENTS AND CONTINGENCIES

### Capital Expenditure Commitments

As at 31 December 2023, contracts have been concluded for the acquisition of fixed assets in the amount of EUR 12 349 thousand (as at 31 December 2022: EUR 11 824 thousand) which are 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 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 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Depreciation expense of right-of-use assets | 870 | 688 |
| Interest expense on lease liabilities | 63 | 12 |
| **Total amount recognised in the income statement** | **933** | **700** |

**Operating leases – the Company as a lessor**

The Company leases non-residential premises (approx. 66 301 m²), land plots including external carparks and movable assets. The annual lease revenues recognised in income statement for the period amounted to EUR 3 032 thousand (2022: EUR 3 003 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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Within 1 year | 5 047 | 4 495 |

**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.

In order to increase the security of gas supply, SPP has secured alternative supplies to its customers and diversified its portfolio, in particular by purchasing 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 URSO’s (The Regulatory Office for Network Industries) 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 The Regulatory Office for Network Industries (ÚRSO)’s price decisions for distribution companies and the market and transmission system operator.

**Guarantees provided**

The guarantees provided by the Company represent a guarantee of SPP as the parent company for SPP CZ, a.s. in favour of third parties in the total amount of EUR 20 280 thousand as at 31 December 2023, (as at 31 December 2022: EUR 16 269 thousand). The amount of bank and other guarantees provided to the Company as at 31 December 2023 amounted to EUR 156 547 thousand (as at 31 December 2022: EUR 132 279 thousand).

**Taxation**

The Company has transactions with subsidiaries and associated companies and other related parties. All transactions with these related parties are valued based on the independent market price principle. 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, six (6) bills of exchange with principal totalling EUR 30 million are at various stages of legal proceedings before courts in the Slovak Republic. In another ten (10) cases related to bills of exchange with principal totalling approximately EUR 167 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**") 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 Z.z. on Energy Efficiency and on amendments to certain acts (the "**Energy Efficiency Act**") and Act no. 309/2009 Z.z. on the promotion of renewable energy sources and high-efficiency production and on amendments to certain acts (the "**RES Act**"). The Energy Efficiency Act establishes, inter alia, a framework for the rational use of energy, measures to promote and improve energy efficiency, rights and obligations of persons in the field of energy efficiency and in conducting an energy audit, business in the field of providing energy services and regulates the rules for providing information to final energy customers. The RES Act regulates the institute of a buyer of electricity from renewable energy sources and high-efficiency cogeneration, while for the period from 2023 to 2025 SPP became the buyer of electricity for the entire territory of the Slovak Republic, based on direct determination 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, measures to avoid high energy prices and improve security of energy supply continued to affect the SPP's business activity in 2023. 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 and Council Regulation (EU) 2022/2578 of 22 December 2022 introducing a market correction mechanism to protect Union citizens and the economy against excessively high prices.

The business activity of the SPP is also affected by Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, which lays down rules to ensure the functioning of the internal electricity market and will also be affected in the future by the so-called electricity market reform (i.e. package of legislative amendments), the agreement was announced by the European Council and the European Parliament at the end of 2023.

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 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 the 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 concerning measures for 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 stipulated by the Act on Regulation. The year 2023 was the first year of the new regulatory period 2023-2027. Regulatory policy defines the strategy, scope and basic contours of how regulation is implemented, namely for the electricity, gas, thermal energy and water sectors. Regulatory policy for the current 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.

The supply of electricity and gas to households and vulnerable customers (i.e. small customers, social service facilities, facilities for social-legal protection of children and social guardianship, and customers using electricity or gas to produce heat and hot water for households in a common heat and hot water facility), gas supply to suppliers of last resort and production, distribution and supply of heat and performance of the activity of an electricity buyer were subject to price regulation in 2023.

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, ÚRSO Decree No. 107/2023 Coll. laying down price regulation of electricity supply, ÚRSO Decree No. 370/2023 Coll. laying down price regulation in the field of support of electricity production and certain related conditions for carrying out regulated activities (during the year it replaced ÚRSO Decree No. 18/2017 Coll., laying down price regulation in the electricity sector and certain conditions for carrying out regulated activities in the electricity sector) and ÚRSO Decree No. 312/2022 Coll. establishing price regulation in thermal energy.

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 have taken several measures to reduce these impacts on certain groups of customers. Based on these measures, the company applied in 2023 maximum prices calculated in the manner determined 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. establishing maximum prices for a part of the regulated gas supply to household and small gas final customers and regulated electricity supply to 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., establishing maximum prices for a part of the regulated supply of electricity and gas for selected final customers and the amount of tariffs for households and selected electricity customers, as subsequently amended ("Regulation No. 465/2022"). Pursuant to the Regulation of the Government of the Slovak Republic No. 463/2023 Coll., establishing the maximum price for a part of the regulated gas supply to final household gas customers, the maximum price for a part of the regulated electricity supply to selected vulnerable electricity customers and maximum price for part of regulated gas supply to selected vulnerable gas customers and the conditions for their application ("Regulation No. 463/2023") will continue in 2024 to set prices for final gas and small customers as determined for 2023 in Regulation no. 19/2023 and for electricity customers as they were determined for 2023 in 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 is paid in the form of compensations approved by the Ministry of Economy of the Slovak Republic on a monthly basis. Compensation for the prices set out in Regulation No. 19/2023 will also be paid in 2024 on the basis of Regulation No. 463/2023 and Government Resolution No. 687/2023.

In 2023, SPP also fulfilled the role of the so-called agent under the Decision of the Ministry of Economy of the Slovak Republic No. 66390/2022-1060-136599 in the general economic interest in order to ensure the security, regularity, quality and price of electricity supplies to household electricity customers. Based on this decision, SPP purchased electricity from a designated producer (Slovenské elektrárne, a.s.) or on the market and supplied it at a specified price to each electricity supplier who was a settlement subject under the Energy Act and carried out 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. SPP will continue to act as an agent in 2024.

**(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 2023 and 31 December 2022. 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 2023 and year 2022. 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 2023*** | | | | | ***At 31 December 2023*** | | |
|---|---|---|---|---|---|---|---|---|
| | ***Revenues*** | ***Creation/ (reversal) of provisions for receivables*** | ***Expenses*** | ***Dividends*** | ***Other*** | ***Receivables including granted loans*** | ***Provisions for receivables*** | ***Payables*** |
| Ministry of Economy of the SR | 779 772 | - | - | - | 12 | 18 838 | - | - |
| Subsidiaries | 231 181 | - | 108 | - | 628 | 46 980 | - | 19 852 |
| Associated companies | 291 228 | - | - | - | - | 138 228 | - | - |
| Joint ventures | - | - | - | - | 2 003 | - | - | 1 000 |
| Other related parties | 41 868 | - | 448 029 | - | - | 13 234 | - | 46 905 |

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 2022*** | | | | | ***At 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 |
| 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 |

**(EUR '000)**

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

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the Company's bodies, total | 1 422 | 1 859 |
| *Of which:* | | |
| *Board of Directors and executive management* | *1 303* | *1 696* |
| *Supervisory Board* | *119* | *163* |
| Benefits in kind to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's bodies, total | 64 | 61 |
| *Of which:* | | |
| *Board of Directors and executive management* | *64* | *61* |
| *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 | doc. Ing. Vojtech Ferencz, PhD. since 23.11.2023 |
| | Chairman | Mgr. Miroslav Kulla until 22.11.2023 |
| | Vice-Chairman | Ing. Martin Rybár since 23.11.2023 |
| | Vice-Chairman | Ing. Marián Široký until 22.11.2023 |
| | Member | JUDr. Pavel Jurek since 23.11.2023 |
| | Member | Mgr. Boris Machút since 23.11.2023 |
| | Member | Ing. Juraj Ondris, MBA since 23.11.2023 |
| | Member | Mgr. Peter Kučera until 22.11.2023 |
| | Member | Ing. Eduard Macejka until 22.11.2023 |
| | Member | JUDr. Slavomír Vorobel, MPH until 22.11.2023 |
| ***Supervisory Board*** | Chairman | Dr. h. c. Ing. Tibor Mikuš, PhD. |
| | Vice-Chairman | Ing. Ivan Šramko since 1.12.2023 |
| | Member | Ing. Miloš Dančo |
| | Member | Ing. Róbert Gold, CA since 23.11.2023 |
| | Member | Ing. Štefan Kapusta since 23.11.2023 |
| | Member | Ing. Martin Kohútik since 23.11.2023 |
| | Member | PhDr. Zuzana Ružeková |
| | Member | Ing. Ivan Šramko from 23.11.2023 till 30.11.2023 |
| | Member | Viera Uhrová |
| | Member | Mgr. Iveta Barancová until 22.11.2023 |
| | Member | JUDr. Martin Javorček until 22.11.2023 |
| | Member | Ing. Július Mazán until 22.11.2023 |
| | Member | Mgr. Renáta Zolnaiová until 22.11.2023 |
| | Member | |
| ***Executive*** | Chief Executive Officer | doc. Ing. Vojtech Ferencz, PhD. since 24.11.2023 |
| | Chief Executive Officer | Mgr. Miroslav Kulla until 22.11.2023 |
| | Director of Sales Division | Mgr. Peter Kučera |
| | Director of Finance Division | Ing. Miroslav Jankovič |
| | Director of the Business Development Division | Ing. Rastislav Nemec until 31.5.2023 |
| | Director of Corporate Matters Division | Mgr. Tomáš Niepel, LL.M. until 31.5.2023 |
| | Director of the Internal Services Division | Ing. Adrián Markusek until 31.5.2023 |

**(EUR '000)**

### b) Consolidated Financial Statements

As at 31 December 2023, 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 2023 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 up to 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 up to 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 2023, 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:*** |
|---|---|---|---|
| 13 March 2024 | | | |
| ***Approved on:*** | doc. Ing. Vojtech Ferencz, PhD.<br>Chairman of the Board of Directors<br>Chief Executive Officer | Ing. Peter Bagin<br>Director of Finance Division | Ing. Zoltán László<br>Director of Accounting and Taxes Department |
| | Ing. Martin Rybár<br>Vice-Chairman of the Board of Directors | | |

**Proposal**
**for the distribution of SPP's profit for 2023**

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The 2023 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 2023 Profit Distribution Proposal is based on the audited 2023 Individual Financial Statements.

| | | |
|---|---|---|
| **I.** | **Net profit** | **€290 306 434.82** |
| **II.** | **Replenishment of statutory reserve fund**<br>pursuant to Article XVIII of the Articles of Association, the reserve fund has reached the 20% share capital limit | **€0.00** |
| **III.** | **Net profit**<br>**allocated for dividends** | **€290 306 434.82** |
| **IV.** | **Transfer to retained earnings** | **€0.00** |
| **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 2023**

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

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# 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 statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at 31 December 2023, 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 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.



Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Mestského súdu Bratislava III, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

*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 business activities 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 Consolidated Annual Report*

Management is responsible for the information disclosed in the consolidated 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 consolidated annual report.

In connection with audit of the consolidated financial statements it is our responsibility to understand the information disclosed in the consolidated 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 consolidated 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 consolidated annual report prepared for 2023 is consistent with the consolidated financial statements for the relevant year,
- The consolidated 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.

13 March 2024
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 2023 and 31 December 2022**
**(in thousand EUR)**

| | *Note* | *31. December 2023* | *31 December 2022* |
|---|---|---|---|
| **ASSETS:** | | | |
| **NON-CURRENT ASSETS** | | | |
| Investment property | 9 | 23 132 | 21 781 |
| Land, property, plant and equipment | 8 | 66 870 | 66 944 |
| Investments recognised using the equity method | 7 | 1 645 917 | 1 614 801 |
| Other investments | | 1 168 | 1 090 |
| Non-current intangible assets | 10 | 10 128 | 11 834 |
| Other non-current assets | | 88 227 | 239 078 |
| Deffered tax asset | 26 | 48 241 | - |
| **Total non-current assets** | | **1 883 683** | **1 955 528** |
| **CURRENT ASSETS** | | | |
| Inventories | 11 | 573 403 | 1 434 813 |
| Receivables and prepayments | 12 | 1 622 569 | 2 682 353 |
| Cash and cash equivalents | | 155 448 | 18 548 |
| Other assets | | - | 62 |
| **Total current assets** | | **2 351 420** | **4 135 776** |
| Non-current assets held for sale | | 951 | 953 |
| **TOTAL ASSETS** | | **4 236 054** | **6 092 257** |
| **EQUITY AND LIABILITIES:** | | | |
| **CAPITAL AND RESERVES** | | | |
| Registered capital | 19 | 885 062 | 885 062 |
| Legal and other reserves | 20 | 1 845 347 | 1 847 418 |
| Hedging reserve | 20 | (69 668) | 261 203 |
| Retained earnings | | (64 729) | (266 718) |
| **Total equity** | | **2 596 012** | **2 726 965** |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred income | 16 | 2 679 | 2 694 |
| Provisions | 14 | 40 178 | 40 161 |
| Retirement and other long-term employee benefits | 13 | 864 | 837 |
| Deferred tax liability | 26 | - | 76 915 |
| Other non-current liabilities | 17 | 142 325 | 284 114 |
| **Total non-current liabilities** | | **186 046** | **404 721** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 18, 17 | 1 182 189 | 2 368 348 |
| Short-term loans | 15 | 250 000 | 535 988 |
| Tax liabilities from income tax | 26 | 21 273 | 12 024 |
| Provisions and other current liabilities | 14 | 534 | 44 211 |
| **Total current liabilities** | | **1 453 996** | **2 960 571** |
| **Total liabilities** | | **1 640 042** | **3 365 292** |
| **TOTAL EQUITY AND LIABILITIES** | | **4 236 054** | **6 092 257** |

The financial statements on pages 4 to 53 were signed on 13 March 2024 on behalf of the Board of Directors:

doc. Ing. Vojtech Ferencz, PhD.
Chairman of the Board of Directors
Chief Executive Officer

Ing. Martin Rybár
Vice-Chairman of the Board of Directors

**(in thousand EUR)**

| | *Note* | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|---|
| Revenues from contracts with customers | 21 | 4 182 212 | 4 115 567 |
| Compensations | | 777 016 | - |
| Other gains and losses | | (95 787) | 1 133 536 |
| | | | |
| Own work capitalised | | 4 111 | 5 462 |
| Purchases of natural gas, electricity and consumables and services | | (4 632 799) | (5 045 880) |
| Depreciation and amortisation | 8, 9, 10 | (9 391) | (8 948) |
| Storage of natural gas and other services | | (127 199) | (109 322) |
| Staff costs | 22 | (36 947) | (35 619) |
| Provisions for bad and doubtful receivables, net | 12 | (3 166) | 9 184 |
| Provisions and impairment losses, net | 14 | (3 861) | (39 309) |
| **Operating profit** | | **54 189** | **24 671** |
| | | | |
| Gain/(loss) on investments | 23 | 10 104 | 3 113 |
| Share in profit of associated undertakings and joint ventures | 7 | 192 842 | 316 631 |
| Finance costs | 24 | (21 027) | (7 396) |
| **Profit/(loss) before income taxes** | | **236 108** | **337 019** |
| | | | |
| Income tax | 26 | (34 119) | 8 776 |
| **PROFIT FOR THE PERIOD** | | **201 989** | **345 795** |

**(in thousand EUR)**

| | ***Note*** | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|---|
| **Net profit for the period** | | **201 989** | **345 795** |
| **Other comprehensive income (may be reclassified to profit or loss in the future):** | 27 | **(332 932)** | **142 221** |
| Movement in FX translation reserve - impact from the consolidation of the subsidiary and the share from the associated company | | (2 061) | 1 128 |
| Hedging derivatives (Cash flow hedging): | | (418 954) | 178 528 |
| *Gains (losses) for the period* | | *(582 154)* | *81 118* |
| *Gains (losses) for the period – the share from the associated company* | | *163 200* | *97 410* |
| Deferred tax related to items of other comprehensive income reclassified to profit or loss in the future | | 122 253 | (17 035) |
| Deferred tax related to items of other comprehensive income reclassified to profit or loss in the future - the share from the associated company | | (34 170) | (20 400) |
| **Other comprehensive income (not reclassified to profit or loss in the future):** | 27 | **(10)** | **64** |
| Change in the liability for employee benefits | | (10) | 64 |
| **Other net comprehensive income for the period** | | **(332 942)** | **142 285** |
| **Total net comprehensive income/(loss) for the period** | | **(130 953)** | **488 080** |

**(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 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** |
| Net profit for the period | - | - | - | - | 201 989 | 201 989 | | 201 989 |
| Other comprehensive income for the period | - | (10) | (2 061) | (330 871) | - | (332 942) | - | (332 942) |
| **Total comprehensive income** | **885 062** | **1 837 638** | **7 709** | **(69 668)** | **(64 729)** | **2 596 012** | | **2 596 012** |
| Dividends | - | - | - | - | - | - | - | - |
| Shareholder’s contribution | - | - | - | - | - | - | - | - |
| **At 31 December 2023** | **885 062** | **1 837 638** | **7 709** | **(69 668)** | **(64 729)** | **2 596 012** | **-** | **2 596 012** |

**(in thousand EUR)**

| | *Note* | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|---|
| **Operating activities** | | | |
| Cash flows from operating activities | 28 | (371 569) | (2 313 229) |
| Proceeds from received compensations | | 910 037 | - |
| Interest paid | | (18 869) | (4 128) |
| Interest received | | 10 492 | 3 438 |
| (Income tax paid)/Tax overpayments refunded | | (27 457) | (9 398) |
| Net cash flows from operating activities | | 502 634 | (2 323 317) |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | | (11 215) | (8 123) |
| Expenditure on provided borrowings | | (1 003) | - |
| Revenue from loans granted | | 605 | 55 |
| Expenditure on financial investments | | - | - |
| Proceeds from the sale of land, property, plant and equipment and intangible assets | | 165 | 4 760 |
| Dividends received | | 153 000 | - |
| Net cash inflow/(outflow) from investing activities | | 141 552 | (3 308) |
| **Financing activities** | | | |
| Proceeds from interest-bearing borrowings | | 2 739 000 | 1 567 801 |
| Expenses for interest-bearing borrowings | | (3 024 988) | (1 182 000) |
| Increase in the capital fund from the shareholder's contributions | | - | 500 000 |
| Dividends paid | 20 | (220 000) | (3 800) |
| Payment of principal portion of lease liabilities | 17 | (948) | (765) |
| Other proceeds and expenditures from financial activities, net | | (79) | (98) |
| Net cash flows from financing activities | | (507 015) | 881 138 |
| **Net (decrease)/increase in cash and cash equivalents** | | **137 171** | **(1 445 487)** |
| **Cash and cash equivalents at the beginning of the period** | | **18 548** | **1 464 096** |
| Effects of foreign exchange fluctuations | | (271) | (61) |
| **Cash and cash equivalents at the end of the period** | | **155 448** | **18 548** |

**(in thousand EUR)**

# 1. GENERAL

## 1.1. General Information

The consolidated financial statements for the year ended 31 December 2023 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 2023 have been prepared pursuant to Article 22 of Act No. 431/2002 Coll. on Accounting, as amended, for the reporting period from 1 January 2023 until 31 December 2023.

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 almost 1.5 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 also 50% interest in joint venture ESCO Slovensko, a.s., which operates on the energy provision market. 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. In 2023, SPP and BRANTNER Slovakia s.r.o. established the joint venture CEBZ s.r.o., which aims to build technology centres to support the circular economy (see Notes 5 and Note 7).

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

On 18 April 2023, the Annual General Meeting approved the 2022 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 2023 was 760, of which 6 represented the executive management (for the year ended 31 December 2022: 741, of which 9 represented the executive management).

The actual number of full-time employees as at 31 December 2023 was 771 (as at 31 December 2022: 756).

## 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 2023.

***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:

- **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 Statements 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),

- **Amendments to IAS 12 "Income Taxes: International Tax Reform – Pillar two model rules" –** adopted by the EU on 8 November 2023 (effective for accounting periods beginning on or after 1 January 2023).

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:

- **Amendments to IFRS 16 "Leases: Lease liability in a sale and leaseback" -** adopted by the EU on 20 November 2023 (effective for accounting periods beginning on or after 1 January 2024),

- **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 - adopted by the EU on 19 December 2023 (effective for annual periods beginning on or after 1 January 2024).

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):

- **Amendments to IAS 7 "Cash Flow Statement" and IFRS 7 "Financial Instruments: Disclosures - Supplier Finance Arrangements"** (effective for accounting periods beginning on 1 January 2024 or later),

- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"** (effective for financial years beginning on or after 1 January 2024),

- **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 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.

Cash flow hedges

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:

| | ***2023*** | ***2022*** |
|---|---|---|
| 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 | 4 – 8 |
| 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:

| | ***2023*** | ***2022*** |
|---|---|---|
| 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) Compensations

Due to crisis regulation, the Government of the Slovak Republic, in accordance with Section 16a of the Regulatory Act, capped the maximum prices for gas and electricity supply to households and vulnerable customers (with the exception of electricity supply to household customers) through Government Regulation 465/2022 and Government Regulation 19/2023 (see Note 29), in addition to standard price regulation.

In accordance with Section 16a of the Regulatory Act and Government Regulation 465/2022 and Government Regulation 19/2023, the Ministry of Economy of the Slovak Republic pays compensation to gas and electricity suppliers on a regular monthly basis for the capped prices for gas and electricity supply.

The compensation serves to cover the difference between the price for gas and electricity supply determined by the URSO and the maximum price for gas and electricity supply determined by Government Regulation 465/2022 and Government Regulation 19/2023.

The Group credits the compensation received from the Ministry of Economy directly to the revenue account.

### q) 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.

### r) 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.

### s) 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.

### t) 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.

Property lease classification – Group as a lessor

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.

### u) 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. 235/2012 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 2023 is 0,00363 (the levy rate effective for 2022 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.

### v) 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.

### w) 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:

<u>Litigation</u>

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.

<u>Provision for Litigation and Potential Disputes</u>

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.

<u>Impairment of Property, Plant and Equipment</u>

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.

<u>Unbilled revenues from gas and electricity sales</u>

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.

<u>Allowances for bad debts</u>

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.

**(in thousand EUR)**

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 were based on market information on the future development of natural gas prices in spot markets, which are volatile. For more information, see Note 14.

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, as one of several measures by the Group to strengthen the security of gas supply.

In view of the ongoing extraordinary market situation, SPP continues negotiations with Gazprom export LLC, with the aim of securing stable natural gas supplies.

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 3q); 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 2023 and 31 December 2022:

| *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 2023 and as at 31 December 2022 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 |

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

## 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 2023 and 2022, 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 2023*** | ***As at 31 December 2022*** | ***As at 31 December 2023*** | ***As at 31 December 2022*** |
| CZK | 104 807 | 100 462 | 21 935 | 24 486 |

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 2023*** | ***As at 31 December 2022*** |
| Effect on profit/loss before tax | 104 | 97 |

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 2023 the Group used **commodity swap** contracts to manage the risk of commodity price fluctuations. In the same way as at 31 December 2022, 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 2023*** | | ***As at 31 December 2023*** | |
|---|---|---|---|---|
| | ***Nominal value*** | | ***Fair value*** | |
| ***In million EUR*** | ***Hedging*** | ***Held for trading*** | ***Hedging*** | ***Held for trading*** |
| Purchase/(Sell) gas | | | | |
| Less than 3 months | 205 636 | (196 409) | (62 510) | 67 713 |
| 3 to 12 months | 407 562 | 173 689 | (138 847) | (129 782) |
| Over 12 months | 330 393 | 47 249 | (82 145) | (41 840) |

| ***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 |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Commodity swaps | | |
| Nominal amount in MWh | 7 108 766 | 13 195 984 |
| Nominal amount in EUR ths. | 345 337 | 777 323 |

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

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Line in the statement of financial position | | |
| Other non-current assets | - | - |
| Receivables and prepayments | - | 296 003 |
| Other non-current liabilities | (14 292) | (57 938) |
| Trade and other payables | (80 341) | (269 494) |
| Nominal value recorded in contingent assets and liabilities | 345 337 | 777 323 |

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

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Line in the income statement | | |
| Purchase of natural gas, electricity and material and energy consumption | (238 770) | 482 124 |
| Revenue from contracts with customers | - | - |
| Line in the statement of other comprehensive income | | |
| Hedging derivatives (cash flow hedging) | (94 633) | (31 428) |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Line in the statement of financial position | | |
| Other non-current assets | 2 790 | 87 718 |
| Receivables and prepayments | 18 711 | 129 643 |
| Other non-current liabilities | (70 643) | (44 050) |
| Trade and other payables | (139 726) | (306 924) |
| Nominal value recorded in contingent assets and liabilities | 598 254 | 997 650 |

**(in thousand EUR)**

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

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Line in the statement of financial position | | |
| Other non-current assets | 69 913 | 44 042 |
| Receivables and prepayments | 138 888 | 306 903 |
| Other non-current liabilities | (2 745) | (87 476) |
| Trade and other payables | (17 874) | (130 364) |

**Financial Collateral**

As at 31 December 2023, the Group has an asset of EUR 247 350 thousand (31 December 2022 liability of EUR 596 411 thousand) from financial collateral accepted from counterparties with whom the Group has concluded hedging derivative contracts. The fair value of financial collateral is equal to the value of received funds. Counterparty is obliged to repay the collateral to the SPP 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 2023 and 31 December 2022, 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 2023*** | | ***31 December 2023*** | |
|---|---|---|---|---|
| | ***Nominal value*** | | ***Change in fair value*** | |
| | ***Hedging*** | ***Held for trading*** | ***Hedging*** | ***Held for trading*** |
| Purchase/(sell) gas | | | | |
| Less than 3 months | 24 500 | - | (2 878) | - |
| 3 to 12 months | 6 252 | - | (300) | - |
| Over 12 months | (4 097) | - | 175 | - |

| ***Open future contracts*** | ***31 December 2023*** | | ***31 December 2023*** | |
|---|---|---|---|---|
| | ***Nominal value*** | | ***Change in fair value*** | |
| | ***Hedging*** | ***Held for trading*** | ***Hedging*** | ***Held for trading*** |
| Purchase/(sell) electricity | | | | |
| Less than 3 months | (512) | - | 36 | - |
| 3 to 12 months | (5 367) | - | 197 | - |
| Over 12 months | (4 889) | - | (1 046) | - |

| ***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 future 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) | - |

The Group uses hedging 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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Futures contracts | | |
| Nominal amount in MWh | 714 785 | (3 905 761) |
| Nominal amount in EUR ths. | 25 665 | (532 714) |

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

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Line in the statement profit and loss | | |
| Purchase of natural gas, electricity and material and energy consumption | 261 409 | 193 718 |
| Line in the statement of other comprehensive income | | |
| Hedging derivatives (cash flow hedging) | 18 711 | 537 660 |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Nominal value recorded in contingent assets and liabilities | - | (1 163) |
| Line in the statement of financial position | | |
| Other non-current assets | - | - |
| Receivables and prepayments | - | 917 |
| Other non-currents liabilities | - | - |
| Trade and other payables | - | - |

(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 2023, short-term loans from commercial banks in the amount of EUR 250 000 thousand were drawn. 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.

**(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 2023, short-term loans from commercial banks in the amount of EUR 250 000 thousand were drawn. 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.

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 2023 in the amount of EUR 250 000 thousand (whereas the funds and tradable securities amounted to EUR 155 448 thousand), the net debt totals EUR 94 552 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 2023: EUR 719 000 thousand from banks).

The table below summarises the maturity of financial liabilities at 31 December 2023 and 31 December 2022 based on contractual undiscounted payments:

| | ***On demand*** | ***Less than 3 months*** | ***3 to 12 months*** | ***1 to 5 years*** | ***> 5 years*** | ***Total*** |
|---|---|---|---|---|---|---|
| **31 December 2023** | | | | | | |
| Trade payables | - | 520 579 | - | - | - | 520 579 |
| Other liabilities | - | 117 779 | 467 491 | 141 796 | 529 | 727 595 |
| Loans bearing floating interest | - | 250 000 | - | - | - | 250 000 |
| Loans bearing fixed interest (Note 15) | - | - | - | - | - | - |
| | | | | | | |
| **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 |

**(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 2023* | *At 31 December 2022* |
|---|---|---|
| Debt (i) | 250 000 | 535 988 |
| Cash and cash equivalents | 155 448 | 18 548 |
| Net debt | 94 552 | 517 440 |
| Equity (ii) | 2 596 012 | 2 726 965 |
| **Net debt to equity ratio** | **4 %** | **19 %** |

*(i) Debt is defined as long- and short-term borrowings.*
*(ii) Page 8*

### c) Categories of Financial Instruments

| | *At 31 December 2023* | *At 31 December 2022* |
|---|---|---|
| **Financial assets** | **1 866 243** | **2 910 489** |
| Financial derivatives recognised as hedging | 235 710 | 940 097 |
| Financial derivatives held for trading | 277 407 | 679 659 |
| Loans and receivables (including cash and cash equivalents) | 1 353 126 | 1 290 733 |
| | | |
| **Financial liabilities** | **1 495 068** | **3 157 535** |
| Financial derivatives recognised as hedging | 330 561 | 899 091 |
| Financial derivatives held for trading | 376 160 | 162 776 |
| Financial liabilities carried at amortised costs | 788 347 | 2 095 668 |

### 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.

Estimated fair values of financial assets and liabilities that are not regularly remeasured to fair value

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 2023*** | ***Level 1*** | ***Level 2*** | ***Level 3*** | ***Total*** |
|---|---|---|---|---|
| **Financial assets at fair value** | **4 137** | **508 980** | **-** | **513 117** |
| Financial derivatives held for trading | 3 729 | 273 678 | - | 277 407 |
| Financial derivatives recognised as hedging | 408 | 235 302 | - | 235 710 |
| **Financial liabilities at fair value** | **18 493** | **688 228** | **-** | **706 721** |
| Financial derivatives held for trading | 13 554 | 362 606 | - | 376 160 |
| Financial derivatives recognised as hedging | 4 939 | 325 622 | - | 330 561 |

| ***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 |

**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 2023 and 31 December 2022 under the requirements of IFRS 9.

## 7. INVESTMENTS RECOGNISED USING THE EQUITY METHOD

Details of the Group's joint ventures as of 31 December 2023 can be summarised as follows:

| ***Name*** | ***Seat*** | ***Ownership interest %*** | ***Principal activity*** | ***Value under equity method at 31 December 2023*** |
|---|---|---|---|---|
| ESCO Slovensko, a. s. | Tomášikova 28C, Bratislava Slovensko | 50.00 | Holding company | 29 507 |
| CEBZ s. r. o. | Mlynské nivy 44/a, Bratislava | 50.00 | non-hazardous waste management | 1 730 |

On the basis of an agreement between Slovenský plynárenský priemysel, a.s. and BRANTNER Slovakia, s.r.o., a joint venture with limited liability under Slovak law has been established, which will carry out activities related to the construction and operation of energy and biological waste reutilisation centres. The Anti-Monopoly Office approved without reservations the creation of the joint venture between SPP and BRANTNER Slovakia, s.r.o. on 15 June 2023. The date of incorporation of the company was 16 August 2023.

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 these ownerships interest in ESCO Slovensko, a.s. and CEBZ s.r.o. 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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Property, plant and equipment | 27 664 | 25 072 |
| Goodwill | 18 139 | 18 139 |
| Other non-current assets | 8 307 | 6 286 |
| Current assets | 55 355 | 46 140 |
| **Total assets** | **109 465** | **95 637** |
| Non-current interest-bearing borrowings | 18 020 | 9 933 |
| Provisions for liabilities and other long-term liabilities | 6 516 | 1 037 |
| Current liabilities | 25 915 | 25 266 |
| **Total liabilities** | **50 451** | **36 236** |
| **Net assets** | **59 014** | **59 401** |

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Revenues | 107 279 | 67 095 |
| Profit before income taxes | 2 690 | 1 467 |
| Income tax including deferred tax | (1 714) | (907) |
| **Profit after tax** | **976** | **560** |
| **Other comprehensive profits and losses** | **-** | **-** |
| **Comprehensive net income** | **976** | **560** |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Net assets of ESCO Slovensko, a.s. | 59 014 | 59 401 |
| Ownership interest (50%) | 29 507 | 29 701 |
| Goodwill | - | - |
| **Carrying amount of the share in ESCO Slovensko, a.s.** | **29 507** | **29 701** |

An overview of assets, liabilities, revenues, and expenses of CEBZ s.r.o. is as follows:

| | ***At 31 December 2023*** |
|---|---|
| Property, plant and equipment | - |
| Goodwill | - |
| Other non-current assets | - |
| Current assets | 4 097 |
| **Total assets** | **4 097** |
| Non-current interest-bearing borrowings | - |
| Provisions for liabilities and other long-term liabilities | - |
| Current liabilities | 637 |
| **Total liabilities** | **637** |
| **Net assets** | **3 460** |

| | ***For the period from 16 August to 31 December 2023*** |
|---|---|
| Revenues | - |
| Profit before income taxes | (545) |
| Income tax including deferred tax | - |
| **Profit after tax** | **(545)** |
| **Other comprehensive profits and losses** | **-** |
| **Comprehensive net income** | **(545)** |

**(in thousand EUR)**

A reconciliation of the financial information stated above with the carrying amount of the share in CEBZ s.r.o. recognised in these consolidated financial statements is as follows:

| | ***At 31 December 2023*** |
|---|---|
| Net assets of CEBZ s.r.o.. | 3 460 |
| Ownership interest (50%) | 1 730 |
| Goodwill | - |
| **Carrying amount of the share in** CEBZ s.r.o. | **1 730** |

Details of the Group's associated undertakings as at 31 December 2023 can be summarised as follows:

| ***Name*** | ***Seat*** | ***Ownership interest %*** | ***Principal activity*** | ***Value under equity method at 31 December 2023*** |
|---|---|---|---|---|
| SPP Infrastructure, a. s. | Plátennícka 19013/2, Bratislava, Slovakia | 51.00 | Holding company | 1 614 680 |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Property, plant and equipment | 4 404 000 | 4 515 000 |
| Loans provided | 0 | - |
| Other non-current assets | 31 000 | 40 000 |
| Current assets | 1 346 000 | 1 330 000 |
| **Total assets** | **5 781 000** | **5 885 000** |
| Non-current interest-bearing borrowings | 1 583 000 | 1 637 000 |
| Provisions for liabilities and other long-term liabilities | 990 000 | 967 000 |
| Current liabilities | 549 000 | 680 000 |
| **Total liabilities** | **3 122 000** | **3 284 000** |
| **Net assets** | **2 659 000** | **2 601 000** |

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Revenues | 1 159 000 | 1 241 000 |
| Profit before income taxes | 619 000 | 869 000 |
| Income tax including deferred tax | (155 000) | (215 000) |
| **Profit after tax** | **464 000** | **654 000** |
| **Other comprehensive profits and losses** | **250 000** | **155 000** |
| **Comprehensive net income** | **714 000** | **809 000** |

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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Net assets of SPP Infrastructure, a. s. | 2 659 000 | 2 601 000 |
| Ownership interest (51%) | 1 356 090 | 1 326 510 |
| Goodwill | 258 590 | 258 590 |
| **Carrying amount of the share in SPP Infrastructure, a. s.** | **1 614 680** | **1 585 100** |

**(in thousand EUR)**

Reconciliation of the carrying amount of shares in SPP Infrastructure, a.s., ESCO Slovensko, a.s. and CEBZ s.r.o. reported using the equity method in these consolidated financial statements is as follows:

| | ***Joint ventures*** | ***Associated undertakings*** | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|---|---|
| Opening balance as at 1 January 2023 | 29 701 | 1 585 100 | 1 614 801 | 1 220 140 |
| Addition to financial investment in CEBZ s.r.o | 2 003 | - | 2 003 | - |
| Dividend payment | - | (291 228) | (291 228) | - |
| Share on profit/loss | (467) | 193 309 | 192 842 | 316 631 |
| Share on the comprehensive profit/loss | - | 127 499 | 127 499 | 78 030 |
| **Closing balance as at 31 December 2023** | **31 237** | **1 614 680** | **1 645 917** | **1 614 801** |

Associate SPP Infrastructure, a.s. did not have any contingent liabilities or commitments in which the Group should take part as at 31 December 2023 and 31 December 2022.

**(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 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** |
| **Year ended 31 December 2023** | | | | | | | |
| Opening net book value | 54 744 | 2 668 | 3 626 | 370 | 744 | 4 792 | 66 944 |
| Additions | 238 | 1 156 | 2 557 | 1 069 | 52 | 3 813 | 8 885 |
| Put in use | 3 885 | - | 2 643 | - | 157 | (6 685) | - |
| Reclassifications between categories | - | - | - | - | - | - | - |
| Reclassifications – IAS 40 (Property investments) | (2 740) | - | - | - | - | - | (2 740) |
| Disposals | (234) | (278) | - | (70) | - | - | (582) |
| Depreciation charge | (3 202) | (652) | (1 487) | (297) | (36) | - | (5 674) |
| Change of provisions | 72 | - | 6 | - | (43) | - | 35 |
| Reclassifications – assets held for sale | 2 | - | - | - | - | - | 2 |
| **Closing net book value as at 31 December 2023** | **52 765** | **2 894** | **7 345** | **1 072** | **874** | **1 920** | **66 870** |
| Acquisition cost | 118 060 | 4 215 | 36 683 | 1 451 | 4 164 | 1 920 | 166 493 |
| Provisions and accumulated depreciation | (65 295) | (1 321) | (29 338) | (379) | (3 290) | - | (99 623) |
| **Net book value** | **52 765** | **2 894** | **7 345** | **1 072** | **874** | **1 920** | **66 870** |

**(EUR '000)**

### Type and amount of insurance of non-current intangible and tangible assets

| *Insured assets* | *Type of insurance* | *Cost of insured assets 2023* | *Cost of insured assets 2022* | *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 | 207 904 | 202 290 | Colonnade Insurance S.A., pobočka poisťovne z iného členského štátu |
| Motor vehicles | Motor third-party liability insurance, motor hull insurance | 160 | 91 | Česká podnikatelská pojišťovna |

## 9. INVESTMENT PROPERTY

| | *At 31 December 2023* | *At 31 December 2022* |
|---|---|---|
| Opening net book value | 21 781 | 15 800 |
| Depreciation charges | (1 361) | (1 268) |
| Change of provisions | (28) | 211 |
| Additions and disposals and reclassifications to non-current tangible assets | 2 740 | 7 038 |
| **Closing net book value** | **23 132** | **21 781** |

SPP leases non-gas assets - primarily buildings – mainly 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 29 873 thousand based on the SPP's estimate (At 31 December 2022: EUR 29 993 thousand).

## 10. NON-CURRENT INTANGIBLE ASSETS

| | *Software* | *Other non-current intangible assets* | *Assets in course of construction* | *Total* |
|---|---|---|---|---|
| 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** |
| Year ended 31 December 2023 | | | | |
| Opening net book value | 9 493 | 1 663 | 678 | 11 834 |
| Additions | 97 | - | 736 | 833 |
| Placed into service | 414 | 638 | (1 052) | - |
| Reclassifications | - | - | - | - |
| Disposals | (12) | - | - | (12) |
| Amortisation | (1 838) | (689) | - | (2 527) |
| Change of provisions | - | - | - | - |
| **Closing net book value** | **8 154** | **1 612** | **362** | **10 128** |
| At 31 December 2023 | | | | |
| Acquisition cost | 77 705 | 6 821 | 429 | 84 955 |
| Provisions and accumulated depreciation | (69 551) | (5 209) | (67) | (74 827) |
| **Net book value** | **8 154** | **1 612** | **362** | **10 128** |

**(in thousand EUR)**

## 11. INVENTORIES

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Natural gas | 654 485 | 1 479 814 |
| Natural gas held for trading | 12 733 | 46 343 |
| Raw materials and other inventory | 13 | 51 |
| Provisions | (93 828) | (91 395) |
| **Total** | **573 403** | **1 434 813** |

As at 31 December 2023 and 31 December 2022, a storage impairment related to natural gas was posted to adjust the cost of natural gas to its net realizable value.

## 12. RECEIVABLES AND PREPAYMENTS

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Trade receivables from the sale of natural gas and electricity | 467 759 | 656 927 |
| Contractual assets from sales to customers | 28 052 | 34 736 |
| Prepayments for gas and electricity distribution | 11 | 11 |
| Receivables from financial derivatives | 428 088 | 1 380 998 |
| Prepayments and other receivables | 698 659 | 609 681 |
| **Total** | **1 622 569** | **2 682 353** |

Trade receivables from the sale of natural gas and electricity are shown net and represent receivables from billed natural 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 112 658 thousand (31 December 2022: EUR 113 713 thousand).

As at 31 December 2023, receivables and advances also include receivables from SPP Infrastructure, a.s. in the amount of EUR 138 228 thousand in respect of unpaid dividends (31 December 2022: EUR 0 thousand).

As at 31 December 2023, the Group recorded receivables within maturity of EUR 1 604 761 thousand and receivables overdue of EUR 130 466 thousand, excluding provisions. As at 31 December 2022, the Group recorded receivables within maturity and overdue of EUR 2 663 394 thousand and EUR 132 672 thousand, respectively, excluding provisions.

Maturities of trade receivables used as a benchmark for the Group’s internal policy of provisioning:

| | ***2023*** | ***2022*** |
|---|---|---|
| Within maturity | 1 604 761 | 2 663 394 |
| Less than 3 months | 18 489 | 19 473 |
| 3 to 12 months | 5 787 | 5 872 |
| More than 12 months | 106 190 | 107 327 |
| **Total** | **1 735 227** | **2 796 066** |

Movements in provisions for doubtful receivables:

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Balance as at 1 January | 113 713 | 131 008 |
| Use of provision | (4 209) | (8 117) |
| Reversal of provision | (2 085) | (14 036) |
| Creation of provision | 5 239 | 4 858 |
| Reclassification between current and non-current portions | - | - |
| **Closing balance** | **112 658** | **113 713** |

**(in thousand EUR)**

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", SPP, as a creditor, had the opportunity to satisfy its claims in the fourth stage of the process of discharge of claims against medical institutions. In 2022 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 accessories, amounting to EUR 13 665 thousand.

## 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. On 23 October 2023, an amendment to the existing Collective agreement for the years 2023 to 2024 was signed, with effect from 1 January 2024. 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 2023, 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 and the current amendment in force until 31 December 2024. 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 2023.

As at 31 December 2023, 779 employees of SPP (31 December 2022: 761) 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 2023 are as follows:

| | *Long-term benefits* | *Post-employment benefits* | *Total benefits at 31 December 2022* | *Total benefits at 31 December 2022* |
|---|---|---|---|---|
| Net liability at 1 January | 208 | 720 | 928 | 1 091 |
| Expenses of the past and current service, net | 14 | 44 | 58 | 60 |
| Interest expense | 8 | 29 | 37 | 9 |
| Employee benefits paid | (25) | (54) | (79) | (121) |
| Actuarial (gains)/losses: | | | | |
| Actuarial (gains)/losses from a change in demographic assumptions | - | - | - | - |
| Actuarial (gains)/losses from a change in financial assumptions | 3 | 13 | 16 | (296) |
| Actuarial (gains)/losses arising from experience | (1) | (3) | (4) | 185 |
| **Net liabilities** | **207** | **749** | **956** | **928** |

| | *Current liabilities (included in other current liabilities)* | *Non-current liabilities* | *Total* |
|---|---|---|---|
| At 31 December 2023 | 92 | 864 | 956 |
| At 31 December 2022 | 91 | 837 | 928 |

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 2023* | *Total at 31 December 2022* |
|---|---|---|---|---|
| Expenses of the past and current service, net | 14 | 44 | 58 | 60 |
| Interest expense | 8 | 29 | 37 | 9 |
| Other (decrease of liability) | 2 | - | 2 | (47) |
| **Total expenses for employee benefits** | **24** | **73** | **97** | **22** |

**(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 2023* | *Total at 31 December 2022* |
|---|---|---|---|---|
| Actuarial (gains)/losses from a change in demographic assumptions | - | - | - | - |
| Actuarial (gains)/losses from a change in financial assumptions | - | 13 | 13 | (245) |
| Actuarial (gains)/losses arising from experience | - | (3) | (3) | 181 |
| **Total actuarial (gains)/losses** | **-** | **10** | **10** | **(64)** |

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 2023* |
|---|---|---|---|
| Increase in the discount rate by 0.25% | 203 | 733 | 936 |
| Increase in inflation by 0.25% | 210 | 761 | 971 |
| Decrease in the discount rate by 0.25% | 210 | 765 | 975 |
| Decrease in inflation by 0.25% (at 0%) | 207 | 738 | 945 |

**Key assumptions used in the actuarial valuation:**

| | *At 31 December 2023* | *At 31 December 2022* |
|---|---|---|
| Market yield on government bonds | 3.760 % | 3.969 % |
| 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 63.6. |

## 14. PROVISIONS

Movements in the provisions for liabilities are summarised as follows:

| | *Provision for onerous contracts* | *Other provisions* | *Total at 31 December 2023* | *Total at 31 December 2022* |
|---|---|---|---|---|
| Balance at 1 January | 43 052 | 40 161 | 83 213 | 51 148 |
| Effect of discounting | - | - | - | (38) |
| Additions | 29 442 | 40 | 29 482 | 44 566 |
| Use | (45 353) | - | (45 353) | (8 137) |
| Reversal | (27 141) | - | (27 141) | (4 326) |
| **Closing balance** | **-** | **40 201** | **40 201** | **83 213** |

The provisions are included in liabilities as follows:

| | *Current provisions* | *Non-current provisions* | *Total provisions* |
|---|---|---|---|
| At 31 December 2023 | 23 | 40 178 | 40 201 |
| At 31 December 2022 | 43 052 | 40 161 | 83 213 |

**(in thousand EUR)**

a) Provision for Onerous Contracts

The Group as at 31 December 2022 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.

These provisions were 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 Group calculated a provision for onerous contracts exclusively for 2023, since the de-hedge operations carried out in 2022 related to the years 2022 and 2023.

As at 31 December 2023, the Group has not recognised a provision for onerous contracts in respect of irrevocable contractual obligations to deliver natural gas to customers and trading partners from sales contracts in 2024 and beyond.

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.

b) Other Provisions

Other provisions amounting to EUR 40 021 thousand (31 December 2022: EUR 40 161 thousand) comprise a provision for various pending lawsuits and other potential lawsuits. Refer also to Note 29.

## 15. INTEREST-BEARING BORROWINGS

| | *31 December 2023 Secured* | *31 December 2023 Unsecured* | *31 December 2023 Total* | *31 December 2022 Secured* | *31 December 2022 Unsecured* | *31 December 2022 Total* |
|---|---|---|---|---|---|---|
| Loans | - | 250 000 | 250 000 | - | 535 988 | 535 988 |
| Bonds | - | - | - | - | - | - |
| **Total loans** | **-** | **250 000** | **250 000** | **-** | **535 988** | **535 988** |
| | | | | | | |
| **Loans by currency** | | | | | | |
| EUR | | | | | | |
| – with fixed interest rate | - | - | - | - | 50 187 | 50 187 |
| – with variable interest rate | - | 250 000 | 250 000 | - | 485 801 | 485 801 |
| **Total loans** | **-** | **250 000** | **250 000** | **-** | **535 988** | **535 988** |
| | | | | | | |
| **Loans are due as follows:** | | | | | | |
| Less than 1 year | - | 250 000 | 250 000 | - | 535 988 | 535 988 |
| 1 to 2 years | - | - | - | - | - | - |
| 2 to 5 years | - | - | - | - | - | - |
| More than 5 years | - | - | - | - | - | - |
| **Total loans** | **-** | **250 000** | **250 000** | **-** | **535 988** | **535 988** |

In 2023 and 2022, the Group drew loans denominated in EUR with variable and fixed interest rate. As of 31 December 2023, floating rate loans from commercial banks were drawn in the amount of EUR 250 000 thousand, which will be repaid during months January to March 2024. As at 31 December 2022, loans with variable interest rate were drawn from commercial banks in total amount EUR 485 801 thousand which were repaid in 2023, and short-term financial assistance with a fixed interest rate from entities under the Ministry of Economy of the Slovak Republic in the amount of EUR 50 187 thousand which were repaid in 2023.

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

Interest rates on loans:

| *Loans* | *2023* | *2022* |
|---|---|---|
| EUR | | |
| – with a fixed rate | - | 3 % |
| – with a variable rate | 1M EURIBOR plus margin | 1M EURIBOR plus margin |

**(in thousand EUR)**

The carrying amount and face value of loans:

| | *Carrying amount* | | *Face value* | |
|---|---|---|---|---|
| | ***31 December 2023*** | ***31 December 2022*** | ***31 December 2023*** | ***31 December 2022*** |
| Loans | 250 000 | 535 988 | 250 000 | 535 988 |
| Bonds | - | - | - | - |
| **Total** | **250 000** | **535 988** | **250 000** | **535 988** |

The Group has the following outstanding credit facilities:

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Variable rate: | | |
| - due within 1 year | 719 000 | 429 199 |
| - due after more than 1 year | - | - |
| Fixed rate: | | |
| - due within 1 year | - | - |
| - due after more than 1 year | - | - |
| | **719 000** | **429 199** |

## 16. DEFERRED INCOME

Deferred income mainly comprises the unused part of the European Commission grant related to the implementation of the fuel CNG amounting to EUR 2 642 thousand (31 December 2022: EUR 2 653 thousand). Maximum amount of the grant amounts to EUR 15 207 thousand.

## 17. OTHER NON-CURRENT LIABILITIES AND LEASE LIABILITIES

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Non-current liabilities from financial derivatives | 139 219 | 281 831 |
| Non-current lease liabilities | 3 106 | 2 283 |
| **Total** | **142 325** | **284 114** |

The Group recognized lease liabilities as follows:

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Short-term lease liabilities (Note 18) | 904 | 777 |
| Non-current lease liabilities | 3 106 | 2 283 |
| **Lease liabilities total** | **4 010** | **3 060** |

Maturity analysis of lease liabilities:

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Within 1 year | 904 | 777 |
| 1 to 5 years | 2 577 | 2 050 |
| More than 5 years | 529 | 233 |
| **Total** | **4 010** | **3 060** |

## 18. TRADE AND OTHER PAYABLES

| | ***At 31 December 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Payables from purchases and supplies of natural gas and electricity | 304 897 | 584 289 |
| Contractual payables from sales to customers | 126 167 | 93 229 |
| Other trade payables and other payables | 89 515 | 47 644 |
| *From which Short-term lease liabilities* | *904* | *777* |
| Other liabilities | 10 051 | 827 142 |
| Employee liabilities | 7 206 | 6 217 |
| Social security and other taxes | 76 851 | 29 791 |
| Payables from financial derivatives | 567 502 | 780 036 |
| **Total** | **1 182 189** | **2 368 348** |

**(in thousand EUR)**

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.

Maturity of contractual payables:

| | ***Current liabilities*** | ***Non-current liabilities*** | ***Total*** |
|---|---|---|---|
| At 31 December 2023 | 126 167 | - | 126 167 |
| At 31 December 2022 | 93 229 | - | 93 229 |

Other trade payables and other payables as at 31 December 2023 mainly represent liabilities from the settlement of derivative contracts with current delivery in the amount of EUR 73 136 thousand. Other trade and other payables at 31 December 2022 mainly represented 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 2032, the Group recorded payables within maturity of EUR 1 182 176 thousand (31 December 2022: EUR 2 368 337 thousand) and overdue payables of EUR 13 thousand (31 December 2022: EUR 11 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 2023 | 279 |
| Total additions: | 312 |
| *from expenses* | *312* |
| *from profit* | - |
| Total drawing: | (338) |
| *monetary rewards and gifts* | (18) |
| *work jubilee benefits* | (19) |
| *catering allowance* | (90) |
| *benefit cafeteria* | (28) |
| *Other drawing based on collective agreement* | (183) |
| **Closing balance as at 31 December 2023** | **253** |

## 19. REGISTERED CAPITAL

The company's registered capital as at 31 December 2023 and 31 December 2022 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.

**(in thousand EUR)**

***The legal reserve fund and other funds***

The legal reserve fund in the amount of EUR 1 197 683 thousand (31 December 2022: 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 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.

***Hedging reserve***

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

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| **Opening balance** | 261 203 | 120 110 |
| Gain/loss from cash flow hedging | (24 412) | 274 182 |
| Commodity swap and futures contracts | (75 922) | 506 232 |
| Commodity swap contracts * | 52 530 | (235 110) |
| Commodity forward contracts * | - | - |
| Interest rate swap contracts * | (1 020) | 3 060 |
| Income tax applicable to gains/losses recognised through equity | 15 944 | (106 309) |
| Income tax applicable to gains/losses recognised through equity * | (10 710) | 48 960 |
| Transfers to profit and loss | (394 542) | (95 654) |
| Commodity swap contracts | (506 232) | (425 114) |
| Commodity swap contracts * | 107 610 | 325 380 |
| Interest swap contracts * | 4 080 | 4 080 |
| Income tax applicable to gains/losses recognised through profit/loss | 106 309 | 89 274 |
| Income tax applicable to gains/losses recognised through profit/loss* | (23 460) | (69 360) |
| **Closing balance** | **(69 668)** | **261 203** |

** 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 2023 SPP recognized a deferred tax asset related to the hedging reserve of EUR 15 944 thousand (31 December 2022: deferred tax liability in the amount of EUR 106 309 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 consolidated income statement:

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Sale of natural gas and electricity | 506 232 | 425 114 |
| Share in profit of associated companies and joint ventures | (88 230) | (260 100) |
| Income tax charged to expenses | (106 309) | (89 274) |
| **Total** | **311 693** | **75 740** |

***Retained Earnings and Profit Distribution***

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

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.

**(in thousand EUR)**

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.

## 21. REVENUES FROM CONTRACTS WITH CUSTOMERS, COMPENSATIONS AND OTHER GAINS AND LOSSES

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Revenues from the sale of natural gas | 3 559 442 | 3 570 019 |
| Revenues from the sale of electricity | 605 352 | 533 704 |
| Other revenues | 17 418 | 11 844 |
| **Total revenues from contracts with customers** | **4 182 212** | **4 115 567** |

### Compensations

For the year ending 31 December 2023, SPP accounted for a compensation received and the entitlement to compensation received from the Ministry of Economy of the Slovak Republic related to the supply of gas and electricity in 2023 in the amount of EUR 777 016 thousand (see Note 3p and Note 29 Price regulation).

### Other gains and losses

In view of the developments in the commodity markets and in accordance with the adopted business strategy, during years 2023 and 2022 the Group reclassified a portion of hedging derivatives - originally recognized in the hedging reserve in equity - to non-hedging derivatives, because of which it recognized for the year ending 31 December 2023 a loss on derivative transactions in the amount of EUR 92 052 thousand (For the year ended 31 December 2022: gain on derivative transactions in the amount of EUR 1 004 557 thousand).

In accordance with the Contract on the implementation of extraordinary measures to eliminate the impact of the increase in electricity prices on specific groups of consumers, reg. no. MH SR 236/2023-2060-4100 from 14 September 2023, signed between the Slovak Republic on behalf of which the Ministry of Economy of the Slovak Republic and the Ministry of Finance of the Slovak Republic act and Slovak Power Holding, B.V. and Slovenské elektrárne, a. s. and Slovenský plynárenský priemysel, a. s., SPP, as Agent, is entitled to financial compensation for the undelivered amount of electricity for the year 2023. For the year ended 31 December 2023, the company recognized the financial compensation in the line other gains and losses with a double entry in receivables and prepayments to Slovenské elektrárne, a.s.

## 22. STAFF COSTS

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Wages, salaries and bonuses | 26 247 | 25 543 |
| Social security costs | 8 939 | 8 560 |
| Other social security costs and severance pay | 1 761 | 1 516 |
| **Total staff costs** | **36 947** | **35 619** |

The Group contributes to 35.2% of the relevant assessment base according to the law, however, no more than from approximately EUR 8 477(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 1 936 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%).

**(in thousand EUR)**

## 23. INVESTMENT INCOME

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Interest income | 10 417 | 3 392 |
| Other gains/(losses) on investments, net | (313) | (279) |
| **Total investment income** | **10 104** | **3 113** |

## 24. FINANCE COSTS

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Interest expense | (19 285) | (4 365) |
| Foreign exchange gains/(losses) from financing activities | (1 230) | (434) |
| Other | (512) | (2 597) |
| **Total finance costs** | **(21 027)** | **(7 396)** |

## 25. COSTS OF AUDITOR’S SERVICES

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Audit of financial statements | 131 | 106 |
| Other assurance services | - | - |
| **Total** | **131** | **106** |

## 26. TAXATION

### 26.1. Income Tax

Income tax comprises the following:

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Current income tax | 23 941 | 20 043 |
| Special levy on business in regulated industries | 12 766 | 658 |
| Share in income tax of associated undertakings and joint ventures | - | - |
| Deferred income tax (Note 26.2) | | |
| – current year | (2 588) | (29 477) |
| **Total** | **34 119** | **(8 776)** |

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

| | *Year ended 31 December 2023* | *Year ended 31 December 2022* |
|---|---|---|
| Profit/(loss) before taxation | 236 108 | 337 019 |
| Income tax at 21% | 49 583 | 70 774 |
| Effect of income exempt from taxation and adjustments from permanent differences between net book and net tax values of assets and liabilities | (21 070) | (70 291) |
| Reversal of a deferred tax and the effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised | (6 286) | (9 950) |
| Special levy incl. the effect of a special levy as a tax-deductible item | 11 798 | 637 |
| Other adjustments | 94 | 54 |
| **Income tax for the year** | **34 119** | **(8 776)** |

**(in thousand EUR)**

The actually recognised tax rate differs from the tax rate of 21% stipulated by law in 2023 and 2022 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 2023, the Group recognised the tax in the profit and loss account of EUR 23 941 thousand (31 December 2022: 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 u).
As at 31 December 2023, the Group accounted a payable from the special levy on business in regulated sectors of EUR 7 686 thousand (as at 31 December 2022: receivable of EUR 7 977 thousand), which it had recognised together with a current income tax liability due of EUR 13 587 thousand (31 December 2022: current income tax liability of EUR 20 001 thousand), on the balance sheet on the line income tax liabilities of EUR 21 273 thousand (31 December 2022: liabilities netto in the amount of EUR 12 024 thousand).

### 26.2. Deferred Income Tax

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

As the Group expects sufficient tax benefits in the foreseeable future, the Group has recognised a deferred tax asset on all temporary differences as at 31 December 2023. As of December 31, 2022 a deferred tax asset has been recognized only to the extent of the tax benefits expected to be available to realize the deferred tax asset.

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

| ***As at 31December 2023*** | ***Deferred tax receivable/ (payable) recognized in Profit & Loss statement*** | ***Unrecognized deferred tax asset/ (liability)*** | ***Deferred tax receivable/ (payable) recognized in equity*** |
|---|---|---|---|
| Difference in residual values of fixed assets | 8 719 | - | - |
| Provisions, employee benefits and other | 1 718 | - | - |
| Allowance to receivables | 2 156 | - | - |
| Allowance to inventory | 19 704 | - | - |
| Tax losses | - | - | - |
| Provision of hedging derivatives | - | - | 15 944 |
| **Total** | **32 297** | **-** | **15 944** |

| ***As at 31December 2022*** | ***Deferred tax receivable/ (payable) recognized in Profit & Loss statement*** | ***Unrecognized 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 | - |
| Provision of hedging derivatives | - | - | (106 309) |
| **Total** | **29 394** | **16 097** | **(106 309)** |

As at 31 December 2023, the SPP recognized a deferred tax asset in the income statement of EUR 32 297 thousand and deferred tax asset related to the hedging reserve of EUR 15 944 thousand in equity (Note 20) with the double entry on the balance sheet on the line deferred tax asset of EUR 48 241 thousand.

As at 31 December 2022, SPP has recognized a deferred tax asset in the income statement in the amount of EUR 29 394 thousand and deferred tax liability related to the hedging reserve in equity (Note 20) amounted to EUR 106 309 thousand with a net double-entry on the balance sheet on the deferred tax liability line of EUR 76 915 thousand.

**(in thousand EUR)**

The amount of temporary differences and tax loss for which no deferred tax asset has been recognized as of 31 December 2023 was EUR 0 thousand (31 December 2022: EUR 76 652 thousand).

## 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 2023*** | ***Before tax*** | ***Tax*** | ***After tax*** |
|---|---|---|---|
| Change in FX translation reserve - impact from the consolidation of the subsidiary and the share from the associated company | (2 061) | - | (2 061) |
| Hedging derivatives (Cash flow hedging) | (582 154) | 122 253 | (459 901) |
| Hedging derivatives (Cash flow hedging) - the share from the associated company | 163 200 | (34 170) | 129 030 |
| Other | (10) | - | (10) |
| **Other comprehensive income for the period** | **(421 025)** | **88 083** | **(332 942)** |

| ***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** |

## 28. CASH FLOWS FROM OPERATING ACTIVITIES

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Profit before tax | 236 108 | 337 019 |
| Adjustments for: | | |
| Depreciation and amortisation | 9 391 | 8 948 |
| Provisions and other non-cash items | (34 546) | 117 200 |
| Loss/(profit) from sale of non-current assets | (14) | (429) |
| Derivatives | 170 413 | (281 288) |
| Interest loss/(income), net | 8 868 | 973 |
| Share in profit of associated undertakings and joint ventures | (192 842) | (316 631) |
| (Increase)/decrease in receivables and prepayments | (668 928) | (558 980) |
| (Increase)/decrease in inventories | 858 977 | (1 420 008) |
| Increase/(decrease) in trade and other payables | (758 996) | (200 033) |
| **Cash flows from operating activities** | **(371 569)** | **(2 313 229)** |

## 29. COMMITMENTS AND CONTINGENCIES

### Capital Expenditure Commitments

As at 31 December 2023, capital expenditure of EUR 12 349 thousand (31 December 2022: EUR 11 824 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 framework contract is 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.

**(in thousand EUR)**

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.
The amounts recognized in the income statement are as follows:

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Depreciation expense of right-of-use assets | 949 | 762 |
| Interest expense on lease liabilities | 73 | 14 |
| **Total amount recognised in the income statement** | **1 022** | **776** |

**Operating leases – the Group as a lessor**

The Group leases out non-residential premises (approx. 66 301 m²), land plots including external carparks and movable assets. The annual lease revenues recognised in income statement for the period amounted to EUR 3 032 thousand (in 2022: EUR 3 003 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 2023*** | ***At 31 December 2022*** |
|---|---|---|
| Within 1 year | 5 047 | 4 495 |

**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.

In an effort to enhance the security of natural gas supply, SPP has secured supplies to its customers from alternative sources and diversified its portfolio in particular 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 URSO's (The Regulatory Office for Network Industries) 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 URSO'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 20 280 thousand as at 31 December 2023 (as at 31 December 2022: EUR 16 269 thousand). The amount of bank guarantees provided of the Group as at 31 December 2023 was EUR 156 547 thousand (as at 31 December 2022: EUR 132 279 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 URSO.

Fees for distribution services depend on the fixed and variable components and are also fully regulated by the URSO.

**Taxation**

The Group has transactions with subsidiaries and associated undertakings and other related parties. All transactions with these related parties are evaluated on an arm's length basis. 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, six (6) bills of exchange with principal totalling approx. EUR 30 million are at different stages of legal proceedings at courts in the Slovak Republic. In another ten (10) cases related to bills of exchange with principal amounting to approx. EUR 167 million, the court proceedings have been legally terminated 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 (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**") represent a basic legal framework for business in the energy sector.

Other generally binding legal regulations directly affecting the business activities of the Group include Act No. 321/2014 Z.z. on Energy Efficiency and on amendments to certain acts (the "**Energy Efficiency Act**") and Act no. 309/2009 Z.z. on the promotion of renewable energy sources and high-efficiency production and on amendments to certain acts (the "**RES Act**"). The Energy Efficiency Act establishes, inter alia, a framework for the rational use of energy, measures to promote and improve energy efficiency, rights and obligations of persons in the field of energy efficiency and in conducting an energy audit, business in the field of providing energy services and regulates the rules for providing information to final energy customers. The RES Act regulates the institute of a buyer of electricity from renewable energy sources and high-efficiency cogeneration, while for the period from 2023 to 2025 SPP became the buyer of electricity for the entire territory of the Slovak Republic, based on direct determination 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 Group'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, measures to avoid high energy prices and improve security of energy supply continued to affect the SPP's business activity in 2023. 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 and Council Regulation (EU) 2022/2578 of 22 December 2022 introducing a market correction mechanism to protect Union citizens and the economy against excessively high prices.

The business activity of the SPP is also affected by Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, which lays down rules to ensure the functioning of the internal electricity market and will also be affected in the future by the so-called electricity market reform (i.e. package of legislative amendments), the agreement was announced by the European Council and the European Parliament at the end of 2023.

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 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 the 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 concerning measures for 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 stipulated by the Act on Regulation. The year 2023 was the first year of the new regulatory period 2023-2027. Regulatory policy defines the strategy, scope and basic contours of how regulation is implemented, namely for the electricity, gas, thermal energy and water sectors. Regulatory policy for the current regulatory period aims to create a transparent and predictable regulatory environment that incentivizes investment, while creating the conditions for the effective implementation of EU policies.

The supply of electricity and gas to households and vulnerable customers (i.e. small customers, social service facilities, facilities for social-legal protection of children and social guardianship, and customers using electricity or gas to produce heat and hot water for households in a common heat and hot water facility), gas supply to suppliers of last resort and production, distribution and supply of heat and performance of the activity of an electricity buyer were subject to price regulation in 2023.

Price regulation in the above-mentioned areas is regulated by implementing legislation, namely Decree No. 450/2022 Coll. of URSO, which establishes price regulation of gas supply, URSO Decree No. 107/2023 Coll. laying down price regulation of electricity supply, URSO Decree No. 370/2023 Coll. laying down price regulation in the field of support of electricity production and certain related conditions for carrying out regulated activities (during the year it replaced URSO Decree No. 18/2017 Coll., laying down price regulation in the electricity sector and certain conditions for carrying out regulated activities in the electricity sector) and URSO Decree No. 312/2022 Coll. establishing price regulation in thermal energy.

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 several measures to reduce these impacts on certain groups of customers. Based on these measures, SPP applied in 2023 maximum prices calculated in the manner determined in the decision of the MH SR 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. establishing maximum prices for a part of the regulated gas supply to household and small gas final customers and regulated electricity supply to 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., establishing maximum prices for a part of the regulated supply of electricity and gas for selected final customers and the amount of tariffs for households and selected electricity customers, as subsequently amended ("**Regulation No. 465/2022**"). Pursuant to the Regulation of the Government of the Slovak Republic No. 463/2023 Coll., establishing the maximum price for a part of the regulated gas supply to final household gas customers, the maximum price for a part of the regulated electricity supply to selected vulnerable electricity customers and maximum price for part of regulated gas supply to selected vulnerable gas customers and the conditions for their application ("**Regulation No. 463/2023**") will continue in 2024 to set prices for final gas and small customers as determined for 2023 in Regulation no. 19/2023 and for electricity customers as they were determined for 2023 in Regulation no. 465/2022.

Pursuant to Regulation No. 19/2023 and Regulation No. 465/2022, the difference in the SPP's costs between the price for gas and electricity supply set by URSO in its pricing decisions and the price set by Regulation No. 19/2023 and Regulation No. 465/2022 is paid in the form of compensations approved by the MH SR on a monthly basis. Compensation for the prices set out in Regulation No. 19/2023 will also be paid in 2024 on the basis of Regulation No. 463/2023 and Government Resolution No. 687/2023.

In 2023, SPP also fulfilled the role of the so-called agent under the Decision of MH SR No. 66390/2022-1060-136599 in the general economic interest in order to ensure the security, regularity, quality and price of electricity supplies to household electricity customers. Based on this decision, SPP purchased electricity from a designated producer (Slovenské elektrárne, a.s.) or on the market and supplied it at a specified price to each electricity supplier who was a settlement subject under the Energy Act and carried out 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. SPP will continue to act as an agent in 2024.

**(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 2023 and 31 December 2022. 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 2023 and year 2022. 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:

| | ***2023*** | | | | | ***31 December 2023*** | | |
|---|---|---|---|---|---|---|---|---|
| | ***Revenues*** | ***Creation/ (reversal) of provisions for receivables*** | ***Expenses*** | ***Dividends*** | ***Other*** | ***Receivables*** | ***Provisions for receivables*** | ***Payables*** |
| Ministry of Economy of the SR | 779 772 | - | - | - | 12 | 18 838 | - | - |
| Other companies | 4 057 | - | 123 | - | 628 | 1 489 | - | 689 |
| Associates | - | - | - | - | - | 138 228 | - | - |
| Joint ventures | - | - | - | - | 2 003 | - | - | 1 000 |
| Other related parties | 41 868 | - | 448 029 | - | - | 13 234 | - | 46 905 |

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.

| | ***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 |

**(in thousand EUR)**

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

| | ***Year ended 31 December 2023*** | ***Year ended 31 December 2022*** |
|---|---|---|
| Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total | 1 926 | 2 091 |
| *Of which – Board of Directors and executive management* | *1 795* | *1 911* |
| *- Supervisory Board* | *131* | *180* |
| | | |
| Other benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total | 64 | 61 |
| *Of which – Board of Directors and executive management* | *64* | *61* |
| *- 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 | doc. Ing. Vojtech Ferencz, PhD. since 23.11.2023 |
| | Chairman | Mgr. Miroslav Kulla until 22.11.2023 |
| | Vice-Chairman | Ing. Martin Rybár since 23.11.2023 |
| | Vice-Chairman | Ing. Marián Široký until 22.11.2023 |
| | Member | JUDr. Pavel Jurek since 23.11.2023 |
| | Member | Mgr. Boris Machút since 23.11.2023 |
| | Member | Ing. Juraj Ondris, MBA since 23.11.2023 |
| | Member | Mgr. Peter Kučera until 22.11.2023 |
| | Member | Ing. Eduard Macejka until 22.11.2023 |
| | Member | JUDr. Slavomír Vorobel, MPH until 22.11.2023 |
| ***Supervisory Board*** | Chairman | Dr. h. c. Ing. Tibor Mikuš, PhD. |
| | Vice-Chairman | Ing. Ivan Šramko since 1.12.2023 |
| | Member | Ing. Miloš Dančo |
| | Member | Ing. Róbert Gold, CA since 23.11.2023 |
| | Member | Ing. Štefan Kapusta since 23.11.2023 |
| | Member | Ing. Martin Kohútik since 23.11.2023 |
| | Member | PhDr. Zuzana Ružeková |
| | Member | Ing. Ivan Šramko from 23.11.2023 till 30.11.2023 |
| | Member | Viera Uhrová |
| | Member | Mgr. Iveta Barancová until 22.11.2023 |
| | Member | JUDr. Martin Javorček until 22.11.2023 |
| | Member | Ing. Július Mazán until 22.11.2023 |
| | Member | Mgr. Renáta Zolnaiová until 22.11.2023 |
| | Member | |
| ***Executive*** | Chief Executive Officer | doc. Ing. Vojtech Ferencz, PhD. since 24.11.2023 |
| | Chief Executive Officer | Mgr. Miroslav Kulla until 22.11.2023 |
| | Director of Sales Division | Mgr. Peter Kučera |
| | Director of Finance Division | Ing. Miroslav Jankovič |
| | Director of the Business Development Division | Ing. Rastislav Nemec until 31.5.2023 |
| | Director of Corporate Matters Division | Mgr. Tomáš Niepel, LL.M. until 31.5.2023 |
| | Director of the Internal Services Division | Ing. Adrián Markusek until 31.5.2023 |

### b) Consolidated Financial Statements

As at 31 December 2023, 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 2023 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.

**(in thousand EUR)**

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 2023, 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:*** |
| 13 March 2024 | | | |
| ***Approved on:*** | doc. Ing. Vojtech Ferencz, PhD.<br>Chairman of the Board of Directors<br>Chief Executive Officer | Ing. Peter Bagin<br>Director of Finance Division | Ing. Zoltán László<br>Director of Accounting and Taxes Department |
| | Ing. Martin Rybár<br>Vice-Chairman of the Board of Directors | | |