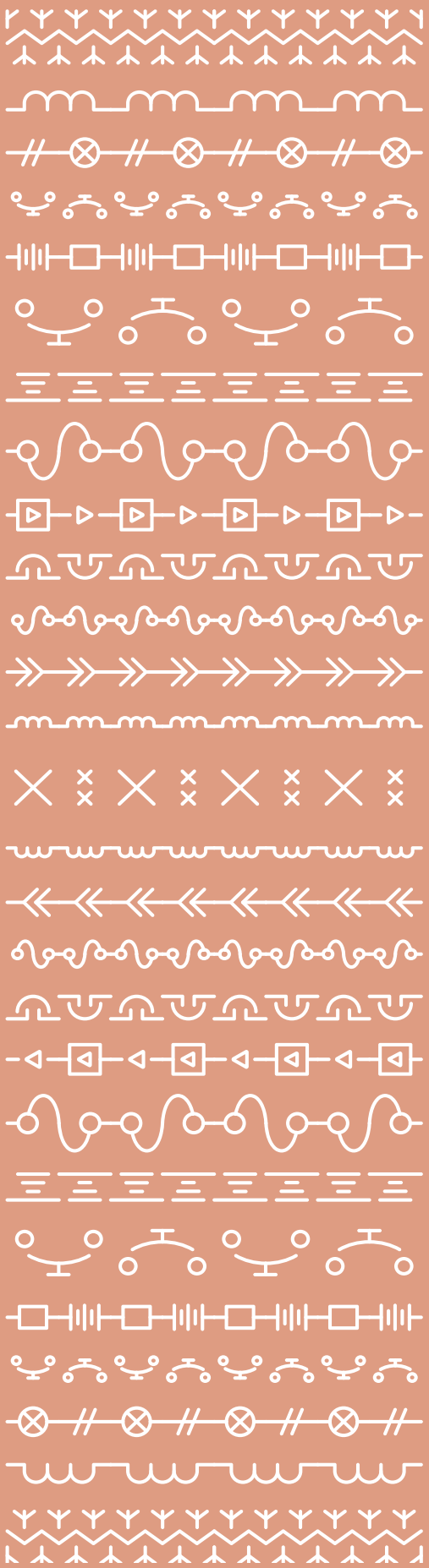
SLOVENSKÉ ELEKTRÁRNE

2007 ANNUAL REPORT

part 1


FT
FINANCIAL TIMES
statista
CLIMATE
LEADERS
2021


najzamestnávateľ
2020



Content

Foreword by the general director

The year 2020, marked by the COVID-19 pandemic, was extremely challenging for Slovenské elektrárne. Great time, energy and resources had to be focused on combating the dangerous virus. We were the first to respond to the situation, and in early March we adopted a pandemic plan, implementing dozens of security measures to protect the health and lives of employees, thanks to which we largely managed to suppress the spread of the virus and maintain the reliability and continuity of electricity production and supply.

We reported an operating profit (EBITDA) of 363 million euros. This result was favourably influenced in particular by the development of electricity prices, as well as the Company's ongoing efforts towards optimisation and cost efficiency. Thanks to a balanced energy mix, with a high share of electricity production from nuclear and hydropower plants, we supplied up to 95% of energy without CO_2 emissions to the grid, which is historically the highest share.

This year has been successful for nuclear. Production increased to 15 444 GWh from last year's 15 369 GWh. From the point of view of safety, the WANO index, which assesses the level of nuclear units worldwide, reached the highest possible rating of 100% at both units in Bohunice and Unit 1 in Mochovce. For three years in a row, there has been no operational event with automatic shutdown of the reactor. No radiation event was recorded, nor was the case of exceeding the internal exposure limits of personnel. Despite the pandemic, work on the completion of Units 3 and 4 of Mochovce did not stop. After receiving a permit from the Nuclear Regulatory Authority, it was possible from April to 2020 successfully and safely store fuel at the nuclear facility. The physical progress of works on Unit 3 as at the end of the year stood at 99.95%, with Unit 4 at 87.81%. Production at hydropower plants was very volatile over the course of the year, but thanks to an extremely rainy autumn, after several dry years, the supply of electricity from water was significantly above the planned value. Last year, SE produced at its 31 power plants 2 268 GWh of electricity.

The Nováky power plant produced 961 GWh. In the spring months, during a sharp decline in electricity consumption in the grid, electricity production at ENO was subdued. At the end of the year, we recorded a significant decline in coal supplies due to the pandemic. The Vojany power plant last year produced 97 GWh. A significant increase in the prices of emission allowances had a very negative effect on the operation. Combined with low spot prices during the spring and summer months, it meant that the power plant was out of operation from mid-March to December.

The pandemic stopped many of our activities, including the Slovenské Elektrárne University project. Many educational, sports, cultural or volunteer projects were postponed or moved to the online environment. Where possible, we continued to take an active part, for example in Science and Technology Week, Ekotopfilm junior, or Stars for Children. Through the Slovak Power Plants Endowment Fund, we supported several projects in the social, environmental and educational fields, and our employees also took part in some sporting events, such as To Work on a Bike, where we drove the most kilometres of all participating teams.
We paid special attention to communication with employees, especially at the time of the pandemic, when we had very limited opportunities for personal contact. Through the intranet, e-mail communication, a lot of online discussions, we remained in daily contact with employees.The year 2020 was a really challenging and unprecedented one. However, thanks to the responsible approach of employees to their work and colleagues, we have successfully managed it. Many thanks to everyone for the results.

Slovenské elektrárne

The core business of Slovenské elektrárne[1] is the production and sale of electricity. The company is the largest producer of electricity in Slovakia and one of the largest in Central Europe. SE also generates and sells heat, and provides ancillary services for the power grid.

Slovenské elektrárne operates 31 hydropower[2], two nuclear[3], two thermal[4] and two photovoltaic[5] power plants, with a total installed capacity of 4 112.36 MWe.

The Company's goal is to safely, reliably, efficiently and competitively produce, sell and trade electricity and heat, to safely handle radioactive waste and spent nuclear fuel, and to permanently reduce the environmental impact of production processes. Thanks to the balanced mix of production sources, the Company supplied 95% of electricity to the grid without local carbon dioxide emissions in 2020.

Vision and mission

Vision

To be the safest, most innovative and competitive producer in the Central and Eastern Europe, creating value for our customers, shareholders and employees.

Mission

To produce and supply affordable energy safely and respectfully for the environment for all our customers.

[1] Hereinafter referred to as "SE" or the "Company"
[2] Hereinafter also referred to as PhPP
[3] Hereinafter also referred to as NPP.
[4] Hereinafter also referred to as TPP.
[5] Hereinafter also referred to as PhPP

Structure and governance

Shareholder structure

The Company had two shareholders as at 31.12.2020. The majority shareholder is Slovak Power Holding B.V. (“SPH”), owning 66.0000000523% of the share capital. A 50% stake in the share capital of SPH is owned by the company EP Slovakia B.V. (a subsidiary of the EPH group) and the remaining 50% was owned by Enel Produzione SpA (a subsidiary of the Enel group). The Company’s minority shareholder, with a 33.9999999477% share in the registered capital, was the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic.

EPH Group

Energetický a průmyslový holding (“EPH”) is a leading Central European energy group that owns and operates facilities in the Czech Republic, Slovakia, Germany, Italy, Britain, Ireland, France, and Switzerland. The EPH Group is a vertically integrated energy utility covering the complete value chain: from lignite mining, through electricity and heat production to electricity and heat distribution. It also includes platforms for supply and trading on the one side and management of gas infrastructure on the other.

ENEL Group

The Enel Group is a leading multinational energy company and a prominent integrated player in the global power, gas, and renewables markets. The group is present in over 30 countries, with around 88 GW of installed capacity, and distributes electricity through a network of over 2.2 million kilometers. With more than 74 million business and household end users globally, the Group has the largest global customer base among its European peers and it is the largest European utility by ordinary EBITDA.

Slovak republic

The Slovak Republic has the right to hold three positions on the Company’s Board of Directors and it may have two nominated representatives in positions on the Supervisory Board. Annually, the positions of the Chairman and Vice-Chairman of the Supervisory Board are alternately, on a rotation principle, occupied by the appointed representatives of both shareholders. In accordance with applicable legislation, the Ministry of the Economy of the Slovak Republic acts on behalf of the Slovak Republic as a company shareholder.

Board of directors, supervisory board

The Company's statutory body is the Board of Directors. The Supervisory Board functions as the Company's supervisory body; the Supervisory Board also performs the activities of the Audit Committee.

The board of directors

The Company Board of Directors has nine members (eight as of 31 December 2020, without one nomination by the shareholder Slovak Power Holding BV). The Board of Directors is headed by the Chairman, who is represented by the First Vice-Chairman in the case of his absence. As of 31 December 2020 the positions of the Chairman, First Vice-Chairman and Second Vice-Chairman and Members of the Board of Directors were held by:

Branislav Strýček, Member and Chairman of the Board of Directors

Branislav Strýček has been a member of the Board of Directors since 14 May 2009. Based on the nomination of the shareholder Slovak Power Holding BV, he was re-elected to the Board of Directors with effect from 27 June 2017. He has held the position of the Chairman of the Board of Directors since 27 June 2018.

Michele Bologna, Member and First Vice-Chairman of the Board of Directors

Michele Bologna has served as Member and First Vice-Chairman of the Board of Directors since 12 December 2017. He was nominated by the shareholder Slovak Power Holding BV.

Radoslav Zigo, Member and Second Vice-Chairman of the Board of Directors

Radoslav Zigo has served as Member and Second Vice-Chairman of the Board of Directors since 31 October 2020. He was nominated by the shareholder the Slovak Republic.

Jaroslav Holubec, Member of the Board of Directors

Jaroslav Holubec has been a member of the Board of Directors since 8 February 2013. Based on the nomination of the shareholder Slovak Power Holding BV, he was re-elected to the Board of Directors with effect from 9 February 2017.

Milan Horváth, member of the Board of Directors

Milan Horváth is a nominee of the shareholder the Slovak Republic. He has held the position of Member of the Board of Directors since 29 August 2020.

Ľubomír Tomík, Member of the Board of Directors

Ľubomír Tomík is a nominee of the shareholder the Slovak Republic. He has held the position of Member of the Board of Directors since 29 August 2020.

Lukáš Maršálek, Member of the Board of Directors

Lukáš Maršálek was elected as a replacement member of the Board of Directors with effect from 13 December 2018. With effect from 21 January 2019, he was elected a full Member of the Board of Directors. He was nominated by the shareholder Slovak Power Holding BV.

Pedro José Cañamero González, Member of the Board of Directors

Pedro José Cañamero González is a nominee of the shareholder Slovak Power Holding BV. He has held the position of Member of the Board of Directors since 25 May 2019.

Supervisory board

The Supervisory Board has fifteen members (thirteen as of 31 December 2020, without two nominees elected by company employees). The Supervisory Board of Directors is headed by the Chairman, who is represented by the Vice-Chairman in the case of his absence. As at 31 December 2020, the positions of Chairman, Vice-Chairman and Members of the Supervisory Board were held by:

Ivan Šramko, Member and Chairman of the Supervisory Board

Ivan Šramko has held the position of Member of the Supervisory Board since 1 October 2020. He was nominated to the position by the shareholder the Slovak Republic.

Jiří Feist, Member and Deputy Chairman of the Supervisory Board

Jiří Feist was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding BV, and has held this position since 30 July 2019. He has held the position of Deputy Chairman of the Supervisory Board since 30 May 2020.

Jozef Tischler, Member of the Supervisory Board

Jozef Tischler has held the position of Member of the Supervisory Board since 1 October 2020. He was nominated by the shareholder the Slovak Republic.

Zdenek Turian, Member of the Supervisory Board

Zdenek Turian was elected to the position of Member of the Supervisory Board by employees of the Company, and was re-elected as of 23 December 2019.

Ján Topoľovský, Member of the Supervisory Board

Jan Topoľovský was elected to the position of Member of the Supervisory Board by employees of the Company, and has held this position since 23 December 2019.

Maria Antonietta Giannelli, Member of the Supervisory Board

Maria Antonietta Giannelli was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding BV, and has held this position since 25 May 2019.

Giuseppe Ferrara, Member of the Supervisory Board

Giuseppe Ferrara was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding BV, and has held this position since 25 May 2019.

Elisabetta Barberi, Member of the Supervisory Board

Elisabetta Barberi was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding BV and has held this position since 22 November 2019.

Pavel Janík, Member of the Supervisory Board

Pavel Janík was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding BV, and has held this position since 30 July 2019.

Jan Stříteský, Member of the Supervisory Board

Ján Stříteský was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding BV, and has held this position since 30 July 2019.

Stanislav Kysel, Member of the Supervisory Board

Stanislav Kysel was elected to the position of Member of the Supervisory Board by employees of the Company, and has held this position since 21 May 2018.

Bohumil Kratochvíl, Member of the Supervisory Board

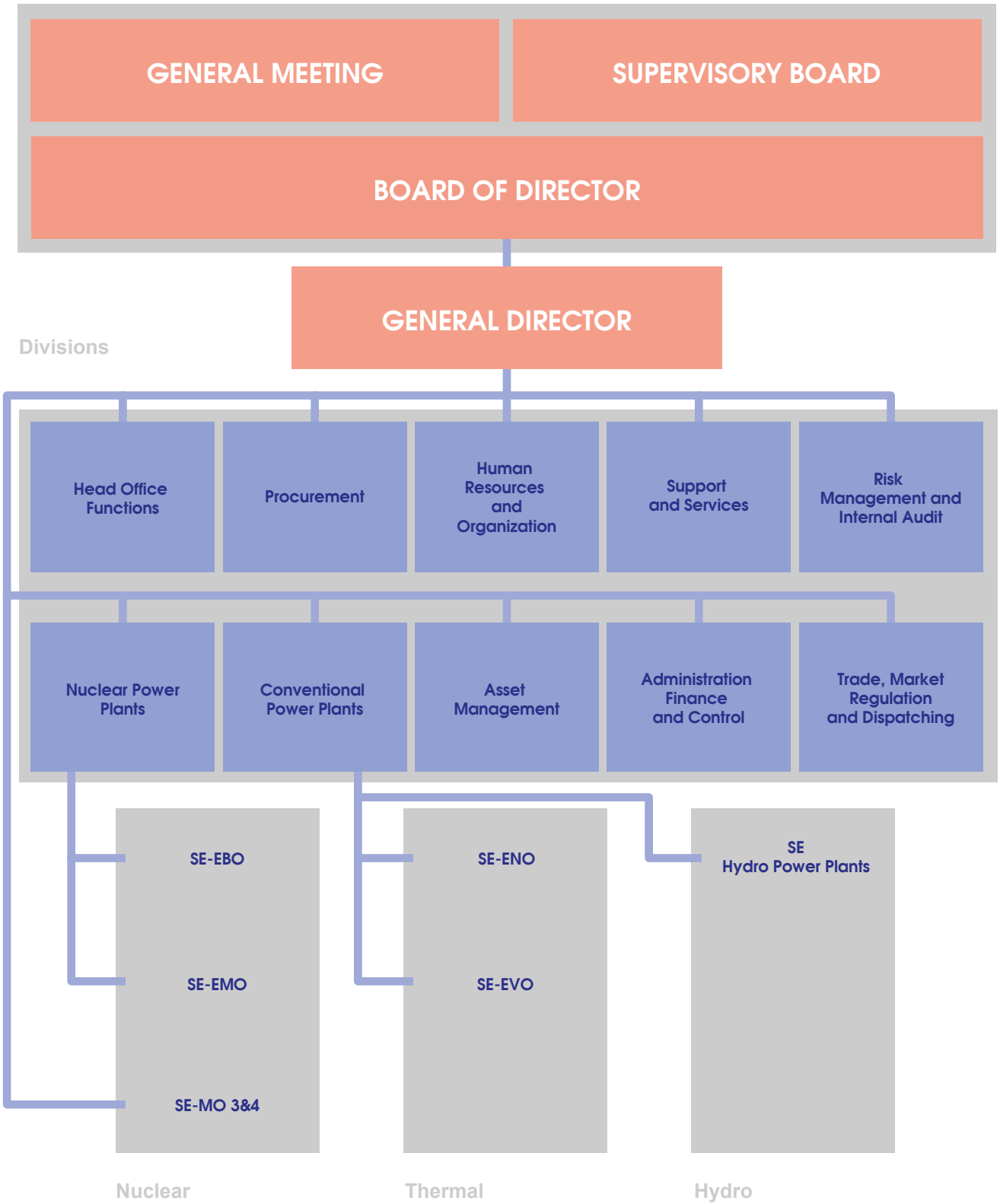
Bohumil Kratochvíl was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding BV, and has held this position since 27 June 2018.

Stefano Checchi, Member of the Supervisory Board

Stefano Checchi was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding BV, and has held this position since 8 January 2020.

Organisational structure

Company Bodies



Results

Main financial information

In 2020, SE and its subsidiaries posted a profit before interest, tax, depreciation and amortisation (EBITDA) of 363 million euros. For comparison, the figure for 2019 was 342 million euros.

The change in the EBITDA result against the preceding year was positively influenced in particular by the development of electricity prices driven by underlying commodity prices, as well as by the Company's continuing efforts toward cost optimisation and efficiency, affecting both costs related to power plants and costs at centralised units. The creation of the nuclear reserve as a result of the reassessment of the discount curve also had an impact on the EBITDA result and the net result for 2020. Cash optimisation and efficient cash flow management continued to be key initiatives to support the Company's profitability, with net debt increasing by 39 million euros, despite higher investments of 304 million euros made over the year. Net profit for 2020 rose to 60 million euros from the level of 23 million euros achieved in 2019.

The Company remains fully committed to sustaining its investment plan for the upcoming years 2021 – 2025, focusing on the completion of Units 3 and 4 of the Mochovce Nuclear Power Plant. Total investments in 2020 amounted to 304 million euros (excluding capitalised interest). For comparison, the figure for 2019 was 420 million euros. The prevailing majority of investments were directed at the construction of Units 3 and 4 in Mochovce.

Moreover, the Company continues to fully utilise and maximise its capability to operate power plants, exploring potential opportunities as well as providing innovative services to its end customers.

Companies in wich a stake is held

The Company holds a capital stake in companies whose business activities are closely related to the its line of business. These are activities consisting in the supply of electricity, gas and heat, the provision of design and engineering services, the provision of comprehensive energy services focused on increasing energy efficiency, research and development, engineering and, last but not least, also the protection of all the Company's facilities. Membership in reinsurance companies is a condition for insuring the Company's nuclear risks.

Detailed overview Companies in which Slovenské elektrárne held a capital stake as at 31 December 2020

Spoločnosť	Year of incorporation (entry)	SE share in %	Line of business
SE Služby inžinierskych stavieb, s.r.o.	2015	100.00	100.00 engineering activities in construction
Slovenské elektrárne – energetické služby, s.r.o.	2008	100.00	electricity, gas and heat supply, energy services
Slovenské elektrárne Česká republika, s.r.o.	2015	100.00	electricity and gas supply, energy services
Centrum pre vedu a výskum, s.r.o.	2011	100.00	science and research
Ochrana a bezpečnosť SE, s.r.o.	2004	100.00	100.00 protection of Company's premises and property
REAKTORTEST, s.r.o.	1991	49.00	inspections and tests at nuclear power plants
ÚJV Řež, a.s.	1998	27.80	research and development of nuclear technologies
Energotel, a.s.	2001	20.00	telecommunication services, cyber security
BlueRe, m.a.	2011	4.55	mutual reinsurance association
ELINI	2002	4.35	mutual reinsurance association
EMANI	1978	1.84	mutual reinsurance association
NIRA	2008	0.42	mutual reinsurance association
DMD holding, a.s. "in liquidation"	1997	2.94	company in liquidation

Trading in electricity, heat and ancillary services

Electricity trading

The Company conducts the sale of production through trades concluded under market conditions, usually through brokerage platforms or Energy Exchange Europe (EEX), which are considered to be the most transparent and reliable means of electricity trading in the region. This strategy has long been positively accepted by the Company's trading partners.

The Company sells the majority of its production on a forward basis with the time horizon of three years in advance of the electricity supply, in accordance with its long-term business strategy. This strategy is an effective way of securing sale prices and planned production volumes.

The remaining open position is traded on the Slovak spot market, or on the surrounding markets either on organised trading venues, bilaterally, or through brokerage platforms. This volume represents a small part of the total annual output and is necessary for maintaining the Company's balanced position, respecting in particular the unpredictability of water resources and possible outages of other sources in the Company's production portfolio. Given the effective functioning of the implicit market-coupling method of allocating cross-border transmission capacities, the size of the Slovak spot market is sufficient for the Company's needs.

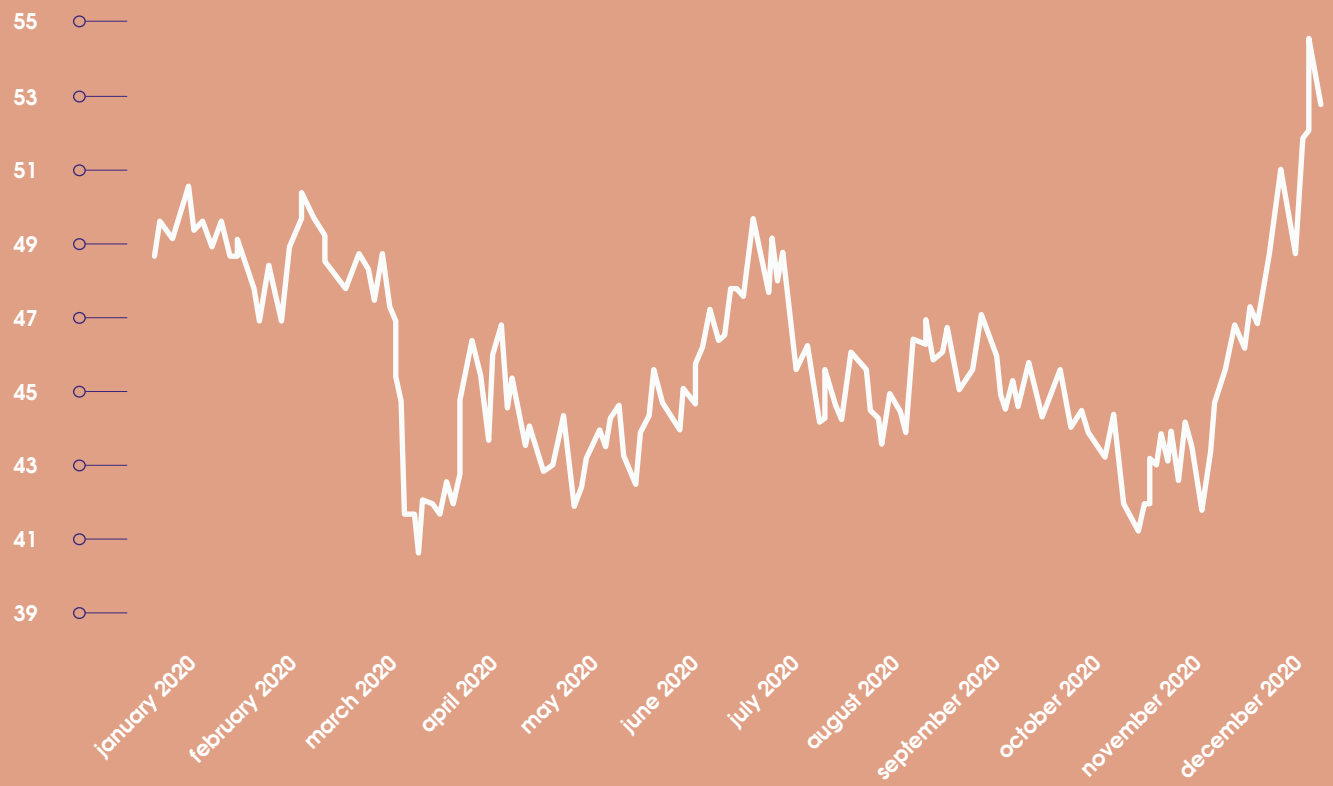
Development of electricity prices

Wholesale prices in Slovakia again this year followed prices on the German electricity market. Like other industries, energy has not avoided the negative impact of the Covid-19 pandemic. In mid-March, the market saw a drop in prices of more than 35% on the spot market, which also significantly affected the prices of long-term products. The price remained below the level of pre-pandemic prices throughout the year and did not rise above this level until the end of the year. This increase was due to several factors. The main ones are rising commodity prices, primary emission allowance prices, combined with colder winters and sub-normal production from renewable sources in Germany. At the end of the year, the pandemic also had a negative impact on electricity consumption, which returned to its original normal to above-normal values.

As for commodity prices, the price of gas remained between 11 and 17 EUR/MWh over the year, reaching a minimum in the summer and only starting to rise to maximum annual values at the end of the year. In the case of coal, the development was similar, during the summer the price fell to an annual minimum, which was the price of 50 USD/t, but at the end of the year the price regained a bullish trend and ended just below the value of 70 USD/t. This year was extremely interesting for emission allowances. In addition to the adoption of a 55% emission reduction target by 2030 compared to 1990 by the European Commission, hedge funds have become more interested in emission allowances. They started to increase their market share significantly from June, doubling their market share against the previous year, and significantly contributing to the increase in the price of the allowance to its current maximum of more than 33 EUR/t. This was subsequently reflected in electricity prices. At the end of the year, the value of the forward price for 2021 rose to 52.6 EUR/MWh.

Development of electricity prices in the Slovak Republic

(in EUR/MWh)



One important factor is Slovakia's strategic location for trade and transmission of electricity to Hungary and further on to the Balkans, i.e. into a region with higher price levels. Following the connection of Romania to market coupling, the importance of the local market, and of SE in the region, has grown further.

The Company is aware of its standing as the largest trader on the domestic electricity market, and therefore by means of trading platforms it seeks to improve the liquidity and transparency of the Slovak market. As a result, the Slovak market reflects real market conditions and is becoming even more attractive for all its participants.

Market price in Slovakia

The Slovak electricity market is fully liberalised, open to all market participants and has sufficient transmission capacities. There are no obstacles to the free exchange of electricity either within the system or between the surrounding countries. Market prices on the domestic market are in line with the market prices of the surrounding markets, transparently created by supply and demand.

The Slovak electricity market is an important market for its strategic geographical location within the central part of Central Europe. The market price is determined fairly and transparently by market participants, who have the same information. This is evidenced by the steady functioning of the daily organised electricity market, which evaluates and publishes hourly prices for supplies for the day ahead.

Following the successful coupling of the Slovak, Czech, Hungarian and Romanian markets (4M Market Coupling), an upward trend of market coupling is expected in the future, with the expected greater trading capacity and increased stability of the electricity system. Specifically, at the beginning of June 2021, there is planned the connection of 4MMC to the MRC coupling zone, to which most European countries belong, creating a new Interim Coupling Zone.

As a dominant electricity producer on the Slovak market and as an integral part of this environment, SE cannot overlook the impact of market forces. The Company is keeping its prices competitive at the regional level, even despite the difficult conditions on the electricity market.

Domestic sales policy

The Company's business strategy is to sell and purchase electricity in a transparent and non-discriminatory way. The Company confirms this trend with all business transactions that it always concludes under market conditions, mainly via trading platforms. They are accessible to the majority of wholesale market participants, which ensures the transparency of each concluded trade and the consistency of the concluded price with the current market value.

An integral part of the business strategy is also to focus on the segment of end customers to whom the Company, besides selling electricity, also offers via subsidiaries energy services, and thereby further stabilises its position in the domestic energy market.

Strategy in the region

The Company's main strategic priorities include exploiting opportunities in the surrounding markets of the Czech Republic, Poland and Hungary, taking into account the parallel development of these liberalised

markets, and the sufficient level of building transmission links between them. Thanks to active trading on these markets, the Company maintains its position as a major player in the Central European electricity market. The German electricity market plays a specific strategic role in SE's hedging operations related to the sales of its production volumes. Thanks to its size and liquidity, the German electricity market has become a reference market, setting the base price in the region.

Trading in ancillary services and regulation electricity

In order to provide for system services in 2020, the transmission system operator Slovenská elektrizačná prenosová sústava, a.s. purchased ancillary services in compliance with the Operational Rules of the transmission system operator from certified providers, complying with the technical requirements for providing ancillary services defined in the Technical Conditions for Access and Connection and in transmission system operation rules. The division of services remained unchanged into primary, secondary and three- and ten-minute tertiary positive and negative active capacity regulation, secondary voltage regulation and black start, provided by the producers and the ancillary services of reduced offtake and increased offtake, provided by customers. From 1 October 2020, however, the hitherto symmetrical service of secondary regulation of active power was divided into a positive and negative service. Compared to the previous year, demand for primary power increased slightly, but at the same time demand for secondary regulation of active power decreased slightly. Demand volumes in other services remained unchanged.

The ceiling prices of ancillary services procured by the transmission system operator, as well as the limit prices of regulation electricity, were determined by Decision of the Regulatory Office for Network Industries (RONI) no. 0075/2020/E of 3 December 2019. Year-on-year, there was a decrease in unit prices in all services of active power regulation, except for tertiary regulation of negative three- and ten-minute regulation, and services of consumption increase by 2.8%. The prices of secondary voltage regulation and black start remained unchanged. A significant change was the abolition of payment for supplied control electricity from primary regulation of active power. Regulatory electricity prices from other types of services remained the same year-on-year.

In 2020, the value of provided ancillary services continued to be set on the basis of commercial and technical evaluation. The evaluation was reflected in revenues corresponding to the ancillary services provided. The imposition of contractual penalties by Slovenská elektrizačná prenosová sústava, a.s. helped to maintain the quality of the services provided. The Company provided ancillary services in the scope of valid contracted volumes from multi-year, year and day tender selection procedures, contracts taken over on behalf of other providers and in the scope of concluded bilateral contracts (including subcontracts of negative secondary regulation for the virtual unit), in which own sources were utilised. The Company confirmed its orientation on the long-term stable supply of ancillary services.

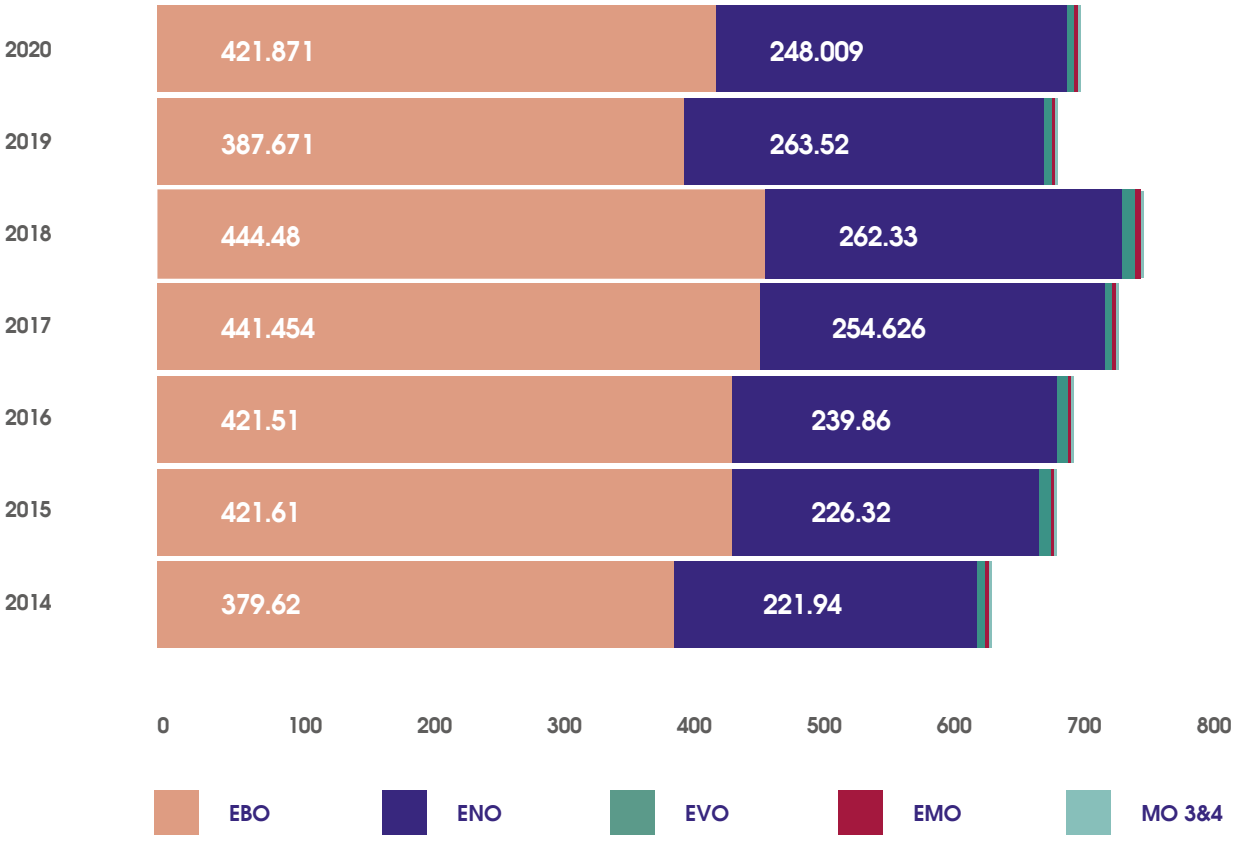
Part of the activation of the support services was the supply of regulatory electricity for the Slovenská elektrizačná prenosová sústava, a.s. The volume of electricity supplied by ancillary service providers (ASPs) from the territory of the Slovak Republic was significantly negatively affected by the system of cross-border exchanges of regulated electricity (IGCC), to which the operator of our transmission system connected in May

2020. The financial settlement of regulation electricity as well as the settlement of deviations of the Slovenské elektrárne balance group was carried out by OKTE, a.s., the electricity spot market organiser.

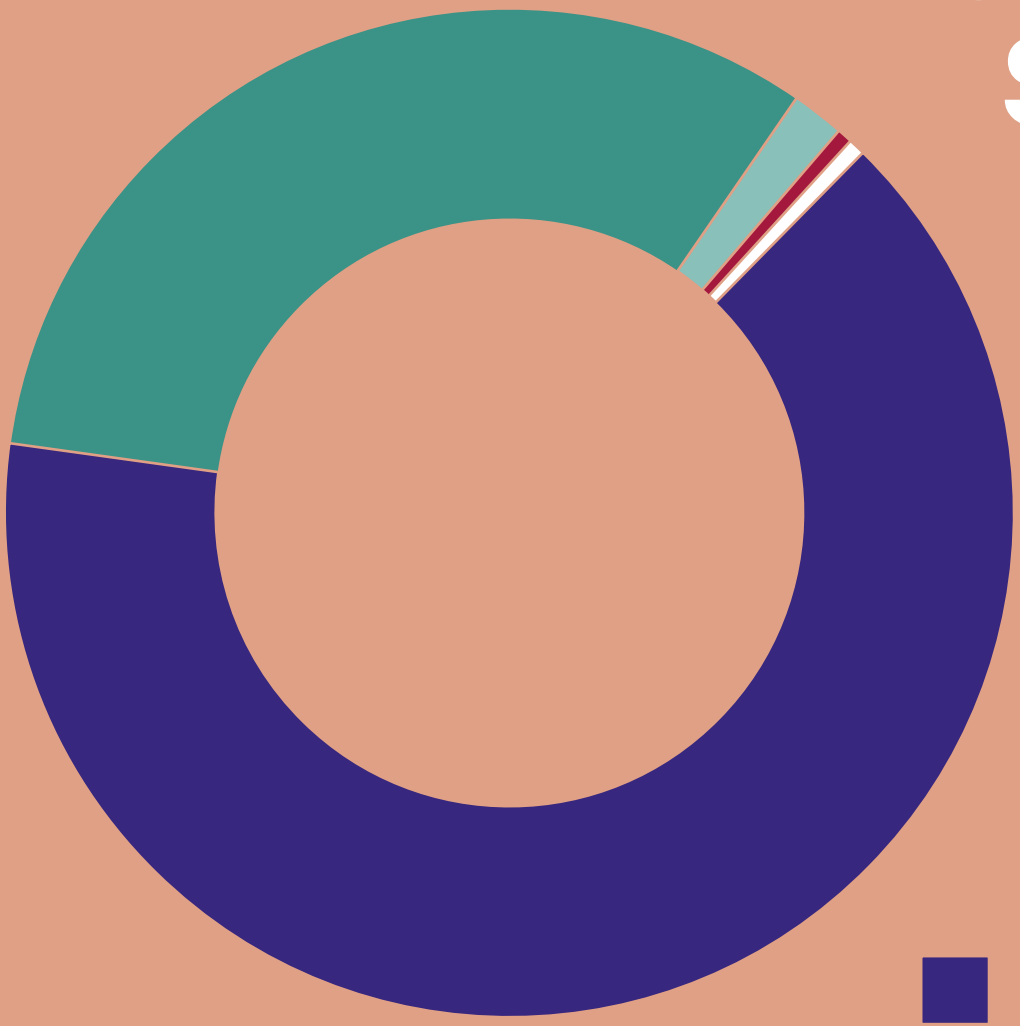
Heat trading

SE is the third largest supplier of heat in Slovakia. In 2020, SE produced 812 GWh and sold 676 GWh of heat, achieving revenues of 18.1 million euros. The largest system of the central heat supply in the SE portfolio is a system located at the site of the Jaslovské Bohunice nuclear power plant. This nuclear power plant supplies heat to the towns of Trnava, Hlohovec, Leopoldov and the municipality of Jaslovské Bohunice. The year 2018 saw a fundamental change in the strategy of supplying heat to customers. In line with the Company's strategy in the field of comprehensive customer care, the Company's subsidiary Slovenské elektrárne energetické služby, s.r.o., took over the heat producers in the areas of Nováky, Vojany, Mochovce and the Trnava branch in the area of Jaslovské Bohunice nuclear power plant. The entire transfer of heat customers to the subsidiary was completed in 2020 with the transfer of the remaining customers in the area of the Jaslovské Bohunice nuclear power plant. In so doing the Company now provides comprehensive care for all customers across the portfolio in all areas of energy. In 2020, the subsidiary Slovenské elektrárne – energetické služby, s.r.o. became an exclusive consumer of heat. Heat for customers both in production and non-production sectors was delivered smoothly and reliably, based on their needs, and in line with the quality standards of heat supply.

Share of plants in heat sales at Slovenské elektrárne, a.s. (GWh)



Plants' Shares in Revenues from Heat Sales in 2020



ENO	70.66 %
EBO	28.40 %
EVO	0.75 %
EMO	0.16 %
MO 3&4	0.03 %

Regulatory period 2017 – 2022

The new five-year regulatory period of 2017 – 2021 began in 2017. During 2020, there was a change in the regulatory policy and the amendment of the current regulatory policy for the period 2017 – 2021 extended the validity of the regulatory period to 2022. Price regulation of thermal energy in the regulatory period is governed in Decree no. 248/2016 Coll. The entire regulatory period focuses on stabilising both variable and fixed costs. The variable heat price is regulated by the Regulatory Office for Network Industries by means of introducing correction coefficients for calculating maximum fuel prices. Fixed costs may be increased on a year-on-year basis only for reason of new investments in improving the efficiency of heat production and distribution. However, the fixed heat price is affected by regulatory input, which is based on real heat supply in the year preceding the submission of a cost proposal. Based on the decision of the regulatory authority, determined heat prices are subject to the clearing obligation for the actual heat offtake and eligible incurred costs. The difference between variable and fixed costs is settled in the form of a credit note at the end of the regulatory year by 31 March of the following calendar year.

Structure and development of heat prices from 2017 – 2022

Regulatory pricing policy aims to stabilise thermal energy prices for the relevant regulatory period 2017 – 2022. Prices for the regulatory period 2017 – 2022 are based on the approved fixed costs in the previous regulatory period and on the planned variable costs for the following year. The issued price decisions remain in force until 2022.

Electricity procing and price structure for the final consumer

The structure of the electricity price for the final consumer consists of three main components: commodity, transmission and distribution fees and system fees. The price of electricity as a commodity is determined by the market without any form of regulation, while other fees are regulated and laid down in a decision of the Regulatory Office for Network Industries (RONI). The main part of system fees serves to support the use of renewable sources, the electricity production from domestic brown coal, the procurement of ancillary services and the operation of the electricity spot market organiser (OKTE, a.s.). Transmission and distribution fees cover costs incurred by the transmission and distribution system operators.

The price of electricity also includes the levy to the National Nuclear Fund, the amount of which is determined by the relevant government decree. In addition to these fees, final customers, other than households, are also charged excise duty. All customers are also subject to value-added tax (VAT), pursuant to applicable laws.

Breakdown of average end-price electricity for households with consumption of 2.5 – 5 MWh/year and for industry with consumption 70 – 150 GWh/year

(EUR/MWh excluding taxes)

	Households		Industry	
	2020	2019	2020	2019
Transmission & distribution fees, incl. losses	39	40	15	19
System fees	33	35	33	35
Commodity and supply	55	51	51	50

Regulatory framework

Highlights at the national level

Support for electricity production at the Nováky power plant

The legal basis for support for electricity production from domestic coal is laid down in Directive no. 2009/72/EC.

In accordance with the Resolution of the Government of the Slovak Republic No. 580/2018, by which it approved the general economic interest in ensuring security of electricity supplies in the Bystričany nodal area, on 5 August 2019 the Ministry of Economy of the Slovak Republic issued Decision No. 17237/2019, imposing an obligation on the operators of Units 1 and 2 and Unit A of the Nováky Thermal Power Plant, starting from 1 September 2019, to produce electricity in the volume of 870 GWh/year to 1 100 GWh/year, for the period during which Units 1 and 2 and Unit A of the Nováky Thermal Power Plant comply with the applicable environmental protection regulations, but in any case to the end of 2023 at the latest. The Regulatory Office for Network Industries on 5 December 2019 issued Decision no. 0086/2020/E, setting a fixed price for the production of electricity from domestic coal in the amount of 133.8115 EUR/MWh and by Decision no. 185/2020/E of 13 December 2019 set the tariff for the operation of the system for the production of electricity from ENO at the level of 5.12 EUR/MWh.

Payments for Access to the Electricity Grid for Slovak Electricity Producers ("G-component")

In 2019, both distribution and transmission system operators continued to charge electricity generators for access to the distribution and transmission system (the so-called "G-component"). An electricity producer connected to the regional distribution system was charged a G-component of 30% of the maximum reserved capacity value. The payment for access to the transmission system to the transmission system operator is paid by the electricity producer at an average rate of 0.5 EUR/MWh. The payment does not apply to any electricity producers whose electricity producing facilities serve solely for providing ancillary services or exclusively for supplying regulation electricity, neither does it apply to any electricity producers operating a facility for electricity production from hydro energy with a total installed capacity of less than 5 MW.

From SE's point of view, the application of the G-component has a negative impact on the functioning and development of the electricity market and at the same time forms a barrier to the development of renewable energy sources, since the G-component fee for hydropower plants may climb up to 32 EUR/MWH, which is roughly 20 EUR/MWh for photovoltaic power plants, or about 17 EUR/MWh for wind power plants. At current market prices, it is therefore a disincentive to operate existing or build new sources. Following the activities carried out in 2019, Slovenské elektrárne, a.s., together with Veolia Energia Slovensko, a.s. and the Slovak Association of the Photovoltaic Industry and RES, lodged a complaint with the European Commission concerning violations of EU legislation in connection with the decree of the Office for the Regulation of Network Industries, which establishes price regulation in the electricity sector.

Extension of the regulatory period

An extension to the regulatory policy was adopted in the second half of 2020 and extended the current regulatory period by one year, i.e. until the end of 2022.

In the framework of public commenting, the Company submitted its comments to the Regulatory Office for Network Industries, consisting in the following areas:

- Change to the setting of the fee for access to the system for electricity producers (so-called "G-components");
- Price regulation of supply to households and small businesses;
- Setting of the possibility for financing the support of RES from external sources;
- Reduction of the fee for hydropower potential and its non-discriminatory setting;
- Update to provisions of the regulatory policy in the part of electricity production from domestic coal, so that they are in accordance with the current resolution of the Government of the Slovak Republic and the decision of the Ministry of Economy of the Slovak Republic.

Transposition of the Winter Energy Package

In 2020, preparations for the transposition of the Winter Energy Package began. As part of these preparations, there were several platforms opened for commenting on the upcoming transposition. Slovenské elektrárne a.s. in 2020, actively engaged in commenting on the transposition of the Winter Energy Package, both in the framework of a working group established for this purpose by the Slovak Association of the Photovoltaic Industry and renewable energy sources. Likewise, Slovenské elektrárne, a.s. participated in workshops organised for this purpose by the consultant selected by the Ministry of Economy of the Slovak Republic, EY. Slovenské elektrárne actively participated in these workshops.

Integrated National Energy and Climate Plan and Low-Carbon Development Strategy of the Slovak Republic to 2030 with a view to 2050

Over the course of 2019, the Ministry of Economy of the SR prepared a final version of the Integrated National Energy and Climate Plan ("INE&CP"), whose preparation results from the EU law. The INE&CP is a strategic document on energy sector development by 2030. In its final form it replaces the already surpassed energy policy of the SR dating from 2014.

Key objectives quantified in the area of energy and climate by 2030 are summed up below:

EU and SR objectives	EÚ 2030	SR 2030
Greenhouse gas emissions (as at 1990)	- 40 %	No national objectives set for individual Member States
Emissions in the ETS sector (as at 2005)	- 43 %	
Greenhouse gas emissions in non-ETS (as at 2005)	- 30 %	- 20 %
Total share of renewables	32 %	19.2 % alt. 20.0 %
Share of renewables in transport	14 %	14 %
Energy efficiency	32.5 %	30.3 %
Interconnection of electrical systems	15 %	52 %

Source: INE&CP

In 2019, the Ministry of Environment of the SR prepared a final version the Low-Carbon Development Strategy of the SR to 2030 with a view to 2050, whose preparation results from EU law. Its primary objective is to outline the possibilities for a coherent long-term (30-year) strategic outlook for the transition to a low-carbon economy, which will be completed by achieving climate neutrality in 2050. The strategy identifies key policies and measures that will lead to the achievement of the key goal of the Paris Agreement. In line with this goal, Slovakia has committed itself to achieving climate neutrality by 2050, which means that only such quantity of greenhouse gas emissions can be discharged that can be captured.

Slovenské elektrárne have actively been participating in discussions in contributing with their proposals to create the mentioned documents.

In March 2020, the Low Carbon Development Strategy of the Slovak Republic was discussed by the Government of the Slovak Republic, which approved it by its Resolution No. 104/2020. This strategy is currently undergoing a Strategic Environmental Assessment (SEA) process to assess its impact on the environment.

Highlights at the international level

SE considers the EU ETS to be a key element on the path to the complete implementation of the EU energy and climate policy framework for the period to 2030, as well as a primary driver for decarbonisation.

European Green Agreement

In December 2019, the European Commission published a Communication on the European Green Agreement, outlining the direction of European policies with an impact on the environment. Through this step, the EU has embarked on a process of transforming all aspects of economic life in the spirit of incorporating defined environmental objectives into the relevant European policies. The Company has been actively monitoring and participating in the relevant public consultations since the beginning of the initiative accompanying the Europe Green Agreement. Key initiatives from the Company's aspect included the forthcoming revision of Council Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity (ETD), increasing the EU's climate ambition to 2030, preparing a European Climate Code that legally defined the goal of achieving climate change neutrality of the EU by 2050, or the revision of rules regarding state aid for Environment and Energy (EEAG). In the process of public consultation, the Company actively communicated with national authorities and associations, as well as with relevant associations at the European level.

Taxonomy

In 2020, the Company paid special attention to the issue of classifying investments from the aspect of achieving environmental goals. The issue of defining sustainable economic activities, the so-called green taxonomy, was amended by Regulation (EU) 2020/852 of the European Parliament and of the Council establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088. From the Company's point of view the question of the position of nuclear energy remained open in the taxonomic legislative framework, which is the only economic activity in the field of energy remained unassessed by experts. The taxonomic status of nuclear energy could not be concluded at the EU level during 2020, so discussions on this topic are

expected to continue in 2021. From the point of view of taxonomy, the Company also sensitively perceived the setting of criteria for the production of electricity at hydroelectric power plants, for which criteria were proposed that disadvantage hydroelectric power plants compared to other renewable energy sources. As nuclear and hydropower plants are among the most important sources operated by the Company, and are also pillars of the energy system of the Slovak Republic, the Company actively communicated its concerns and comments to national authorities and associations as well as relevant actors at the EU level in the public consultation process.

Commercial risk

Slovenské elektrárne, as an internationally operating company, is exposed to multiple risks. Efficient risk management means increasing the Company's value by optimal exploitation of business opportunities, while minimising market risks arising from such activities. Risk management is therefore part of the Company's financial and operational management and fully identifies, quantifies, regularly monitors and controls the amount of risk to prevent potential negative impact on the Company's financial performance. Constant fluctuations and high volatility in commodity markets require the application of sophisticated risk assessment approaches. It can be stated that SE fully reflects this trend by using the latest statistical and simulation methods and tools. The commodity risks faced by a company producing and selling electricity on a daily basis are mainly related to changes in electricity prices on international markets. These price fluctuations are dependent on the price movements of commodities entering the process of producing and selling electricity, while exchange rate volatility also plays a role in terms of risk. In addressing the mentioned risks, a number of modern mathematical-probabilistic models are used to measure the commodity risk to which the Company is exposed over time. In order to hedge against the above-listed uncertainties, SE also uses one of the most efficient tools for protecting itself against risks, namely hedging. Hedging operations aimed at minimising or completely eliminating risks have been used in several of the Company's commercial activities. Risk management also deals with the issue of protecting the Company from the insolvency of its business partners. Credit risks mainly concern the monitoring, evaluation and management of counterparty credit exposures in accordance with established individual credit limits. A credit line is assigned to the counterparty by taking into account qualitative and quantitative indicators, and is reviewed regularly with an emphasis on the change in creditworthiness and payment discipline of the counterparty. In 2020, the Company stabilised the customer growth in the represented segments and strived to maximise cooperation with its business partners. Credit risk minimisation is ensured through the assessment of the credit quality of the counterparty on the basis of sophisticated internal systems, processes and mechanisms, through third-party guarantees, bank guarantees and potentially also other instruments. The Company also applies new approaches in the area of credit exposure management within the Slovenské elektrárne portfolio. Risk management at SE is also very efficient in terms of international comparison, as evidenced by the almost 0% share of counterparty failure in the overall portfolio of SE's customers.

Financial risk

Exchange rate risk

Slovenské elektrárne uses currency forwards and cross-currency interest rate swaps to reduce the

exchange rate risk of expected future cash flows in foreign currencies, as well as to hedge its exposure toward currencies other than the euro. Payments in foreign currencies are mainly denominated in US dollars, Russian roubles and Czech korunas.

Interest rate risk

Interest rate derivatives are used by the Company to reduce the amount of debt exposed to interest rate changes and to reduce the volatility of interest costs. The Company enters into interest rate derivative contracts with counterparties for replacing variable interest rates with fixed interest rates. As at 31 December 2020, the Company had interest rate and interest rate swaps totalling 2 829 million euros.

Insurance

Slovenské elektrárne uses insurance as one of its risk management tools with a view to minimising any negative impact on its business. For thermal, hydro and nuclear power plants, including auxiliary operations, the Company's insurance strategy in the field of property risks is based on the insurance of all tangible and intangible assets against key risks. In 2020, the Company continued to optimise insurance costs.

Liability risks associated with the Company's operating activities are covered by general liability insurance for damage to third parties. The statutory obligation of the Company as an operator of nuclear installations at the Mochovce and Jaslovské Bohunice sites, as well as in connection with the Project for Completion of Units 3 and 4 of the Mochovce nuclear power plant, is met through liability insurance of the nuclear installation operator for any nuclear damage resulting from a nuclear incident at its nuclear installation. The insurance complies with the requirements of the Vienna Convention on Civil Liability for Nuclear Damage which entered into force in the Slovak Republic on 7 June 1995, and likewise complies with Act no. 54/2015 Coll. on civil liability for nuclear damage and its financial coverage and on the amendment of certain acts, which entered into force on 1 January 2016 and sets liability limits of the operator whose nuclear facility is located within the Slovak Republic.

Electricity and heat production

Installed capacity

The Company's production base is balanced and consists of two nuclear (NPP), two thermal (TPP), thirty-one hydro (HPP) and two photovoltaic (PhPP) power plants. Compared to last year, the Company's installed capacity increased slightly to 4112.36 MW. The reason for the increase in the installed capacity is the implementation of a project to increase the efficiency of Unit 2 at the Mochovce nuclear power plant.

Installed capacity (MW)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
SE	4 992.60	4 992.60	4 520.92	4 300.92	4 175.92	4 080.92	4 080.92	4080.92	4112.36
HPP-G	746.54	746.54	746.54	0[7]	0	0	0	0	0
TOTAL	5 739.14	5 739.14	5 267.46	4 300.92	4 175.92	4 080.92	4 080.92	4080.92	4112.36

Terminal electricity production (GWh)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
SE	19 786	20 224	19 972	19 259	18 981	19 444	18 638	18 865	18 773
HPP-G	2 459	2 619	2 043	448[6]	0	0	0	0	0
TOTAL	22 245	22 843	22 015	19 707	18 981	19 444	18 638	18 865	18773

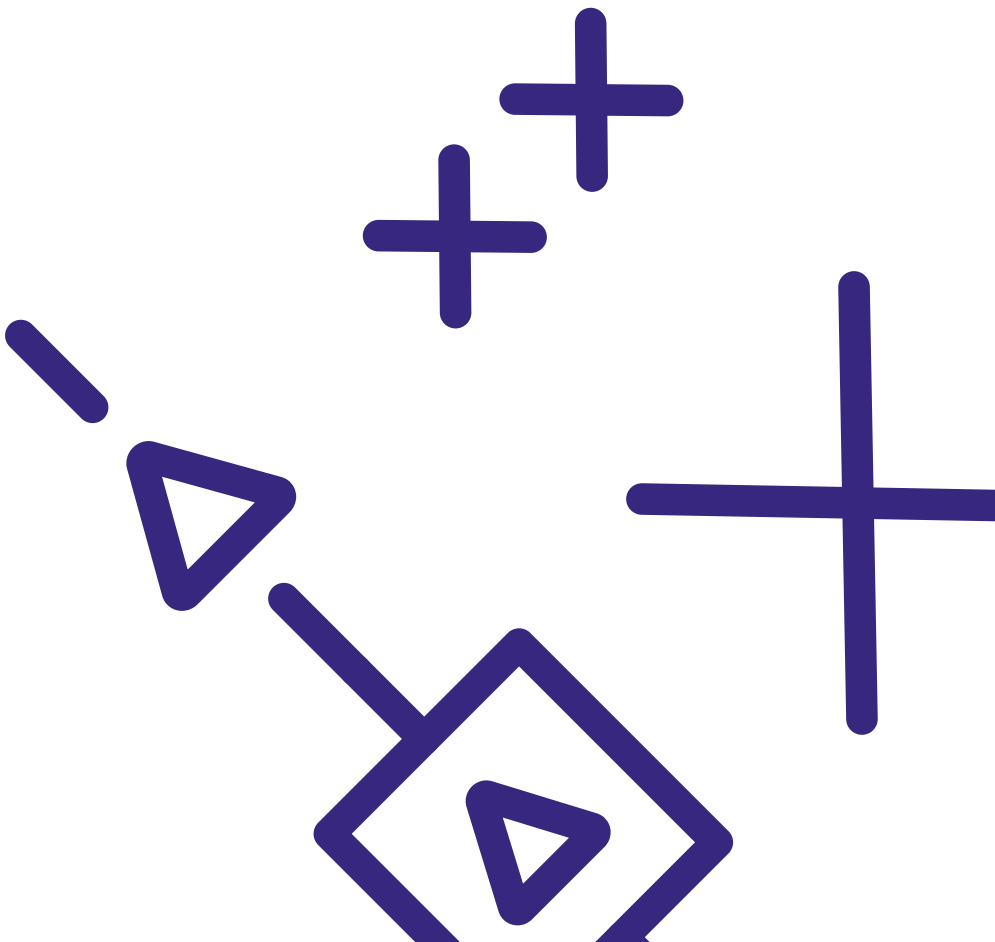
[6] Gabčíkovo hydropower structure (HPP Gabčíkovo, HPP Minor Gabčíkovo, HPP Čuňovo, HPP Mošoň), operation in the balance group of Slovenské elektrárne up to 9.3.2015 23:59.

Nuclear power plants

Power plant	installed capacity (MW)	year of commissioning
Bohunice (EBO)	2 x 500	1984, 1985
Nuclear power plant Mochovce (EMO)	1 x 470.1 x 501.44	1998, 2000
TOTAL	1 940.44	

Thermal power plants

Power plant	fuel type	installed capacity (MW)	year of commissioning
Vojany power plant (EVO 1)	black coal	220	2001
Nováky power plant A (ENO A)	brown coal	46	1996, 2004
Nováky power plant B (ENO B)	brown coal	220	1992, 1994
TOTAL		486	



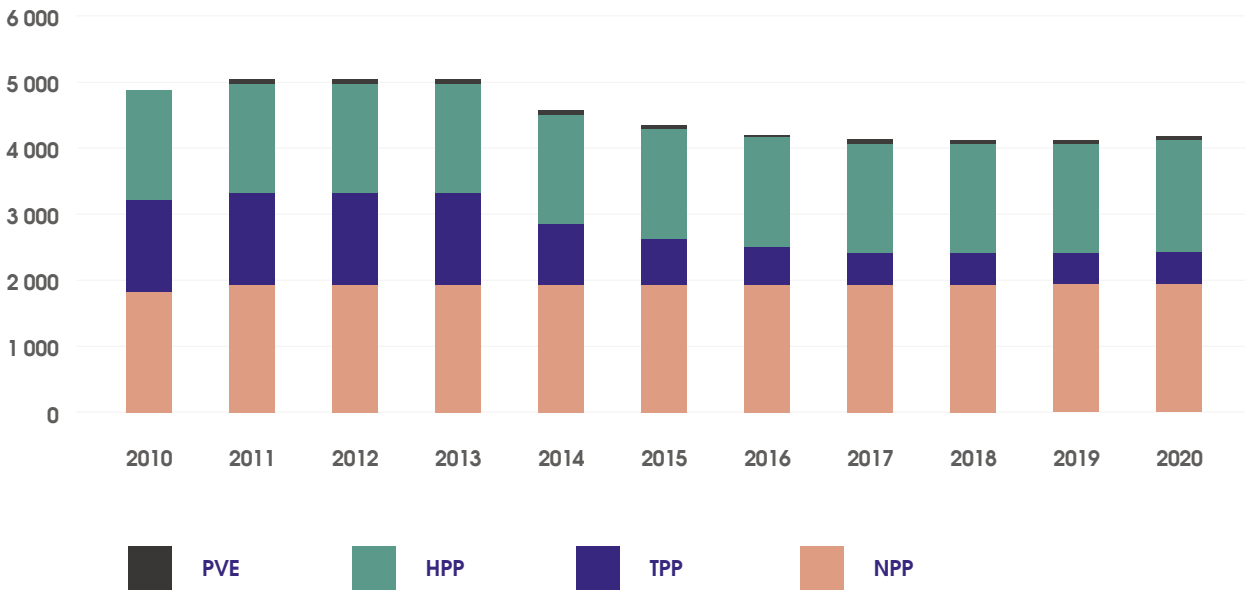
Hydropower plants

Power plant	Installed capacity (MW)	year of commissioning
PUMPED STORAGE HPP		
Čierny Váh	6 x 122.40	1982
Liptovská Mara	2 x 49.00	1976
Ružín I	2 x 30.00	1972
Dobšiná I	2 x 12.00	1953, 1954
RUN-OF-THE-RIVER HPP		
Orava	10.87 + 10.88	1953, 1954
Liptovská Mara	2 x 50.00	1975
Krpeľany	3 x 8.25	1957
Sučany	3 x 12.80	1958
Lipovec	3 x 12.80	1961
Hričov	3 x 10.50	1962, 1964
Mikšová 1	3 x 31.20	1963, 1965
Považská Bystrica	3 x 18.40	1963, 1964
Nosice	3 x 22.50	1957, 1958
Ladce	2 x 9.45	1936
Ilava	2 x 7.50	1946
Dubnica	2 x 8.25	1949
Trenčín	2 x 8.05	1956
Kostolná	2 x 12.75	1952, 1953
Nové Mesto nad Váhom	2 x 12.75	1953, 1954
Horná Streda	2 x 12.75	1954, 1955
Madunice	3 x 14.40	1960, 1961
Kráľová	2 x 22.53	1985
SMALL HPP		
Čierny Váh flow	0.76	1982
Tvrdošín	2 x 2.80 + 1 x 0.50	1979
Bešeňová	2 x 2.32	1976
Domaša	2 x 6.20	1966
Veľké Kozmálovce	2 x 2.40 + 1 x 0.52	1988
Ružín II	1.80	1974
Dobšiná II	2.00	1994
Dobšiná III	0.32	2014
Rakovec	2 x 0.25	1913
Krompachy	0.33	1932
Švedlár	0.09	1924
TOTAL	1 653.02	

Photovoltaic power plants

Power plant	Installed capacity (MW)	Year of commissionin into operation
Mochovce photovoltaic power plant	0.95	2011
Vojany photovoltaic power plant	0.95	2011
TOTAL	1.90	

Development of installed capacity of Slovenské elektrárne (MW)



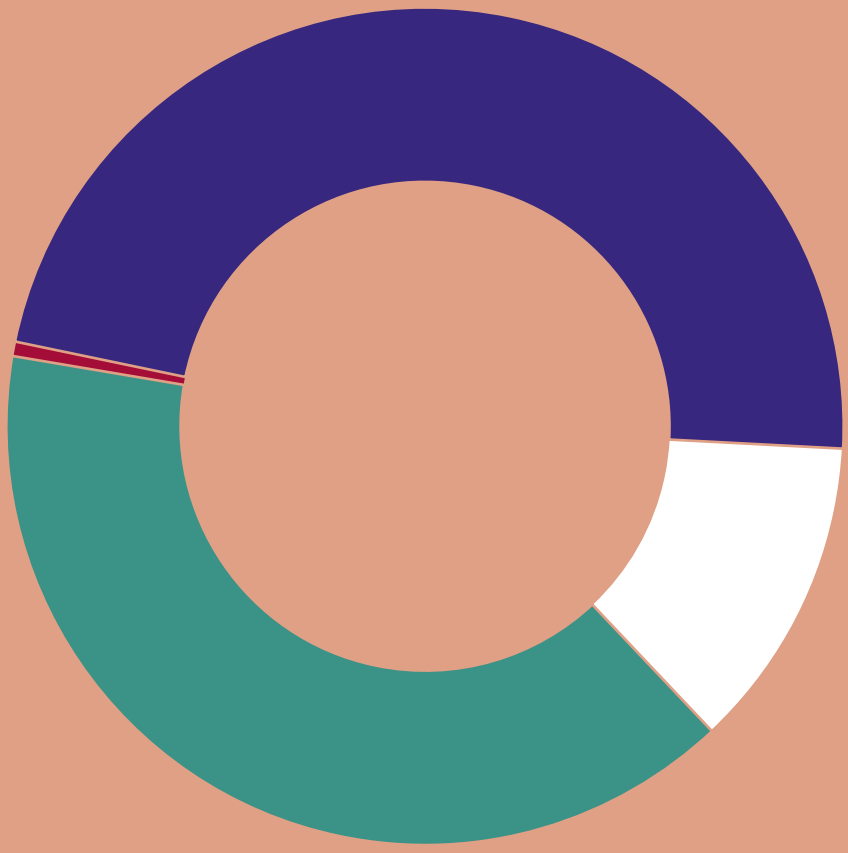
Share of power plant types in installed capacity

0,05 %
Photovoltaic

40,20 %
Hydro

47,94 %
Nuclear

11,82 %
Thermal



Electricity and heat generation and supply

In 2020, Slovenské elektrárne produced 18 773 GWh with a year-on-year index of 0.995. Besides the production of electricity, the sources also provided ancillary services, which significantly contributed to the stability of the Slovak power grid.

The Company, thanks to a balanced portfolio of production technologies as well as a decrease in coal production, achieves a high share of greenhouse emission-free electricity. In 2020, SE supplied to the power grid electricity in the amount of 16 994 GWh. As much as 95% of the electricity supplied was greenhouse gas-free, which is historically the highest share so far.

Electricity generation

Nuclear power plants

In terms of electricity generation and supply, the year was successful for nuclear energy. Production increased to 15 444 GWh from last year's 15 369 GWh. We did not record any unscheduled shutdown of a unit; we had only two TG outages, one at each power plant. Besides reliable operation, the higher supply from EBO was achieved also thanks to the targeted shortening of the shutdown plan the framework measures for preventing the spread of Covid, but also due to achieving output at units following the repair of the cooling towers. In total, EBO produced 7 975 GWh and supplied 7 390 GWh to the grid. EMO followed a similar trend. Its units produced 7 469 GWh and supplied 6 943 GWh. Reliable operation together with the implementation of several improvement proposals and finally the successful implementation of the Increasing Unit Efficiency project at Unit 2, completed with a more than a week shorter TG21 outage, delivered additional electricity production. Consumption of MO34 reached 51 GWh. The EMO supply was lower than last year precisely due to a long shutdown over the course of increasing the unit efficiency, but in general, EMO12 delivered roughly 140 GWh more than planned. Throughout the year the nuclear units reliably provided ancillary services, secondary regulation – mainly by means of an EBO electric boiler, as well as negative tertiary capacity regulation and secondary voltage regulation.

Hydropower plants

Production at hydropower plants was very volatile during the year. Strong months alternated with weak ones, but overall the supply mostly lagged behind the plan. A change was seen in October, which was an extremely rainy months and the supply of electricity was the highest in the year, with the uppermost reservoirs being completely filled. In November and December, additional electricity was then generated from water thus captured. After several dry years, the water-based generation was significantly above the planned value. Last year, SE produced at its 31 power plants 2 268 GWh of electricity. From its run-of-the-river power plants, Slovenské elektrárne supplied 1 951 GWh. The pumped-storage power plants confirmed again in 2020 their irreplaceable role in producing peak electricity and in providing ancillary services, in particular fast tertiary capacity regulation, and Čierny Váh also in the compensation operation. Together they produced 282 GWh, with a pumping consumption of 380 GWh.

Thermal power plants

Nováky power plant (ENO), which has to buy domestic brown coal and produce and supply electricity within

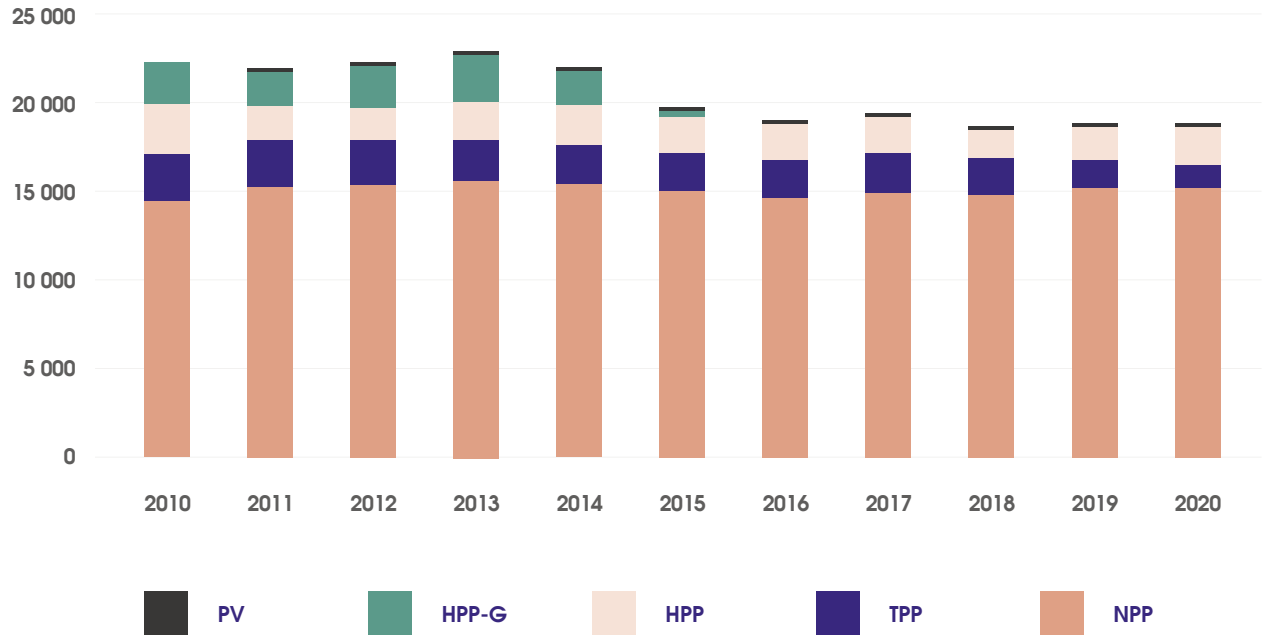
the so-called general economic interest, produced 961 GWh and supplied 791 GWh to the grid. The power plant's operation was affected by the Covid pandemic. In the spring months, during a sharp decline in electricity consumption in the grid, electricity production at ENO was subdued. At the end of the year, we recorded a significant decline in coal supplies, due to the pandemic. Vojany power plant (EVO), burning black coal, produced last year only 97 GWh and supplied 74 GWh of electricity to the grid.

The power plant's operation was adversely affected by a significant increase in the price of emission allowances, which, combined with low spot prices during the spring and summer months, meant that the power plant was out of operation from mid-March. After the electricity price recovered, the power plant began operating again in December. Co-combustion tests of solid secondary fuel up to the level of 100% of operation were successfully carried out during the year.

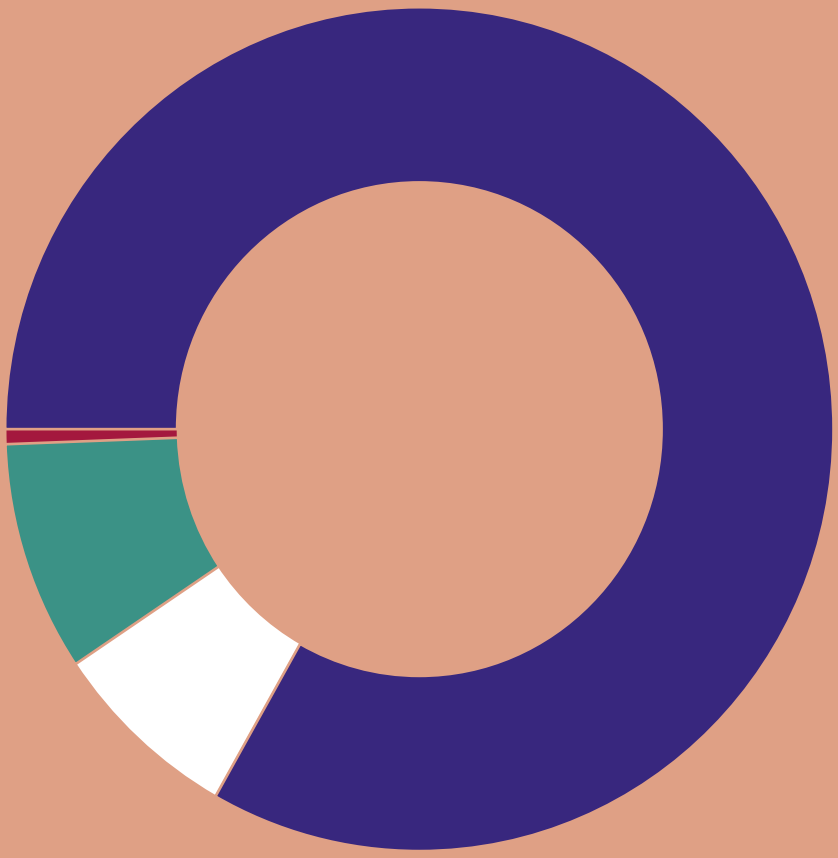
Biomass co-combustion at EVO produced for SE 13 GWh last year and delivered 11 GWh of electricity.

Photovoltaic power plants produced and supplied 1.9 GWh.

Annual terminal electricity production of operated power plants (GWh)



Share in electricity supply from sources operated by Slovenské elektrárne.



0,01 %
Fotovoltické
Photovoltaic

10,88 %
Vodné
Hydro

4,98 %
Tepelné
Thermal

84,14 %
Jadrové
Nuclear

Heat production

Heat production is based mainly on cogeneration of heat and electricity. In 2020, Slovenské elektrárne produced 796 GWh of heat for heating purposes. Of this, the heat production at the Bohunice V2 NPP site was 448 GWh and at the Nováky power plant site it was 258 GWh, with a total of 90 GWh produced at other sites.

Major projects

Mochovce nuclear power plant completion

Basic information

The completion of Units 3 and 4 of the Mochovce Nuclear Power Plant (MO34) is the largest private investment in Slovakia and the new units will cover up to 26% of Slovakia's electricity demand in the future. In November 2020, the general meeting of Slovenské elektrárne approved a budget increase of 495 million euros, to a total of 6.195 billion euros.

The man-hours worked in December 2020 were 6.76 million, bringing the total number to 102.14 million since the beginning of the project. Despite the Covid pandemic in 2020, it was possible to maintain an average of 3 000 employees on the construction site, including working from home, thanks to the introduction of additional health and safety measures. Approximately 150 suppliers and contractors participated in the construction. More than 50% of contracts were concluded with Slovak companies or branches.The production of units after their verified operation will be 2 x 540 MW (an increase from 471 MW). The technology used is VVER 440/V-213 with pressurised water reactors, i.e. the reactor is moderated and cooled by water. MO34 technology is noted for its evolutionary design with proven technology and numerous safety enhancements; inherent safety with low power density and large primary circuit heat capacity; as well as higher availability and efficiency.

Most significant activities and milestones in 2020

Despite the pandemic situation and its impact on lives around the world, work on the completion of Units 3 and 4 was not suspended. Measures were put in place against the spread of Covid at the workplace, as well as procedures to address the reduced workforce and availability of suppliers, including the establishment of an information committee with suppliers, prioritisation of work, rotation of working groups, additional shifts, etc.

In mid-January 2020 a reheating to nominal parameters at Unit 3 was successfully performed, with a view to carrying out additional pressure tests of the primary circuit and reactor, and functional tests of ventilation and safety systems in accordance with the operating procedures to be used after nuclear fuel loading. The Nuclear Regulatory Authority of the Slovak Republic (NRA) confirmed the performance of all planned tests. Minor findings were remedied by mid-February 2020.

Based on the identification of hidden deficiencies in the cables of the instrumentation and control (I&C) system from one of the suppliers, a complete disassembly and replacement of cables at Unit 3 was carried out by mid-February 2020. In addition, the regrouping of cable trays at Unit 3 was completed in November 2020 with a possible impact on fuel loading. The WANO and IAEA international missions from late 2019 to early 2020 provided an important added value to the operation team in the form of proposed recommendations and identified good practices. These recommendations were focused mainly on the need for a full transition from construction to the operation of Unit 3 and the subsequent takeover of the management by the operation department. A great many activities – inspections, documentation assembly, and data migration – were carried out, in order to hand over all systems needed for fuel loading to the operation and maintenance team.

After receiving a permit from the NRA for the storage of fresh fuel, it was possible from April to successfully and safely store fuel in a nuclear facility.

All significant findings identified during inspections performed by the Building Authority, the Fire and Rescue Corps, the Labour Inspectorate and the NRA were remedied and verified thanks to intensive coordination between the contractors and the MO34 project team. The controlled zone is ready, and will be set up in the entire nuclear part at Unit 3 at the most favourable time before fuel loading.

The required electromagnetic compatibility tests have been completed and, based on confirmations from various independent companies, have met all international standards.

The inspection of thousands of components and material certificates was time consuming. Inspections on the construction site and selection of components for further chemical and mechanical tests in external laboratories were performed according to the methodology coordinated with the NRA. Based on all performed tests and evaluations and in accordance with material specialists and responsible designers, the properties of all components and their use within the relevant systems for safe operation at Unit 3 were verified.

Based on the above facts, Unit 3 is almost completed, a first-instance decision to fuel loading is expected from the NRA (the first proposal was already issued on 15 February 2020).

The progress of work at Unit 4 was influenced by the concentration of resources at Unit 3 on the basis of prioritisation due to Covid, cabling replacement and the above-mentioned inspections of material certificates and properties. Knowledge gained during the construction of Unit 3 will be used to optimise the relevant processes.

The physical progress of work on Unit 3 as at December 2020 stood at 99.95% and on Unit 4 was 87.81%. Despite the difficult times, work continues toward commissioning the nuclear power plant at a safe and reliable level as designed.

Safety on the construction site

Occupational health and safety remains a priority number one in the framework of Units 3 and 4 of the project. The Company set itself the very ambitious goal of zero accidents. Therefore, safety is an integral part of the mindset of all Slovenské elektrárne employees and contractors involved in the project.

Safety indicators for construction site activities are better compared to those in this industry, with particularly good reports for the last year: we have managed to reach the primary target for 2020, i.e. no registered accident with 6 759 997 man-hours worked.

The cumulative value of the frequency index from 2009 to 2020 was 0.33, representing one event for every 3 004 116 hours worked. The cumulative value of the severity index in the period from 2009 to 2020 was 0.0096, resulting in a loss of 77.07 hours per each million hours worked.

Nuclear energy projects

Bohunice V2 nuclear power plant

In 2020, we worked on projects in accordance with the approved investment plan in order to increase safety, reliability and efficiency of nuclear power plant production. From the aspect of investment costs, the largest completed project at the Jaslovské Bohunice site

is the project for the replacement of control assembly drives. This project is part of the EBO's long-term lifetime programme to 2045 and includes diagnostics, modernisation, and replacement of end-of-life power plant systems and components. The project involved the replacement of 25 drives that were successfully installed on both EBO reactors during shutdowns in 2019 and 2020.

Another completed project interesting from the legislative aspect was the programme for modernising the monitoring of radiation doses. In addition to meeting the legislative requirements of the Public Health Authority for entry into the controlled zone, the implementation of the project enabled us to end the use of film dosimetry and begin to use new technologies in this area. Electronic dosimeters, including additional infrastructure and software, will also allow us to reduce the cost of system evaluation and its administration.

An important completed project in terms of nuclear safety was the modification of selected valves and actuators of the primary circuit. The implementation of the project increased the functional reliability of the systems and extended their service life, while maintaining the required level of nuclear safety.

In order to increase the reliability of heat supply from EBO, we have implemented a project to innovate NOTREP power controllers in the control circuits of the EBO heat-feeder exchange station – Trnava. 14 power controllers were replaced, which were at the end of their service life and could jeopardise the quality of heat supply in the future.

We completed a long-term project of comprehensive modernisation of a special laundry. Washing machines, dryers, irons and all other equipment, including monitoring of clothing contamination, were gradually replaced and the premises and power supplies underwent a partial reconstruction.

This year, we completed a long-term project of replacing security stations for turbines and units at the EBO power plant. The aim of the investment was to modernise obsolete secondary circuit equipment, and install, as part of the project, new process servers and engineering stations. The network topology was changed to client - server.

Another important project in the field of I&C was the successful implementation of the Replacement of the obsolete control system of SAIA circulating cooling water pumps. The modification included the replacement of the original control system with a modern SIMATIC system, two new systems were installed as a backup power supply for the control system, a new operator station with SCADA visualisation, and the system was connected to the dispatching system.

In 2020, we successfully prepared and completed the project of modernising the T-ASDR system, which contributes to increasing the quality of support services provided and thus to the stability of the electricity system in Slovakia.

Mochovce nuclear power plant, units A and 2

The strategic projects at EMO include the project to increase the efficiency of the units, representing a comprehensive modernisation of turbines and related equipment with a consequent increase in the electrical output of the plant's units. The project significantly improved the efficiency of using the heat produced in the reactors on the secondary circuit, and as a result we produce significantly more electricity at the same

reactor output. Last year, we replaced turbines, their oil regulation, electronic controllers, humidity separators, measuring nozzles on the feed water, flow meters, unit transformers, coolers for generator exciters and other equipment at EMO Unit 2.

In 2020, the project of seismic resistance of the power plant to a new value of seismic hazard PGA 0.15 g was continued. We carried out a revision of the seismic scenario in order to effectively select the elements needed for strengthening to ensure the functionality of the technology during and after a potential seismic event. We modified, in terms of civil engineering, the seismic resistance of six buildings, we paid attention to the preparation of large technological components, systems, structures, I&C, electrical equipment, switchboards, platforms and pipelines. We will continue to work intensively on the project over the next two years.

In 2020, we expanded the portfolio of resources for the provision of support services through the implementation of the electric boiler project, which will contribute to the stability of the electricity grid in Slovakia.

Conventional energy projects

Nováky thermal power plant

In 2020, as part of the transformation of the power plant that was connected with the termination of support and combustion of domestic coal, we worked intensively on the preparation of the New Heat Source project, the aim of which is to ensure the continuity of heat supply to all customers.

In addition, we prepared for implementation environment-related projects – treatment of drainage waters from ENO sludge ponds and increase of the capacity of the final ash sludge pond. In 2020, we successfully prepared and completed at this site the project of modernising the T-ASDR system, which contributes to increasing the quality of support services provided and thus to stabilising the electricity grid in Slovakia.

Vojany thermal power plant

At EVO, we continued in the production cost optimisation programme in 2020, and carried on testing and modifying the technology in order to comprehensively change our fuel base. The result of the project will be the complete cessation of the coal combustion and the introduction of the combustion of a mixture of solid secondary fuel and biomass. In the near future, we anticipate the final testing of the new fuel mixture and the implementation of final modifications to the technology so that we can continue to operate EVO with the new fuel mixture in 2021. EVO is a reliable and flexible source contributing to the stability of the Slovak electricity system and is also an important employer in the region.

Hydropowers plants

In 2020, we prepared an important project for the replacement of first-fill pumps at the Čierny Váh pumped-storage hydropower plant, which addresses the obsolescence of important power plant equipment and by means of its regulation output (2.4 MW) expands the portfolio of sources for providing negative regulating electricity needed for the stability of the electricity system in Slovakia. Completion of the project's implementation is forecast for year 2021.

At the Čierny Váh pumped-storage hydropower plant, we also completed the installation of new inclinometers inside the injection corridor of the lower and upper reservoirs, thus eliminating inaccuracies in the measurement of inclinations of the dam blocks of the lower and upper reservoirs.

At hydropower plants, we also continued in 2020 in the preparation and implementation of individual projects of the power plant service life extension programme. We prepared projects concerning the reconstruction of excitation regulators, turbine regulators, protections, cleaning machines and other key equipment in terms of hydropower maintenance strategies.

In terms of increasing the safety of operating personnel and technical safety of equipment, we successfully completed the projects Reconstruction of protections on TG2 at the Nové Mesto hydropower plant and on TG3 at the Sučany hydropower plant. Both of these projects were exceptional, not so much in their subject, but rather their implementation during operational shifts of outages alongside the difficult coordination of multiple suppliers, due to the Covid situation.

We completed the project for reconstruction of the cleaning machines control system at HPP Mikšová and Krpeľany, which contributed to the continuous improvement in the reliability and safety of these hydroelectric power plants.

After two events in the summer of 2019, during which there was a failure of VHV bushings and subsequent fire on the unit transformers of the Mikšová HPP, a decision, among others things, was taken to build up protective barriers. Three sites were identified (hydropower plants of Mikšová, P. Bystrica and Hričov), where a road passes in the immediate vicinity of transformers and there is a high level of public movement. The project team came up with a solution that minimizes the risk of accident in the event of a similar event and at the same time does not hinder the safe operation and maintenance of unit transformer. This concerned a total of nine barriers (three at each site). In the case of the Mikšová HPP, despite the pandemic situation, the construction of barriers was completed in July 2020, in the case of P. Bystrica HPP and Hričov HPP, the barriers were built in December 2020. Barriers protect not only the health of our employees but also the passing public.

Safety, inspections and management system

Integrated policy

Preamble

Safety[7] is the top priority of Slovenské elektrárne and takes precedence over production requirements and business profit. At nuclear installations (NIs), which are unique technology, the priority is to improve and maintain a high level of nuclear safety and radiation protection in accordance with world best practices. The key principle applied at all levels is that every employee in the Company is responsible for the safety and quality of their work, recognising the risks involved.

Principles

Maintain the Integrated Management System (ISM)[8] in line with the GOSP[9] model as a corporate governance tool and continuously improve its efficiency and performance so that the Company continuously achieves all its objectives, meets stakeholders'[10] requirements, fulfils relevant legal and other requirements, and thereby ensures sustainable development. The identified Company processes, activities, and projects are managed with regard to the principles and approaches of the integrated risk management system, which is part of the general framework for strategic and operational management and Company decision-making. Define long-term and short-term objectives and tasks, to periodically review this Policy and fulfilment of defined objectives and tasks at all levels of governance. With a view to achieving the objectives, to ensure the availability of resources to seize opportunities and minimise risks and possible losses to an acceptable level necessary for innovative solutions.

Satisfy the needs and expectations of stakeholders and customers in the provision of products and services, including continuous verification of their satisfaction and pursue an open and constructive dialogue.

Manage risk strategy effectively and comprehensively to increase the likelihood that the Company, programme or project will achieve its objectives. Timely identify and analyse in particular the risks jeopardising the safety of employees, the public, the environment and the Company's assets. Use best practices in identifying, analysing, evaluating, monitoring, and effective and comprehensive risk management with relevant periodic outputs communicated to the Company management for the purposes of effective Company governance.

Create conditions to protect employees' health at work. Monitor and evaluate indicators of the impact of the operation of production equipment on occupational

[7] Safety – includes the following areas: occupational health and safety, fire safety, prevention of severe industrial accidents, emergency planning and preparation, security 5, at nuclear facilities (nuclear power plants) also nuclear safety and radiation protection.

[8] ISM – Integrated Management System is a mechanism of company management that integrates individual management systems so that the company meets the set objectives effectively and efficiently.

[9] GOSP – Governance, Oversight, Support and Perform, a model that ensures that each employee clearly understands their role and tasks in the framework of the Company, by means of the implementation of standardised policies, programs, processes and procedures according to best practice. There are clearly differentiated responsibilities between ownership for standards (governance and oversight) and their implementation (support and performance).

[10] Stakeholder – a person or organisation having or potentially having an impact on the running of the company or who may be impacted by the running of the company. Stakeholders are shareholders, state authorities, employees, customers, clients, business partners, citizens living in the vicinity of plants, etc.

health and safety, the environment (including possible radiation exposure), and Company's assets. Ensure that security measures and procedures are documented, the necessary measures are taken, and compliance is monitored.

Ensure the required number of selected and professionally qualified employees. Promote the maintenance and deepening of the staff qualifications and knowledge, and knowledge management.

Continually require that the Company employees and supplier employees continually adhere to the principles and features of the strong safety culture and risk management, motivate them to professional behaviour and exceptional performance in accordance with the declared Values and Behaviours Model, respect the principles of the Ethics Code and Zero Corruption Tolerance, apply open communication about problems, adhere to the Security principles[11] and environmental protection. Perform the activities in the framework of the ISM exclusively according to the applicable documented procedures.

In selecting contractors, emphasise their competence to meet qualification and quality requirements, taking into account their approach to the ISM and the principles of the Code of Ethics and Zero Corruption Tolerance. Maintain an effective crisis and emergency preparedness and response system, including the provision of the necessary resources, infrastructure and staff training.

[11] Security – includes fields such as crisis planning and management; continuity planning; protecting the company's reputation, secrecy, business secrecy, personal data; management of physical protection, information, financial, commercial and administrative security

[12] ALARA principle – As Low As Reasonably Achievable – in order to continuously reduce the radiation exposure in and around nuclear installations.

Apply the ALARA principle[12] in nuclear facilities. Protect the environment through technologically meaningful reduction in the creation of waste, air emissions, discharges into the water and soil, with an emphasis on prevention. Apply a strategy of in-depth protection in technical measures through preventive measures minimising the risk of injury, occupational diseases, operational incidents, significant industrial accidents and environmental degradation.

Economically use energy and raw materials, support the use of renewable energy. Direct the development of the production and technical base on technologies that reduce the adverse impact on employee health and safety, on the environment, and which contribute to sustainability.

Manage the existing nuclear power plant production and technical base so that it can be used in the long term. Ensure the long-term operation programme, including managerial, material and human resources for its implementation.

Integrated management system

The Integrated Management System (ISM) of the Company is an essential pillar for setting the Integrated Policy and the main objectives and tasks of the organisation as well as meeting them in an efficient and effective way. It also ensures that all relevant stakeholders' requirements, i.e. shareholders, customers, contractors, and the public, supervisors and employees, are met.

In accordance with the defined characteristics of a healthy nuclear safety culture (according to WANO PL 2013-1), ISM provides the organisational structure and

direction of the Company in a way that promotes the development of a safety culture along with achieving the highest level of nuclear safety. The ISM defines a working environment in which personnel resolve security issues without undue delay, fear of persecution, intimidation, reprisals or discrimination.

The ISM includes the following key principles, approaches and values:

- safety first, each Company employee is personally responsible for and contributes to increasing the safety level
- focus on prevention, risk management and opportunities for continuous improvement and learning
- promotion of the optimum course of processes using an adequate organisational structure
- provide information about process performance and the performance of the whole Company
- use of results, operational experience and proposals from ongoing ISM continuous improvement projects
- focus on internal and external customers, provision of information about the satisfaction of customers and other stakeholders, flexible response to eligible requirements of the stakeholders.

The basic requirements to be met by the ISM are the generic requirements of the international standards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

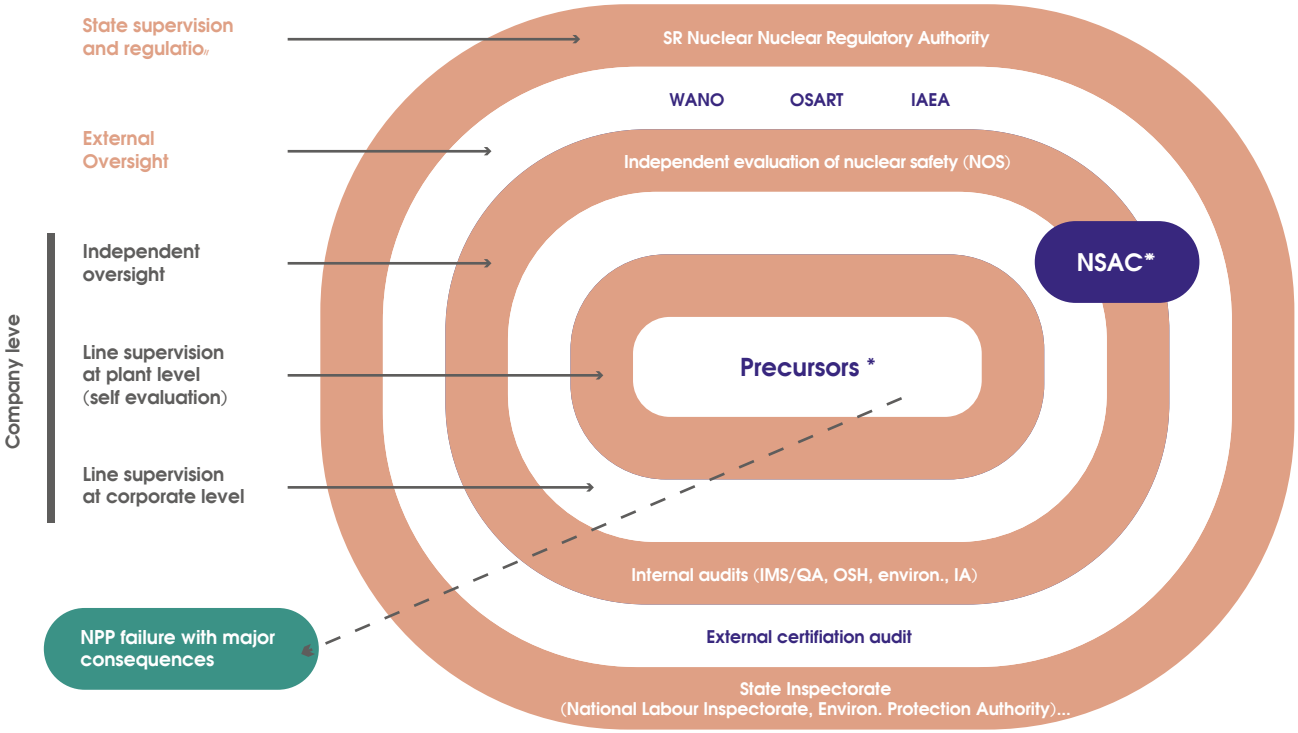
Slovenské elektrárne as an operator of nuclear installations and holder of a licence for the construction and commissioning of nuclear installations must respect and apply a number of legal and other requirements and recommendations, but especially the following:

- the legislative requirements set out in the Act of the National Council of the Slovak Republic no. 541/2004 Coll. on the peaceful use of nuclear energy (the Atomic Act) as amended and subsequent implementing decrees issued by the Nuclear Regulatory Authority of the Slovak Republic (NRA SR).
- requirements and recommendations of the relevant regulations of the International Atomic Energy Agency in Vienna (IAEA), in particular GSR, Part 2 Leadership and Management for Safety. General Safety Requirements, for the management systems, that are to integrate strategy, planning and objectives in the field of safety, occupational health and safety, environment, quality assurance, economic aspects and other areas such as social responsibility, etc.
- recommendations from peer reviews and missions of international organisations (WANO, OSART) and inspections by supervisors such as the NRA SR, NLI SR and others
- experience and information obtained from operational events, from the results of self-assessments and benchmarking (comparison with the best in the industry) carried out in cooperation with foreign nuclear power plant operators
- recommendations and experiences of domestic and foreign consulting and advisory companies
- continuous improvement projects.

Functionality and efficiency of the ISM was reviewed in 2020 by a renowned independent accredited authority. As a result the Company had its certificates renewed under the international standards ISO 9001:2015 and ISO 45001:2018 and was successfully recertified under ISO 45001:2018 (see certificates attached in annexes), confirming its orientation on integration and continuous improvement.

Governance and oversight model

The established "Governance and Oversight Model" contains the essential attributes of corporate governance and oversight, including the key elements needed for continuous achievement and sustainment of a high level of operational safety, reliability and sustainability of production sources.



* Precursors: Latent process and/or organisational shortcomings

** NSAC: Independent external advisory committee for nuclear safety

The model is a set of policies, processes, programmes, self-assessments, as well as independent audits and reviews, including international peer reviews.

The findings identified in the independent feedback process are part of the corrective action programme and the Company's continuous improvement process.

Quality

The quality management system (QMS) is one of the key pillars of the IMS.

An important indicator of a sound company is the ability to define ambitious headline main goals as well as to provide resources and controlled conditions to achieve and meet these goals.

One of the prerequisites for the successful fulfilment of the goals also includes the process approach efficiently applied at Slovenské elektrárne within the "Company's Process Model" framework, the Company's key performance indicators or process documentation.

In 2020, the efficiency and effectiveness of the IMS was verified through 5 integrated IMS audits, coordinated with other departments and feedback tools (e.g. Independent Nuclear Oversight assessments, self-assessments, etc.) and conducted at the headquarters and at selected plants and establishments of the Company. The findings are used on an ongoing basis for the continuous improvement of the IMS through defined corrective and preventive action, or initiatives for continuous improvement projects.

Slovenské elektrárne is aware of the responsibility resulting from its area of activity and also the fact that the responsibility cannot be passed on to its contractors. Therefore, in 2020, 47 external (customer) audits were carried out at selected contractors having a potential impact on nuclear safety. The audits were carried out by qualified auditors in the presence of engineers from plants – nuclear installations or from the field of asset management. The results from audits at contractors serve for overall improvements in contractors' performance, streamlining the procurement process and raising the safety and reliability of the nuclear power plants.

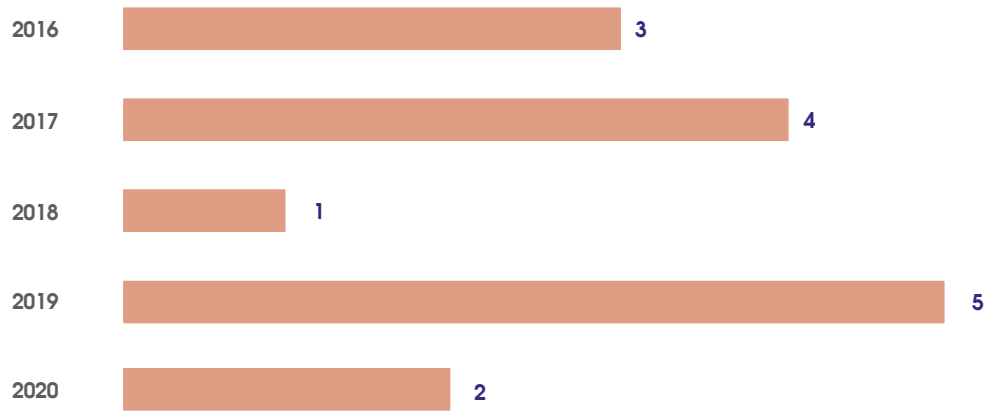
Safety management system

Occupational health and safety

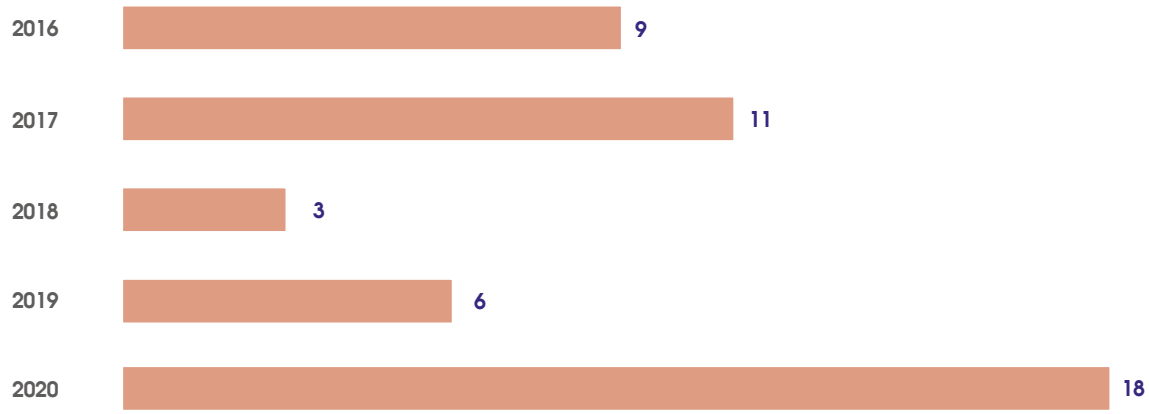
Assessment of occupational health and safety and the development of the occupational injury rate at Slovenské elektrárne is carried out in accordance with the requirements of Act no. 124/2006 on occupational health and safety, as amended, STN ISO 45001:2009 and the Company's internal regulations.

In 2020, Slovenské elektrárne obtained a certificate in the "Safe Company" programme and the safety management system of Slovenské elektrárne was certified in accordance with the standard ISO 45001:2018. In 2020, two registered occupational accidents (none of them classified as serious) and 18 recorded occupational accidents were recorded for the Company's staff.

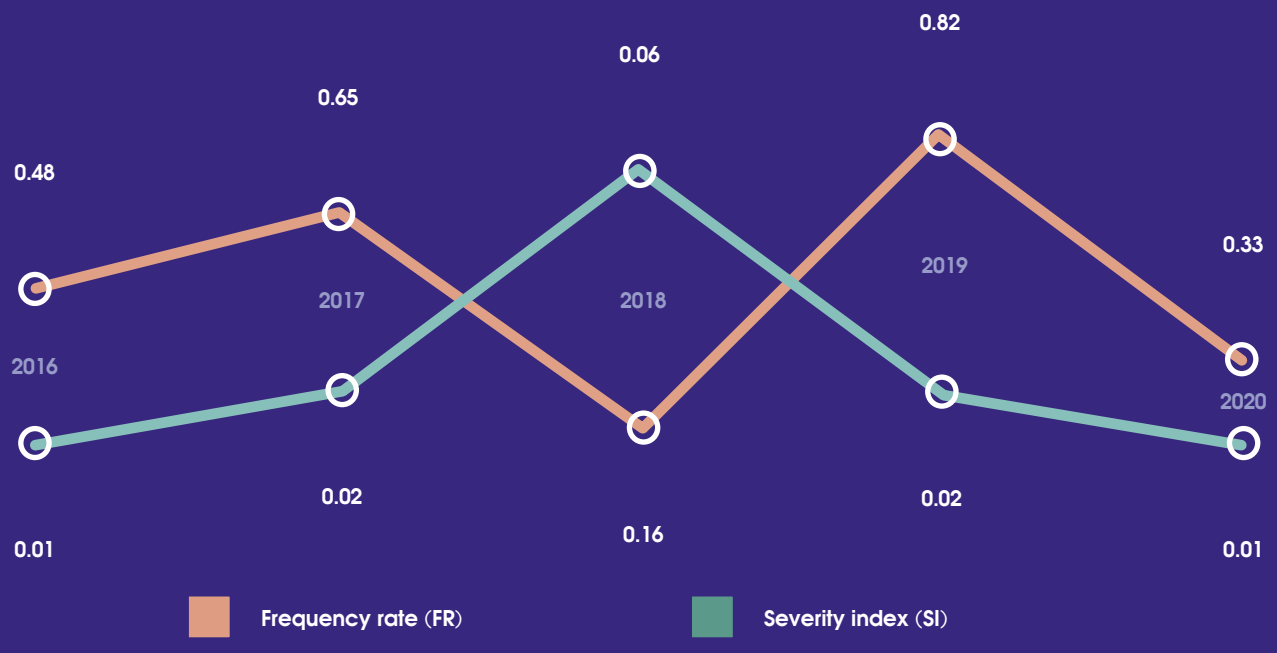
Registered occupational accidents of SE employees



Recorded occupational accidents of SE employees



Frequency rate (FR)[13] and severity index (SI)[14] of SE employees



[13] Frequency Rate (FR): The number of occupational accidents that occurred and were recorded, other than accidents that occurred on the way to/from work, per million hours worked: FR = (number of accidents / hours worked) x 10^6

[14] Severity Index (SI): The number of working days lost as a result of occupational accidents that occurred and were recorded, other than accidents that occurred on the way to/from work, per thousand hours worked: SI = (number of days lost / hours worked) x 10^3

Inspection activities

In 2020, inspection activity in the area of occupational health and safety was carried out in accordance with the approved plans for inspection activities and internal requirements. Regarding the Company employees, 1 628 inspections were carried out by OHS specialists, revealing 1 258 deficiencies; in case of contractors (including inspections carried out on the MO3,4 Completion Project) it was 4 559 inspections with 9 977 deficiencies found. Managers carried out 3 174 inspections in which they identified 2 793 deficiencies. In 2020, the national oversight carried out in total 7 inspections at SE workplaces, with no shortcomings identified.

Main initiatives in the area of OSH and FP

The main activities in the occupational health and safety and fire protection in 2020 included activities aimed especially at prevention, preparation and implementation of measures against the spread of Covid (establishment and operation of working groups at SE headquarters and branch plants, elaboration of pandemic plans, installation of thermal cameras to measure body temperature at the entrances to SE premises, procurement of germicidal lamps, disinfectants, personal protective equipment, distribution of face masks and vitamin D among all employees, provision of regular antigen testing, use of extended home office working, etc.) Safety communication was strengthened through the “Are you sure?” information - awareness campaign. It included communication regarding work safety in confined spaces, safety when walking and the communication status when using ladders, and the issues concerning the Covid prevention. At the turn of October and November, a “Safety Week” was organised at all Slovenské elektrárne sites. Due to Covid measures, all Safety Week activities took place online in the form of webinars (Microsoft Live Events in the MS Teams application). The Safety Week topics included financial and criminal liability of managers, prevention of Covid, strengthening health and immunity, and cyber security.

Investments to improve safety

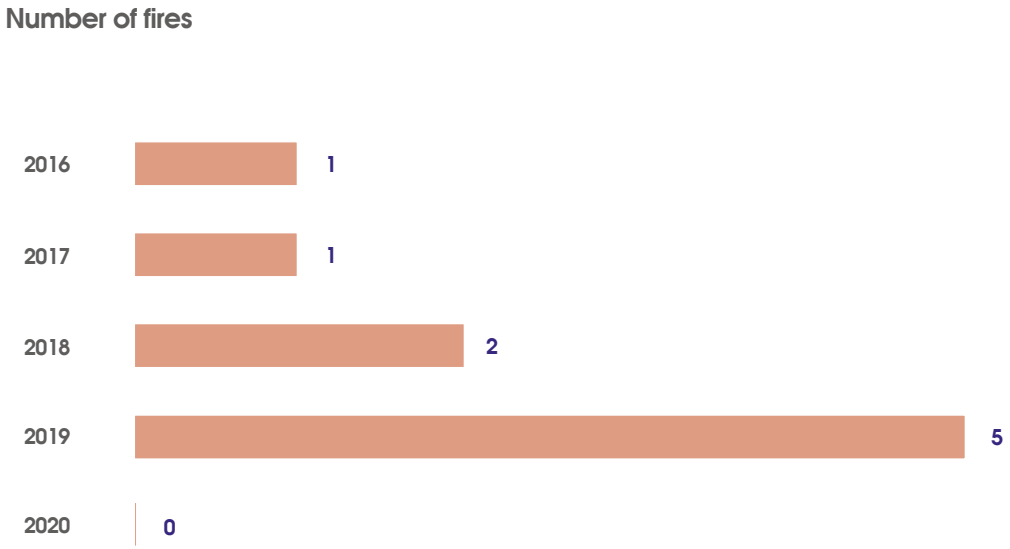
The Company invested a total of 6.93 million euros in 2020 into projects which, among other things, brought benefits in terms of increased safety. For example:

- EBO – modifications to technological buildings, optimisation of pumping and filtration station, reconstruction of the buffet;
- EMO – replacement of the generator stator, reconstruction of cooling towers, modification of the nitrogen exhaust pipe from the hydraulic accumulator;
- HPP – replacement of pumps at the Čierny Váh PSHPP, reconstruction of the control system of the cleaning equipment at Mikšová HPP and Krpeľany HPP, purchase of a new vehicle for the diver group;
- SE – purchase of Covid prevention equipment (thermal cameras and others).

Fire protection

The assessment of the state of fire protection is carried out in SE in accordance with the requirements of Act No. 314/2001 Coll. on fire protection, as amended, ISO OHSAS 45001:2018 and in accordance with the Company’s internal regulations.

In 2020, the Company did not record any fire.



Inspection activities

The internal inspection activities of the fire prevention expert units were carried out by the fire prevention technicians in accordance with the approved inspection plans for 2020. Some 1178 preventive fire protection inspections were performed during which 389 shortcomings were detected. One follow-up fire inspection was carried out by the national fire inspectorate in 2020, during which no deficiencies were found.

Nuclear safety

Slovenské elektrárne fulfils its vision and mission in accordance with its integrated safety policy. Safety, in particular nuclear safety and radiation protection, of which they are integral parts, is represented in the Company management and is the basic pillar of the Company's operation with greater priority than production targets and business profit.

The basic approach in the use of nuclear energy is to make continuous improvements in processes, the organisation of activities, staff training and the implementation of necessary technical improvements.

The objective is to ensure a high level of nuclear safety and reliability of equipment and personnel at nuclear power plants (NPPs).

Operational Events in the Company, INES 1 Evaluation

NPP	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EBO	0	0	1	0	0	0	1	0	0	0	0
EMO	1	0	0	0	0	0	0	0	0	0	1

In 2020, no INES grade 1 operation events were recorded at EBO units, meaning an event with a low potential safety impact. One event evaluated as INES 1 was recorded at the EMO units – event UZ1_001_2020_EMO01_P01 – Loading an assembly with a non-compliant Technical Inspection protocol.

Average Number of Automatic Reactor Scrams (AO1) per Unit at SE

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
number	0.25	0.25	0.25	0	0	0	0.25	0	0	0	0

In 2020, there was no operational event recorded that would cause a reactor scram.

Radiation protection

SE complies with requirements for the radiation protection of people and the environment from radiation and its effects, including means for ensuring radiation protection.

The ALARA principle (As Low As Reasonably Achievable) is the basic principle for radiation protection and is applied for management of personal doses of employees and contractors, the generation of radioactive waste and the release of radioactive substances into the environment. Personal doses of SE employees and contractors are significantly below the radiation limits. Under legislation, such activities that entail the radiation exposure of workers or inhabitants are permitted only when justified. The Company has long achieved excellent results in radiation protection.

As the following table shows, the collective effective dose of ionizing radiation of power plant and contractor staff is at a very low level, and Slovak units are in the world top ten among pressurised water reactor operators.

Average collective effective dose per unit at SE (in man mSv)

NPP	2014	2015	2016	2017	2018	2019	2020
EBO	97	199	196	89	159	95	115
EMO	156	128	96	163	157	114	87

There was not a single case in 2020 where the individual dose limits of personnel would have been exceeded. There was no radiation incident or accident. Gases and liquids discharged into the environment had low levels of radioactivity and were within permissible guide values. For the purposes of protection of the population, this means the maximum calculated individual effective dose rate is in the order a tenth of a microsievert. It is an insignificant fraction when compared to the basic annual radiology limits for an individual among citizens and their exposure to radiation from the nuclear power plant operation. The limit set by the Public Health Authority of the Slovak Republic is 50 microsieverts per year.

In order to understand these values better, it is necessary to give a comparison of personal doses from exposure to ionising radiation that may occur over the course of everyday life:

- mean effective population dose from natural background ~ 2 400 microsieverts/year;
- mean radiation dose from medical applications ~ 1 500 microsieverts/year;
- annual radiation population limit for all source of ionising radiation and for all activities involving exposure as laid down by law is ~ 1 000 microsieverts/year;
- threshold population those from all nuclear facilities in one locality given by law ~ 250 microsieverts/year;
- basic radiological population exposure limit caused by the operation of a nuclear power plant ~ 50 microsieverts/year;
- three hours flight by plane at 10 km height of approx. 10 microsieverts/flight;
- maximum calculated individual effective dose for an inhabitant resident in the vicinity of EMO in 2020 was 0.249 microsievert and 0.224 microsievert for residents in the vicinity of EBO.
-

These facts show that the operation of SE's nuclear power plants has a negligible impact on human health.

Emergency planning

The Company meets the requirements for permanent preparedness to implement measures from emergency planning for managing accidents or incidents with very low probability of occurrence. The system of emergency preparedness at the Company is subject to continuous maintenance, testing and refining on the basis of own experience and the experience of operators of other plants around the world.

The main objective of emergency preparedness is to ensure that employees and external persons meet the technical, personnel and documentary requirements for the successful management of extraordinary events and the mitigation of their consequences. At the same time

the Company places a strong emphasis on preventing the occurrence of incidents and accidents.

Independent nuclear oversight

Mission of the independent nuclear oversight department

The department's mission is to provide the Company's management with an independent evaluation of the performance in the operation of nuclear installations in order to identify areas for improvement in safety and reliability of nuclear installations, compared to the Company management's goals and expectations and the best world practices in nuclear sector, in accordance with the performance objectives of the World Association of Nuclear Operators (WANO).

Activity overview

In 2020, the mission of the independent nuclear oversight was hampered by the Covid pandemic. Work from home and movement restrictions between sites meant that some of the planned comprehensive inspections were postponed to 2021.

Nevertheless, the necessary oversight over the implementation of shutdowns of all nuclear units was ensured. The activity focused on the review of the organisation's readiness for commissioning Unit 3 of the Mochovce NPP. The review included an assessment of the state of implementation of the International Atomic Energy Agency's recommendation, formulated at the end of 2019 as part of the Pre-OSART mission. Maximum attention will be paid to the commissioning of Unit 3 of the Mochovce NPP during this entire process.

Nuclear safety advisory committee

The independent nuclear oversight includes an international Nuclear Safety Advisory Committee (NSAC), which is an advisory body to the Company board, and whose members are external internationally recognised experts. Following the decision of some Committee members to end their work in nuclear safety, Peter Prozesky, Director of the World Association of Nuclear Operators – WANO CEO until 2019, and John Munro, Director of EdF Energy, were accepted as new members last year. Other members are Roger Seban, former director of international projects at EdF, and Manel Campoy, director of nuclear safety at ENDESA.

The pandemic limited the activities of this Committee; they could not be physically present at our power plants and their assessment of the operation of the Bohunice and Mochovce nuclear power plants was carried out in the form of a video conference.

Security

SE pays appropriate attention to corporate security issues, including areas such as information and cyber security, physical protection of assets, crisis management and continuity management, and security analytics, including the verification and monitoring of counterparties. All activities are performed so as to ensure an adequate level of protection of the Company's assets against identified security risks and so that they are in line with the security interests of the Slovak Republic.

Information and cyber security

The aim of information and cyber security is to

ensure an adequate level of protection for Company's information, networks and information systems through appropriate and adequate security measures so that networks and information systems are able to withstand to some degree of reliability any behaviour that compromises the availability, authenticity, integrity or confidentiality of transmitted or processed data or related services provided or accessible through these networks and information systems, and to prevent cyber security incidents, deal with cyber security incidents and minimise their impact on the continuity of SE's activities. In accordance with the Cyber Security Act, the Company was included in the Register of the Operators of Essential Services. Being aware of the importance of cyber security, this field is one of the Company's priorities. In 2020, there was further progress in the project of implementing the legislative requirements in the field of cyber security in the SE environment.

Physical protection of assets

Physical protection of assets at the Company is ensured via a set of technical, organisational and personnel measures needed for securing against and preventing any unauthorised activities threatening the Company's assets. In 2020, SE continued in fulfilling the enhanced security measures.

Crisis management and business continuity management

In the area of crisis management and continuity management, the Company fulfils the tasks arising from the relevant legislation of the Slovak Republic and decisions of state authorities, especially in the field of economic mobilisation. In 2020, the SE Crisis Plan was updated, and in particular the Covid related tasks and measures were fulfilled.

Audit and internal control system

Internal audit is an independent, objective, assurance and consulting activity designed to add value and improve the organisation. Internal Audit helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the organisation's risk management, governance and control processes, and management.

The Company has an internal audit unit established to complete this definition by monitoring the internal control system, identifying its weaknesses and proposing action plans to improve and streamline that system.

On the basis of identified risks and incentives from management, the internal audit service establishes an annual audit plan that takes into account the results of the risk analysis updated on a regular basis. The output of the internal audits is a final report, which includes a list of corrective actions/action plans. In line with set deadlines, they are evaluated and submitted to the Company management on a half-yearly basis.

Over the course of 2020, the Internal Audit carried out five planned internal audits and five ad-hoc audits.

In the past period, the Company continued its initiative to fight corruption, financial crime, breach of sanctions, and monitor the effectiveness of internal control mechanisms implemented within the framework of an organisational model aimed at minimising the risk of perpetration of such offences.

The Company is committed to respecting its own Code of Ethics, defining the principles of corporate social responsibility, which the Company declares to follow. The Company has established an ethical hotline which can be used to report suspected violations of the Code of Ethics and the Zero Corruption Tolerance Plan, and which will be subsequently investigated by the Company's internal audit department.

The Company has established a line and determined rules for whistleblowing, record keeping of whistle-blower reports, their verification and notification of the outcome of verification of the reported crime or other anti-social activity (Whistle-blower Programme) pursuant to Act no. 54/2019 Coll. on protection of whistle-blowers of anti-social activity and on amendments of certain acts. A person responsible for the Company's whistle-blower programme and for the verification of reports are the risk management and the internal audit departments, performing the employer's tasks set out by law.

Company risk management

The implementation of the risk management process continued in 2020 with the update of the management documentation in the form of a directive and methodological guideline. The update was carried out on the basis of suggestions from practice, from expert departments and also on the basis of knowledge from other operators. Over the year, risks were identified in individual risk areas at all plants, including the SE Headquarters. Subsequently, the risks were analysed and assessed according to uniform criteria. The phase of defining and implementing measures is currently under way, and will continue in the coming period in the form of monitoring the measures, identifying new and reviewing the existing threats and opportunities. In project risk management, methodologies for project management were commented on and requirements for projects risk management were incorporated. Training materials were prepared and trainings for project managers were conducted.

In cooperation with ICT, a Business Intelligence tool is being developed for the analysis and presentation of data on the state of risk management in individual processes (Power BI).

A recertification audit in accordance with the requirements of ISO 9001, 14001 and 45001 performed by an external body included integrated risk management among the Company's strengths. As part of the preparation for the WANO Peer Review, the risk management process was tested in the form of a Targeted Self-Assessment according to the WANO PO&C 2019-1 criteria. As part of the benchmarking process, meetings with ČEZ continued aimed at exchanging experience in the following areas: integrated risk management, corporate risks, NPP operational and project risks, software tools for risk management (SAP GRC). An informal market survey was conducted to select a software solution for the Risk Management process.

Environment

Environmental management system

In 2020, an ISM re-certification audit was carried out at the Company, in the framework of which one of the main cornerstones of the ISM – the environmental management system – was successfully defended. In 2020, the Company continued to observe the requirements of ISO 14001 standard according to the set mechanisms, which were applied also in the previous period and assessed positively by the auditors. The preventive approach, highly qualified personnel, and project management were rated as strengths in the environmental protection system.

Atmospheric protection

The operation at thermal power plants, which are practically the only assets from among the SE's sources to emit pollutants, met in 2020 air protection requirements in accordance with the Industrial Emissions Directive and related national legislation.

The high efficiency of emission abatement equipment (deSOX, deNOX (SNCR), electrostatic precipitators) in combination with the deployment of sources has had a positive effect on the year-on-year reduction of emissions of all basic pollutants (SO_2, NO_X and CO), and thereby also on the fulfilment of the set emission limits.

By replacing fossil fuels with wood chips – biomass in fluidised-bed boilers at the Vojany power plant in the volume of 12 907 tonnes, a greenhouse gas saving was achieved in the amount of 14 270 tonnes of carbon dioxide (CO_2). Solid secondary fuel (SSF) co-combustion testing also contributed to the further reduction. The equivalent savings of around 3 000 tonnes of CO_2, compared to the same quantity of electricity produced in coal-fired power plants, were achieved by making full use of the installed capacity of the photovoltaic power plants at Mochovce and Vojany.

Emissions of basic pollutants into the air for SE

Pollutant (tonnes)	2016	2017	2018	2019	2020
PM (particulate matter)	169	102	50	34	49
SO_2 (sulphur oxides)	6 393	7 248	3 144	1 386	1197
NO_x (nitrogen oxides)	1 887	1 824	1317	1 210	967
CO_2 (carbon monoxide)	1 144	974	914	612	356

Specific (nominal) CO_2 emissions related to net electricity supply fell in 2020 to a historically low level due to a balanced energy mix with a high share of nuclear and hydro power generation and lower supply from fossil fuel-fired thermal power plants, i.e. a year-on-year decline of almost 30%.

Specific (nominal) emissions of CO_2

		2016	2017	2018	2019	2020
Verified CO_2 emissions	kt	2 305	2 409	2 291	1 825	1 297
Electricity supplied	TWh	17.2	17.5	16.8	17.1	17.0
Specific emissions of CO_2 related to SE electricity supplies	g/kWh	133.7	137.3	136.5	106.7	76.3

The Company is required to monitor atmospheric quality by continuous measurement using automatic monitoring stations (AMS) of outdoor air quality in the vicinity of ENO (Oslany village) and EVO (Leles village). The air quality data is continuously provided by the relevant district environmental authorities as well as by the Slovak Hydrometeorological Institute. Measured pollutant values have been below the limit values for human health protection and critical levels to protect vegetation over the long term.

Mass concentration of pollutants at Oslany AMS

Pollutant	AMS Oslany Mass concentration of pollutants average annual (µg.m^{-3})				
	2016	2017	2018	2019	2020
PM10	25	26	22	22	19
SO_2	4.1	5.6	4.3	4.1	4.1
NO_X	13.3	15.0	12.8	12.3	10.8

Mass concentration of pollutants at Leles AMS

Pollutant	AMS Leles Mass concentration of pollutants average annual (µg.m^{-3})				
	2016	2017	2018	2019	2020
PM10	22	23	20	21	19
SO_2	3.5	3.7	3.9	4.0	3.0
NO_X	8.9	9.3	9.0	8.7	8.4

Water protection

There was a slight year-on-year decrease in potable water consumption, and overall drinking water consumption remains on a downward trend. The main reasons for the decrease in potable water consumption include the continuous repair of leaks on pipes.

Potable water consumption 2016 – 2020

	2016	2017	2018	2019	2020
Potable water ('000 m^3)	284	301	244	277	244

In 2020, the Company recorded a significant decline in the consumption of technological and cooling water for electricity and heat generation. This decrease was due particularly to the limited deployment of thermal power plant units, and in consequence of the pandemic situation, especially at the beginning of 2020. Over the long term, the Company is maintaining a steady trend in water consumption, which is both a reflection of overall savings, as well as the drive for operating with the lowest possible input costs.

Consumption of technological and cooling water 2016 – 2020

	2016	2017	2018	2019	2020
Technological and cooling water ('000 m^3)	50 899	53 662	54 801	52 816	49 496

Waste management

The total quantity of waste is affected mainly by the production of technological waste from the combustion processes at thermal power plants and the limited possibilities for placing the waste on the market.

Quantity of waste produced at the Company over the years 2016 – 2020

Waste category	2016	2017	2018	2019	2020
other (t)	702 319	712 387	619 819	547 050	416 898
hazardous (t)	2 437	577	496	422	363
TOTAL (t)	704 756	712 964	620 315	547 472	417 261

Raising environmental awareness among employees, and related educational activities are you having a positive impact on the growing trend towards separating waste (glass, paper, plastics) at all the Company's plants.

Environmental burdens

Aware of the impact of its past activities on the surrounding environment, Slovenské elektrárne takes a consistent and responsible approach to environmental protection. Over the long term, the Company has been paying attention to the issues of environmental burdens, especially at sites the of the Nováky and Vojany thermal power plants.In 2020, in the framework of the issue of environmental burdens, attention was focused mostly on the following activities:

ENO temporary sludge bed – at the site, the ground environment and groundwater are contaminated with arsenic. To prevent the contaminated water from flowing into the Chalmová spa, a reaction barrier has been built between the spa and the sludge bed. At the barrier, in reaction baskets, the pollutants are captured and only purified water continues to flow through.

Back in 2016, part of the barrier was built as a pilot experiment, the results of which confirmed the effectiveness of this remediation method up to 96%. In the years 2019 to 2020, a reaction barrier with a total length of 210m was built between the spa and the sludge pond, which significantly reduces the flow of pollutants and no longer poses a risk to the spa itself or to the Nitra River. In the coming period, the effectiveness of remediation will be monitored, followed by long-term operation of the reaction barrier. At the Nováky power

plant, a detailed survey of the definitive sludge pond was also launched, which determines whether the sludge pond is an environmental burden and whether it poses a risk to the environment and human health. Based on the study results, the necessary measures will be taken to eliminate the potential risk.

At the Vojany power plant, activities were carried out mainly related to the future reclamation and remediation of the tailings pond. Various options for decommissioning the tailings pond were analysed in order to find the most efficient way, while complying with all legislative obligations. In addition, the remediation of the environmental burden was being prepared on plant premises, which is located next to the operating building.

Innovations, science and research

Innovations, science and research

Science and research are an integral part of the activities of Slovenské elektrárne. As a leading company in the nuclear industry and the only company operating nuclear reactors in Slovakia, SE's research is focused mainly on activities aimed at supporting increased nuclear safety, ensuring long-term NPP operation, ancillary activities in the operation of the EBO V2 and EMO12 NPPs, as well as of conventional power plants. In addition to ancillary activities in performing nuclear safety enhancement measures resulting from periodic evaluations, the research of 2020 was also focused on promoting the project of completion of Units 3 and 4 of Mochovce Nuclear Power Plant (MO34), namely in the area of risk analysis and quality of components and materials used. Other areas of interest are safety aspects in the operation of power plants, reliability maintenance of systems, components and structures reliability, development and evaluation of new material diagnostic methods and equipment maintenance workflows.

Increasing demands for safety and optimum operation require new solutions, materials and procedures, which the Company addresses through research and applied science. Other partners, especially Slovak universities of technology, are involved in the solutions. The Company thus demonstrably supports science and research in the Slovak Republic.

In 2020, work continued intensively at the Vojany TPP to increase the economic efficiency of the operation and to reduce the share of CO2 greenhouse gases produced. The project was related to scientific research work on the expansion of the fuel base with solid secondary fuel (SSF). SSF co-combustion tests were successfully performed in the proportion of some 50% and 100% of the calorific energy of the boiler at Unit 5.
Centrum pre vedu a výskum, s.r.o. [Centre for Science & Research] (CVV), as a 100% subsidiary of the Company, whose main focus is to support research and development activities in the nuclear sector, maintenance and development of nuclear capabilities, support for the completion of MO34 construction, improvement of operational safety and extension of the service life of nuclear installations and streamlining of operational parameters at conventional power plants.

CVV assists the Company in implementing specific projects:

In 2020, CVV for the Company draw up methodological documents of the comprehensive programme for the long-term operation of EMO12. The long-term operation is based on a safety assessment, taking into account limiting processes and the properties of systems, structures and components.

A research project for evaluation of the state of integrity and materials of structural parts of the steam generator of the VVER 440/230 nuclear power plant is focused on evaluating the state of steam generators made available through the decommissioning of NPP Bohunice V1.
In 2020, CVV began cooperation on updating chapters of the PPBS/27048 Pre-operational Safety Report for Units 1 and 2 of the EMO and updating Chapters 6–BSP–001 of the V2 NPP Safety Report. The work will continue in 2021.In the area of increasing safety, CVV is carrying out a modification of heterogeneous welds on the steam generator node at Units 3 and 4 of the EBO NPP. The aim of the project is to modify heterogeneous welded joints, and will use an automated method of welding, with subsequent application of galvanic plating on the inner surface, in order to protect the weld root from the operating medium.

In cooperation with the Slovak University of Technology (STU), CVV prepared research reports aimed at evaluating the residual life of the VVER-440 reactor pressure vessel and calculating the activation of reactor construction materials using the MCNP6 code. CVV also, in cooperation with STU and professional organizations, developed a numerical simulation and experimentally measured the extreme effects of wind load on the object of the main production unit of EBO V2 NPP.

In cooperation with Comenius University, an update to the seismic, geological, geophysical and geotechnical database for EBO and EMO was prepared in accordance with the new requirements of the IAEA SSG-9 safety manual. In particular, it is required that the minimum radius of the Region be increased to 300 km, which has significantly increased the requirement to supplement the relevant types of information, especially from neighbouring countries.

Energy services

The strategy for business development in the field of energy services in the period 2020 – 2025 is to continue to expand the offered range of long-term projects (10 – 15 years), which will make it possible to constantly increase and stabilise the margin. Looking at 2020, the share of long-term projects is about 50%, while the goal in the next 5 years is to achieve a share of up to 80% or more. From this point of view, the areas of development are investments in energy centres in the area of development projects, operation of public lighting, photovoltaic power plants as a service, battery systems as a service and EPC (Energy Performance Contracting) projects in the public sector.

Commodity supplier

The Company's long-term strategy for supplying commodities to end customers is to focus on segments that show a stable offtake, a reasonable trading margin and, at the same time, the potential of selling energy services that add value to customers over the long term. Given the clear strategy of concentrating on long-term sustainable business in the supply of commodities to end customers, the Company focuses on stabilising the portfolio of end customers. Total electricity supply for 2020 decreased slightly and represents a volume of more than 3 TWh; gas supply was at the level of 0.4 TWh; and the volume of supplied heat represents the volume of 0.7 TWh.

In 2020, the subsidiary Slovenské elektrárne – energetické služby, s.r.o. (SE-ES) supplied electricity, gas, heat as well as energy services to more than 5 000 customers within its portfolio. This confirms the Company's stable position in the market and its role of a major player in providing comprehensive energy services.

The Company is represented in the Czech market of supplies to final customers through its subsidiary Slovenské elektrárne Česká republika, s.r.o., (SEČR). SEČR does not just focus on the supply of commodities, but also provides comprehensive energy services. Its customers include important Czech and international companies, ranking SEČR among the most important suppliers and providers of energy services in the Czech market.

In Poland the sale of electricity is carried out by through a branch of the Company in Warsaw.

Many important clients year after year renew their trust toward the Company as a stable, reliable and

innovative supplier. The Company's clients include many small and medium-sized enterprises. The small and medium-sized enterprise segment in particular is becoming increasingly attractive and, in view of its nature, they provide some stabilisation in the portfolio of final customers.

Energy service provider

In 2020, SE-ES launched a new product "Energy as a Service" on the Slovak market and implemented the first project with this business model. The first implemented project consisted of a photovoltaic power plant with an output of 500 kW and a battery system with an output of 432 kWh installed at the Muller Textile Slovakia plant in Humen. This system is owned by SE-ES and leased to Muller Textile Slovakia for 13 years, enabling the client to optimise its consumption profile and concurrently fulfil its strategy of sustainable development.

SE-ES continues to expand its portfolio of energy centres for the supply of heat and cool to residential and office complexes. In 2020, the Kolísky projects in Záhorská Bystrica and the Square project in Miloslavovo were added to the portfolio. Together with various partners, a long series of potential projects is being defined, mainly in the vicinity of Bratislava, but also in other regions of Slovakia.

In 2020, SE-ES won a tender for the reconstruction of the industrial lighting of 6 production halls for Železiarne Podbrezová, a.s., for a total of approximately 1000 light points replaced by modern and efficient LED lights and an smart control system in order to maximise energy savings. Implementation began in 2020 and will be completed in the first half of 2021.

In the public sector, SE-ES manages public lighting services for about 40 Slovak cities and municipalities and is constantly looking for other opportunities in EPC (Energy performance contracting). The modernisation of public buildings is a market with very great potential, although public authorities have not yet resolved issues associated with financing investments outside EPC. SE-ES is, though, actively contributing to solving these problems, by means of its membership in the Association of Energy Service Providers, which is one of the main actors in finding solutions to the above-mentioned challenges.

Our people

Basic data

Safe and reliable production of electricity for the whole of Slovakia, the implementation of innovative projects in technology, but also unique corporate know-how, for all this, Slovenské elektrárne thanks its employees. They stand behind all our successes and create value that lasts above all others.

Number of employees

Slovenské elektrárne employed as at 31 December 2020 a total of 3 708 employees, of whom 561 were women. In 2020, the number of years worked per employee averaged 19.56 years, reflecting the great expertise and low voluntary staff turnover.

Employee relations

The main task of human resources management at Slovenské elektrárne is to emphasise the continuous development of employees, the creation of a corporate culture, the creation of a balance of life inside and outside of work, and continuously raising motivation.

Motivating employees means not just steady financial remuneration with the possibility of bonuses depending on individual performance. It means also certainty of employment, and in no small measure, also above-standard care in the form of benefits significantly above the framework set by law, for example in the number of days' holiday leave, a 7½-hour working time, an employer's contribution to supplementary pension saving, as well as in wage benefits for work during state holidays, days off or a contribution at a work jubilee. At the same time, employees have the opportunity to take advantage of various discounts and benefits for the purchase of goods and services from the portfolio of benefits, which we are constantly expanding. Discounts for the purchase of black and white goods, vitamin supplements were the most frequently used, and the Multisport card is also a very popular benefit.

Employees' health is also very important for Slovenské elektrárne; at the end of 2020, employees were provided with vitamin packages to support immunity.

Campaigns aimed at finding and implementing good ideas through the Idea Exchange project and the General Director's Award competition also contribute to corporate culture. It is aimed at further highlighting the roles and responsibilities of employees who fulfil the Company's goals in some exceptional way, achieve a high level of security, create a positive margin, streamline, optimise costs, innovate processes and, through their personal approach, significantly contribute to improving safety and climate at the Company, and this all in accordance with the Company's Model of Values and Conduct.

In order to identify with the employer's brand, it is important that employees at work have a pleasant working environment, which completes the overall picture of the Company, its operation and philosophy. In connection with the change of the new supplier of catering services at the plants, the right decision was made – to beautify and renovate the interior of canteens, cafeterias, and the entrance to the directorate. The whole concept of space redesign is based on the new SE Design Manual. Available at the web address identita.seas.sk, announced in October 2020, the basic motif of which is Slovak folklore, graphically transformed into electro-technical signs – electric folklore.

Education

The specific industry Slovenské elektrárne operates in stimulates us toward long-term development of programmes for educating and training our employees in order that their unique know-how is maintained and experience in each field is strengthened. We place special emphasis on the systematic improvement of skills in the framework of regular training and required qualification. In so doing we offer our employees a unique opportunity to grow and apply themselves at a company with a long history and broad portfolio of partnerships with international organisations.

An important element in this development remains to be the training programme for operative-technical personnel of unit supervision and the organisation of emergency response at nuclear power plants. Their members are systematically trained throughout the year, both professionally and in terms of other specific skills, focused mainly on teamwork and managing various situations in the field of safety, and preventing operational events.

The implementation of the e-learning form of education and training in the online environment took on even greater importance last year. Support applications for shared communication are part of every form of training we provide to employees.

For training in engineering positions, the training centres use simulators enabling the oversight and control of the equipment and systems of an NPP under normal, abnormal and emergency situations of nuclear units.

At our practical training centres we conducted both basic and periodic professional training aimed at compliance with safety rules and procedural practices. In all crucial areas of the production department, the Company continues to apply the internationally recognised methodology of the Systematic Approach to Preparation.

Cooperation with universities

In cooperation with universities, Slovenské elektrárne annually gives graduates the opportunity to apply for the Aurel Stodol Prize, which is awarded for the best theses in the field of power engineering. A total of 16 professional theses were entered in the thirteenth year of the competition, of which 2 were dissertations and 16 diploma works. An expert panel composed of university professors chose the best from among them all – 3 diploma works and 1 dissertation work. In 2020, Slovenské elektrárne provided the opportunity for secondary-school and university students to learn during the school year and school holidays through student internships, practical exercises, and the Graduate programme. At the same time, the Company also employed eight students on a permanent basis. Graduates strengthen the Company's teams, which can pass on the experience to a new generation of energy professionals. At the same time, SE experts provide their knowledge and experience, as well as consultations to university students who, in the course of their vocational training, prepare their theses, papers or other forms of scientific publications.

As part of the Practical Training project, which the Company has been running now in its third year in collaboration with the Secondary Vocational School of Electrical Engineering in Trnava, we launched a new year for third- and fourth-graders in September 2020, in which some eight students participated for the first time. The first three successful graduates who joined Slovenské elektrárne during the summer also had practical training.

For university students who enjoy information technology and working with data, the Company has an IT Academy project. An advantage of the IT Academy is that students have flexible working hours, which they can easily adapt to their studies.

For students, the Company also organises a number of other activities and events that help increase interest in the power and nuclear industry among young people. For the first time, the Company took part in the nationwide innovation competition BeReady Awards, where talented, technically oriented high-school students designed the city of the future – the energy-independent town of Smart City. Slovenské elektrárne prepared interesting workshops, provided expert consultations on the works and, in the final, decided as panel members of the competition on the best projects from among 24 four-member teams.

The Company also participated in the Open Day of the Secondary Vocational School of Electrical Engineering in Trnava, and the Materials Technology Faculty of the Slovak University of Technology in Trnava.

Idea exchange

In the year and a half of its existence, the improvement initiative - Idea Exchange – has managed to collect more than 600 ideas, from which the implementation of the 67 most interesting projects has been approved. Their total financial contribution, regardless of the cost and time value of all financial flows, amounts to 112 million euros. Taking these factors into account, i.e. the cost and time value of money, the financial benefit amounts to 56.1 million euros.

In 2020, the Company's goal of increasing the Company's performance was determined through the Net Present Value (NPV) of approved projects and was set at a target amount of 22 million euros. With the value of ideas approved for implementation in 2020 in the amount of 23.9 million euros, this target was fulfilled to 108.45%. At the same time, we managed to surpass the target set in 2019, by 1.05%.

This initiative for 2020 resulted in rewards for 105 employees for 35 approved ideas.

Corporate social responsibility

Support for regions

Cooperation with regions

Slovenské elektrárne has long sought to build and cultivate good public relations in the vicinity of their power plants, through open and transparent communication.

For informing the public about events and activities at Slovenské elektrárne, we use various tools, such as events, competitions, activities for employees and family members, as well as our "Energy for the Country" magazine. In 2020, Slovenské elektrárne published five issues, each with 5 000 copies. The magazine is primarily distributed to critical locations in the zone of 20 km from both nuclear power plants free of charge to all municipal and city authorities, and is also available in electronic form on the website www.seas.sk.

At the localities of both nuclear power plants, we actively participate in the activities of the Municipal Information Commissions, whose members are the mayors of municipalities in the vicinity of the Bohunice Nuclear Power Plant and the Mochovce Nuclear Power Plant. Their main task is to transfer information between power plants and the public, to conduct an open dialogue on the use of nuclear energy and to inform the public about all aspects and impacts on the environment due to the existence of a nuclear facility in the region.

Visits and excursions

Due to the coronavirus pandemic, the year 2020 was also marked by very low attendance at our facilities. As early as February, the Company took the precautionary measure of prohibiting any visits and excursions, not just at the power plants, but, from 1 March 2020, also closed the Energoland information and education centre for the public. It was open just a few weeks at the beginning of the year. During that time, it was visited by 1523 primary and secondary school students.

Employee volunteering

Corporate volunteering is an integral part of Slovenské elektrárne. Through our volunteer programme, we create space for employees who want to participate in planned activities, but also to bring ideas for projects whose common goal is to help in their regions in diverse areas. Through volunteering, employees apply their skills and knowledge, and build and develop team spirit, while contributing to the revitalisation of public spaces, schools, facilities for children and young people, as well as cleaning hiking trails in protected areas of the Tatra National Park, and other environmentally focused activities.

The Company motivates its staff to become increasingly involved in volunteer activities. Every year, our employees participate in the nationwide project Our Town and they themselves design volunteer projects in the regions, in which they not just actively participate, but also they themselves coordinate. As part of the Show in a Good Light add-on programme, all employees, together with the public, can vote for the proposed projects and thus support the most interesting ones, which will receive an additional grant from Slovenské elektrárne.

The pandemic year caused Slovenské elektrárne to the precautionary decision not to participate in person in volunteer projects in 2020 in the interest of protecting the health and safety of its employees and subsequently its operations. Despite the impossibility of participating in person, Slovenské elektrárne helped, and provided all sixteen – volunteer projects registered

by employees – with funds for support. Corporate volunteering and charity are very tightly intertwined. For the fourth year in a row, employees of Slovenské elektrárne, anonymously, as Christmas Angels, have been fulfilling dreams and desires for children from the Centres for Children & Families and crisis centres in areas surrounding the plants. In 2020, employees of Slovenské elektrárne met the Christmas wishes of some 265 children. In this difficult period, when crisis centres and Centres for Children and Families had to invest funds to fight the pandemic, Slovenské elektrárne also supported all nine organisations whose children received gifts from employees as Christmas Angels.

With the help of its employees, Slovenské elektrárne also carries out pro bono activities in the form of expert volunteering.

Philanthropic and charity activities

Slovenské elektrárne has long been developing a social responsibility scheme Energy for the Country, whose main objective is to promote community activities and initiatives thematically divided into five areas focusing on culture, science and education, sports, the environment and social assistance. The Slovenské elektrárne Endowment Fund at the Pontis Foundation implements the Company's philanthropic activities aimed at supporting the employees and communities in which they live in order to establish relationships with important partners, as well as to promote meaningful projects that create and deliver value. The Slovenské elektrárne Endowment Fund reaffirmed its strong position in the non-profit sector in its open approach to information disclosure regarding its activity, and rightly ranks among the leaders to whom the Association of Corporate Foundations and Endowment Funds (ASFIN) has awarded a transparency certificate several times in a row.

Culture

Supporting cultural heritage, preserving artistic values and traditions for future generations is the core mission of the Energy for Culture scheme. The past year had a significant impact on the field of culture. Of the many planned activities that Slovenské elektrárne successfully implemented in recent years (regional festivities and festivals in the vicinity of the plants, support for theatres, arts & crafts, partnership with the Slovak National Gallery), were halted in 2020 due to anti-pandemic measures. The only exception in the field of culture, which still managed to take place in January, was support for a theatrical play staged by the Radošinský Naive Theatre called Little Big Man, written by Stanislav Štepka based on the impressive life stories of MR Štefánik. Slovenské elektrárne financially supported five performances in the Piešťany Arthouse. The performances were intended for employees from all sites. The selection of the title confirmed that there was great interest in the performances, employees filled the capacity of the Arthouse with each rerun. The Radošinský Naive Theatre studied the play in creative collaboration with dancers and musicians of the Slovak Folk Art Collective.

The inability to hold any cultural events prevented any further significant representation of Slovenské elektrárne in this area.

Science and education

Slovenské elektrárne devotes great attention to the promotion of education, recognising the importance

of educated and qualified youth for the economic development of society. The advent of the information society, the development of technologies, and the transformation of the labour market, all go to underline the strategic importance of education. One of the most important events of popularisation of science and education is the Science and Technology Week, organised by the Ministry of Education, Science, Research and Sport of the Slovak Republic in cooperation with the Centre of Scientific and Technical Information, which annually engages dozens of elementary and secondary schools from all over Slovakia. The event also involves the Association for Youth, Science and Technology (AMAVET) with its Festival for Science and Technology, where 90 best scientific works are announced. This year, science also had to "adapt". The whole event, full of interesting topics, lectures and workshops, took place online. Slovenské elektrárne is a proud partner of the event.

The Energoland entertainment and educational information centre in Mochovce, which regularly becomes the venue for many internal and external events, was closed for ten months in the year of the pandemic.

Sport

Investing in a healthy lifestyle through the development of sporting activities is an important part of the Energy for Sport scheme. One of the most popular sports at the Company is cycling. This undemanding and easily accessible device is used by many employees as a means of transport to their workplaces. This is one of the reasons why Slovenské elektrárne joined the national initiative Go to Work by Bike for the second time in 2020 and in competition with 1 012 companies, despite extensive work from home, won fourth place in the overall ranking, despite being clearly the best in mileage and third in the number of CO_2 emissions saved.

Slovenské elektrárne also supported cycling races, which could take place despite strict measures, e.g. Slovak Cycling Cup in Tlmače with a hobby ride for the public to Mochovce and the Slovak Cyclocross Championship in Topoľčianky. Running sport is also gaining in popularity. In the Nováky Power Plant region, we have become a partner of the Gull in the Clouds cross-country race.

The sporting event with a charity objective Stars for Children, held in Trenčín, is every year organised by the Trenčín Sports Club for both youth and adults. Together with the organisers, we found a way to prepare it safely this year as well. Although without spectators and public participation, we still managed to support charitable projects throughout Slovakia with proceeds from the event. We brought our employees an exclusive discussion with the participation of the Hossa brothers, the popular couple Junior and Marcel and others.

Environment

As part of its strategy for the protection of natural heritage, Slovenské elektrárne has long taken a responsible approach toward issues of biodiversity conservation and restoration, efforts to stop degradation of the ecosystem, achieving energy savings and greenhouse gas reduction.

Corporate volunteering and employee involvement has its own platform in the framework of the nationwide Our City event, where projects brought by our employees are mainly in the field of environmental protection, revitalisation of city parks and assistance in preserving

castle ruins in the regions of our power plants.

The Clean Mountains event is just as popular. In 2020, we interrupted our 11 consecutive years of participation in this event, and with regard to the health and safety of employees, we did not participate this time. Once again, however, we found an opportunity to help the national park and supported conservationists in retrofitting a rescue station for injured animals at risk of death, especially in winter. Our involvement was also focused on projects to support biodiversity in the largest national park TANAP.

Climate change and related global warming is the topic of the International Film Festival Ekotopfilm/Junior, of which Slovenské elektrárne is the general partner and their presentations throughout Slovakia explain the benefits of nuclear power generation in the context of climate change. Last year, the festival for school youth brought lectures on global warming and the carbon footprint of human activity, which were attended by almost 15 000 children from 20 cities across Slovakia, of which more than a third in person, the remainder online.
Slovenské elektrárne supports many other smaller regional projects focused on nature conservation, revitalisation of public areas, hiking trails and nature reserves.

Social field

Slovenské elektrárne has long-term supported socially disadvantaged groups within their initiatives, demonstrating that through their own efforts they can improve their living conditions. In 2020, the Company focused on the inclusion of marginalised groups, orphaned and abandoned children, homeless people or otherwise disadvantaged people.

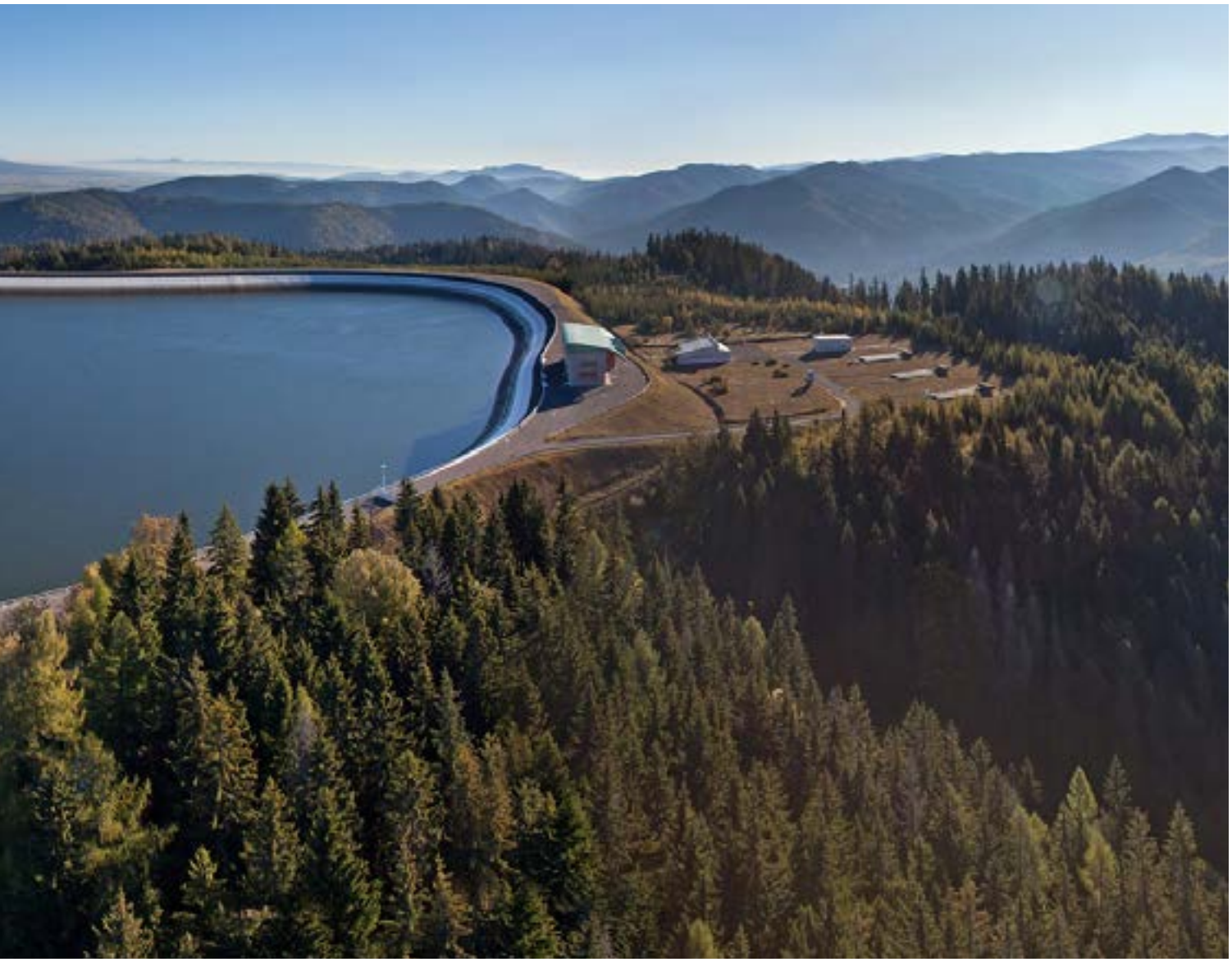
The Company is not indifferent to the social situation of its own staff either. Slovenské elektrárne provides assistance to employees in difficult life conditions through its Endowment Fund, which is managed by the Pontis Foundation. Last year, we also opened the Special Employee Programme to the public. Until now, only employees of Slovenské elektrárne could be applicants, this year the opportunity to apply for financial support to overcome a difficult life situation was opened also to the public. A condition, though, was that applicants who are not employees of Slovenské elektrárne, at least have a recommendation from one of our employees. The aim of the change was to support the idea of solidarity between all employees not only within the Company, but also in their surroundings, in the place where they live and can help and show compassion with the support of their employer. The essence has remained the same, that is to help where it is needed. Through this programme, Slovenské elektrárne supported 21 requests for assistance.

Slovenské elektrárne also helped mitigate the consequences of the tragedy in the region of the Nováky thermal power plant in the difficult year of 2020. A local retirement home caught fire in the summer. At a time when the whole world has been trying to fight a pandemic, any misfortune is multiplied severalfold. All the more so when it directly affects those who belong to the most at-risk groups – seniors. Slovenské elektrárne purchased infirmary equipment, which suffered the most from the fire, for a non-profit organisation that operates a home for the elderly. We also supported doctors and paramedics who take care of their clients in the Upper Ponitrie district at a mobile hospice.

Human life and health are the most precious gift, which is exposed to tough tests in mountain areas, not just because of human indifference, disabilities,

or unexpected changes in weather. These are the situations requiring rapid help, which is often difficult to access in such demanding terrains. Therefore, Slovenské elektrárne last year supported the work of rescuers with a subsidy for the purchase of special sledges for transporting injured persons, but also for the equipment of rescuers, which will significantly help them in the search for lost tourists (drones). In the past, the Company donated twelve defibrillators to mountain huts and the Belianska Cave. We also helped rescuers by supporting the placement of safety signs for ski mountaineers in the four valleys, with the help of which ski mountaineers will perform the necessary diagnostics of an avalanche finder before embarking on a hike directly in the field.

In 2020, the Company supported a total of 78 projects under the Social Responsibility and Sustainable Development scheme.



Abbreviations

CENTREL	a cooperative group of four transmission system operators
ACER	Agency for Cooperation of Energy Regulators
ASP	ancillary services provider
ALARA	as low as reasonably achievable
AMAVET	Association for Youth, Science and Technology
AP	automatic protection
AO1	automatic shutdown
EBO	Bohunice nuclear power plant
BO V2	Bohunice V2 Nuclear Power Plant
CVV	Centrum pre vedu a výskum, s.r.o.
CEZ	CEZ The Largest Electricity Producer in the Czech Republic
DUK	Children's Comenius University
COP	coefficient of performance
CA	Control assembly
CPP	conventional power plant
CAP	corrective actions programme
DH	district heating
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
e-GCC	System of Cross-Border Exchanges of Electricity
ERO	emergency response organisation
ENDESA	ENDESA Largest Producer of Electricity in Spain (a subsidiary of Enel)
EPH	Energetický a průmyslový holding, a.s.
ENIQ	ENIQ European Network for Inspection and Qualification
EIA	Environmental Impact Assessment
EU ETS	EU Emissions Trading System
EC	European Commission
EEX	European Energy Exchange
ENTSO-E	European Network of Transmission System Operators for Electricity
ENSREG	European Nuclear Safety Regulators Group
ESMA	European Securities and Markets Authority
EU	European Union
FP	fire protection
GDPR	General Data Protection Regulation
GSh	General shutdown
SE-HQ	Headquarters of Slovenské elektrárne
HPP	hydro power plant

HPP-G	Hydropower plant Gabčíkovo, Čunovo, Mošoň and S VII
NOS	Independent Nuclear Safety Assessment Unit
INPO	Institute of Nuclear Power Operations
I&C	instrumentation & control
IMS	Integrated Management System
INE&CP	Integrated national energy and climate plan
IAEA	International Atomic Energy Agency
INES	International Nuclear Event Scale
JAVYS	Jadrová a vyraďovacia spoločnosť, a. s.
MSR	market stabilisation reserve
MiFID II	Markets in Financial Instruments Directive (second version)
EMO	Mochovce Nuclear Power Plant
MO12	Mochovce nuclear power plant, Units 1 and 2
EPC	model of Guaranteed Energy Services
FNM SR	National Property Fund of the SR
NPV	net present value
Nitra	Nitra region
ENO	Nováky Power Plant
ENO A	Nováky Power Plant A, operation
ENO B	Nováky Power Plant B, operation
NIRA	Nuclear Industry Reinsurance Association
NPP	nuclear power plant
NRA SR	Nuclear Regulatory Authority of the Slovak Republic
NS	nuclear safety
NSAC	Nuclear Safety Advisory Committee
V1	Nuclear Unit B2 of JAVYS
OH&S	occupational health & safety
OSART	operational safety review team
PM	particulate matter
PXE	Prague Energy Exchange
PSHPP	pumped-storage hydro power plant
QMS	Quality Management System
EMIR	Regulation on OTC derivatives, central counterparties and trade repositories
REMIT	Regulation on wholesale energy market integrity and transparency
RONI	Regulatory Office for Network Industries
Rnbls	renewables

SAM	Severe Accident Management
OKTE	Short-term electricity Market Operator – OKTE, a.s.
SAV	Slovak Academy of Sciences
SAE	Slovak Association of Electric Vehicles
SNG	Slovak National Gallery
SPH	Slovak Power Holding
SR	Slovak Republic
KST	Slovak Tourists Club
SUT BA	Slovak University of Technology in Bratislava
SEPS	Slovenská elektrizačná a prenosová sústava, a. s.
SE-ES	Slovenské elektrárne – energetické služby, s.r.o.
SE	Slovenské elektrárne, a. s.
SHPP	small hydro power plant
SSF	Solid secondary fuel
SC SR	Supreme Court of the Slovak Republic
SNETP	Sustainable Nuclear Energy Technology Platform
SAT	Systematic Approach to Training
TANAP	Tatras National Park
TPP	thermal power plant
TG	Turbo generator
MO34	Unit 3 and 4, Mochovce Nuclear Power Plant
UCF	Unit Capability Factor
UCLF	Unplanned Capability Loss Factor
VAT	value-added tax
VV	Vodohospodárska výstavba, š. p.
EVO	Vojany Power Plant
EVO 1	Vojany Power Plant 1
EVO 2	Vojany Power Plant 2
WANO	WANO World Association of Nuclear Operators
WENRA	Western European Nuclear Regulators Association
ZSD	Západoslovenská distribučná, a.s.

3EC international

IAF

SNAS
Reg. No. 365/Q-050

CERTIFICATE

This certifies that the Quality management system of company

Slovenské elektrárne, a.s.

Mlynské nivy 47, Bratislava 821 09, Slovak Republic

SLOVENSKÉ ELEKTRÁRNE

has been assessed by 3EC International
and found to be in conformance with the following standard:

ISO 9001:2015

for the following scope:

PRODUCTION, SUPPLY, PURCHASE AND SALES OF ELECTRICITY.
PRODUCTION, SUPPLY AND SALES OF HEAT.
SALES OF BY-PRODUCTS FROM ELECTRICITY PRODUCTION.
MANAGEMENT OF CONSTRUCTION AND COMMISSIONING OF ELECTRICITY PRODUCTION SOURCE.
EXECUTION OF MAINTENANCE WORKS.

Certificate No.: Q-0540/19 **Date of issuance: June 28th, 2019** **Original date of approval: July 2nd, 2016**

This certificate is valid from **June 28th, 2019** to **June 27th, 2022** on condition that organization will maintain effective Quality management system. To verify the validity of this certificate please contact our office at: +421 (0)2 5831 8343.

Issuing office: 3EC international a.s., Hraničná 18, 821 05 Bratislava, Slovak Republic

Dr. Katarína Tomin Srdošová
Head of Certification Body 3EC international a.s.

Certification body 3EC international a.s. is accredited by SNAS under registration number 365/Q-050 with accreditation certificate No. Q-050 for certification of Quality management systems covered by EA MLA and IAF MLA

3EC International

IAF

SNAS
Reg. No. 305/R-064

CERTIFICATE

This certifies that the Environmental management system of company

Slovenské elektrárne, a.s.

Mlynské nivy 47, Bratislava 821 09, Slovak Republic

SLOVENSKÉ ELEKTRÁRNE

has been assessed by 3EC International and found to be in conformance with the following standard:

ISO 14001:2015

for the following scope:

**PRODUCTION, SUPPLY, PURCHASE AND SALES OF ELECTRICITY.
PRODUCTION, SUPPLY AND SALES OF HEAT.
SALES OF BY-PRODUCTS FROM ELECTRICITY PRODUCTION.
MANAGEMENT OF CONSTRUCTION AND COMMISSIONING
OF ELECTRICITY PRODUCTION SOURCE.
EXECUTION OF MAINTENANCE WORKS.**

Certificate No.: E-0366/19 **Date of issuance: June 28th, 2019** **Original date of approval: July 2nd, 2016**

This certificate is valid from **June 28th, 2019** to **June 27th, 2022** on condition that organization will maintain effective Environmental management system. To verify the validity of this certificate please contact our office at: +421 (0)2 5831 8343.

Issuing office: 3EC International a.s., Hraničná 18, 821 05 Bratislava, Slovak Republic

Dr. Katarina Tomin Srdošová
Head of Certification Body 3EC International a.s.

Certification body 3EC International a.s. is accredited by SNAS under registration number 305/R-064 with accreditation certificate No. R-064 for certification of Environmental management systems covered by EA MLA and IAF MLA.

3EC International 3EC International 3EC International 3EC International 3EC International

3EC International

IAF

SNAS
Reg. No. 305/R-005

CERTIFICATE

This certifies that the OH&S management system of company

Slovenské elektrárne, a.s.

Mlynské nivy 47, Bratislava 821 09, Slovak Republic

SLOVENSKÉ ELEKTRÁRNE

has been assessed by 3EC International and found to be in conformance with the following standard:

ISO 45001:2018

for the following scope:

**PRODUCTION, SUPPLY, PURCHASE AND SALES OF ELECTRICITY.
PRODUCTION, SUPPLY AND SALES OF HEAT.
SALES OF BY-PRODUCTS FROM ELECTRICITY PRODUCTION.
MANAGEMENT OF CONSTRUCTION AND COMMISSIONING
OF ELECTRICITY PRODUCTION SOURCE.
EXECUTION OF MAINTENANCE WORKS.**

Certificate No.: S-0312/20 **Date of issuance: December 18th, 2020** **Original date of approval: July 2nd, 2018**

This certificate is valid from **December 18th, 2020** to **June 27th, 2022** on condition that organization will maintain effective OH&S management system. To verify the validity of this certificate please contact our office at: +421 (0)2 5831 5343.

This certificate fully supersedes previous certificate No. S-0312/18 issued on June 28th, 2018.

Issuing office: 3EC International a.s., Hraničná 18, 821 05 Bratislava, Slovak Republic

Dr. Katarína Tomíh Srdošová
Head of Certification Body 3EC International a.s.

Certification body 3EC International a.s. is accredited by SNAS under registration number 305/R-065 with accreditation certificate No. R-005 for certification of OH&S management systems.

3EC International 3EC International 3EC International 3EC International 3EC International

SLOVENSKÉ ELEKTRÁRNE

2007 ANNUAL REPORT

part 2

Slovenské elektrárne, a.s.

Independent Auditor's Report on the Audit of the Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted in the European Union as at 31 december 2020 and Report on other Legal and Regulatory Requirements

Slovenské elektrárne, a.s.

Deloitte Audit s.r.o.
Digital Park II, Einsteinova 23
851 01 Bratislava
Slovak Republic

Tel: +421 2 582 49 111
deloitteSK@deloitteCE.com
www.deloitte.sk

Registered in the Business
Register of the District Court Bratislava I
Section Sro, File 4444/B
Company ID: 31 343 414
VAT ID: SK2020325516

SLOVENSKÉ ELEKTRÁRNE, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of Slovenské elektrárne a.s.:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Slovenské elektrárne, a.s. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31. December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to Notes 3 and 15 to the consolidated financial statements. The Group has evaluated its obligations in respect of the operations of nuclear electricity plants and recorded related provisions as at 31 December 2020 on the basis of management's estimate of the expenditure required to settle those obligations when they fall due. The estimates and assumptions considered by management in determining these provisions are inherently sensitive to expectations about future costs and forecasted cash outflows, timing of cash outflows, inflation rates, discount rates, technical plans and changes in government legislation. Any changes in these parameters could materially affect the carrying amounts of the provisions recorded in the consolidated financial statements in future periods.

We draw attention to Notes 2.1, 5, 19 and 32 to the consolidated financial statements in relation to significant amounts recorded as assets under construction for nuclear power plant Mochovce Units 3 and 4 and borrowings that have a significant impact on the financial situation of the Group. The recoverability of these assets assumes the successful commissioning of the Unit 3 as a minimum. Additionally, a significant portion of the non-current borrowings has been classified as current pending further negotiations with the Group's financing creditors on the prolongation of an existing technical covenant for Mochovce unit 3 and 4 timeline completion. The Group has also not signed, for the time being, the further renewal of an expired interim waiver for this technical covenant from one of its creditors. The consolidated financial statements do not include any adjustments to the carrying value of assets or liabilities that might be necessary if the Group's creditors demand acceleration of debt repayment, which is currently scheduled for periods beyond 2025, to earlier.

We draw attention to Note 29 to the consolidated financial statements which describes uncertainty related to the outcome of several court disputes pertaining to Vodné elektrárne Gabčíkovo ("VEG") Operating Agreement, the Agreement on Settlement of Legal Relations with respect to the VEG Assets and the Agreement of Indemnity.

Our opinion is not modified in respect of these matters.

Other Matter

The consolidated financial statements of Slovenské elektrárne, a.s. and its subsidiaries for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on the consolidated financial statements on 22 April 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted in the 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.

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 International Standards on Auditing 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 International Standards on Auditing, 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 disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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 about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Consolidated Annual Report

The statutory body is responsible for information disclosed in the consolidated annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the consolidated financial statements stated above does not apply to other information in the consolidated annual report.

In connection with the audit of consolidated financial statements, our responsibility is to gain an understanding of the information disclosed in the consolidated annual report and consider whether such information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

We assessed whether the Group's consolidated annual report includes information whose disclosure is required by the Act on Accounting.

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

- Information disclosed in the consolidated annual report prepared for 2020 is consistent with the consolidated financial statements for the relevant year; and
- The consolidated annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Group and its position, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the consolidated annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 17 May 2021

Ing. Wolda K. Grant, FCCA
Responsible Auditor
Licence SKAu No. 921

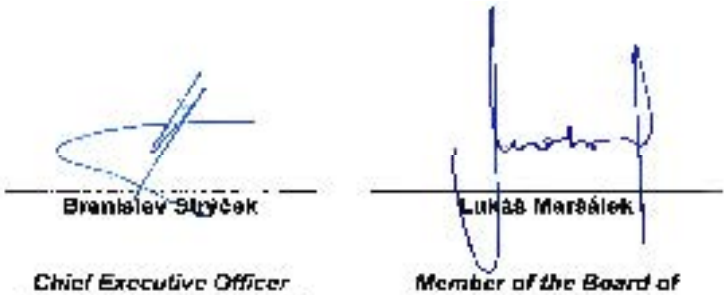
On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

Slovenské elektrárne, a.s.

Slovenské elektrárne, a.s.

Consolidated Financial Statements
Prepared in Accordance with International Financial Reporting Standards
as Adopted by the European Union

31 December 2020



Branislav Strýček

Chief Executive Officer
Chairman of the Board of Directors

Lukáš Maršálek

Member of the Board of Directors

Bratislava, 17 May 2021

CONTENTS

CONSOLIDATED BALANCE SHEET
as at 31 December 2020
(in thousands of EUR)

	Notes	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	9,446,781	9,176,952
Intangible assets	6	5,507	5,985
Assets from embedded derivatives	7	-	622
Derivative assets	7	284	6,243
Investments in associates	9	22,298	20,085
Other investments	9	5,914	5,495
Right for reimbursement from the National Nuclear Fund	15	1,435,920	1,339,112
Other receivables	11	131,613	107,289
Other non-current assets	13	3,175	3,248
Deferred tax asset	27	944	1,517
Prepayments for non-current assets	5	13,585	27,434
Total non-current assets		**11,065,021**	**10,694,982**
CURRENT ASSETS			
Inventories	10	317,721	338,585
Trade and other receivables	11	167,878	179,471
Current income tax receivable	27	48	198
Assets from embedded derivatives	7	280	29
Derivative assets	7	145,935	182,796
Cash and cash equivalents	12	14,273	12,480
Assets classified as held for sale	5	270	268
Other current assets	13	34,670	28,823
Total current assets		**680,985**	**742,650**
TOTAL ASSETS		**11,746,006**	**11,436,632**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,268,296	1,268,296
Revaluation reserve	14	3,321,273	3,364,393
Other reserves	14	142,485	188,803
Retained earnings, of that:	14	(262,787)	(322,566)
Retained earnings of prior periods		*(322,566)*	*(345,197)*
Net income for the year		*59,779*	*22,631*
Total equity attributable to equity holders of the Company		4,471,267	4,499,926
Non-controlling interest		-	-
Total equity		**4,471,267**	**4,499,926**
NON-CURRENT LIABILITIES			
Subordinated loan	19	452,542	350,903
Provision for nuclear decommissioning and storage costs	15	2,409,929	2,150,189
Provision for dismantling of thermal power plants	16	136,342	126,707
Employee benefits	17	42,640	41,490
Other provisions	18	20,843	19,719
Loans and borrowings	19	1,511,154	2,918,671
Derivative liabilities	7	199,947	99,115
Other non-current liabilities	20	2,515	2,506
Deferred tax liability	27	388,914	429,134
Total non-current liabilities		**5,458,854**	**6,138,484**
CURRENT LIABILITIES			
Subordinated loan	19	49	-
Provision for nuclear decommissioning and storage costs	15	22,329	16,768
Provision for dismantling of thermal power plants	16	220	150
Employee benefits	17	1,538	1,602
Other provisions	18	41,872	43,667
Loans and borrowings	19	1,254,674	207,778
Derivative liabilities	7	145,046	182,623
Trade and other current payables	21	295,072	318,228
Current income tax liability	27	50,810	21,682
Other current liabilities	20	5,145	5,674
Total current liabilities		**1,817,765**	**798,342**
Total liabilities		**7,276,619**	**6,936,726**
TOTAL EQUITY AND LIABILITIES		**11,746,886**	**11,436,652**

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2020
(in thousands of EUR)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
REVENUES			
Electricity and heat revenues	22	2,871,932	2,444,508
Other operating income	23	26,272	60,788
Total revenues		2,898,204	2,505,296
OPERATING EXPENSES			
Nuclear fuel		(63,786)	(70,051)
Fossil and other fuel		(79,233)	(100,086)
Cost of electricity purchased for resale	22	(1,074,127)	(1,578,045)
Repairs and maintenance		(38,165)	(35,283)
Other raw materials and consumables		(116,923)	(108,196)
Personnel expenses	24	(157,271)	(134,041)
Changes in provision for nuclear decommissioning and storage costs	15	(134,029)	(45,817)
Changes in provisions for dismantling of thermal power plants	16	(1,783)	4,654
Other operating costs, other than depreciation, amortisation and impairment	23	(90,017)	(96,436)
Total operating expenses		(2,555,334)	(2,163,001)
PROFIT BEFORE FINANCIAL RESULT, TAX, DEPRECIATION, AMORTISATION AND IMPAIRMENT		342,870	342,295
Revaluation of property, plant and equipment	5	–	(30,321)
Depreciation, amortisation and impairment	25	(211,724)	(217,044)
PROFIT BEFORE FINANCIAL RESULT AND TAX		151,146	94,930
Share of profit of associates		3,383	1,234
Finance income	26	35,591	34,781
Finance costs	26	(103,488)	(99,296)
PROFIT BEFORE TAX		86,632	31,049
INCOME TAX	27	(26,853)	(8,448)
NET PROFIT FOR THE YEAR		59,779	22,601
Profit attributable to:			
Shareholders of the Company		59,779	22,601
Non-controlling interest of other owners of subsidiaries		–	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020
(in thousands of EUR)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Net profit for the year		**59,779**	**22,581**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges, net of tax	7,27	(44,880)	85,173
Other, net of tax		(547)	892
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(45,446)**	**86,064**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of property, plant and equipment, net of tax	5,27	–	503,111
Changes in valuation of property, plant and equipment, net of tax	5,27	20	(907)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	15,27	(40,864)	(18,894)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	16,27	(2,262)	(482)
Change in estimates of the environmental provision through revaluation reserve, net of tax	18,27	(14)	(383)
Remeasurement losses on defined benefit plans, net of tax	17,27	(872)	(1,362)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(43,992)**	**481,083**
Other comprehensive income for the year, net of tax		**(89,438)**	**567,147**
Total comprehensive income for the year, net of tax		**(29,659)**	**589,728**
Total comprehensive income attributable to:			
Equity holders of the Company		(29,659)	589,728
Non-controlling interests of other owners of subsidiaries		–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020
(in thousands of EUR)

	Note	Share capital	Hedging reserve	Revaluation reserve	Other reserves	Accumulated losses	Total	Non-controlling interest	Total equity
Balance as at 1 January 2019		1,263,296	(106,961)	2,881,548	228,182	(345,157)	3,920,178	-	3,920,178
Net income for the year		-	-	-	-	22,601	22,601	-	22,601
Other comprehensive income									
Revaluation of property, plant and equipment, net of tax	5,27	-	-	503,111	-	-	503,111	-	503,111
Changes in valuation of property, plant and equipment, net of tax	5,27	-	-	(907)	-	-	(907)	-	(907)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	15,27	-	-	(18,894)	-	-	(18,894)	-	(18,894)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	16,27	-	-	(402)	-	-	(402)	-	(402)
Change in estimates of the environmental provision through revaluation reserve, net of tax	16,27	-	-	(383)	-	-	(383)	-	(383)
Net movement on cash flow hedges, net of tax	7,27	-	65,172	-	-	-	65,172	-	65,172
Remeasurement losses on defined benefit plans, net of tax	17,27	-	-	-	(1,362)	-	(1,362)	-	(1,362)
Other, net of tax		-	-	-	892	-	892	-	892
Total comprehensive income, net of tax		-	65,172	482,445	(470)	22,601	569,748	-	569,748
Balance as at 31 December 2019		1,263,296	(40,889)	3,364,393	227,632	(322,556)	4,491,926	-	4,491,926
Balance as at 1 January 2020		1,263,296	(40,889)	3,364,393	227,632	(322,556)	4,491,926	-	4,491,926
Net income for the year		-	-	-	-	59,779	59,779	-	59,779
Other comprehensive income									
Changes in valuation of property, plant and equipment, net of tax	5,27	-	-	20	-	-	20	-	20
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	15,27	-	-	(40,864)	-	-	(40,864)	-	(40,864)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	16,27	-	-	(2,262)	-	-	(2,262)	-	(2,262)
Change in estimates of the environmental provision through revaluation reserve, net of tax	16,27	-	-	(14)	-	-	(14)	-	(14)
Net movement on cash flow hedges, net of tax	7,27	-	(44,899)	-	-	-	(44,899)	-	(44,899)
Remeasurement losses on defined benefit plans, net of tax	17,27	-	-	-	(672)	-	(672)	-	(672)
Other, net of tax		-	-	-	(547)	-	(547)	-	(547)
Total comprehensive income, net of tax		-	(44,899)	(43,120)	(1,419)	59,779	(29,659)	-	(29,659)
Balance as at 31 December 2020		1,263,296	(85,788)	3,321,273	226,213	(262,787)	4,470,267	-	4,470,267

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2020
(in thousands of EUR)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		86,439	31,049
Adjustments to reconcile profit before income taxes to net cash flow operating activities:			
Depreciation, amortisation and impairment of non-current assets	5,6	202,523	216,524
Effect of the revaluation	5	-	30,321
Amortisation of deferred income		(810)	(921)
Loss on sale of property, plant and equipment and intangible assets	23	(202)	(17)
Interest income	25	(2,472)	(2,644)
Interest charge on other provisions (employee benefits, environmental provision)	25	835	949
Interest charge on provision for nuclear decommissioning and storage costs and dismantling of thermal power plants	25	96,255	92,050
Interest from loans and borrowings		1,752	1,680
Change in estimate of provision for nuclear decommissioning and storage costs and dismantling of thermal power plants through income statement	15,16	119,831	24,455
Other changes in provision for nuclear decommissioning and storage costs and dismantling of thermal power plants	15,16	(619)	1,230
Change in valuation of embedded derivatives	30	451	385
Change in environmental and employee benefits provision		(499)	(844)
Change in other provisions		(1,125)	10,067
Interest income from the National Nuclear Fund	15, 25	(31,539)	(30,691)
National Nuclear Fund administration fee	15	659	794
Change in revaluation of derivatives through income statement		9,186	35,812
Share of profit of associates		(3,365)	(1,234)
Effect of other finance cost		2,776	2,480
Changes in other assets and liabilities through equity		9,022	(3,849)
Changes in working capital:			
Inventories	10	19,774	4,083
Trade and other receivables		5,745	(33,699)
Trade and other payables		(12,923)	(51,573)
Other assets and liabilities		(40,406)	(15,507)
Cash generated from operations		461,072	318,750
Interest received		45	109
Interest paid		(144,667)	(123,450)
Income taxes paid		(13,844)	4,616
Net cash from operating activities		302,606	199,025
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(318,902)	(447,281)
Acquisition of intangible assets		(1,064)	(682)
Proceeds from sale of property, plant and equipment and intangible assets		550	27
Contributions to the National Nuclear Fund	15	(65,928)	(79,346)
Net cash used in investing activities		(385,344)	(527,282)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawing of borrowings		1,446,930	2,461,264
Repayment of borrowings		(1,362,359)	(2,126,726)
Net cash from financing activities		84,571	334,538
NET DECREASE IN CASH AND CASH EQUIVALENTS		1,813	(625)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12	12,459	13 159
CASH AND CASH EQUIVALENTS, END OF PERIOD	12	14,273	12,459

The notes form an integral part of the consolidated financial statements.

1. General information

Slovenské elektrárne, a.s. (hereinafter as the "Company", or "SE") is an electricity and heat generation, supply and trading company, which owns and operates 53.1% (2019: 52.8%) of the installed capacity of power plants in the Slovak Republic.

The Company's registered address and registration numbers are:
Slovenské elektrárne, a.s.
Registration number: 35 829 052
Tax registration number: 2020261353
Mlynské nivy 47
821 09 Bratislava
Slovak Republic

The Company was set up on 13 December 2001 and was incorporated into the Commercial Register on 21 January 2002.

The Company and its subsidiaries (hereinafter as the "Group") has two branches, one is established in the Czech Republic and the second one is in Poland.

The companies in the Group are not a partner with unlimited liability in any company.

During the year 2020, the Group had 4,240 employees on average (2019: 4,223 employees), the number of employees as at 31 December 2020 was 4,297 (as at 31 December 2019: 4,220), of which 39 were management (31 December 2019: 31 managers).

These consolidated financial statements are presented in thousands of euros.

These consolidated financial statements have been prepared as ordinary consolidated financial statements according to Section 17 (6) of the Slovak Accounting Act No. 431/2002 Coll. as amended.

The consolidated financial statements are available at the Company's registered address and at the Commercial Register of District Court in Bratislava I, Záhradnícka 10, 812 44 Bratislava. According to Section 23 of the Slovak Accounting Act No. 431/2001 Coll. as amended, the consolidated financial statements are also filed in the registry of the financial statements, in the electronic form.

Ownership structure

As at the date of these consolidated financial statements the Company's shares were owned by Slovak Power Holding B.V., the Netherlands (amounting to 66% of the share capital) and by the Slovak Republic, on behalf of which acts the Ministry of Economy of the Slovak Republic (amounting to 34% of the shares capital).

As at the date of these consolidated financial statements, the shares of Slovak Power Holding B.V. (hereinafter as "SPH") were owned by Enel Produzione S.p.A., Italy (hereinafter as "Enel Produzione") in the amount equal to 50% of the share capital and by EP Slovakia B.V., the Netherlands (hereinafter as "EP Slovakia") also in an amount equal to 50% of the share capital. The only shareholder of EP Slovakia was Energetický a průmyslový holding a.s., Czech Republic (hereinafter as "EPH"). The ultimate parent entity of the Company is SPH.

The shareholders agreement and contract for the sale of the stake held through SPH by Enel Produzione in Slovenské elektrárne, a.s., executed on 18 December 2015, as amended in August 30, 2018 and recently updated on December 22, 2020, provides among other things for a call option in favour of EP Slovakia for the acquisition of the remaining SPH shares held by Enel Produzione that is exercisable 6 months after the signature of the updated contract until the earlier of (i) 4 years from the completion of the Trial Run of Unit 4 or (ii) December 2026.

Furthermore, always with respect to the remaining 50% of the SPH's share capital held by Enel Produzione, the above mentioned agreements provide for a put option in favour of Enel Produzione and a call options in favour of EP Slovakia that can be both exercised when the latest of these events has occured (i) 6 months after the Trial Run of Unit 4, (ii) the date of completion of the first outage of Mochovce unit 4 and (iii) the maturity of the shareholder loans set in year 2032.

Upon exercise of the above options, Enel Produzione shall transfer the remaining 50% of the SPH's share capital to EP Slovakia and EPH shall take over the shareholder loans according to an agreed schedule.

2.1 Basis of preparation

The consolidated financial statements were prepared using the going concern assumption that the Group will continue its operations for the foreseeable future.

As described in Notes 5 ,19 and 32, the Group recorded significant amounts as assets under construction for nuclear power plant Mochovce Units 3 and 4 and drawn borrowings that have a significant impact on the financial situation of the Group. Additionally, as of the date of these consolidated financial statements, the Group is still under negotiations with the banks on the prolongation of an existing technical covenant related to the Mochovce unit 3 and 4 timeline.

The Group is also negotiating with some of its creditors the granting of an interim waiver in relation to this technical covenant until a final agreement is reached in the short term. Under this situation, a significant portion of the drawn non-current borrowings were classified as current, pending further negotiations with the Group's financing creditors. The consolidated financial statements do not include any adjustments to the carrying value of assets or liabilities that might be necessary if the Group's creditors demand acceleration of debt repayment, which is currently scheduled for periods beyond 2025, to earlier.

The financial year is the same as the calendar year.

The consolidated financial statements of the Group for the previous period were approved by the ordinary Annual General Meeting of the Company held on 29 May 2020.

The assets and liabilities reported in the consolidated balance sheet are classified on a current/non-current basis, with separate presentation of assets classified as held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realised, sold or consumed during the normal operating cycle of the Group or within the twelve months following the balance sheet date. Current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Group or within the twelve months following the balance sheet date.

The costs in the consolidated income statement are classified according to their nature.

The indirect method is used for the consolidated statement of cash flows that presents the net cash flows attributable to the operating, investing and financing activities.

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- property, plant and equipment are carried at their revalued amounts,
- derivative financial instruments are measured at fair value,
- financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in Note 5 and 30.

i) Information on the consolidated group

The consolidated financial statements of the Group are included in the consolidated financial statements of Slovak Power Holding B.V. and are available directly at the registered address of the company, at Herengracht 471, 1017 BS Amsterdam, the Netherlands. The consolidated financial statements are filed in the business register of the Chamber of Commerce of Amsterdam, De Ruijterkade 5, 1013 AA, Amsterdam, the Netherlands.

ii) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

iii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (hereinafter as "the Group") as at 31 December 2020.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those applied in the consolidated financial statements prepared as at 31 December 2019 except as follows:

The Group has adopted the following new and amended IFRS as at 1 January 2020 all adopted by the European Union (hereinafter as the "EU"):

IAS 1 IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material *(effective for annual reporting periods beginning on or after 1 January 2020)*;
IFRS 9 IAS 39 IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform *(effective for annual reporting periods beginning on or after 1 January 2020)*;
IFRS 3	Amendments to IFRS 3 Business Combinations *(effective for annual reporting periods beginning on or after 1 January 2020)*;
IFRS 16	Amendment to IFRS 16 Leases Covid 19- Related Rent Concessions *(effective for annual reporting periods beginning on or after 1 January 2020)*;

Amendments to References to the Conceptual Framework in IFRS Standards *(effective for annual reporting periods beginning on or after 1 January 2020)*

The impact of adoption of the new or amended standards on the consolidated financial statements of the Group is described below:

Amendments to IAS 1 and IAS 8: Definition of material
The amendments introduce a new definition of material. The information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's financial statements would make on the basis of those financial statements. The materiality of information is assessed either individually or in combination with other information. The application of these amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Platform
The objective of the Amendments is to avoid the discontinuation of hedging relationships as a result of uncertainties related to the IBOR transition, in particular due to the inability to meet specific forward-looking hedge accounting requirements in the periods before the transition. The Amendments provide relief from the highly probable and prospective assessments required by IFRS 9 and IAS 39 insofar these tests relate to hedging relationships that are affected by the uncertainties of the IBOR reform. With the same objective, the Amendments also provide relief from the retrospective assessment under IAS 39. The exceptions described in the Amendments apply only to those hedging relationships directly affected by uncertainties of the IBOR reform including some types of cross-currency interest rate swaps. The application of these amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 3 Business Combinations
The Amendments respond to concerns reported by stakeholders during the Postimplementation Review of IFRS 3 about how to interpret and apply the definition of a business, with the objective to clarify the definition and assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

Minimum requirements to be a business
The Amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. They also clarify that a set of activities and assets can qualify as a business without including all of the inputs and processes needed to create outputs, or including the outputs themselves, by replacing the term 'ability to create outputs' with 'ability to contribute to the creation of outputs'.

Market participant's ability to replace missing elements
It is no longer necessary to assess whether market participants are capable of replacing any missing inputs or processes (for example by integrating the acquired activities and assets) and continuing to produce outputs. The Amendments focus on whether acquired inputs and acquired substantive processes, together, significantly contribute to the ability to create outputs.

Assessing whether an acquired process is substantive
The Amendments provide guidance and illustrative examples to help entities assess whether an acquired process is a substantive process. The guidance requires more persuasive evidence when the acquired set of activities and assets has no outputs as the existence of outputs already provides evidence that the acquired set of activities and assets is a business.

When there are outputs at the acquisition date (i.e. revenue is generated) an acquired process is substantive in either of the following cases: (a) The process is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge or experience to perform that process; or (b) The process significantly contributes to the ability to continue producing outputs and is considered unique or scarce and cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

If there are no outputs at the acquisition date, an acquired process is considered substantive if both the following criteria are met: (a) The process is critical to the ability to develop or convert an acquired input or inputs into outputs; and (b) The inputs acquired include both an organised workforce that has the necessary skills, knowledge or experience to perform that process and other inputs that the workforce could develop or convert into outputs.

The Amendments note that an acquired contract (such as an outsourced asset management arrangement) is not a substantive process, in order to clarify that a contract that provides a continuing revenue stream (e.g. a lease contract) is not itself a process. However, the Amendments also inform that an acquired contract can give access to an organised workforce which, in turn, performs a substantive process that the entity has acquired.

Narrowed definition of outputs
The Amendments narrow the definition of outputs by focusing on goods and services provided to customers, investment returns and other income from ordinary activities, and by removing the reference to returns in the form of lower costs and other economic benefits directly to investors or other owners, members or participants. The definition of a business has also been amended to make it consistent with the narrowed definition of outputs.

Concentration test
An optional concentration test has been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The test is designed to reduce costs and complexity by avoiding the need for a detailed assessment in some cases. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. Entities may elect whether or not to apply the concentration test on a transaction-by-transaction basis. If the test is not met, or if an entity elects not to apply it, an entity would be required to perform a detailed assessment.

The focus of the concentration test is on gross assets, rather than net assets, mainly because the existence of associated debt or other liabilities (i.e. how the acquisition was financed) should not affect the assessment of whether what is acquired is a business. For similar reasons, the concentration test also excludes cash and cash equivalents acquired, as well as deferred tax assets and goodwill resulting from the effects of deferred tax liabilities.

Overall, the concentration test is expected to lead to fewer transactions being accounted for as business combinations.

The application of these amendments did not have any impact on the Group's consolidated financial statements.

Amendment to IFRS 16 Leases Covid 19- Related Rent Concessions
The Amendment provides a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the Covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The application of this amendment did not have any impact on the Group's consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards
The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of asset and liability and guidance supporting these definitions. Consequently, it was necessary to amend the references to the Conceptual Framework in IFRS standards. The application of these amendments did not have any impact on the Group's consolidated financial statements.

The Group has not early adopted any standards and interpretations where the adoption is not mandatory at the balance sheet date.

2.3 Summary of significant accounting policies

a) Business combinations

Business combinations and subsidiaries
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Additional acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

For details on consolidation of subsidiaries please refer to the note 2.1 Basis of preparation.

b) Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of associates is shown on the face of the consolidated income statement and represents the profit attributable to shareholders of the Company and therefore it represents profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group's. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

c) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group 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.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

d) Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Foreign currency transactions are recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction to the foreign currency amount. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised in the consolidated income statement in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences are recorded as financial income or expense.

ii) Group companies

The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognised in translation reserve with the impact on consolidated statement of comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

e) Revenue recognition

Revenues are generated primarily from the sale of electricity and related services to wholesale markets, to retail customers, to market and network operators and from the sale of heat.

The Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised in the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, value added tax). The Group has decided not to adjust the transaction price for the effect of financing component because it is not significant and because contract asset and contract liabilities are amortized within less than 12 months. Contracts with customers contain also variable consideration which is typically constrained and therefore not accrued.

(ii) Revenue from sale of electricity

a. *Domestic and foreign sale, incl. wholesale trades*

Revenue from sale of electricity is recognised over time when the commodity is supplied to the customer and based on the quantities provided during the period, even if these have not yet been invoiced, and is determined using estimates as well as periodic meter readings. The performance obligation is deemed to be a series of distinct services that are substantially the same and transfer consecutively over the settlement period. Revenue is based on short-term contracts with fixed energy prices.

b. *Deviation/imbalance revenue*

Deviation/imbalance revenue represents variable consideration related to domestic sale which is measured based on the difference between the contractual amount of electricity and the real amount of electricity of the electricity market participant. Its value is determined based on actual spot market prices. It has a technical but also a financial value. The deviation/imbalance income is highly susceptible to factors outside the Group's influence and may not be reliably predicted. Therefore, it is not accrued, but is recognized as incurred.

(iii) Revenue from grid balancing services

a. *Revenue from ancillary services*

Ancillary services are one of the types of commodity in the electricity market. The Group supplies ancillary services typically to the transmission system operator (SEPS, a. s.), which uses them to maintain the quality of electricity supply and to ensure the operational reliability of the Slovak electricity system. The Group earns fees for providing the ancillary service regardless of whether the SEPS activates it (remuneration for availability, stand-ready services). Revenues from ancillary services are recognised over the time of the contract on straight-line basis. Revenue is based on long-term contracts (1-2 years). The services are invoiced on monthly basis.

b. *Revenue from regulating electricity*

Revenue from regulating electricity includes electricity supplied to transmission system operator (SEPS, a. s.) in case of activation of ancillary services. The Group has evaluated that this activity is not distinct from ancillary services described above and therefore it accounts for it as for variable consideration related to ancillary grid balancing services. The Group evaluated that this variable consideration is constrained as it is highly susceptible to factors outside Group's influence (such as weather conditions and consumption peaks). Therefore, the Group does not accrue the related revenues and recognize them as incurred. The price is typically determined based on actual spot market prices

(iii) Revenues from tariff from system operation

Revenues from tariff from system operation include revenues in part of electricity production from the power plant Nováky according to the General Economic Interest. Revenues from tariff from system operation are recognised over time and measured based actual consumption on Slovak electricity market.

(iv) Revenues from heat

Heat is typically co-produced in Group's power plants and sold to customers in adjacent territories. Revenue from heat generation is recognized over time and measured based on the volume of energy delivered. Possible fixed fees are accrued over the period of 1 year based on estimated seasonal consumption pattern, which however are not material.

(v) Revenue from rendering of services

Revenue from rendering of services is recognised when the services are rendered, or by reference to the stage of completion of services at the end of the reporting period. This category includes other services not related to sale of electricity and gas.

j) Government grants

Government grants are recognised if there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis with the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to the consolidated income statement in equal amounts over the expected useful life of the related asset.

g) Income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in consolidated other comprehensive income or directly in equity. In this case the tax is also recognised in consolidated other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income.

In line with Act No. 235/2012 Coll. on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplement of Certain Acts, the Company is obliged to pay a monthly special levy effective from September 2012. The special levy represents 6.54% per annum (2019: 6.54%). This levy is based on profit before tax and is presented as part of the current income tax pursuant to the IFRS requirements.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

h) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and classification of financial assets
A financial asset is recognised in the consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial assets within the scope of IFRS 9 Financial Instruments are classified as financial assets subsequently measured at amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss, depending on the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets. Financial assets can be designated as hedging instruments in an effective hedging relationship, as appropriate. Embedded derivatives, which represent a component of hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative, are also within the scope of IFRS 9 Financial Instruments.

The Group determines the classification of its financial assets at initial recognition.

The Group accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial Instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are outside the scope of this standard.

Except for trade receivables, at initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in consolidated profit or loss at the initial recognition. At initial recognition, the Group measures trade receivables that do not contain a significant financing component at their transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification at initial recognition as follows:

Financial assets measured at amortised cost
A financial asset is classified as measured at amortised cost if the objective of the Group is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (hereinafter as "EIR"), less impairment. Amortised cost is calculated by taking into account the fees paid or received between the contractual parties that are an integral part of the EIR, transaction costs and all other premiums and discounts. The EIR amortisation is included in finance income in the consolidated income statement. The impairment gains and losses are recognised in the consolidated income statement. This category includes cash and cash equivalents, trade and other receivables and other current and non-current assets.

Financial assets measured at fair value through other comprehensive income
A financial asset is classified as measured at fair value through other comprehensive income if the Group's business model objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated profit or loss.

Financial assets measured at fair value through other comprehensive income – option for equity instruments
Equity instruments are only classified as financial assets measured at fair value through other comprehensive income when the Group elects them to fair value through other comprehensive income option as of the initial recognition and the equity instrument is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS applies. Movements in the carrying amount are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to consolidated profit or loss.

Financial assets measured at fair value through profit or loss
Financial assets that do not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Financial assets that are held within a business model which is neither "held to collect" or "held to collect and sell" are measured at fair value through profit or loss.

This category includes:

- commodity derivatives that are not designated as hedging instruments in hedge relationships as defined by IFRS 9
- hybrid instruments including host contracts and embedded derivatives

After the initial recognition, financial assets at fair value through profit or loss are carried in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement.

Embedded derivatives
An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated.The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income, a lease receivable, a contract asset, a loan commitment or a financial guarantee contract to which the impairment requirements apply in accordance with IFRS 9 Financial Instruments.

For trade and lease receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised since the initial recognition of receivables. For further details, see Note 11 and Note 31.

For all financial assets other than trade receivables and lease receivables, the Group applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognised at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

For purchased or originated credit-impaired financial assets, the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

For financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

As at 31 December 2020 and 31 December 2019 the Group recognised expected credit losses allowance only in respect of trade and lease receivables. The expected credit losses for other financial assets recognised in the consolidated balance sheet are negligible.

The Group recognises in consolidated profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as at the balance sheet date in line with IFRS 9 Financial Instruments. The loss allowance for the financial assets measured at fair value through other comprehensive income is recognised in consolidated other comprehensive income and shall not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Financial assets together with the related allowance are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to the cash flows from the financial asset expire;
- The Group has transferred the financial asset and the transfer qualifies for derecognition in line with requirements of IFRS 9 Financial Instruments.

ii) Financial liabilities

Initial recognition and measurement
A financial liability is recognised in the consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, commitments to provide a loan at a below-market interest rate and contingent consideration recognised by an acquirer in a business combination in scope of IFRS 3 Business Combinations.

The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities may be designated as hedging instruments in a hedging relationship.

The Group accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial Instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are outside the scope of IFRS 9.

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement
After initial recognition, the financial liabilities are measured according to their classification determined at initial recognition. Reclassifications of financial liabilities are not permitted in any circumstances. The Group classified its financial liabilities as financial liabilities at fair value through profit or loss and financial liabilities subsequently measured at amortised costs.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired or incurred principally for the purpose of selling or repurchasing it in the near term, on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes the following:

- embedded derivatives separated from the host contract,
- commodity derivatives, that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities measured at amortised cost
This category includes loans and borrowings, trade and other payables. Amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The calculation of EIR includes the fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The EIR amortisation is recognised in finance cost in the consolidated income statement.

Derecognition
A financial liability is derecognised when it is extinguished, i.e. when the obligation under the liability is discharged or cancelled or expires.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

In case of modification of the terms of an existing financial liability, the Group considers both quantitative and qualitative criteria to evaluate whether the modification was significant. As for the quantitative criteria, based on the pronouncements of IFRS 9, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Significant qualitative changes include for example change in the currency in which the liability is denominated, a substantial change in covenants, a change in the interest rate basis, significant extension of the maturity period which results in renegotiated interest rate and other contractual terms, a change in terms of security or a change in creditor.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. In accordance with IAS 32, Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, the right to offset must not be contingent on a future event and it has to be legally enforceable both in the normal course of business and in case of default, insolvency or bankruptcy.

iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

i) *Hedge accounting*

The Group holds derivative financial instruments to hedge its foreign currency, interest rate and commodity price risk exposures. A hedged item is a recognised asset or liability, unrecognised firm commitment, highly probable forecast transaction or net investment in a foreign operation that exposes the Group to risk of changes in fair value or future cash flows and is formally designated as a hedged item in the hedging relationship. A hedged item can also be a component of such an item or group of items. The hedged item must be reliably measured.

A hedging instrument is a designated derivative or measured at fair value through profit or loss whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. The Group has designated the following derivatives as hedging instruments: interest rate swaps, cross-currency interest rate swaps, commodity forwards and FX forwards.

Hedging derivatives are recognised initially at fair value; the attributable transaction costs are recognised in consolidated profit or loss when incurred. Subsequent to initial recognition, hedging derivatives are measured at fair value, and changes in fair value are accounted for as described below.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and accumulated in equity in a separate cash flow hedge reserve to the extent that the hedge is effective, following the conditions set in IFRS 9.

The amount recognised within equity is the lower of cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in fair value of the hedged item from the inception of the hedge. Any remaining gain or loss on the hedging instrument is a hedge ineffectiveness that is recognised in consolidated profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that have been recognised directly in equity shall be reclassified to profit or loss during the same period(s) during which the asset acquired or the liability assumed affects profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

Fair value hedges
A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The gain or loss on the hedging instrument is recognised in consolidated profit or loss. When a hedged item in a fair value hedge is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in consolidated profit or loss. When a hedged item in a fair value hedge is a firm commitment to acquire an asset or assume a liability, the initial carrying amount of the asset or the liability that results from the entity meeting the firm commitment is adjusted to include the cumulative change in the fair value of the hedged item that was recognised in the consolidated statement of financial position.

The gain or loss from remeasuring the hedging instrument at fair value shall be recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss.

As of 31 December 2020 and 31 December 2019, the Group classified all its hedging relationships as cash flow hedges.

The effectiveness of the hedge is an extent to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in those of the hedging instrument. The hedge ineffectiveness is evaluated through a qualitative assessment or a quantitative computation, depending on the extent to which the critical terms of the hedged item and the hedging instrument match.

The main causes of hedge ineffectiveness include the basis difference (i.e. the fair value or cash flows of the hedged item depend on a variable that is different from the variable that causes the fair value or cash flows of the hedging instrument to change), timing difference (i.e. the hedged item and the hedging instrument occur or are settled at different dates), quantity or notional amount differences, credit or other risks that have an impact on the fair value of a hedged item or a hedging instrument.

Discontinuing of the hedge accounting
The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The cumulative gains or losses previously recognised in equity are reclassified to profit and loss in the same period(s) when the hedged item affects the profit or loss. A hedging relationship that still meets the risk management objective and continues to meet all other qualifying criteria, after taking into account any rebalancing, cannot be discontinued.

Current versus non-current classification
Derivative instruments are classified as current or non-current or separated into a current and non-current portion as follows:

- When the Group holds a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.
- Derivative instruments which are held primarily for the purpose of trading are classified as current.

j) Property, plant and equipment

Items of property, plant and equipment are measured at cost upon initial recognition. Cost includes expenditures that are directly attributable to the acquisition of the asset, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located ("dismantling asset"). The cost of self-constructed assets includes also the cost of materials and direct labour consumed during its construction.

Subsequent to initial recognition, items of property, plant and equipment are carried at revalued amount, being their fair value at the date of the most recent revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of the property, plant and equipment is credited in equity to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Assets related to construction of nuclear power plant Mochovce 3&4 are carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated impairment losses. Depreciation of property, plant and equipment commences when the assets are ready for their intended use.

Subsequent costs incurred in relation to an item of property, plant and equipment are recognised as an increase in the carrying amount of this item only if it is probable that these costs will result in the increase in related future economic benefits and the costs can be measured reliably. All other costs are recognised in consolidated profit or loss as incurred.

The cost of replacing part or all of an item of property, plant and equipment is recognised as an increase in the carrying amount of this item and is depreciated over its remaining useful life; the net carrying amount of the replaced unit is derecognised through consolidated profit or loss, with the recognition of any capital gain or loss.

Periodic maintenance and inspection costs are capitalised as a separate component of the related item of property, plant and equipment. All other repair and day-to-day maintenance costs are recognised in the consolidated income statement as incurred.

Depreciation of property, plant and equipment is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The Group does not perform any transfer from the revaluation reserve to retained earnings on derecognition, sale or retirement of revalued property.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings, halls and structures 20 – 60 years
- Machines, plant, equipment and vehicles 4 – 60 years
- Other assets up to 4 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation methods, useful lives and residual values are reassessed regularly, with the effect of any changes in estimate accounted for on a prospective basis.

Leased property, plant and equipment recognised in the consolidated balance sheet are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated as it is deemed to have an infinite life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other operating costs/income" in the consolidated income statement in the period in which the item was disposed of.

k) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is considered to contain a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This applies when the customer has both of the following:

i) the right to obtain substantially all of the economic benefits from use of the identified asset,
ii) the right to direct the use of the identified asset

If the customer has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

Group as a lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability. Right-of-use asset represents the Group's right to use an underlying asset for the lease term, is measured at cost and is presented as part of property, plant and equipment.

The cost of the right-of-use asset comprises the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Group measures the right-of-use assets in a way consistent with the measurement of the assets owned by the Group. The depreciation policy for depreciable leased assets is also consistent with that for depreciable assets that are owned by the Group.

Group as a lessor
The Group classifies each of its leases as either an operating lease or a finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (e.g. economic life or residual value of the underlying asset) or changes in circumstances (e.g. default) do not give rise to a new classification of a lease.

l) *Borrowing costs*

Following IAS 23 (Revised), the borrowing costs are included in the acquisition cost of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. Borrowing costs include interest charges, commitment fees and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs. The amount of borrowing costs that is capitalised shall be limited by the value of borrowing costs recognised as a finance cost during the period.

m) *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The useful lives of intangible assets are assessed as finite. The estimated useful lives for the current and comparative period are as follows:

- Software 4 – 5 years
- Licences 4 – 5 years

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the proceeds from disposal and the carrying amount of the asset and are recognised net within "other operating costs/income" in the consolidated income statement in the period in which the item was disposed of.

n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprise of the expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The stock value is based on the weighted average principle except for nuclear fuel as described below.

Nuclear fuel which is consumed over a period of more than one year, whether being used in the reactors or stored is recognised in inventories. Each individual nuclear fuel supply is valued at acquisition costs of particular supply. Nuclear fuel consumption is determined for each load based on the volume of energy produced in reactor from that nuclear fuel load. The volumes of energy produced are determined based on the technical data extracted from balancing system of each plant. The quantities consumed are valued at the acquisition costs of the particular fuel supply burnt in the reactor. Cost of inventories consumed is periodically corrected in view of forecast burnt quantities based on neutron measurements.

o) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The Group is considered as one cash generating unit. Where the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to the consolidated other comprehensive income. In this case, the impairment is first recognised in the consolidated other comprehensive income up to the amount of any previous revaluation.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.

p) Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at banks and on hand, valuables and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. In case of long-term provisions, which are discounted to their present value, the value of provision is periodically increased by the unwounded interest cost. This increase is recognised as a finance cost in the consolidated income statement.

(i) Provision for severance payments and other termination benefits

The employees of the Group are eligible, immediately upon termination due to organizational changes or in other cases as set by the valid legislation or valid Collective Agreement, for severance payment pursuant to the Slovak law and the terms of the Collective Agreement, signed between the trade unions operating at the companies of the Group and the companies. The liability is recognised within Other provisions in the consolidated balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

(ii) Provisions for retirement benefits

Defined contribution pension plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions to the fund and will have no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group contributes to the government and private defined contribution pension plans. The Group makes contributions to the Government's health, retirement and social benefit and unemployment schemes at the statutory rates in force, based on gross salary payments. Throughout the period, the Group made contributions to such schemes amounting to max. 35.2% (2019: 35.2%) of gross salaries in accordance with the Slovak legislation, together with contributions by employees of a further 13.4% (2019: 13.4%). Throughout the period, the Group made contributions to such schemes amounting to max. 33.8% (2019: 33.8%) of gross salaries in accordance with the Czech legislation, together with contributions by employees of a further 11.0% (2019: 11.0%). Throughout the period, the Group made contributions to such schemes amounting to max. 19.52% (2019: 19.52%) of gross salaries in accordance with the Polish legislation, together with contributions by employees of a further 22.71% (2019: 22.71%). The cost of the contributions made by the Group is charged to the consolidated income statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, during 2020 and 2019 the Group made contributions to the supplementary scheme amounting up to 7.0% from the total of monthly tariff wage plus compensatory wage, with monthly limit of EUR 50 per one employee.

Unfunded defined benefit pensions plan
A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age or years of service.

According to the valid Company Collective Agreement, signed between the trade unions operating at the company of the Group and the company, the Group is obliged, based on the number of years in service, to pay its employees on retirement or disability a multiple of their average monthly earning according to the valid Company Collective Agreement. The minimum requirement of the Labour Code of one-month average earning payment on retirement is included in the above multiples.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using market yield on high quality European corporate bonds.

Amendments to pension plans are charged or credited as past service cost to the consolidated income statement in the period when the amendments occur.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated statement of comprehensive income in case these relate to the retirement benefits. In case of other employment benefits, the adjustments are charged to the consolidated income statement.

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in Trade and other current payables and is paid out after the evaluation of the performance in the given year. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

(iv) Other employee benefits

In line with the terms of the valid Collective Agreement, signed between the trade unions operating at the companies of the Group and the companies, the Group also pays certain work anniversary benefits.

The liability in respect of work anniversary benefits plan is the present value of the work anniversary benefit obligation at the balance sheet date. The work anniversary benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the work anniversary benefit obligation is determined by the estimated future cash outflows using market yield curve on high quality European corporate bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and amendments to pension plans are charged or credited to the consolidated income statement when incurred.

(v) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or the Group has raised valid expectations that the restructuring will be undertaken by starting to implement that plan or announcing its main features.

(vi) Environmental provisions (Site restoration)

Environmental liabilities represent any current or future environmental assignments whose implementation is subject to the need to comply with the legislative requirements or the constructive obligation of the Group. Environmental provisions can only be recognised for those types of costs that are incurred in relation with the abovementioned assignments and only if the provision recognition criteria is met. Environmental provisions should also be recognised when there is an obligation to eliminate damages caused by contamination or disposal of hazardous wastes.

(vii) Provisions for nuclear decommissioning and storage costs

The provision for nuclear decommissioning and storage costs is recognised based on discounted future cash flows estimated in relation to the decommissioning of nuclear facilities, storage and disposal of radioactive waste, the storage and disposal of spent nuclear fuel and post-operational costs of nuclear power plants. The future estimated cash flows include also estimated costs of recultivation of the sludge beds since their operation is directly related to the operation of a nuclear power plant. The provision is reduced by the actual costs incurred (i.e. usage of provision) and increased for the effect of unwinding of interest. Any excess of actual decommissioning costs over the planned amounts in the current year are included in the consolidated income statement of the current year.

The provision for nuclear decommissioning and storage costs is estimated by applying a forecast long-term inflation index to the projected disbursements, which are then discounted to present value using discount rate determined based on long-term data series and takes into account the fact that some expenses covered by provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

(viii) Provision for dismantling of thermal power plants

A provision for the dismantling of thermal power plants is recognised to cover future decommissioning costs which are expected to take place upon the shut-down of the thermal power plants. The provision includes also estimated costs for recultivation of sludge beds that are located in the area of thermal power plants.

Remeasurement of provision for nuclear decommissioning and storage costs and provision for dismantling of thermal power plants

Remeasurement of an existing provision for nuclear decommissioning and storage costs and provision for dismantling of thermal power plants that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are accounted for as follows:

(a) Changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- (i) a decrease in the liability is (subject to (b)) credited directly to revaluation surplus in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;
- (ii) an increase in the liability is recognised in profit or loss, except that it is debited directly to revaluation surplus in equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

(b) In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in consolidated profit or loss;

(c) A change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any such revaluation is taken into account in determining the amounts to be taken to consolidated profit or loss and equity under (a). If a revaluation is necessary, all assets of that class are revalued;

(d) The change in the revaluation surplus arising from a change in the liability is separately identified and disclosed in the consolidated statement of other comprehensive income of each item of income or expense that is recognised directly in equity.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in the consolidated income statement as they occur.

The periodic unwinding of interest is recognised in the consolidated income statement as a finance cost as it occurs.

r) Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

s) Greenhouse gas emissions

According to the European Union Emissions Trading Scheme and a valid National Allocation Plan the Group receives part of emission allowances for selected facilities for free. The rest of emission allowances are purchased from the third parties. Emission allowances acquired by the Group for free are provided on an annual basis and the Group is required to return allowances corresponding to the emissions actually discharged by the end of April of the following calendar year. The Group accounts for the net liability arising from greenhouse gas emissions. This means that the allowances acquired for free are not accounted for and the provision is recognised only in the case and at the moment when actual greenhouse gas emissions exceed the emission allowances acquired for free.

Emission allowances purchased from third parties are measured at cost and are accounted for as inventory.

Emission allowances acquired by the purchase from the third parties for the purpose of further sale on the market are measured at fair value. The fair value is considered to be the actual market price. The change in the fair value of the emission allowances held for trading is recognised in the consolidated income statement.

3. Significant accounting judgments, estimates and assumptions

Judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of consolidated revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods. The key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below:

(i) Nuclear decommissioning, storage and disposal of spent nuclear fuel and radioactive waste

The Group recognises significant amounts as a provision for decommissioning and post operational costs of nuclear power plants and provision for storage and disposal of spent nuclear fuel and radioactive waste. These amounts are based on the technical and financial estimates of cash flows that will be incurred over periods ranging from 1 to 100 years, based on current technology and strategy for decommissioning and disposal as applied by the Group. Estimation of this provision is sensitive to assumptions concerning costs, inflation, discount rates and disbursement schedules.

The Group's management has used its best estimates, knowledge and a valid "National Policy and National Programme for handling of spent nuclear fuel and radioactive wastes in the Slovak Republic", adopted by Slovak government on 8 July 2015 in form of an update of strategic document "Strategy of the Back-end Cycle of the Peaceful Exploitation of the Nuclear Energy in the Slovak Republic" as well as the "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning" approved by the Nuclear Regulatory Authority of the Slovak Republic on 27 August 2018 when defining disbursement schedules in respect to the nuclear decommissioning and storage and disposal of spent nuclear fuel and radioactive waste. There is an inherent risk in these estimates given the timeframe, the valid and the planned legislation, the different alternatives open to the management of the Group and the possible future changes in technology for nuclear decommissioning and storage and disposal of spent nuclear fuel and radioactive waste.

(ii) Dismantling of thermal power plants

The Group recognises a significant amount as a provision for dismantling of thermal power plants. Estimation of this provision is sensitive to assumptions concerning costs, inflation, discount rates and disbursement schedules. Disbursement schedules can be significantly impacted by the Group's future decisions regarding the strategy of the operation and dismantling. Market developments could also impact future plans of the management of the Group.

(iii) Revaluation of property plant and equipment

In 2006, the Group applied the revaluation model in accordance with the accounting standard IAS 16 and revalued the items of property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4. The assumptions used in the revaluation model were taken from the report of an independent professionally qualified expert. Based on the appraisal, the useful life of the property, plant and equipment has been modified.

Subsequent revaluation of the Group's property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4 was undertaken in 2010, in 2014 and, in 2019 by an independent professionally qualified expert in accordance with IAS 16 and IFRS 13 Fair value measurement. The following approaches have been used: the cost approach, the market approach and the income approach. The following assumptions were reflected in the revaluation model: technical condition of assets (useful lives, maintenance, technical enhancement), market conditions, economic factors and other specific conditions. For further information please refer to Note 5.

(iv) Testing for impairment of non-financial assets

Following the standard IAS 36 the Group tests the non-current non-financial assets for impairment in case there are any impairment indicators identified. The Group recognises impairment of non-financial assets if the carrying amount exceeds their recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

Value in use is determined as the estimated future post-tax cash flows discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the non-financial asset. The cash flows are derived from the long-term plan of the Group and board approved management plans and forecasts, based on expected generation profile. The value in use is sensitive to the assumptions related to long-term forward commodity prices, fuel costs, discount rates, inflation rate, growth rate, future development of the electricity prices and successful commissioning of nuclear power plant Mochovce 3&4 in accordance with the project timeline.

(v) Fair value of financial instruments

Where the fair value of the financial instruments recorded in the consolidated balance sheet cannot be derived from active markets, it is determined taking into account the observable market inputs and management judgement on the future development of the key variables affecting fair values, such as yield curves, exchange rates or risk-free interest rates. Fair value determination includes considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(vi) Litigations

The Group is involved in various legal disputes in the ordinary course of its business. In view of the nature of such litigations, it is not always objectively possible to predict the outcome of such disputes. Provisions have been recognised to cover all significant liabilities for cases in which the Group's management believe an adverse outcome is probable and a reasonable estimate of the financial effect can be made.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below:

IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(these amendments have not been approved by the EU yet, the effectiveness date of the amendments was deferred indefinitely);*
IFRS 14	Regulatory Deferral Accounts *(effective for annual reporting periods beginning on or after 1 January 2016. The European Commission decided not to launch the endorsement process of the interim standard and wait for the final IFRS standard);*
IFRS 17	Insurance Contracts *(effective for annual reporting periods beginning on or after 1 January 2023, the standard has not been approved by the EU yet);*
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date *(effective for annual reporting periods beginning on or after 1 January 2023, the standard has not been approved by the EU yet);*
IFRS 3	Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework *(effective for annual reporting periods beginning on or after 1 January 2022)*
IAS 16	Amendments to IAS 16 Property, Plant and Equipment: Proceeds Before Intended Use *(effective for annual reporting periods beginning on or after 1 January 2022);*
IAS 37	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract *(effective for annual reporting periods beginning on or after 1 January 2022);*
IFRS 4	Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 *(effective for annual reporting periods beginning on or after 1 January 2021),*
IFRS 9 IAS 39 IFRS 7 IFRS 4 IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 *(effective for annual reporting periods beginning on or after 1 January 2021);*

Annual Improvements 2018-2020 *(effective for annual reporting periods beginning on or after 1 January 2022).*

The principal effects of these changes are as follows:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

According to these amendments, the current requirements of IAS 28 Investment in Associates and Joint Ventures regarding the partial gain or loss recognition for transaction between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations. The gain or loss resulting from the sale or contribution of assets to an associate or joint venture of assets that constitute a business as defined by IFRS 3 Business Combinations is recognised in full.

IFRS 10 Consolidated Financial Statements was amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined by IFRS 3 Business Combinations to an associate or joint venture is recognised only to the extent of unrelated investors interests in the associate or joint venture. The Group is considering the impact of these amendments on the consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for regulatory deferral account balances in accordance with its previous GAAP requirements, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The Standard cannot be adopted by the entities that currently prepare their financial statements under IFRS. The application of the standard will not have any impact on the consolidated financial statements of the Group.

IFRS 17 Insurance Contracts
Standard introduces a complex accounting model applicable for all insurance and reinsurance contracts (both short-term and long-term) and also for investment contracts with discretionary participation features. It brings a new approach for measurement and recognition of life and property insurance contracts and defines a new measurement aspect of the insurance contracts, contractual service margin, representing the unearned profit that the entity will recognise as it provides services under the insurance contracts. The application of the standard will not have any impact on the consolidated financial statements of the Group.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date
These amendments reconcile apparent contradictions between paragraph 69(d) – which required an 'unconditional right' to defer settlement— and paragraph 73 — which referred to an entity that 'expects, and has the discretion, to' refinance or roll over an obligation. The effective date of the amendments is moved to 1 January 2023. The application of these amendments will not have any impact on the consolidated financial statements of the Group.

Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
The objectives of the Amendments are to update IFRS 3 Business Combinations so it refers to the 2018 Conceptual Framework instead of the 1989 Framework in a manner that avoids unintended consequences and clarify aspects of IFRS 3. The Group is considering the impact of these amendments on the consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds Before Intended Use
The Amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment (PPE) any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Group is considering the impact of these amendments on the consolidated financial statements mainly in relation to Mochovce 3&4 put-into-use.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
The objective of the Amendments is to clarify the requirements of IAS 37 on onerous contracts regarding the assessment of whether, in a contract, the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Group is considering the impact of these amendments on the consolidated financial statements.

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9
The objective of the Amendments is to allow qualifying entities to continue to defer the application of IFRS 9. Currently IFRS 4 requires insurance entities to apply IFRS 9 from 1 January 2021, the change will mean that IFRS 9 becomes effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. The application of these amendments will not have any impact on the consolidated financial statements of the Group.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
The Amendments are needed to avoid the discontinuation of hedge accounting relationships solely due to the impacts of the Interest Rate Benchmark Reform, to properly account for modifications of financial instruments and lease contracts accounted for under IFRS and to deal with the implications on hedge accounting arising from the reform. The Group is considering the impact of these amendments on the consolidated financial statements.

Annual Improvements 2018-2020
The amendments relate to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards. Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments. Fees included in the '10 per cent' test for derecognition of financial liabilities;
- IFRS 16 Leases. Illustrative example 13; and
- IAS 41 Agriculture. Taxation in fair value measurement.

The application of these amendments will not have any impact on the consolidated financial statements of the Group.

5. Property, plant and equipment

In thousands of EUR	*Buildings, halls and structures* *Level 3*	*Plant, machinery and other* *Level 3*	*Land* *Level 2*	*Assets in the course of construction* *Level 3*	*Total*
Valuation as at 1 January 2020	1,384,138	2,185,452	85,076	5,028,882	9,683,548
Accumulated depreciation as at 1 January 2020	(5,429)	(21,391)	(5)	–	(26,825)
Accumulated impairment losses as at 1 January 2020	(3,523)	(25,296)	(9)	(450,945)	(479,771)
Carrying amount as at 1 January 2020	1,375,186	2,138,665	85,066	5,578,036	9,176,952
Year ended 31 December 2020					
Opening carrying amount as at 1 January 2020	1,375,186	2,138,665	85,066	5,578,036	9,176,952
Additions	2,614	25,378	-	442,593	470,585
Impairment loss (-) and reversal (+) through revaluation reserve	20	5	-	–	25
Impairment loss (-) and reversal (+) through income statement (Note 25)	7	(172)	17	10,479	10,331
Transfers	3,216	14,961	(2)	(18,195)	-
Transfer from intangible assets	-	-	-	93	93
Transfers to Assets held for sale	11	-	7	–	18
Disposals	-	(1)	-	–	(1)
Depreciation charge (Note 25)	(55,456)	(155,785)	(61)	–	(211,302)
Valuation as at 31 December 2020	1,390,004	2,219,736	85,098	5,453,144	10,147,982
Accumulated depreciation as at 31 December 2020	(60,883)	(172,106)	(66)	–	(233,055)
Accumulated impairment losses as at 31 December 2020	(3,523)	(24,559)	(9)	(440,136)	(468,226)
Carrying amount as at 31 December 2020	1,325,598	2,023,071	85,025	5,013,008	9,446,791

In thousands of EUR	Buildings, halls and structures Level 3	Plant, machinery and other Level 3	Land Level 2	Assets in the course of construction Level 3	Total
Valuation as at 1 January 2019	1,715,903	2,553,596	41,503	5,515,548	9,826,550
Accumulated depreciation as at 1 January 2019	(195,705)	(573,219)	-	-	(768,925)
Accumulated impairment losses as at 1 January 2019	(173,619)	(235,357)	(719)	(436,469)	(846,414)
Carrying amount as at 1 January 2019	1,346,579	1,744,730	40,784	5,079,059	8,211,211
Year ended 31 December 2019					
Opening carrying amount as at 1 January 2019	1,346,579	1,744,730	40,784	5,079,059	8,211,211
Additions	17,815	26,467	1,455	529,284	575,021
Revaluation through revaluation reserve	56,764	536,278	41,807	-	636,849
Revaluation through income statement	1,557	(32,415)	1,061	(644)	(30,321)
Impairment loss (-) and reversal (+) through revaluation reserve	-	(1,148)	-	-	(1,148)
Impairment loss (-) and reversal (+) through income statement (Note 25)	(11)	(1,268)	(2)	(14,101)	(15,382)
Transfers	4,253	11,343	-	(15,596)	-
Other	3	12	1	34	50
Disposals	-	(10)	-	-	(10)
Depreciation charge (Note 25)	(51,873)	(147,364)	(61)	-	(199,318)
Valuation as at 31 December 2019	1,384,136	2,185,452	85,076	5,028,882	9,683,546
Accumulated depreciation as at 31 December 2019	(5,429)	(21,391)	(5)	-	(26,825)
Accumulated impairment losses as at 31 December 2019	(3,523)	(25,396)	(6)	(450,846)	(479,771)
Carrying amount as at 31 December 2019	1,375,185	2,138,665	85,065	5,578,036	9,176,952

Under the category Assets under construction, the most significant value relates to nuclear power plant Mochovce 3&4. The Group has prepayments for non-current assets in the amount of EUR 13,565 thousand which relate to property, plant and equipment, thereof EUR 13,008 thousand relate to the construction of nuclear power plant Mochovce 3&4 (2019: EUR 27,434 thousand, thereof EUR 10,380 thousand related to the construction of nuclear power plant Mochovce 3&4).

Assets classified as held for sale

Assets classified as held for sale are mainly land and buildings which are not used by the Group for their initial purpose.

In thousands of EUR	*2020*	*2019*
Buildings, halls & structures	255	267
Land	15	21
Total	**270**	**288**

Revaluation of property, plant and equipment to fair value

The first revaluation of the Group's property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4 took place on 28 April 2008. This revaluation was carried out by an independent professionally qualified expert.

The second and third subsequent revaluation was performed as at 31 December 2010 and as at 31 December 2014. During 2019 a new revaluation of property, plant and equipment was performed. This fair valuation was recorded as at 30 November 2019. All subsequent fair valuations were undertaken by an independent professionally qualified expert. The fair value was determined by using the following approaches: the cost, the market and the income approach.

The cost approach was the primary method. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset and is based on the cost to a market participant to acquire or construct a substitute asset or comparable utility, adjusted for the obsolescence (Level 3). Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets (Level 2). The market approach was primarily used to value land. Appropriate consideration was given to location and current and future use of individual land plots.

The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those amounts. The income approach was considered on an overall portfolio basis since these plants work together in generating electricity for the grid.

Fair valuation of the thermal power plant in Nováky as well as fair valuation of selected assets in the nuclear power plant in Jaslovské Bohunice was based on the presumptions that electricity production in the thermal power plant Nováky would not be economically viable without the state support and that heat production is regulated. Therefore, the fair value of electricity production assets of the thermal power plant Nováky is primarily driven by their carrying amounts and the fair value of the heat production assets in the thermal power plant Nováky and the heat production assets in the nuclear power plant Jaslovské Bohunice is primarily driven by tax carrying amounts (Level 3).

Following the revaluation of property, plant and equipment in 2019 the Group recognized overall increase of the value of non-current assets in amount of EUR 608,528 thousand, out of which EUR 638,849 thousand as an increase through the revaluation reserve and, at the same time impairment loss in the value of EUR 30,321 EUR in the income statement.

Impairment of property, plant and equipment

As at 31 December 2020 and as at 31 December 2019 the Group tested property, plant and equipment for impairment. No impairment loss was recognized in this respect in 2019 and 2020.

A value in use calculation was used to determine the recoverable amount of property, plant and equipment of the Group. Sensitivity analysis was performed taking into consideration a decrease of long-term electricity prices as well as an increase of WACC proving sufficient headroom between the recoverable amount and the carrying value of property, plant and equipment as at 31 December 2020.

During the period ended 31 December 2020 the Group recognised an overall change in impairment loss in the total amount of EUR 10,330 thousand, out of which 2,275 thousand EUR represents an impairment loss of individually assessed items recognized in the line Depreciation, amortization and impairment, EUR 12,608 thousand represents an impairment loss release recognized in the line Repairs and maintenance and EUR 25 thousand increase in Revaluation reserve. During the period ended 31 December 2019 the Group recognized an impairment loss in respect of individually assessed items of property, plant and equipment in the amount of EUR 16,330 thousand, out of which EUR 15,382 thousand was recognized in the line Depreciation, amortization and impairment and EUR 1,148 thousand in the line Revaluation reserve.

The fair value of assets as at 31 December 2020 and 2019 is as follows:

In thousands of EUR	31 December 2020	*Level 1*	*Level 2*	*Level 3*
Buildings, halls and structures	1,325,598	-	-	1,325,598
Plant, machinery & other	2,023,071	-	-	2,023,071
Land	85,026	-	85,026	-
Assets in the course of construction	6,013,006	-	-	6,013,006
Total	**9,446,701**	-	**85,026**	**9,361,675**

In thousands of EUR	31 December 2019	*Level 1*	*Level 2*	*Level 3*
Buildings, halls and structures	1,375,186	-	-	1,375,186
Plant, machinery & other	2,128,666			2,138,666
Land	85,065	-	85,065	-
Assets in the course of construction	5,578,036	-	-	5,578,036
Total	**9,176,952**	-	**85,065**	**9,091,887**

Since there have been no transfers of non-current assets between levels 1 – 3 during years 2020 and 2019, the reconciliation from the opening to closing carrying amounts for each individual level is valid as shown in the table on pages 30 and 31.

If property, plant and equipment were measured using the cost model, the carrying amounts as at 31 December 2020 and 2019 would be as follows:

In thousands of EUR	*Buildings, halls & structures*	*Plant, machinery & other*	*Assets under finance lease*	*Land*	*Assets in the course of construction*	*Total*
Carrying amount as at 31 December 2020 under the cost model	417,585	996,540	12,073	13,901	6,013,006	7,453,098
Carrying amount as at 31 December 2019 under the cost model	441,381	1,042,288	16,537	13,884	5,578,036	7,092,126

Capitalised borrowing costs

The Group capitalised borrowing costs in the total amount of EUR 107,332 thousand for the year ended 31 December 2020, thereof EUR 308 thousand related to prepayments (2019: EUR 140,859 thousand, thereof EUR 298 thousand related to prepayments). The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.74% p.a. which is the average effective interest rate of all the general borrowings of the Group.

Insurance of property, plant and equipment

As at 31 December 2020 the fixed assets of the Group were insured as follows:

- The insured value of the fixed assets of conventional power plants and non-generating assets of the Group represented EUR 2,970 million.
- Assets of nuclear power plants were insured up to the limit of EUR 700 million for the operating nuclear power plants.
- The insured value of the assets in the course of construction was EUR 3,833 million.

The Group insures its property as follows:

- Fixed assets of conventional power plants and conventional part of the nuclear property are insured by commercial carriers .
- Fixed assets of the nuclear power plants are insured by EMANI (a mutual insurance association with the registered seat in Belgium).

Leases

At 31 December 2020, the carrying value of assets under lease included in Property, plant and equipment was EUR 12,073 thousand (31 December 2019: EUR 16,537 thousand). Total cash outflow for leases in 2020 was EUR 4,008 thousand (in 2019 EUR 3,415 thousand).

As at 31 December 2020 and 31 December 2019, the total minimum lease payments and the present value of minimum lease payments are as follows:

	Total minimum lease payments		Present value of minimum lease payments	
In thousands of EUR	2020	2019	2020	2019
Amounts payable under leases:				
Within one year	4,058	4,006	3,725	3,534
In the second to fifth year inclusive	6,967	10,780	6,589	10,094
After five years	1,493	1,752	1,151	1,371
Total	12,518	16,524	11,465	14,999
Less future finance charges	(1,053)	(1,525)	-	-
Present value of lease payments	**11,465**	**14,999**	**11,465**	**14,999**
Liabilities from lease recognised in Other Loans and borrowings in the consolidated balance sheet (Note 15)			11,465	14,999
Less: Amount due for settlement within 12 months presented within current liabilities (Note 19)			(3,725)	(3,534)
Amount due for settlement after 12 months (Note 15)			**7,740**	**11,465**

Movements of assets recognised under lease are as follows:

In EUR thousands	*Land*	*Buildings, halls and structures and other assets*	*Total*
Carrying amount as at 1 January 2020	**1,334**	**15,143**	**16,537**
Depreciation charge	(51)	(4,413)	(4,464)
Carrying amount as at 31 December 2020	**1,333**	**10,740**	**12,073**

In EUR thousands	*Land*	*Buildings, halls and structures and other assets*	*Total*
Carrying amount as at 1 January 2019	**1,455**	**15,537**	**16,992**
Additions	-	3,209	3,209
Depreciation charge	(51)	(3,603)	(3,654)
Carrying amount as at 31 December 2019	**1,334**	**15,143**	**16,537**

Expenses relating to short-term leases and to leases of low-value assets of EUR 3,170 thousand (31 December 2019: EUR 3,030 thousand) that are not shown as short-term leases are included in the line Other raw materials and consumables in the consolidated income statement.

6. Intangible assets

In thousands of EUR	Software	Other intangible assets	Intangible assets in progress	Total
Cost as at 1 January 2020	76,757	1,531	344	78,632
Accumulated amortisation as at 1 January 2020	(71,313)	(1,304)	–	(72,617)
Accumulated impairment losses as at 1 January 2020	(20)	-	–	(20)
Carrying amount as at 1 January 2020	5,424	227	344	5,995
Year ended 31 December 2020				
Opening carrying amount as at 1 January 2020	5,424	227	344	5,995
Additions	568	-	589	1,157
Impairment loss through income statement (Note 25)	(96)	-	–	(96)
Transfers from Property, plant and equipment	-	-	(93)	(93)
Transfers	210		(210)	
Amortisation (Note 25)	(1,439)	(17)	–	(1,456)
Cost as at 31 December 2020	76,621	1,531	610	78,762
Accumulated amortisation as at 31 December 2020	(71,817)	(1,321)	–	(73,138)
Accumulated impairment losses as at 31 December 2020	(117)	-	–	(117)
Carrying amount as at 31 December 2020	4,687	210	610	5,507
Cost as at 1 January 2019	77,641	1,531	332	79,504
Accumulated amortisation as at 1 January 2019	(71,046)	(1,281)	–	(72,327)
Accumulated impairment losses as at 1 January 2019	(20)	-	–	(20)
Carrying amount as at 1 January 2019	6,575	250	332	7,157
Year ended 31 December 2019				
Opening carrying amount as at 1 January 2019	6,575	250	332	7,157
Additions	330	-	332	662
Transfers	320	-	(320)	-
Amortisation (Note 25)	(1,801)	(23)	–	(1,824)
Cost as at 31 December 2019	76,757	1,531	344	78,632
Accumulated amortisation as at 31 December 2019	(71,313)	(1,304)	–	(72,617)
Accumulated impairment losses as at 31 December 2019	(20)	-	–	(20)
Carrying amount as at 31 December 2019	5,424	227	344	5,995

In 2020 and 2019 the Group did not incur nor capitalize any expenses for development.

7. Derivatives

Assets from derivatives measured at fair value through profit or loss

In thousands of EUR	2020	2019
Non-current		
Embedded derivatives	-	522
Total	**-**	**522**
Current		
Embedded derivatives	200	29
Derivatives not designated as hedges	118,031	152,868
Total	**118,231**	**152,897**

Liabilities from derivatives measured at fair value through profit or loss

In thousands of EUR	2020	2019
Current		
Commodity derivatives not designated as hedges	100,716	115,948
Total	**100,716**	**115,948**

Derivatives measured at fair value through profit or loss

Embedded derivatives
On 7 October 2013 a long-term electricity contract with Slovalco, a.s. was signed that is valid from 1 January 2014 to 31 December 2021. According to the contract provisions the price of electricity is expressed in USD. The value of the embedded option on the price of aluminium is subject to indexation to the price of aluminium on the London Metals Exchange (LME). The initial value of the embedded options as at the date of the conclusion of the long-term electricity contract with Slovalco, a. s. was recognised against deferred revenue on the face of the consolidated balance sheet as it related to revenues from electricity deliveries since 1 January 2014. This value is amortised to consolidated income statement over the term of the long-term contract on a straight line basis (see Note 20 and 30).

Commodity derivatives
The Group recognises commodity derivatives not designated as hedges in respect of trading contracts for purchase and sale of electricity, emission allowances and gas according to the valid accounting policy of the Group. Except for the mentioned contracts the Group has traded derivative transactions also for uranium and emission allowances with the aim of economic hedge against the price volatility of these commodities.

The Group sells its production via transactions concluded under market conditions, usually using brokerage platforms or energy exchange, e.g. European Energy Exchange AG (EEX), or Polish Power Exchange (PolPX), considered to be the most transparent and most reliable means of electricity trading in the region. In case of EEX trading the open positions are being revalued on daily basis and these are immediately settled in cash (as at 31 December 2020 the cumulative revaluation of the commodity derivatives at EEX represents EUR 23,888 thousand – electricity, gas and emission allowances).

Assets from derivatives designated as effective hedging instruments in cash flow hedge

In thousands of EUR	2020	2019
Non-current		
Hedging derivatives - exchange rate	49	9
Hedging derivatives - commodities	235	6,234
Total	**284**	**6,243**
Current		
Hedging derivatives - exchange rate	8,669	66
Hedging derivatives - commodities	19,205	29,861
Total	**27,874**	**29,927**

Liabilities from derivatives designated as hedging instruments in cash flow hedge relationship

In thousands of EUR	2020	2019
Non-current		
Hedging derivatives - exchange rate	152,980	89,163
Hedging derivatives - interest rate	14,286	6,708
Hedging derivatives - commodities	32,742	4,244
Total	**199,947**	**99,115**
Current		
Hedging derivatives - exchange rate	617	4,974
Hedging derivatives - interest rate	1,384	1,096
Hedging derivatives - commodities	42,334	80,983
Total	**44,335**	**87,053**

Derivatives designated as hedges

All derivative contracts designated as hedges are classified as cash flow hedges.

Exchange rate
The Group hedges the impact of the exchange rate fluctuations connected with the purchase and sale of electricity and also the purchase of commodities necessary for the production of electricity through forwards on foreign currency exchange rates. The cash flows from the hedging derivatives are contracted to occur in the moment when the purchase or sale of the hedged transaction is expected to occur.

In case of purchase and sale of electricity the cash flows from the hedging foreign currency derivatives are recognised in consolidated profit or loss at the moment of the realization of the trade.

Interest rate and exchange rate
The Group hedges its exposure to interest rate risk and exposure to exchange rate fluctuations in connection with the loans drawn through interest rate swaps or cross-currency interest rate swaps. The maturity of the swaps interest payments corresponds with the maturity of interests from loans. For details of the interest rate risk management strategy refer to Note 31.

Electricity price
The Group hedges cash flows from sales of future electricity production against the risk of electricity price movement by selling the production via forward contracts with respect to the strategy of production selling. Strategy for managing risks associated with fluctuation of the electricity prices is described in more details in the Note 31.

Uranium price
In connection with the contracted purchases of nuclear fuel, the Group hedges its exposure to volatility of the price of uranium, as a risk component of the nuclear fuel price, through swaps for sale and purchase of the uranium product.

Change in the hedging reserve in the consolidated statement of other comprehensive income, before tax, during the period was as follows:

In thousands of EUR	2020	2019
Balance as at 1 January	**51,972**	**[illegible]**
Change in valuation of cash flow hedges	120,171	(107,905)
Reclassification to profit or loss:		
Unrealized foreign exchange loss	*(51,312)*	*28,677*
Hedges that became ineffective	*(9,729)*	*4,391*
Net gain/(loss) of the matured contracts	*(3,644)*	*(4,777)*
Transfer of hedge reserve to initial cost of the asset	*1,061*	*-*
Balance as at 31 December	**108,555**	**51,972**

8. The Group's subsidiaries

The structure of the Group's interest in subsidiaries is as follows:

Company name	Country of incorporation	Ownership 2020
Ochrana a bezpečnosť SE, s.r.o.	Mochovce, Slovak Republic	100%
Slovenské elektrárne - energetické služby, s.r.o.	Bratislava, Slovak Republic	100%
Centrum pre vedu a výskum, s.r.o.	Mochovce, Slovak Republic	100%
Slovenské elektrárne České republika, s.r.o.	Prague, Czech Republic	100%
SE Služby inžinierskych stavieb, s.r.o.	Mochovce, Slovak Republic	100%

Company name	Country of incorporation	Ownership 2019
Ochrana a bezpečnosť SE, a.s.*	Mochovce, Slovak Republic	100%
Slovenské elektrárne - energetické služby, s.r.o.	Bratislava, Slovak Republic	100%
Centrum pre vedu a výskum, s.r.o.	Mochovce, Slovak Republic	100%
Slovenské elektrárne České republika, s.r.o.	Prague, Czech Republic	100%
SE Služby inžinierskych stavieb, s.r.o.	Mochovce, Slovak Republic	100%

*Change of legal form from joint stock company to limited liability company of Ochrana a bezpečnosť SE was registered to the Commercial register on 18 September 2019

9. Investments in associates and other investments

The structure of the Group's interest in the associates is as follows:

In thousands of EUR

Company name	Country of incorporation	Ownership 2020	Carrying amount of investment 2020	Equity 2020	Profit 2020
REAKTORTEST, s.r.o.	Slovak Republic	49%	157	320	155
ÚJV Řež, a.s.	Czech Republic	27.77%	21,854	78,697	11,408
Energotel, a.s.	Slovak Republic	20%	267	5,321	880
Total investments in associates			**22,278**	**84,338**	**12,443**

In thousands of EUR

Company name	Country of incorporation	Ownership 2019	Carrying amount of investment 2019	Equity 2019	Profit 2019
REAKTORTEST, s.r.o.	Slovak Republic	49%	216	440	275
ÚJV Řež, a.s.	Czech Republic	27.77%	19,273	69,402	3,087
Energotel, a.s.	Slovak Republic	20%	606	6,919	1,407
Total investments in associates			**20,095**	**76,761**	**4,779**

Assets, liabilities, revenues and expenses of the associates were as follows:

In thousands of EUR	Non – current assets	Current assets	Total assets	Equity	Non – current liabilities	Current liabilities	Total liabilities	Revenues	Expenses	Profit
2020										
REAKTORTEST, s.r.o.	24	2,034	2,058	320	-	1,738	1,738	21,693	21,448	155
ÚJV Řež, a.s.	84,510	47,429	131,939	76,697	22,057	31,185	53,242	51,693	40,275	11,488
Energotel, a.s.	4,221	5,016	10,237	5,321	244	4,672	4,916	11,206	10,326	880
Total	88,755	55,479	144,234	84,338	22,301	37,595	59,896	84,492	72,049	12,443

In thousands of EUR	Non – current assets	Current assets	Total assets	Equity	Non – current liabilities	Current liabilities	Total liabilities	Revenues	Expenses	Profit
2019										
REAKTORTEST, s.r.o.	-	2,574	2,574	440	338	1,796	2,134	23,580	23,305	275
ÚJV Řež, a.s.	53,610	52,638	106,248	69,402	20,907	15,939	36,846	51,415	48,318	3,097
Energotel, a.s.	4,679	7,251	11,930	6,919	169	4,842	5,011	12,037	10,630	1,407
Total	58,289	62,463	120,752	76,761	21,414	22,577	43,991	87,032	82,253	4,779

The structure of the other investments is as follows:

In thousands of EUR	Carrying amount of investment 2020	Carrying amount of investment 2019
Other investments	5,914	5,495
Total	5,914	5,495

Other investments include the Group's equity interests in the European Liability Insurance for the Nuclear Industry (ELINI), European Mutual Association for Nuclear Insurance (EMANI), Blue Re Mutual Association and Nuclear Industry Reinsurance Association (NIRA).

10. Inventories

In thousands of EUR	At cost 2020	At lower of cost or net realizable value 2020	At cost 2019	At lower of cost or net realizable value 2019
Nuclear fuel	231,555	231,376	249,968	249,381
Fossil fuel	14,017	8,432	20,153	17,338
Spare parts	25,305	20,545	23,968	19,333
Material and supplies	6,886	4,742	6,405	4,378
Emission allowances	45,709	48,916	45,596	45,596
Other	3,714	3,714	2,559	2,559
Total inventories	327,185	317,721	348,841	339,585

Inventories in total value of EUR 165,167 thousand (2019: EUR 186,298 thousand) are expected to be recovered within a period of more than twelve months following the balance sheet date.

Total balance of emission allowances recognized as at 31 December 2020 were held for trading and were valued at the fair value. Emission allowances in 2019 were purchased to settle the liability from actually discharged emissions in accordance with the European Union Emissions Trading Scheme and in line with the valid legislation in the Slovak Republic.

Nuclear fuel movements

In thousands of EUR	2020	2019
Balance as at 1 January	249,968	264,879
Purchases	51,881	61,135
Consumption	(63,786)	(70,061)
Sale to the Slovak State Reserves	(6,208)	(6,275)
Balance as at 31 December	231,555	249,968

Movement in the write-down to inventories:

In thousands of EUR	2020	2019
Balance as at 1 January	9,456	7,152
Write-down	3,370	3,256
Usage	(160)	(273)
Release	(1)	(679)
Balance as at 31 December	12,665	9,456

The Group writes down obsolete and slow-moving inventories.

11. Trade and other receivables

In thousands of EUR	2020	2019
Current receivables		
Receivables given by contracts with customers	231,695	236,035
Other receivables	16,729	17,414
Receivables from related parties	61,749	70,656
Expected credit losses allowance	(143,088)	(146,534)
Total financial receivables	167,085	177,581
Value added tax and other taxes and fees	782	1,890
Total trade and other receivables	167,867	179,471

In thousands of EUR	2020	2019
Non-current receivables		
Receivable from the sale of Gabčíkovo hydro power plant	82,410	79,984
Non-current prepayments	48,427	26,380
Other non-current receivables	776	925
Total non-current receivables	131,613	107,289

Receivable from the sale of Gabčíkovo hydro power plant (hereinafter as the "VEG") was recognised based on the Agreement on settlement of legal relations with respect to the VEG assets, signed on 29 March 2000, in the value determined by an expert. The balance of non-current receivable from the sale of the VEG assets recognised as at 31 December 2020 amounting to EUR 82,410 thousand (31 December 2019: EUR 79,984 thousand) represents its discounted present value. The nominal value of the receivable as at 31 December 2020 amounts to EUR 102,812 thousand (31 December 2019: EUR 102,812 thousand). For the information regarding related ongoing legal disputes, refer to Note 29.

For terms and conditions relating to related parties, refer to Note 28.

Trade receivables are non-interest bearing and are generally due within 14 - 90 days.

The Group applies the IFRS 9 simplified approach for trade receivables that measures expected credit losses by calculating a lifetime expected loss allowance. Trade receivables have been grouped based on the days past due. The Group has established a provision matrix, the expected loss rates for trade receivables were calculated based on payment profiles of sales over a period of 5 years before 31 December 2020 and 31 December 2019 and the corresponding historical credit losses experienced within this period. For more details regarding credit risk, please refer also to Note 31.

Movements in the expected credit losses allowance were as follows:

In thousands of EUR	2020
Balance as at 1 January	146,534
Charge for the year (note 25)	144
Utilised	(44)
Unused amounts reversed (Note 25)	(3,550)
Balance as at 31 December	143,088

In thousands of EUR	2019
Balance as at 1 January	145,385
Charge for the year (Note 25)	1,375
Utilised	(13)
Unused amounts reversed (note 25)	(213)
Balance as at 31 December	146,534

As at 31 December 2020 and 2019 trade receivables included receivables against VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK in total value of EUR 22,137 thousand, which are subject to an ongoing dispute with the counterparty. Due to uncertainties related to the collectability of these receivables, the Group recognised an allowance for individually impaired receivables in full amount. These receivables were not included in the IFRS 9 simplified model for calculation of the expected credit losses allowance, but were assessed on an individual basis.

As at 31 December 2020 and 2019 trade receivables included an amount of EUR 113.85 million related to past contributions to Združenie Dunaj ("the Danube Association") which was established to facilitate the co-operation between the Group and the company VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK for the construction of the Gabčíkovo dam and electricity facilities. Due to uncertainties related to the collectability of this receivable, the Group recognised an allowance for individually impaired receivables in full amount. These receivables were not included in the IFRS 9 simplified model for calculation of the expected credit losses allowance, but were assessed on an individual basis.

As at 31 December 2020, trade receivables include an amount of EUR 1,486 thousand (31 December 2019: EUR 1,470 thousand) related to purchased credit-impaired trade receivables that are fully impaired since initial recognition.

12. Cash and cash equivalents

In thousands of EUR	2020	2019
Cash at banks and on hand	14,273	12,468
Total cash and cash equivalents	**14,273**	**12,468**

Cash and cash equivalents as at 31 December 2020 include EUR 100 thousand that is restricted by legislation (31 December 2019: EUR 100 thousand).

13. Other assets

In thousands of EUR	2020	2019
Other current assets		
Prepaid expenses - insurance	2,128	1,953
Prepaid expenses - lease of buildings	646	-
Prepaid expenses - state supervision over nuclear power plants	-	5,302
Prepaid expenses - fees related to loans and borrowings	375	361
Prepaid expenses - other	248	2,456
Accrued revenue - uninvoiced electricity deliveries	31,273	18,751
Total other current assets	**34,670**	**28,823**

In thousands of EUR	2020	2019
Other non-current assets		
Prepaid expenses	1,700	1,885
Right for reimbursement of the special purpose financial reserve	1,475	1,363
Total other non-current assets	**3,175**	**3,248**

On 1 January 2019 a new Act No. 312/2018 Coll. amending the Act No. 79/2015 Coll. on waste came into effect. This new act has amended, inter alia, also the pronouncements regarding the special purpose financial reserve for waste dumps which the Group as an operator of the waste dumps must create. According to the § 24, article 4 of this act the funds must be deposited on the special account in the State Chamber. Following the § 135e, article 1 of the Act No. 312/2018 Coll. the Group had an obligation to transfer the funds on the special account of the State Chamber by 31 March 2019. Since this moment the Group recognizes this special purpose financial reserve as a long-term asset – a right for reimbursement of the special purpose financial reserve in line with interpretation IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

14. Share capital and reserves

i) Share capital

As at 31 December 2020, the share capital comprised 39,041 ordinary shares (2019: 39,041), thereof 38,238 shares at a par value of EUR 33,193.92 and 803 shares at a par value of EUR 33.19. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends in accordance with legislation valid in the Slovak Republic and as decided by the general meeting and are entitled to vote, while each EUR 33.19 represents one vote.

The Company does not hold any of its own shares.

ii) Reserves

Revaluation reserve
Following the IAS 16 and the valid accounting policy the Group applies revaluation model for subsequent measurement of property, plant and equipment after initial recognition. The assets' revaluation reserve is recognised in relation to the increase in the carrying value of property, plant and equipment and decrease in this value to the extent that such decrease reverses an increase in the fair value, previously recognised in equity. The reserve cannot be used to pay dividends.

Other reserves
Other reserves mainly consist of the legal reserve fund and the hedging reserve. As at 31 December 2020, the legal reserve fund amounts to EUR 256,560 thousand (2019: EUR 256,560 thousand). This fund is not available for distribution to shareholders, but to cover losses or increase the share capital.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred or have not yet affected profit or loss.

Distribution of profit from the previous accounting period
Distribution of the consolidated profit from the previous accounting period of EUR 22,801 thousand was as follows:

In thousands of EUR	*Accounting profit for 2019*
Transfer to retained earnings	22,801
Total	**22,801**

15. Provision for nuclear decommissioning and storage costs

Provision for decommissioning of nuclear power plants

Based on the provisions of the Act No. 541/2004 Coll. on Peaceful use of Nuclear Energy as amended (hereinafter as the "Atomic Act"), the licence holder for operation of nuclear power plants is responsible for preparation of the conceptual plan of decommissioning of each nuclear power plant and provide for its decommissioning after the end of its operation. According to the pronouncements of the Atomic Act, the entity responsible for execution of the decommissioning is the licence holder for decommissioning.

Provision for decommissioning of nuclear power plants includes the costs of dismantling of V2 nuclear power plant in Jaslovské Bohunice (hereinafter as "V2") and the first and the second unit of the nuclear power plant in Mochovce (hereinafter as "EMO 1&2") (units VVER 440 type 213 with reactors performance 505 MW (V2) and 470 MW (EMO 1&2)). The underlying assumption for recognizing the provision is the obligation after the end of operation of nuclear power plants to dismantle the facility, process and dispose all radioactive waste from decommissioning and return the site to the condition defined in the conceptual plan of decommissioning developed for the individual power plant. The total present value of the obligations concerning decommissioning of nuclear power plants is covered by a provision. The initial estimate of cost in respect of the provision that has been recognised by the Group forms a part of the carrying amount of property, plant and equipment.

The Council Directive No. 2011/70/EURATOM, which establishes a basic framework for the responsible and safe management of spent nuclear fuel and radioactive waste in the European Atomic Energy Community (hereinafter as the "Directive"), raised the requirement for the member states of the European Union to prepare a national policy and national programme for the responsible and safe management of spent nuclear fuel and radioactive waste. The Directive was reflected in the Slovak legislation through the Act No. 143/2013 Coll. from 21 May 2013, by which the Atomic Act and at that time valid Act No. 238/2006 Coll. on National Nuclear Fund were amended. Following the abovementioned, on 8 July 2015 the Slovak Government adopted the document named "National Policy and National Programme for handling of spent nuclear fuel and radioactive wastes in SR", as an update of the strategic document "Strategy of the back-end cycle of the peaceful exploitation of the nuclear energy in the Slovak Republic" (hereinafter as the "National Policy" and the "National Programme").

The above mentioned documents define the strategy of immediate decommissioning for the nuclear power plants both in Jaslovské Bohunice and Mochovce, which is consistent with the one applied by the Group and reflected in the conceptual plans of decommissioning subject to approval of the Nuclear Regulatory Authority of the Slovak Republic (hereinafter as the "UJD SR"). Estimation of the costs and disbursements for decommissioning of the nuclear plants as at 31 December 2020 is based on the strategy of the Group to apply more conservative prompt (immediate) decommissioning approach. The decommissioning strategy is subject to review and assessment of the UJD SR and the National Nuclear Fund for decommissioning of nuclear power plants and disposal of spent nuclear fuel and radioactive waste (hereinafter as the "National Nuclear Fund", or the "NNF").

The updated estimation of the costs of decommissioning, as included in the document "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed in April 2017 by the company EGP INVEST, spol. s r.o., an independent specialist in determining cost estimates of back-end cycle processes of nuclear industry, was used as a basis for valuation of the provision for decommissioning of nuclear power plants as at 31 December 2020 and 31 December 2019. These documents were approved by the UJD SR on 27 August 2018.

Provision for post-operational costs of nuclear power plants

This provision includes disbursements to be incurred by the operator of a nuclear power plant once the nuclear power plant's energy production is stopped until the license for decommissioning is obtained. The method of termination of operation is determined by the gradual reactors shut downs (two years apart) and after-cooling of spent nuclear fuel in the storage pool, which creates typical termination of operation phases. The length of the individual phases is determined mainly by the type of spent fuel storage.

The provision for post-operational costs of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the Group as the holder of the operating license to bring the plant into the decommissioning stage as defined by the Atomic Act.

The provision for post-operational costs reflects the present value of the expected disbursements to be incurred during the four year period. Disbursements of the costs are dependent on an expected date of the shut-down of the nuclear power plants.

The expected disbursements reflected in the valuation of the provision as at 31 December 2020 and 31 December 2019 are based on the estimation included in the document "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed by the company EGP INVEST, spol. s.r.o.

Provision for storage and disposal of spent nuclear fuel

This provision includes the costs of transportation of spent nuclear fuel (hereinafter as "SNF"), storage of such waste in the interim storage facility and its final disposal in the deep geological repository.

The provision for SNF of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the originator of such waste as defined by the Atomic Act.

On 31 March 2008 the Company entered into a service agreement with the company Jadrová vyraďovacia spoločnosť, a.s. (hereinafter as "JAVYS, a.s."). The subject of this agreement is a provision of services related to transportation to an interim storage facility and storage of SNF in the interim storage facility. The Group concluded a service agreement and subsequent amendments to it with the prices and quantities until 2022. The amendment to the service agreement for the years 2020 through 2022 was approved for signature by the Board of Directors of the Company on 24 March 2020. The prices and quantities after these dates are subject to negotiations.

The disbursement schedule of costs related to transportation of SNF and its storage in the interim repository till the end of 2008 was defined in the service agreement. The disbursements schedule of the costs for the subsequent years until 2022 was defined in the amendments to the service agreement. The provision as at 31 December 2020 was calculated using unit prices as per the amendment to the service agreement for the years 2021 through 2022. Costs beyond this date were determined based on technical assumptions after this date. The provision takes into account quantity of SNF existing as at 31 December 2020.

In line with the National Policy, the Group expects final disposal of spent nuclear fuel in a deep geological repository. The provision for disposal in the deep geological repository was calculated considering expected costs to build such repository, since this repository does not exist as at 31 December 2020.

As of 8 December 2016, a team of independent experts for analyses of back-end cycle processes of nuclear power plants (ÚJP Praha a.s., ÚJV Řež, a.s.) developed "Updated feasibility study of deep geological repository in the Slovak Republic". This study was used as a basis for valuation of the provision for final disposal of spent nuclear fuel as at 31 December 2020 and 31 December 2019.

The valuation of the provision as at 31 December 2020 and 31 December 2019 reflects the expected timing of commissioning of the deep geological repository compliant with the National Policy and the National Programme adopted by the Government of the Slovak Republic on 8 July 2015. The valid National Policy and the National Programme specify the year 2065 as the planned year for commissioning of the deep geological repository.

Provision for storage and disposal of radioactive waste

This provision includes the costs of transportation, treatment, modification and disposal in the surface repository facility of low-level radioactive waste and it is recognised for radioactive waste generated by V2 and EMO 1&2.

The provision for long-life low-level radioactive waste of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the originator of such waste as defined by the Atomic Act.

On 31 March 2008 the Company entered into a service agreement with JAVYS, a.s. The subject of this service agreement is a provision of the nuclear services the cost of which is the basis for valuation of this provision. The Group concluded a service contract and subsequent amendments to it with the prices and quantities being defined until 2022. The amendment to the service agreement for the years 2020 through 2022 was approved for signature by the Board of Directors of the Company on 24 March 2020. The prices and quantities after this date are subject to negotiations.

The disbursement schedule of these costs till the end of 2008 was defined in the service agreement. The disbursement schedule of these costs for subsequent years until 2022 was defined in the amendments to the agreement. The provision as at 31 December 2020 was calculated using unit prices as per the amendment to the service agreement for the years 2021 through 2022. Costs beyond this date were determined based on technical assumptions after this date. The provision takes into account quantity of long-life low-level radioactive waste existing as at 31 December 2020.

Movements in the provision are summarized as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Balance as at 1 January 2020	**591,296**	**156,145**	**1,352,138**	**56,368**	**2,155,947**
Increase of provision through income statement	-	-	13,781	2,200	15,981
Unwinding of interest (Note 26)	25,200	6,655	57,010	2,195	91,060
Effect of change in estimates through income statement	3,126	10,829	99,960	4,133	118,048
Effect of change in estimates through equity	51,726	-	-	-	51,726
Usage of provision	-	-	(8,694)	(7,780)	(16,474)
Balance as at 31 December 2020	**671,348**	**173,629**	**1,514,395**	**57,116**	**2,416,488**
Balance as at 1 January 2019	**542,570**	**144,772**	**1,280,084**	**56,842**	**2,024,268**
Increase of provision through income statement	-	-	14,244	2,433	16,677
Unwinding of interest (Note 26)	23,601	6,297	54,586	2,346	86,830
Effect of change in estimates through income statement	1,226	3,076	21,197	1,009	25,148
Effect of change in estimates through equity	23,917	-	-	-	23,917
Usage of provision	-	-	(8,593)	(6,812)	(15,405)
Balance as at 31 December 2019	**591,296**	**156,145**	**1,352,138**	**56,368**	**2,155,947**

In 2020, the Group reassessed the interest rates used for discounting of the provision for nuclear decommissioning and storage costs to its present value. As a result, the Group recognized a change in estimate of EUR 114,520 thousand debit through profit and loss and EUR 51,726 thousand debit through equity (2019: EUR 52,080 thousand debit through profit and loss and EUR 23,917 thousand debit through equity). These amounts are included within lines Effect of change in estimates through income statement and Effect of change in estimates through equity in the table above.

In 2019 the Group recognized change in estimate of the provision for storage and disposal of spent nuclear fuel based on the updated estimation of future costs, following the signed amendment to the service agreement on provision of the nuclear services with JAVYS, a.s. The effect of change in estimates through income statement for the year ended 31 December 2019 represents credit of EUR 22,940 thousand.

The provision is presented in the consolidated balance sheet as at 31 December 2020 as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Current liabilities	-	-	14,729	7,640	22,369
Non-current liabilities	671,348	173,629	1,509,476	49,476	2,403,929
Total provision	671,348	173,629	1,524,205	57,116	2,426,298

The provision was presented in the consolidated balance sheet as at 31 December 2019 as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Current liabilities	-	-	11,126	4,632	15,758
Non-current liabilities	591,296	156,145	1,351,012	51,736	2,150,189
Total provision	591,296	156,145	1,362,138	56,368	2,165,947

The present value assumptions of the provisions

The present value of the provisions mentioned above was calculated applying 2% inflation rate (31 December 2019: 2%) and a discount rate ranging from 3.88% to 4.05% (31 December 2019: 3.88% to 4.25%) over forecasted disbursement schedules. The discount rate was determined based on long-term series of interest rate data and it takes into account the fact that some expenses covered by provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

The estimated schedule of future disbursements takes into account all known statutory and environmental regulations applicable, together with an uncertainty factor inherent to the fact that payments will only be made in the long-term (see Note 3 (i)).

The sensitivity of the main components of provisions to changes in the discount rate is shown in the table below:

			Sensitivity to discount rate change			
	Present value of the provision		2020		2019	
In thousands of EUR	2020	2019	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Storage and disposal of spent nuclear fuel and radioactive waste	1,581,331	1,418,585	(124,269)	139,705	(110,658)	124,286
Decommissioning and post-operational costs of nuclear power plants	844,977	747,441	(81,232)	90,562	(73,081)	81,613
Total	2,426,308	2,166,047	(205,520)	230,268	(183,739)	205,899

Funding for decommissioning of nuclear power plants and for costs of storage and disposal of spent nuclear fuel and radioactive waste

In August 1994, the National Council of the Slovak Republic passed the Act No. 254, which provided for the creation of the State Fund for Decommissioning of Nuclear Facilities and Disposal of Spent Nuclear Fuel and Radioactive Waste ("Fund"). On 18 March 2006 the National Council of the Slovak Republic passed the Act No. 238/2006 Coll. (hereinafter as the "Act on the National Nuclear Fund"), which cancelled the Fund and established its successor, the National Nuclear Fund. Based on the Act No. 55/2011 Coll., which amends the Act on the National Nuclear Fund, rules for the amount of the contributions were established. Pursuant to valid pronouncements of this act, commencing 1 February 2012, the operators of nuclear facilities were required to contribute a fixed amount of EUR 13,428.26 per each MW of installed electric capacity relating to nuclear facilities and 5.85% of the sales price of electricity generated by these nuclear facilities per year. The rate paid per each MW of installed capacity was valorised by the rate of inflation every year.

As of 17 October 2018, new Act No. 306/2018 on the National Nuclear Fund was passed. With the effective date of 1 January 2019, new rules for determination of the amount of the contributions to the National Nuclear Fund have been established. The amount of contribution is separately calculated for each nuclear facility, mostly based on the total estimated cost of the back-end cycle processes of each nuclear power plant, the number of years during which the contributions are accumulated on the sub-account assigned to the nuclear facility, the appreciation of accumulated contributions over time and the impact of macroeconomic factors on each nuclear power plant over individual phases of its life cycle. Based on the new calculation and following the regulation No. 22/2019 Coll. dated 9 January 2019 a new contribution was determined stating the value of yearly contribution for the years 2019 through 2022 in amount of EUR 41,038,094 per year for V2 and EUR 24,891,727 per year for EMO1&2.

The following table reconciles the right for reimbursement from the National Nuclear Fund which represents financial amounts on the subaccounts of the National Nuclear Fund designated for decommissioning of nuclear facilities owned by the Group including management of radioactive waste from such decommissioning:

In thousands of EUR	Balance of NNF sub-accounts assigned to NPPs of the Group
Balance as at 1 January 2020	1,339,112
Payments to the fund during 2020	65,928
Interest received (Note 26)	31,539
Fund administration fee	(569)
Balance as at 31 December 2020	1,435,928
Balance as at 1 January 2019	1,229,869
Payments to the fund during 2019	79,346
Interest received (Note 26)	30,691
Fund administration fee	(794)
Balance as at 31 December 2019	1,339,112

According to the Act on the National Nuclear Fund the Group is one of the contributors to the National Nuclear Fund. The National Nuclear Fund, reporting to the Ministry of Economy of the Slovak Republic, is not controlled by the Group. The above mentioned right for reimbursement from the National Nuclear Fund is recognised as a separate asset and represents the reimbursement right for the purposes of decommissioning of nuclear facilities owned by the Group including management of radioactive waste from such decommissioning in the amount of actual contributions paid including net revenue interest from this part of contributions in line with the interpretation IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

Based on provisions of the Act on the National Nuclear Fund covering activities of the National Nuclear Fund, the Group expects that the assets of the National Nuclear Fund (primarily deposits at the Slovak State Treasury and commercial banks) will be used exclusively for enacted purposes in future. If there is a decrease in the funds accumulated on the sub-accounts assigned to the nuclear power generating facilities owned by the Group as a result of the decision on funds allocation issued by the authorized bodies of the National Nuclear Fund, the Group decreases the carrying value of the right to receive the reimbursement reported as the right for reimbursement from the National Nuclear Fund on the consolidated balance sheet and charges the change in the value of the reimbursement right to profit or loss.

Under the Atomic Act the Group is responsible to secure decommissioning of nuclear facilities and to manage radioactive waste and spent nuclear fuel until their takeover by an entity established, incorporated or authorized by Ministry of Economy of the Slovak Republic. Assuming all legal requirements are met, the Group therefore expects that, the right for reimbursement from the National Nuclear Fund arises for that part of the contributions, which shall be used to reimburse actual costs incurred mainly during decommissioning, liquidation and management of spent nuclear fuel and radioactive waste from decommissioning of the nuclear power plants of the Group. The Group also expects that the remaining part of its contributions (together with other sources of the National Nuclear Fund) determined for the purposes of design, construction, operation and closure of repositories, will be used by the state in future under conditions and for the purposes set by the law.

The ability of the National Nuclear Fund to meet the costs of decommissioning of the nuclear power facilities operated by the Group and storage of spent fuel is dependent on various factors. These factors include, among other things, the revenues earned by the Group on such generation, earnings on cash deposited in the National Nuclear Fund and the level of contributions to the National Nuclear Fund from other sources. The actual decommissioning and disposal costs may vary from the initial estimates because of regulatory requirements, changes in technology and increased costs of labour, materials and equipment.

The current financing scheme of the back-end cycle of nuclear energy includes the sources of financing that are designed to cover the costs related to so-called „historical deficit" that arose due to not contributing the financial resources from operated nuclear power plants into the Nuclear Fund until the end of 1994 (when the State Fund for Decommissioning of Nuclear Facilities and Disposal of Spent Nuclear Fuel and Radioactive Waste was established). Most of this deficit relates to the state owned nuclear facilities in Jaslovské Bohunice (A1 and V1) that are not in operation as at the balance sheet date. In order to cover this deficit the Government of the Slovak Republic approved the Regulation No. 426 dated 6 October 2010, introducing a special tariff to be ultimately paid by final consumers amounting to 3 EUR/MWh of electricity delivered in 2011, that is being adjusted by the rate of the core inflation every year. This tariff is included in the price of the electricity delivered to the end customer. Operators of the transmission system and regional distribution systems deliver these funds to the account of the Ministry of Economy of the Slovak Republic and further, via transfer the funds are deposited to the account of the NNF. This tariff is determined to finance the activities related to decommissioning of the nuclear power plant A1 and part of the nuclear power plant V1 in Jaslovské Bohunice.

On 9 January 2019, the Government of the Slovak Republic approved the regulation No. 21/2019, with the effective date of 1 February 2019, establishing the amount of special tariff to be used to cover the historical deficit from electricity delivered to end customers. The tariff was set at 3.27 EUR/MWh in the year 2020.

From the practical reasons it is assumed that the tariff, collected by the operators of the transmission system and regional distribution systems to cover the historical deficit, shall be spread over the longer time horizon and shall cover the actual needs that are to be updated every 6 years.

The report on the fulfilment of the National Programme for handling spent nuclear fuel and radioactive waste in the Slovak Republic as at 31 December 2019 states, among other things, that the analysis of the historical deficit and the proposal of the mechanism ensuring the financial resources to cover this deficit is expected to be elaborated during the update of the National Programme, which was launched in the half of 2019 and its completion is expected by the end of 2021.

16. Provision for dismantling of thermal power plants

Considering the current market and regulatory environment the Group estimates that it will not be able to operate Nováky ("ENO") and Vojany ("EVO") thermal power plants beyond their estimated remaining useful lives. Due to the existing legal environment, the Group, in line with its past practice, takes full responsibility for decommissioning of these thermal power plants once the plants cease their operations. Consequently, the Group recognised a provision to cover future decommissioning costs which are expected to be incurred upon shut-down of the plants.

In thousands of EUR	2020	2019
Balance as at 1 January	126,857	125,754
Unwinding of interest (Note 26)	5,195	5,220
Effect of change in estimates through income statement	1,783	(4,685)*
Effect of change in estimates through equity	2,863	610
Actual expenditure in period	(136)	(42)
Balance as at 31 December	136,562	126,857

*Actual EUR 37 thousand was presented as a credit within the line Depreciation, amortisation and impairment in the consolidated income statement; see Note 25

The provision is presented in the consolidated balance sheet as at 31 December 2020 as follows:

In thousands of EUR	*Provision for dismantling of thermal power plants*
Current liabilities	220
Non-current liabilities	136,342
Total provision	136,562

The provision is presented in the consolidated balance sheet as at 31 December 2019 as follows:

In thousands of EUR	*Provision for dismantling of thermal power plants*
Current liabilities	150
Non-current liabilities	126,707
Total provision	126,857

The thermal power plant Nováky is operated based on the decision of the Slovak Government in general economic interest in order to ensure security of supplies in Bystričany nodal area. On 5 august 2019 the Ministry of Economy issued a decision No. 17237/2019-4130-38185 valid since 1 September 2019 by which it defines responsibility for the Group in respect of the production of electricity from domestic coal in the thermal power plant Nováky within the general economic interest until 2023.

The Regulatory Office for Network Industries issued a decision No. 0162/2018/E dated 18 December 2017 further amended by a decision No. 0273/2018/E dated 27 August 2018 and a decision No. 0036/2020/E dated 5 December 2019 stating a fixed price for the domestic coal electricity production and a decision No. 0174/2018/E dated 19 December 2017 further amended by a decision No. 0274/2018/E dated 28 August 2018 and a decision No. 0185/2020/E dated 13 December 2019 stating a tariff for system operation that the Company has to invoice to the short-term electricity market operator OKTE, a.s. for the period of 2018 – 2021. These decisions were valid as at 31 December 2020.

The Group operates the thermal power plant in Nováky and the thermal power plant in Vojany in line with the valid environmental legislation.

The Group allocates revenues and expenses in accordance with the accounting principles mentioned in these financial statements and in accordance with the internal accounting records and the valid legislation.

The process of shut down and dismantling of the thermal power plants shall be administered in line with the decommissioning strategy of individual plants in EVO and ENO. This strategy is currently considering different possibilities how to proceed with areas of the thermal power plants such as partial dismantling of the plant, utilization of the area for further business development, or, sale of the area not used.

For the purpose of dismantling of thermal power plants in Vojany and Nováky a comprehensive studies "Assessment of the costs for decommissioning of the thermal power plants of SE, a.s." were developed by the company EGP Invest, spol. s r.o. The studies contain the assessment of the status of individual main production facilities as well as auxiliary equipment reflecting their useful life and planned utilization. The studies assessed also a secondary usage of materials and sources. The dismantling of already shutdown and non-operated production facilities in ENO and EVO is planned to be executed in stages. The studies contain also the plan for dismantling of the sources and equipment that is currently in operation and dismantling of which will begin only after the end of their useful lives.

During the year 2020 the Group reassessed the expected costs for recultivation of sludge bed at EVO as well as the discount rate used for discounting the provisions for dismantling of thermal power plants and decommissioning of sludge beds. As a result of this reassessment the Group recognised a change in the estimate of the provision in amount of EUR 4,645 which is the total effect of increase of provision due to reassessment of the expected costs in amount of EUR 338 thousand and increase of EUR 4,307 due to change in the discount rate.

In 2019 the management of the Group reassessed disbursement schedules related to the process of dismantling of thermal power plants with no change in relation to the volume of the estimated cost and, at the same time, reassessed the discount rates used for discounting of the provisions. As a result of this reassessment the Group recognised a change in the estimate of the provision in amount of EUR 4,075 thousand which represent a net effect of the increase of provision due to change in the discount rate in amount of EUR 2,133 thousand and a decrease due to shift of the time schedule of the cash disbursements in amount of EUR 6,208 thousand.

The present value assumptions of the provisions

There is an inherent uncertainty involved in the calculation of the provision due to the estimation of various assumptions, including future inflation expectations, discount rates and the actual disbursement schedules. The present value of the provisions mentioned above is calculated applying 2% inflation rate and a discount rate based on long-term series of interest rate data ranging from 3.65% to 4.05% (as at 31 December 2019 ranging from 3.88% to 4.25%) over forecasted disbursement schedules.

The sensitivity of the provision to the change in the discount rate is shown in the table below:

			Sensitivity to discount rate change			
	Present value of the provision		2020		2019	
In thousands of EUR	2020	2019	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Provision for dismantling of thermal power plants	130,202	126,057	(5,208)	5,631	(5,208)	5,511

17. Employee benefits

Employee benefits recognised in the consolidated balance sheet are as follows:

	2020		2019	
In thousands of EUR	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Long-term incentives	–	182	–	182
Post-employment benefits and other employee benefits	1,506	42,458	1,682	41,308
Total	1,506	42,640	1,682	41,490

In terms of the Collective Agreement (hereinafter as "CCA"), signed between the trade unions operating at the companies of the Group and the companies, the long-term employee benefit programs within the Group represent defined benefit plans, specifically classified as post-employment benefits (retirement) and other employee benefits (work anniversary benefits).

In December 2020 the CCA of the Company valid for years 2021 – 2023 was approved and signed. In December 2018 the CCA of the company Ochrana a bezpečnosť SE, a.s. (hereinafter as "OBSE") valid for years 2019 – 2021 was approved and signed. All the parties concerned were informed about their conditions.

As at 31 December 2020 the Group had 4,003 employees (2019: 3,886 employees) eligible for employee benefits payable in future periods. The weighted average duration of the post-employment benefits and other benefits is 9 years in SE and 6 years in OBSE (2019: 9 years in SE, 6 years in OBSE).

Change in the present value of the defined benefit obligation

In thousands of EUR	Post-employment benefits	Other benefits	2020	2019
Present value of the obligations as of 1 January	41,808	1,330	43,138	39,457
Current service cost	1,969	74	2,043	1,867
Unwinding of interest (Note 26)	409	13	422	542
Gains/losses due to change in demographic assumptions	1,221	34	1,255	362
Gains/losses due to change in financial assumptions	(1,607)	9	(1,598)	1,535
Experience gains/losses arising during the year	1,489	38	1,527	(20)
Benefit payments during the year	(2,525)	(148)	(2,673)	(794)
Present value of the obligations as at 31 December	42,515	1,350	43,865	42,889

In thousands of EUR	Post-employment benefits	Other benefits	2020	2019
Net liability as at 1 January	41,808	1,330	43,138	39,457
Expenses recognised in profit and loss	2,378	168	2,546	2,563
Remeasurements recognised in other comprehensive income	1,103	-	1,103	1,724
Benefit payments	(2,525)	(148)	(2,673)	(794)
Net liability as at 31 December	42,515	1,350	43,865	42,889
Thereof: Current portion	1,336	172	1,508	1,682
Non-current portion	41,280	1,178	42,458	41,308

Expenses recognised in the consolidated income statement

In thousands of EUR	Post-employment benefits	Other benefits	2020	2019
Current service cost	1,969	74	2,043	1 867
Unwinding of interest (Note 26)	409	13	422	542
Immediately recognised actuarial losses	–	81	81	154
Expenses for the year	2,378	168	2,546	2 563

Actuarial assumptions

Assumptions regarding future mortality are based on published mortality tables valid in the Slovak Republic in the year 2019 issued by the Statistical Office of the Slovak Republic during the year 2020 (used for valuations at 31 December 2020) and based on published mortality tables valid in the Slovak Republic in the year 2018 issued by the Statistical Office of the Slovak Republic during the year 2019 (used for valuations at 31 December 2019).

Other actuarial assumptions are disclosed below:

	2020	2019
Discount rate as at 31 December	0.69%	1%
Future earnings increases	SE: 2021: 1.9% 2022: 1.1% 2023: 1.9% Since 2024: 1.7% OBSE: 2021: 4.2% Since 2022: 1%	SE: 2.5% OBSE: 2020: 7% Since 2021: 2.5%
Average fluctuation rate	SE: 2% OBSE: 7%	SE: 2.5% OBSE: 8%
Retirement age	SE: according to valid legislation; OBSE: according to valid legislation	SE: according to valid legislation; OBSE: according to valid legislation

Historical information

In thousands of EUR	2020	2019	2018	2017	2016	2015
Present value of the defined benefit obligation as at 31 December	43,966	42,990	39,497	40,732	35,229	66,519

Sensitivity analysis

The sensitivity of the provision to the change in significant assumptions is shown in the table below:

In thousands of EUR	*31 December 2020*	*Discount rate*		*Future salary increase*
		+ 0.50%	- 0.50%	+ 0.50%
Net liability from defined benefit obligation	43,966	(1,998)	2,180	1,415

In thousands of EUR	*31 December 2019*	*Discount rate*		*Future salary increase*
		+ 0.50%	- 0.50%	+ 0.50%
Net liability from defined benefit obligation	42,990	(1,945)	2,103	1,946

18. Other provisions

In thousands of EUR	*Environmental provision*	*Legal provision*	*Provision for emissions*	*Other provisions*	*Total*
Balance as at 1 January 2020	**9,179**	**11,451**	**45,154**	**2**	**65,786**
Provisions made during the period	-	104	41,388	2	41,492
Provisions used during the period	(388)	-	(43,089)	(2)	(43,479)
Unwinding of interest (Note 26)	384	-	-	-	384
Effect of change in estimates through income statement	436	-	(65)	-	373
Effect of change in estimates through equity	18	-	-	-	18
Reclass from other payables	-	541	-	-	541
Balance as at 31 December 2020	**9,631**	**11,636**	**41,388**	**2**	**62,715**
Non-current portion	9,147	11,636	-	-	20,843
Current portion	484		41,388	2	41,872
Balance as at 1 January 2019	**9,527**	**11,362**	**33,143**	**35**	**54,067**
Provisions made during the period	-	89	43,154	2	43,245
Provisions used during the period	(1,845)	-	(34,264)	(35)	(36,144)
Unwinding of interest (Note 26)	407	-	-	-	407
Effect of change in estimates through income statement	205	-	1,121	-	1,326
Effect of change in estimates through equity	485	-	-	-	485
Release of provision	-	-	-	-	-
Balance as at 31 December 2019	**9,179**	**11,451**	**45,154**	**2**	**65,786**

Environmental provision

The environmental provision is recognised for the recultivation of waste dumps and the removal of confirmed environmental burdens in accordance with the environmental legislation valid in the Slovak Republic and in line with the Group's published environmental policy.

The Group owns and operates several waste dumps and has a legal obligation to recultivate them once their capacity is filled up. The Group recognises this provision based on the expected future disbursements arising at the expected date of closure of these dumps.

The provision for the removal of environmental burdens, where the Group is confirmed originator, is recognised at the value of the estimated future costs for their clearance.

The present value of the environmental provision as at 31 December 2020 is calculated based on applying 2% inflation rate (31 December 2019: 2%) and a discount rate ranging from 3.88% to 4.06% (31 December 2019: 3.99% to 4.26%) over forecasted disbursement schedules.

Legal provision

Based on estimate of the Group's management, a provision for legal cases against the companies of the Group has been recognised to reflect probability of an unfavourable resolution of these legal disputes, including the court fees and other related legal fees.

Provision for emission allowances

Provision for emission allowances was recognised for the greenhouse gas emissions discharged during the period. The provision is measured at the estimated quantity of the emissions discharged for the period of a calendar year, valued by the unit market price or unit contracted price of the emission allowances designated for the purposes of compliance under the European Union Emissions Trading Scheme and the valid legislation in the Slovak Republic.

19. Loans and borrowings

In thousands of EUR	Nominal interest rate (%)	Maturity	2020	2019
Current loans and borrowings				
Loans payable to banks	0.721 – 6.00	2021	1,250,949	264,206
Subordinated loan (accrued interest)	5.92	2021	49	38
Obligations from finance lease (Note 5)	5.75	2021	3,725	3,534
Total current loans and borrowings			**1,254,723**	**267,778**
Non-current loans and borrowings				
Loans payable to banks	0.721 – 6.00	2022 - 2026	1,803,444	2,907,205
Subordinated loan	5.92	2027	452,542	350,903
Obligations from finance lease (Note 5)	5.75	2022 - 2043	7,749	11,465
Total non-current loans and borrowings			**2,263,735**	**3,269,574**

The substantial part of the loan portfolio is collateralized via pledge over a selected portfolio of assets of the Group. The carrying amount of the pledged assets is disclosed in the Note 29.

As at 31 December 2020 out of the total amount of loan facilities drawn, the Group recognized EUR 185,000 thousand of revolving loans which are classified as long-term (as at 31 December 2019: EUR 185,000 thousand), since the Group has the discretion and intention to roll over the obligation for more than twelve months after the reporting period under the existing loan facilities.

The Group has signed a contract with Slovak Power Holding B.V. to provide a subordinated debt up to the amount of EUR 700 million, out of which EUR 439 million was drawn as at 31 December 2020 (EUR 345 million as at 31 December 2019).

As at 31 December 2020 (and as at 31 December 2019) the Group was not in breach of any financial or non-financial covenants defined in the loan facility agreements.

In the interest of fulfilment of undertakings resulting from loan agreements the Group agreed with relevant creditors on prolongation of deadlines for fulfilment of certain non-financial covenants. With regards to the ongoing negotiation between the Group and all its creditors with aim to unify certain provisions of loan agreements, the creditors agreed with temporary prolongation of deadlines for fulfilment of certain non-financial covenants as of the reporting day. The final prolongation of deadline shall be part of complex agreement between the Group and its creditors. As the agreed prolongation of deadlines as at 31 December 2020 did not exceed period of 12 months the Group assessed that conditions of IFRS for long term presentation of financial liabilities have not been met and recognized the loans in the value of EUR 1,039,280 thousand as short term.

As at 31 December 2020 and 31 December 2019, the scheduled repayments of loans and borrowings, excluding the effect of the reclassification of the non-current portion of loans and borrowings as described above, are as follows:

In thousands of EUR	2020	2019
On demand or within one year	245,443	267,778
In the second to third year inclusive	129,427	60,351
Beyond the third year	3,143,579	3,209,223
Total	**3,518,449**	**3,477,352**

Overview of undrawn credit lines balances:

In thousands of EUR	2020	2019
Uncommitted credit lines	51,321	65,251
Specific purpose loan loans	460,851	453,441
Subordinated loan	262,000	355,000
Total	**774,172**	**873,692**

Overview of the loans' movements during the year 2020 and 2019 is as follows:

			Non-cash movements		
In thousands of EUR	*Balance as at 1 January 2020*	*Cash flows*	*Other*	*Foreign exchange differences*	*Balance as at 31 December 2020*
Loans payable to banks	-3,111,412	(4,422)	(1,204)	(51,312)	-3,054,294
Subordinated loan	350,941	93,000	8,650	-	452,591
Obligations from finance lease (Note 5)	14,999	(4,006)	472	-	11,465
Total current and non-current loans and borrowings	3,477,352	84,571	7,938	(51,312)	3,518,449

			Non-cash movements		
In thousands of EUR	*Balance as at 1 January 2019*	*Cash flows*	*Other*	*Foreign exchange differences*	*Balance as at 31 December 2019*
Loans payable to banks	2,851,290	236,953	(13,896)	27,077	3,111,412
Subordinated loan	244,661	101,000	5,280	-	350,941
Obligations from finance lease (Note 5)	1,580	(3,415)	16,834	-	14,999
Total current and non-current loans and borrowings	3,197,521	334,538	8,216	27,077	3,477,352

Total interest calculated using effective interest method amounted to EUR 189,283 thousand in 2020 (2019: EUR 142,549 thousand), out of which EUR 187,532 thousand was capitalized (2019: EUR 140,859 thousand) as disclosed in Note 5.

20. Other liabilities

Other liabilities consist of accrued expenses, mostly related to fees paid to the short-term electricity market operator, deferred income from derivative transactions, deferred income from grants, long-term advance payments received and other non-current liabilities.

Deferred income from derivative transactions relates to the initial value of the embedded options as at the date of the conclusion of the long-term electricity contract with Slovalco, a. s. For further detail see Note *f*.

Other liabilities comprise the following:

In thousands of EUR	2020	2019
Deferred income from derivative transactions	777	1,554
Other deferred income	45	27
Accrued expenses – fees related to electricity sales	5,199	4,942
Accrued expenses – air pollution charges	124	152
Grants	293	293
Other non-current liabilities	2,253	2,262
Total	8,691	9,230
Non-current portion	2,513	2,556
Current portion	6,145	6,674

21. Trade and other current payables

In thousands of EUR	2020	2019
Financial liabilities		
Trade payables	**227,835**	**247,138**
Other current liabilities		
Social security payables	5,897	5,764
Payables to employees	29,525	30,652
Other direct taxes	12,561	7,748
Short-term provisions	15,721	15,831
Other payables	4,438	11,095
Total other current liabilities	**68,836**	**71,090**
Total trade and other current payables	**295,672**	**318,228**

Terms and conditions of the above stated financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and with an average term of payment of one to three months.
- For terms and conditions relating to related parties, refer to Note 28.

For explanations on the Group's credit risk management processes, refer to Note 31.

The social fund payable is included in other non-financial liabilities. The creation and use of the social fund during the period are shown in the table below:

In thousands of EUR	2020	2019
At the beginning of the period	**1,236**	**934**
Legal creation through expenses	1,405	1,315
Usage	(1,521)	(1,013)
At the end of the period	**1,120**	**1,236**

Trade and other payables divided into due and overdue are shown in the table below:

In thousands of EUR	2020	2019
Trade and other payables due	294,448	317,835
Trade and other payables overdue	624	393
Total	**295,072**	**318,228**

22. Electricity and heat revenues and cost of electricity purchased for resale

Electricity and heat revenues comprise the following:

In thousands of EUR	2020	2019
Domestic sales, including traders	997,594	888,297
Ancillary services	71,094	73,012
Regulating electricity	1,222	3,229
Deviation/Imbalance	9,351	8,634
Revenues from tariff from system operation	112,692	116,638
Heat revenues	24,418	23,744
Other	9,799	9,890
Domestic revenues	**1,225,170**	**1,123,159**
Foreign sales	1,646,762	1,321,346
Total electricity and heat revenues	**2,871,932**	**2,444,505**

Cost of electricity purchased for resale comprise the following:

In thousands of EUR	2020	2019
Purchase of electricity	1,771,161	1,481,599
Electricity fees	84,850	80,199
Other	18,116	16,247
Cost of electricity purchased for resale	**1,874,127**	**1,578,045**

23. Other operating income and other operating costs

Other operating income comprises the following:

In thousands of EUR	2020	2019
Rental income	725	733
Gain on sale of emission allowances	16,979	52,295
Amortisation of deferred income	10	117
Gain on sale of property, plant and equipment	550	17
Contractual fines	723	1,454
Gain on sale of material	-	423
Compensation of damage	1,703	10
Income from settlement agreements	675	413
Revenue from rendering of other services	4,430	5,197
Other	477	139
Total other operating income	**26,272**	**61,798**

Other operating costs, other than depreciation, amortisation and impairment, comprise the following:

In thousands of EUR	2020	2019
Local taxes and environmental charges	16,191	15,290
Insurance costs	4,872	5,491
Charges in other provisions	540	295
Commodity derivatives, net	24,866	30,314
Contractual fines	401	295
Membership fees	832	911
Charges in provision for reinstatement of damages caused by extractions	186	(555)
Charges in provision for emission allowances	41,321	44,276
Write off of receivables	499	-
Other	409	159
Total other operating costs	**90,317**	**96,476**

The expenses for services provided by auditor to the Group were as follows:

In thousands of EUR	2020	2019
Audit of the financial statements	169	170
Related audit services	4	33
Other non-audit services	156	20
Total	**329**	**223**

24. Personnel expenses

In thousands of EUR	2020	2019
Wages and salaries	88,988	87,230
Social security costs	33,052	31,803
Other social expenses	5,115	5,795
Employee benefits (Note 17)	2,124	2,021
Change in provision for long-term incentives	-	(107)
Severance payments	1,012	1,239
Personnel expenses	**137,271**	**133,841**

25. Depreciation, amortisation and impairment

In thousands of EUR	2020	2019
Depreciation charge - property, plant and equipment (Note 5)	211,302	199,318
Amortisation charge - intangible assets (Note 6)	1,456	1,934
Impairment loss through income statement - property, plant and equipment (Note 5)	2,275	15,382
Impairment loss through income statement – intangible assets (Note 6)	95	-
Change in estimate of provision for dismantling of thermal power plants (Note 16)	-	(31)
Change of allowance for expected credit losses, net (Note 11)	(3,422)	1,146
Other	17	5
Depreciation, amortisation and impairment	**211,724**	**217,644**

26. Finance income and costs

In thousands of EUR	2020	2019
Interest income	2,472	2,644
National Nuclear Fund – interest received (Note 15)	31,539	30,691
Embedded derivatives – release of deferred revenues (Note 20)	777	777
Revaluation gain from ineffective hedging derivatives	803	669
Finance income	**35,591**	**34,781**

In thousands of EUR	2020	2019
Foreign exchange differences, net	460	742
Unwinding of interest – provision for nuclear decommissioning and storage costs (Note 15)	91,060	86,830
Unwinding of interest – provision for dismantling of thermal power plants (Note 16)	5,195	5,220
Unwinding of interest – employee benefits (Note 17)	422	542
Unwinding of interest – other provisions (Note 18)	384	407
Embedded derivatives – change in valuation (Note 30)	451	305
Other	5,516	5,190
Finance costs	**103,488**	**99,286**

27. Income tax expense

Current and deferred tax expense

In thousands of EUR	2020	2019
Current tax expense	**40,122**	**13,618**
Out of that: Tax for current period	42,967	13,608
Tax for previous years recognised in the income statement	155	10
Deferred tax expense		
Origination and reversal of temporary differences	(16,269)	(5,162)
Income tax recognised in the income statement	**25,853**	**8,448**

In accordance with the valid legislation as at 31 December 2020 the Group applied the tax rate of 21% for income tax calculation (21% in the year 2019) and 21% for deferred tax calculation (21% in the year 2019).

Current income tax receivable amounting to EUR 48 thousand recognised as at 31 December 2020 is related to the income tax position as at the balance sheet date (31 December 2019: EUR 186 thousand).

Current income tax liability amounting to EUR 50,810 thousand recognised as at 31 December 2020 is related to the income tax position and to the position in respect of the special levy on business in regulated industries as at the balance sheet date (31 December 2019: EUR 21,083 thousand).

Special levy

On 23 November 2016, the National Council of the Slovak Republic adopted an amendment to the Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries with effect from 31 December 2016. The amendment states the force of the legislation is delayed ad infinitum, i.e. the special levy is paid also beyond the year 2016. The amendment also increased the monthly rate from 0.00383 to 0.00726 for the period of the year 2017 and 2018 and to 0.00545 in years 2019 and 2020. Starting from the year 2021 the monthly rate is determined at 0.00383. Pursuant the amendment the basis for the special levy has been changed as well and since 2017 the levy is paid only from the regulated activities.

Reconciliation of effective tax rate

In thousands of EUR		2020		2019
Profit for the period		59,779		22,801
Total income tax expense		26,853		8,448
Profit before income tax		**86,632**		**31,249**
Income tax using the Group's domestic tax rate	21%	18,193	21%	6,562
Special levy on business in regulated industries		1,767		778
Non-deductible expenses/revenues, net	8%	6,738	4%	1,140
Income tax recognised before prior year adjustments	**31%**	**26,698**	**27%**	**8,480**
Current tax for previous years recognised in the income statement		155		10
Income tax recognised in the income statement	**31%**	**26,853**	**27%**	**8,448**

Deferred tax recognised directly in equity

In thousands of EUR	2020	2019
Net movement on cash flow hedges	11 594	(16,445)
Revaluation of property, plant and equipment	–	(133,739)
Changes in valuation of property, plant and equipment	(5)	241
Remeasurement losses on defined benefit plans	232	362
Change in estimate of the provision for nuclear decommissioning and storage costs	10 862	5,023
Change in estimate of the provision for dismantling of thermal power plants	601	128
Change in estimate of the environmental provision	4	102
Total deferred tax recognised directly in equity	**23 378**	**(144,324)**

Deferred tax assets and liabilities

	Assets		*Liabilities*		*Net*	
In thousands of EUR	2020	2019	2020	2019	2020	2019
Property, plant and equipment	–	–	(679,351)	(667,396)	(679,351)	(667,396)
Derivatives and cash flow hedges	23,400	4,228	–	–	23,400	4,228
Embedded derivatives	–	–	(42)	(137)	(42)	(137)
Inventories	2,659	1,985	–	–	2,659	1,985
Employee benefits	9,286	9,066	–	–	9,286	9,066
Provision for nuclear decommissioning and storage costs	509,523	454,849	–	–	509,523	454,849
Provision for dismantling of thermal power plants	28,678	26,640	–	–	28,678	26,640
Receivable from the sale of the VEG assets	4,242	4,752	–	–	4,242	4,752
Right for reimbursement from the National Nuclear Fund	–	–	(301,543)	(281,214)	(301,543)	(281,214)
Other	18,224	21,719	(3,046)	(2,109)	15,178	19,610
Balance as at 31 December	**596,012**	**523,239**	**(983,982)**	**(950,856)**	**(387,970)**	**(427,617)**

Movement in temporary differences during the year

In thousands of EUR	*Balance as at 1 December 2019*	*Recognised in profit or loss*	*Recognised in equity*	*Balance as at 31 December 2019*	*Recognised in profit or loss*	*Recognised in equity*	*Balance as at 31 December 2020*
Property, plant and equipment	(526,971)	(6,928)	(133,497)	(667,396)	(11,950)	(5)	(679,351)
Derivatives and cash flow hedges	15,645	5,025	(16,442)	4,228	7,488	11,684	23,400
Embedded derivatives	(201)	64	-	(137)	95	–	(42)
Inventories	1,501	484	-	1,985	674	–	2,659
Employee benefits	8,446	258	382	9,086	(12)	232	9,286
Provision for nuclear decommissioning and storage costs	425,205	24,621	5,023	454,849	43,812	10,862	509,523
Provision for dismantling of thermal power plants	26,408	104	126	26,640	1,457	681	28,678
Receivable from the sale of the VEG assets	5,282	(530)	-	4,752	(510)	–	4,242
Right for reimbursement from the National Nuclear Fund	(251,171)	(20,043)	-	(281,214)	(20,329)	–	(301,543)
Other	17,401	2,107	102	19,610	(4,436)	4	15,178
Deferred tax liability	**(288,455)**	**5,162**	**(144,324)**	**(427,617)**	**16,263**	**23,378**	**(387,976)**

As at 31 December 2020 the Group recognised a deferred tax position in the net amount of EUR 50,201 thousand (31 December 2019: EUR 28,040 thousand) on the face of the consolidated balance sheet (deferred tax asset) from the temporary differences on the following items: dismantling asset, right for reimbursement from the National Nuclear Fund, provision for decommissioning of nuclear power plants, part of provision for storage and disposal of spent nuclear fuel related to its final disposal in the deep geological repository.

As of 17 October 2018, a new Act No. 308/2018 on the National Nuclear Fund was passed that introduces new legal requirements regarding post operation and decommissioning of nuclear power plants, with the effective date as of 1 January 2019.

With regards to the long-term horizon of the final stage of peaceful utilization of nuclear energy it is not possible to anticipate impact of changes on tax deductibility in future with reference to the valid pronouncements of the Act on the National Nuclear Fund. Under the prudency principles the Group currently resolved not to alter the said tax position.

28. Related party transactions

Related parties have been identified as associates, shareholders, directors and management of the Group and entities controlled by the government that the Group transacts with.

The Group had the following transactions and outstanding balances with related parties as at and for the year ended 31 December 2020:

In thousands of EUR	Revenues	Costs	Receivables	Payables
Shareholders				
Slovak Power Holding B.V.	–	25,572	–	452,591
Companies of ENEL Group	60,291	82,055	5,086	24,245
Companies of EPH Group	151,808	59,705	20,707	20,185
Government related entities*	296,591	118,887	118,423	21,995
Associates				
Energotel, a.s.	68	1,047	14	331
REAKTORTEST, s.r.o.	–	9,021	–	47
ÚJV Řež, a.s.	2	2,451	–	1,795
European Mutual Association (EMANI)	–	2,037	–	-
European Liability Insurance for the Nuclear Industry (ELINI)	–	1,022	–	21
Companies related to key management personnel	150	587	89	102
Total	508,918	302,384	144,319	521,312

* The Group discloses only those transactions and balances with the government related entities, which are significant.

The Group had the following transactions and outstanding balances with related parties as at and for the year ended 31 December 2019:

In thousands of EUR	Revenues	Costs	Receivables	Payables
Shareholders				
Slovak Power Holding B.V.	–	15,595	–	350,941
Companies of ENEL Group	98,819	113,373	9,030	46,320
Companies of EPH Group	106,744	64,884	15,695	5,293
Government related entities *	250,569	61,214	103,765	19,624
Associates				
Energotel, a.s.	69	999	20	269
REAKTORTEST, S.R.O.	–	10,768	–	-
ÚJV Řež, a.s.	2	3,820	–	1,996
European Mutual Association (EMANI)	–	1,944	–	-
European Liability Insurance for the Nuclear Industry (ELINI)	–	883	–	252
Companies related to key management personnel	–	295	–	86
Total	456,203	293,775	128,511	424,781

* The Group discloses only those transactions and balances with the government related entities, which are significant.

For information regarding the transactions with VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK, see the Note 11 and 29.

Transactions with National Nuclear Fund are disclosed in the Note 15.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months from the reporting date, except for the non-current receivable from VV (see Note 11) and right for reimbursement from National Nuclear Fund (see Note 15). None of the balances is secured.

Statutory bodies of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2020, the Company's statutory bodies have the following composition:

The Board of Directors:	Ing. Stanislav Stýrský, Chairman of the Board
	Michele Bologna, Vice-chairman of the Board
	JUDr. Radoslav Zigo, Vice-chairman of the Board (from 31 October 2020)
	Ing. Jaroslav Holubec
	Ing. Lukáš Maršálek
	Pedro José Cañamero González
	Ing. Ľubomír Tomík (from 29 August 2020)
	Ing. Milan Horváth (from 29 August 2020)
The Supervisory Board:	Ing. Ivan Šramko, Chairman of the Board (from 1 October 2020)
	Jiří Feist, Vice-chairman of the Board (from 30 May 2020)
	Stanislav Kysel
	Ing. Bohumil Kratochvíl
	Pavel Janík
	Jan Sířitský
	Mgr. Zdenek Turian
	Ján Topoľovský
	Ing. Jozef Tschirner (from 1 October 2020)
	Maria Antonietta Gianneli
	Giuseppe Ferrara
	Stefano Checchi (from 8 January 2020)
	Elisabetta Barberi

The membership in the Company's statutory bodies which ended during 2020:

	Ing. Peter Hlbocký, Vice-chairman of the Board (by 28 February 2020)
	Pavol Štuller, MBA (by 24 January 2020)
	Ing. Martin Suchánek (by 28 August 2020)
	JUDr. Peter Hajdučík, Vice-chairman of the Board (by 30 September 2020)
	Ľudovít Hasaj (by 12 May 2020)
	Jozef Ondrejička (by 12 May 2020)
	doc. JUDr. Boris Balog (by 30 September 2020)
	Andrea Pingentini (by 7 January 2020)

Emoluments of the members of the Board of Directors:

in thousands of EUR	2020	2019
Salaries and other short-term employee benefits	1,380	1,532
Benefits in kind	29	21
Total	1,409	1,553

Emoluments of the members of the Supervisory Board:

in thousands of EUR	2020	2019
Salaries and other short-term employee benefits	96	237
Total	96	237

Emoluments of the members of the key management:

in thousands of EUR	2020	2019
Salaries and other short-term employee benefits	4,079	4,153
Benefits in kind	114	80
Total	4,193	4,233

No loans and advance payments have been granted to the key management and the members of the Board of Directors and the Supervisory Board. No guarantees have been granted to the key management and the members of the Board of Directors and the Supervisory Board.

28. Commitments and contingencies

Short-term and low value lease commitments – Group as the lessee

Short-term and low value lease charges comprise:

in thousands of EUR	2020	2019
Lease of cars	1,633	1,705
Lease of land and buildings	552	873
Lease of IT and telecommunication devices	981	1,052
Total	3,176	3,630

The Group has entered into contracts on lease of cars and IT and telecommunication devices with definite terms. The Group has entered into contracts on lease of land and buildings with definite and indefinite terms.

The future minimum lease payments under non-cancellable lease contracts are as follows:

in thousands of EUR	2020	2019
Less than one year	2,412	2,540
Between one and five years (inclusive)	1,853	3,394
More than five years	619	260
Total	4,884	6,194

Short-term and low value lease commitments – Group as the lessor

Short-term and low value lease revenues comprise:

in thousands of EUR	2020	2019
Lease of land and buildings	809	711
Lease of IT and telecommunication devices	6	6
Lease of cars	13	16
Total	822	733

The Group has entered into contracts on those leases with both, definite and indefinite terms.

The future minimum lease payments under non-cancellable leasees are as follows:

in thousands of EUR	2020	2019
Less than one year	783	726
Between one and five years (inclusive)	1,359	909
More than five years	956	368
Total	3,198	2,003

Capital commitments

The Group is engaged in continuous capital expenditure programs, including environmental improvements and the modernization, replacement and expansion of existing power generation facilities and continuing of construction of Mochovce 3&4. As at 31 December 2020 the Group has concluded contracts to purchase property, plant and equipment in overall amount of EUR 5,698,838 thousand (31 December 2019: EUR 5,516,782 thousand), thereof EUR 284,314 thousand was not yet utilized as at 31 December 2020 (31 December 2019: EUR 305,388 thousand).

Legal claim contingency

The Group is involved in various litigations in the ordinary course of its business. Except for the legal proceedings specified below and the litigations for which the provision has been recognised (see Note 18), the Group is not currently involved in any legal proceeding that is expected, either individually or in aggregate, to have a significant effect on the accompanying consolidated financial statements.

VEG court proceedings

The Company, the company VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK (hereinafter as the "VV") and certain other entities are involved in several court disputes pertaining VEG Operating Agreement (hereinafter as the "Operating Agreement") signed on 10 March 2006 as amended by the Amendment No. 1 dated 17 July 2006, the Agreement on Settlement of Legal Relations with respect to the VEG Assets (hereinafter as the "Settlement Agreement") signed on 24 March 2006 as well as the Agreement of Indemnity signed on 22 March 2006 between the National Property Fund of the Slovak Republic (hereinafter as the "NPF") and the Company (hereinafter as the "Indemnity Agreement").

Finished court proceedings

1. Actions on invalidity of the VEG Operating Agreement

The Company was party to dispute in two proceedings concerning invalidity of the Operating Agreement. The court definitely decided that the Operating Agreement is invalid in the proceedings initiated by the Public Procurement Office.

Another legal action was raised by VV, but the court stopped these proceedings due to the final decision about invalidity of the Operating Agreement in proceedings initiated by the Public Procurement Office.

2. Action on invalidity of the Agreement of Indemnity

The Company was party to dispute in the proceedings concerning invalidity of the Agreement of Indemnity initiated by the National Property Fund of the Slovak Republic (legal predecessor of MH Manažment, a.s.) on declaration of the Agreement of Indemnity null and void. The court definitely dismissed the action.

Court proceedings ongoing

1. Action initiated by VV challenging the Indemnity Agreement

On 20 June 2008, VV filed an action (against the Company as well as against the NPF) claiming that the Indemnity Agreement is null and void arguing, in essence, that it (i) does not comply with the International Treaty, (ii) is contrary to several laws and good morals and fair commercial relations.

On 27 September 2017, the court dismissed the action filed by VV. VV filed an appeal on 27 November 2017. The appellate proceeding confirmed the dismissal of the action by the first instance court.

On 9 March 2020, VV filed an extraordinary appeal (dovolanie). The extraordinary appellate proceeding is pending.

2. Action initiated by VV challenging the Settlement Agreement

On 20 June 2008, VV filed an action claiming that Article 8 of the Settlement Agreement is null and void arguing, in essence, that: (i) it does not comply with the International Treaty, (ii) is contrary to several laws and good morals and fair commercial relations. The National Property Fund of the Slovak Republic, the Ministry of Economy of the Slovak Republic and Slovenský energetický podnik, štátny podnik v likvidácii, act as other defendants.

The company MH Manažment, a.s. entered into the proceedings as a legal successor of the NPF. The judge's preliminary legal assessment of the matter complies with the Company's legal argumentation. At the hearing of 5 March 2019, the court dismissed VV's legal action and awarded the right for the reimbursement of the costs of the proceeding in full extent to the other parties in the dispute.

In May 2019, both VV and the Ministry of Economy of the Slovak Republic filed an appeal. The appellate proceeding is pending.

3. Several court disputes in which VV claims unjustified enrichment allegedly gained by the Company due to the operation of the VEG

In ten disputes, VV claims from the Company the amount of 35% share on revenues gained by the Company during operation of the VEG on the basis of the allegedly invalid Operating Agreement for years 2008 – 2015 in total amount of EUR 364,485 thousand (the principal).

Each of the disputes covers one year, or its respective part from the period of 2008 through 2015.

The Company filed a statement for setting up a counterclaim (i.e. for preventive reasons the Company raised its claim to receive payment of services rendered in connection with operation of the VEG in case that the Operating Agreement is null and void).

During 2018 – 2019, the Company raised counterclaims against VV arising from invalidity of the VEG Operating Agreement and also financial compensation for non-financial performance.

In the proceeding concerning recovery of unjustified enrichment for the year 2012 the court dismissed VV's legal action and also the Company's counterclaim on 25 April 2018; on 7 June 2019 VV filed an appeal and on 21 June 2019 the Company filed an appeal. The appellate proceeding is pending.

In the proceedings concerning recovery of unjustified enrichment for the years 2008 – 2008 the court dismissed VV's legal action and also the Company's counterclaim on 26 June 2019; on 17 July 2019 VV filed appeals and on 30 July 2019 the Company filed appeals. The appellate proceedings are pending.

In the proceedings concerning recovery of unjustified enrichment for the year 2010 and for the year 2013, the parties to dispute submitted the closing statements (záverečná reč) and the court will decide about the merit of the dispute on the very next scheduled hearing. The proceedings are pending.

All other proceedings on Unjust Enrichment Proceedings (concerning years 2009, 2011, 2014 and 2015) are pending.

4. Action initiated by VV to recover the amounts paid to the Company under the Settlement Agreement

On 8 July 2015, VV filed a claim requesting that the Company is ordered to pay to VV the amount of EUR 43,279 thousand (plus default interests) corresponding to the amount already fulfilled by VV to the Company for VEG assets carved out from the Company's assets in 2006 under the Settlement Agreement. VV argues that the Company should have never received such compensation for VEG assets given the invalidity of the Operating Agreement and the fact that a transfer of VEG assets to the Company in 1994 was illegal. In reaction to the Company's objections, VV decreased requested amount to EUR 20,385 thousand (plus default interests).

During the hearing on 18 December 2020, the VV's action was dismissed.

On 4 January 2021, VV filed an appeal. The appellate proceeding is pending.

5. The Company's claim for annual settlement

On 31 December 2014, the Company filed the claim for a balance resulting from the annual settlement for year 2010 which has not been paid until the date of these financial statements by VV in the amount of EUR 5,824 thousand (including VAT) with default interest.

On 22 January 2019 the court rendered a ruling about cessation in the proceeding. On 10 October 2019 the court dismissed the Company's legal action. Subsequently, on 15 November 2019 the Company filed an appeal.

On 23 January 2021, the appellate court confirmed the dismissal of the Company's action. The Company is considering filing an extraordinary remedy.

6. The Company's claim for a return of payments made under Article 10 of the Operating Agreement

On 12 November 2014, the Company filed a claim for EUR 23,857 thousand with default interest, i.e. the return of a regular payment made under Article 10 of the Operating Agreement in the amount not yet statute-barred. The Company argues, in essence, that the contractual conditions under Article 10 of the Operating Agreement by VV for receiving a regular payment were not fulfilled and that the Company was never obliged to pay approximately EUR 5 million per year.

On 22 January 2019 the court rendered a ruling about continuation in the proceeding. The proceeding is pending. On 10 October 2019 the court dismissed the Company's legal action.

Subsequently, on 15 November 2019 the Company filed an appeal.

On 24 September 2020, the appellate court cancelled the decision on dismissal of the action and returned the matter for further proceeding and deciding of the first instance court.

The proceedings is pending.

Other court proceedings

1. Court proceedings with SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik

The Company is and was involved in several court disputes with SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik (hereinafter as the "SVP").

The Company open the negotiations with SVP about possible settlement of the mutual receivables and out-out-court closing of all disputes.

a) active and passive dispute pertaining an offtake of surface water from Liptovec river in 2002

(i) passive dispute initiated by SVP

In the court proceeding initiated by SVP in 2004 for payment of the EUR 5,847 thousand (principal) and default interests, SVP prevailed on both instances and the Company paid to SVP, in 2010, the amount of EUR 10,004 thousand.

Subsequently, in 2012, the Company was successful with its constitutional complaint and the judgment ordering the Company to pay the above-mentioned amount was cancelled and the matter was referred back to the courts to rehear the case.

In the expert opinion, from expert appointed by the court, a market price for the surface water off-take was stated in amount of EUR 1,550 thousand (without VAT).

This proceeding is still pending in the first instance.

(ii) active dispute initiated by the Company

Given the fact that SVP refused to return EUR 10,004 thousand paid originally by the Company under the judgment in the passive dispute in 2010 which was set aside by the Constitutional Court, the Company sued SVP for payment of this sum and obtained the judgment (effective and enforceable) ordering SVP to pay the Company EUR 10,004 thousand and default interests.

Until now, SVP has not paid this amount.

b) passive dispute related to the commission for recovery of SVP's receivables against the Company performed by the company BRNO TRUST, a.s. for SVP

The Company is involved in a court dispute with SVP for payment of an amount of EUR 7,801 thousand and default interests.

The Company prevailed in both instances, but the general prosecutor filed an extraordinary review which reversed the matter in the end to the first instance proceedings.

On 20 October 2020, the first instance court granted SVP's action and obliged the Company and BRNO TRUST to pay claimed amount, default interests and the reimbursement of the costs of proceedings jointly and severally.

On 2 December 2020, the Company and BRNO TRUST filed appeal. The appellate proceeding is pending.

2. Court proceedings related to G – component

The Company is involved in 3 court disputes with all distribution system operator after the cancellation of the part of the Regulatory Office for Network Industries' decree allowing distribution system operator to ask to pay a fee (so called G-component) from an electricity producer even without conclusion of the respective contract on access and electricity distribution given in the Energy Act, by the award of the Constitutional Court of the Slovak Republic.

The Company asked for back-payment of the payments of G-component for years 2014 – 2017, in aggregate app. amount of EUR 54,017 thousand.

3. Disputes concerning ČKD/BAZCOM

The company ČKD PRAHA DIZ, a.s. (hereinafter the „ČKD") performed the work for the Company until the termination of the contract. The Company has the receivables and the liabilities from this contract.

(i) the insolvency proceedings of ČKD

In 2016, the insolvency proceedings of ČKD has started in the Czech Republic and in 2017 the bankruptcy of ČKD was declared. The Company registered into the insolvency proceedings the receivables amounting to EUR 6.6 million, which were rejected by the insolvency trustee almost in full.

The insolvency proceeding is pending.

(ii) the insidence proceedings of ČKD (on determination of the title and amount of the receivables)

Due to the fact that the insolvency trustee rejected almost all registered receivables in 2017, the Company filed a legal action for their determination in the amount of EUR 6.6 million against the insolvency trustee.

The proceeding is pending.

(iii) the arbitration BAZCOM vs SE

Within the insolvency proceedings, in 2020 the insolvency trustee assigned ČKD receivables towards the Company in app. amount of EUR 15.4 million to the company Bazcom, a.s. (hereinafter the „BAZCOM").

On 13 May 2020, BAZCOM filed a Request for Arbitration with the ICC International Court of Arbitration and subsequently its supplement by which requires payment of an amount of EUR 19.67 million with appurtenances.

The arbitration is stayed and parties to arbitration has already started the mediation.

The proceeding is pending.

Vienna Convention on Civil Liability for Nuclear Damage

Under the Vienna Convention on Civil Liability for Nuclear Damage (May 1963), the operator of a nuclear installation is absolutely liable for damages caused by nuclear incident. In the Slovak Republic the Vienna Convention entered into force on 7 June 1985. The Vienna Convention requires the operator of nuclear installation to maintain insurance or other financial security covering its liability for nuclear damage in such an amount, of such a type and in such terms as the installation state shall specify. The installation state may not reduce the limit of the operator's liability below USD 5 million (value of USD in terms of gold on 29 April 1963, that is to say USD 35 per one troy ounce of fine gold) per single nuclear incident.

On 19 March 2015 the National Council of the Slovak Republic approved the Act No. 54/2015 Coll. on Civil Liability for Nuclear Damage and on its Financial Coverage and on amendment and supplement of certain acts, which entered into force on 1 January 2016 and based on which the operator's liability for nuclear damage caused by each nuclear incident is limited to EUR 300 million for a nuclear installation for energy generation purposes and EUR 185 million for other nuclear installation and transport of radioactive material.

As at the balance sheet date the Group had in place liability insurance policies compliant with the indemnity limit of EUR 300 million for each operating nuclear installation (Jaslovské Bohunice and Mochovce) separately, a liability insurance policy compliant with the indemnity limit of EUR 185 million for units 3 and 4 of Mochovce nuclear power plant (in respect of a fresh nuclear fuel storage) and a policy for insurance of the liability for a damage caused by operation and handling of ionizing radiation sources with an indemnity limit up to EUR 1.4 million.

Financial guarantees

The Group has granted promise of indemnification in favour of its supplier, value of which amounted to EUR 4,468 thousand as at 31 December 2020 (as at 31 December 2019: EUR 4,840 thousand). The Group does not expect any reimbursements towards the supplier in this respect and therefore no liabilities were recognised on face of the balance sheet.

Except for the abovementioned, the Group did not have any financial guarantee contracts in favour of third parties as at 31 December 2020 and 31 December 2019.

Other inspections

The Group is subject to various controls performed by the state authorities. Although the Group cannot exclude that any of these proceedings discover irregularities in its activities based on which the Group could be penalized, the management cannot determine any amount for which a provision should be recognised because of such proceedings. Due to that reason, no provision has been recognised for that purpose as at 31 December 2020 and as at 31 December 2019.

The Group has significant transactions with shareholders and other related parties and recognizes significant accounting transactions that are based on technical, financial and other expert assumptions which bear a certain extent of uncertainty. The tax environment in which the Group operates in is dependent on the prevailing tax legislation and practice. As the tax authorities are reluctant to provide official interpretations in respect of tax legislation, there is an inherent risk that the tax authorities may require, for example, transfer pricing or other adjustments of the corporate income tax base. The tax authorities in have broad powers of interpretation of tax laws which could result in unexpected results from tax inspections. The amount of any potential tax liabilities related to these risks cannot be estimated.

Pledged assets

As of the date of these financial statements the Group's long term tangible assets in the value of EUR 9,321,191 thousand (2019: in the value of EUR 9,059,366 thousand) and inventories in the value of EUR 24,680 thousand (2019: in the value of EUR 22,100 thousand) were pledged in favour of banks and loan creditors.

30. Fair values

The fair values of financial assets and liabilities, compared to the carrying amounts shown in the consolidated balance sheet, are as follows:

		31 December 2020		31 December 2019	
In thousands of EUR	*Note*	*Carrying amounts*	*Fair values*	*Carrying amounts*	*Fair values*
Non-current financial assets					
Other receivables	11	131,613	131,613	107,269	107,269
Embedded derivatives	7	–	–	622	622
Hedging derivatives	7	284	284	6,243	6,243
Other investments	9	5,914	5,914	5,495	5,495
Total non-current financial assets		**137,811**	**137,811**	**119,649**	**119,649**
Non-current financial liabilities					
Loans and borrowings	19	2,263,726	2,676,738	3,269,574	4,068,003
Hedging derivatives	7	199,947	199,947	99,115	99,115
Total non-current financial liabilities		**2,463,673**	**2,876,685**	**3,368,689**	**4,167,118**
Current financial assets					
Trade and other receivables	11	167,878	167,878	179,471	179,471
Embedded derivatives	7	200	200	29	29
Derivatives not designated as hedges	7	118,031	118,031	152,869	152,869
Hedging derivatives	7	27,574	27,574	29,927	29,927
Cash and cash equivalents	12	14,273	14,273	12,460	12,460
Total current financial assets		**328,256**	**328,256**	**374,756**	**374,756**
Current financial liabilities					
Loans and borrowings	19	1,254,723	1,568,660	207,778	207,778
Derivatives not designated as hedges	7	100,716	100,716	115,940	115,940
Hedging derivatives	7	44,330	44,330	65,683	65,683
Trade and other current payables	21	295,072	295,072	318,228	318,228
Total current financial liabilities		**1,694,841**	**2,008,778**	**708,629**	**708,629**

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between informed, willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, the individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2020 and 31 December 2019, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Fair value of quoted instruments is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using a valuation techniques with market observable inputs are mainly foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments and non-financial assets (see Note 5) by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As at 31 December 2020 the Group held the following financial instruments measured at fair value:

Financial assets measured at fair value

In thousands of EUR	Note	31 December 2020	Level 1	Level 2	Level 3
Embedded derivatives	7	200	-	200	-
Derivatives not designated as hedges	7	118,031	-	118,031	-
Hedging derivatives	7	28,158	-	28,158	-

Financial liabilities measured at fair value

In thousands of EUR	Note	31 December 2020	Level 1	Level 2	Level 3
Derivatives not designated as hedges	7	100,716	-	100,716	-
Hedging derivatives	7	244,277	-	244,277	-

As at 31 December 2019 the Group held the following financial instruments measured at fair value:

Financial assets measured at fair value

In thousands of EUR	Note	31 December 2019	Level 1	Level 2	Level 3
Embedded derivatives	7	651	-	651	-
Derivatives not designated as hedges	7	152,869	-	152,869	-
Hedging derivatives	7	36,170	-	36,170	-

Financial liabilities measured at fair value

In thousands of EUR	Note	31 December 2019	Level 1	Level 2	Level 3
Derivatives not designated as hedges	7	115,940	-	115,940	-
Hedging derivatives	7	165,798	-	165,798	-

There have been no transfers between the Levels 1 – 3 during 2020 and 2019.

The movement in fair value of embedded derivatives is summarized as follows:

In thousands of EUR	
Balance as at 1 January 2020	651
Change in fair value through profit or loss (Note 26)	(451)
Closing balance as at 31 December 2020	200

In thousands of EUR	
Balance as at 1 January 2019	956
Change in fair value through profit or loss (Note 26)	(305)
Closing balance as at 31 December 2019	651

The fair value of commodity derivatives not designated as hedges (net) is sensitive to movements in electricity prices, effect of which is summarized as follows:

Derivatives on electricity

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	17,938	624
Balance as at 31 December 2020	17,314	
10% increase	16,690	(624)

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	9,432	(16,408)
Balance as at 31 December 2019	25,840	
10% increase	42,247	16,407

Derivatives on other commodities

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	13,948	2,859
Balance as at 31 December 2019	11,089	
10% increase	8,230	(2,859)

The impact of shift in electricity and commodity prices by +/- 10 % has been calculated by changing the spot price at the valuation date or as at the reporting date.

The fair value of embedded derivative (net) that relates to the long-term electricity contract with Slovalco, a. s. is sensitive to movements in aluminium prices, as follows:

In thousands of EUR	*Fair value of embedded derivatives, net*	*Change*
10% decrease	1,089	889
Balance as at 31 December 2020	200	
10% increase	22	(178)

In thousands of EUR	*Fair value of embedded derivatives, net*	*Change*
10% decrease	2,171	1,520
Balance as at 31 December 2019	651	
10% increase	143	(508)

The impact of shift in aluminium prices by +/- 10 % has been calculated by changing the spot price at the valuation date or as at the reporting date.

31. Financial risk management objectives and policies

Following financial risks are related to the activities of the Group:

i) Credit risk;
ii) Liquidity risk,
iii) Market risk, which includes:
- Interest rate risk;
- Foreign currency risk;
- Commodity risk.

Risk management

As part of its operations, the Group is exposed to different market risks, notably the risk of volatility of commodity prices, interest rates and exchange rates as well as to the liquidity risk and to the credit risk. To minimize the risk implied from volatility of exchange rates and interest rates, the Group enters into transactions with required parameters or into derivative contracts with the intent to hedge individual risk using instruments available on the market.

Transactions that qualify for hedge accounting in line with the requirements of IFRS 9 are classified as hedging transactions, while those carried out with the intent of hedging that do not qualify for hedge accounting in line with IFRS 9 are classified as trading transactions.

Depending on their purpose and the decision of the management the financial derivative instruments are classified as:
- cash flow hedges, related to hedging the risk of changes in the cash flows;
- fair value hedges, related to hedging the risk of changes in the fair value;
- trading derivatives, related to hedging interest and exchange rate risk and commodity risk which do not qualify for recognition under IFRS 9 as hedges of specific assets, liabilities, commitments or future transactions.

The fair value is determined using the prices on the relevant markets. Accordingly, the impact on profit or loss and shareholders' equity depends on normal market developments. The credit risk with respect to the derivatives portfolio is considered as negligible since transactions are concluded solely with leading Slovak and international banks, and the exposure is therefore diversified among different institutions.

The Group hedges cash flows from sales of future electricity production against the risk of electricity price movement by selling the production via forward contracts up to 4 years prior to the delivery, with respect to the strategy of production selling.

Slovak, Czech, German and Hungarian forward electricity prices are highly correlated as a result of strong interconnections between countries and the correlation is amplified even more thanks to the day ahead market coupling mechanism providing effective implicit allocation of cross-border capacities between Czech Republic and Slovakia.

Liquidity of Slovak market with physical delivery is from the view of long-term hedging opportunities lower in comparison with German, Czech or Hungarian market with higher liquidity as a result of higher overall electricity consumption and production, and also in comparison with liquidity of Slovak market with financial delivery.

When there is not enough liquidity in Slovak market with physical delivery at required times, electricity production is therefore being hedged in either German, Czech or Hungarian market as follows: When the electricity price in Slovakia is suitable the electricity is first sold in Germany, Czech Republic or Hungary via baseload yearly contracts and later when liquidity in Slovak market emerges, the deal in foreign country is closed by purchasing baseload yearly forward contract of same volume and subsequently, the electricity production is being sold in Slovak market with physical delivery. This way the risk of electricity price movement except for small movements in SK-CZ, SK-DE resp. HU-SK spreads is hedged. This mechanism is also applied to financial delivery on the Slovak market, in case, when at the required time there is higher liquidity on the Slovak market with financial delivery than on the Slovak market with physical delivery. In this case the Group avoids the risk of price movements.

Credit risk

The Group makes most of the steps in order to mitigate the credit risk, e.g. to prevent the situations when the contractual party does not fulfil any of its liabilities on time and in full amount. The Group has developed sophisticated tools and procedures for the purpose of identification and analysis of the credit risk. Further monitoring, management and mitigation of the credit risk is ensured via specific processes and methods.

Additional aspects eliminating the credit risk

The specific structure of the Group's customers requires individual approach to the evaluation of the credit risk. Distribution companies represent those with the lowest credit risk. Most of the customers and business partners have long-time history of their activities in the energy sector, thus this fact contributes to the decrease of the risk resulting from the customer insolvency. The credit risk analysis of the business partner is performed every time before the contract is closed and is reviewed on regular basis, at least once per year. With respect to the results of the analysis and other aspects influencing the risk factor the customer is assigned a limit for trading. If the analysis or other information gathered reveals potential credit risk factor of the customer the Group will evaluate and eliminate risk factor. In case of smaller customers deposit payments are required. Long-time experience of the Group shows that the analytical methods, assessment and management of the credit risk are effective and mitigate the credit risk accordingly.

The expected loss rates and the expected losses allowance, calculated in line with the IFRS 9 simplified approach for trade receivables as at 31 December 2020 and 31 December 2019 were as follows:

In thousands of EUR	*Expected credit loss rate*	*Expected credit loss as at 31 December 2020*	*Expected credit loss rate*	*Expected credit loss as at 31 December 2019*
Receivables not yet due	0.02%	36	0.02%	37
Receivables less than 15 days overdue	0.02%	-	0.02%	-
Receivables less than 30 days overdue	0.05%	69	0.33%	68
Receivables less than 90 days overdue	0.56%	6	11.64%	1
Receivables less than 180 days overdue	0.94%	17	15.92%	2
Receivables less than 270 days overdue	1.24%	25	20.96%	3
Receivables less than 360 days overdue	1.74%	53	29.75%	36
Receivables more than 360 days overdue	100%	5,467	100%	8,928
Receivables assessed on an individual basis (Note 11)	100%	135,989	100%	135,989
Purchased credit-impaired receivables (Note 11)	100%	1,466	100%	1,470
Total expected losses allowance (Note 11)		**143,853**		**146,534**

Analysis of cash at bank and short-term bank deposits based on rating:

In thousands of EUR	2020	2019
Cash at bank and short-term bank deposits		
AA	9,262	3,435
A	2,508	4,980
No rating	2,442	3,975
Total	**14,212**	**12,390**

Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements that enable mutual offsetting:

As at 31 December 2020:

	Gross amount on the face of the consolidated balance sheet before offsetting	*Gross amount set off on the face of the consolidated balance sheet*	*Net amounts on the face of the consolidated balance sheet*	*Related amounts not set off on the face of the consolidated balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
NON-CURRENT ASSETS						
Other receivables	131,613	-	131,613	-	651	130,962
CURRENT ASSETS						
Trade and other receivables	252,244	84,366	167,878	9,216	15,336	143,326
Derivative assets	178,026	32,121	145,905	88,579	-	57,326
Total assets subject to disclosure for offsetting requirements	**561,883**	**116,487**	**445,396**	**97,795**	**15,987**	**331,614**

As at 31 December 2019:

	Gross amount on the face of the consolidated balance sheet before offsetting	*Gross amount set off on the face of the consolidated balance sheet*	*Net amounts on the face of the consolidated balance sheet*	*Related amounts not set off on the face of the consolidated balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
CURRENT ASSETS						
Trade and other receivables	244,716	65,245	179,471	87,809	20,451	71,211
Derivative assets	228,410	45,614	182,796	94,124	-	88,672
Total assets subject to disclosure for offsetting requirements	**473,126**	**110,859**	**362,267**	**181,933**	**20,451**	**159,883**

The column (d) contains those financial assets that are not offset due to either absence of the enforceable right or intention of the Group.

The column (e) represents financial guarantees received and cash collateral collected by the Group.

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements that enable mutual offsetting:

As at 31 December 2020:

	Gross amount on the face of the consolidated balance sheet before offsetting	*Gross amount set off on the face of the consolidated balance sheet*	*Net amounts on the face of the consolidated balance sheet*	*Related amounts not set off on the face of the consolidated balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
NON-CURRENT LIABILITIES						
Loans and borrowings	1,811,104	-	1,811,104	-	60,000	1,751,104
CURRENT LIABILITIES						
Derivative liabilities	177,167	32,121	145,046	88,579	-	56,467
Trade and other current payables	379,438	84,366	295,072	9,216	5,981	279,875
Total liabilities subject to disclosure for offsetting requirements	**2,367,709**	**116,487**	**2,251,382**	**97,795**	**65,981**	**2,087,586**

As at 31 December 2019:

	Gross amount on the face of the consolidated balance sheet before offsetting	*Gross amount set off on the face of the consolidated balance sheet*	*Net amounts on the face of the consolidated balance sheet*	*Related amounts not set off on the face of the consolidated balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
NON-CURRENT LIABILITIES						
Loans and borrowings	2,918,671	-	2,918,671	-	60,000	2,858,671
CURRENT LIABILITIES						
Derivative liabilities	228,237	45,614	182,623	94,124	-	88,499
Trade and other current payables	383,462	65,345	318,228	87,809	608	229,811
Total liabilities subject to disclosure for offsetting requirements	**3,530,370**	**110,959**	**3,419,522**	**181,933**	**60,608**	**3,176,981**

The column (d) contains those financial liabilities that are not offset due to either absence of the enforceable right or intention of the Group.

The column (e) represents financial guarantees issued and cash collateral paid by the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and/or available sources of funding through credit lines. Considering the dynamic nature of the underlying business, the Group treasury management aims at maintaining flexibility by keeping sufficient amount of credit lines available.

As at 31 December 2020, besides specific purpose term loans in the total amount of EUR 1,471 million (2019: EUR 1,426 million) the Group had committed general purpose loans amounting to EUR 2,030 million (2019: EUR 2,030 million), all of which were actually drawn as at 31 December 2020 EUR and 31 December 2019. At the same date the Group had uncommitted credit lines undrawn in the amount of EUR 51 million (2019: EUR 85 million). Undrawn part of the specific purpose term loans will be available after the fulfilment of conditions precedent to the drawdowns.

	2020			2019		
In thousands of EUR	*Amount available for drawing*	*Amount drawn*	*Available amount*	*Amount available for drawing*	*Amount drawn*	*Available amount*
Committed loans for general purposes	2,030,000	2,030,000	-	2,030,000	2,030,000	-
Specific purpose loans	1,471,430	1,010,579	460,851	1,426,338	972,897	453,441
Subordinated loan	700,000	438,000	262,000	700,000	345,000	355,000

Financial liabilities as at 31 December 2020

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

In thousands of EUR	*Less than one year*	*Between 1 and 2 years*	*Over 2 years*	*Total*
Loans and borrowings - principal	1,273,105	114,552	2,168,137	3,555,794
Loans and borrowings - interest	361,046	145,763	231,948	758,757
Obligations from finance lease (Note 5)	4,058	6,449	2,011	12,518
Trade payables (Note 21)	227,036	-	-	227,036
Derivative financial instruments	145,046	98,748	101,199	344,993

Financial liabilities as at 31 December 2019

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

In thousands of EUR	*Less than one year*	*Between 1 and 2 years*	*Over 2 years*	*Total*
Loans and borrowings - principal	191,909	82,822	3,237,622	3,512,353
Loans and borrowings - interest	134,412	258,372	463,011	855,795
Obligations from finance lease (Note 5)	4,006	7,560	4,958	16,524
Trade payables (Note 21)	247,138	-	-	247,138
Derivative financial instruments	182,623	13,077	86,038	281,738

Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loans with floating interest rates.
The Group uses interest rate derivatives to hedge its interest rate risk.

These contracts are normally agreed with a nominal value and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

The Group adopts a policy of ensuring that adequate part of its exposure to changes in interest rates on borrowings is de facto on a fixed rate basis. Interest rate swaps were entered into to achieve an appropriate mix of fixed and floating rate exposure or cross-currency interest rate swaps in case the loans are denominated in foreign currency to achieve also appropriate currency exposure. The interest rate swaps are denominated in euros with maturity till 2025. In respect of these swaps the Group pays the fixed rate from 0.028% to 1.300% p.a. and receives EURIBOR. As at 31 December 2020 the Group had interest-rate swaps with nominal value in the amount of EUR 2,529,000 thousand (2019: EUR 2,830,000 thousand). The nominal value of cross-currency interest rate swaps was in the amount of EUR 300,000 thousand as at 31 December 2020 (2019: EUR 300,000 thousand).

Sensitivity analysis
The Group has performed an analysis of a possible impact in case of a reasonable change in interest rates by +/- 100 bp with all the other variables held constant.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax through the impact on floating rate borrowings:

In thousands of EUR	*Increase in basis points*	*Effect on profit before tax 2020*
Variable rate instruments	+100bp	(33,409)

In thousands of EUR	*Increase in basis points*	*Effect on profit before tax 2019*
Variable rate instruments	+100bp	(32,430)

The decrease in basis points would have had the equal but opposite effect on the amounts shown above, on the basis that all the other variables remain constant.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates.

The Group is exposed to a currency risk of receivables and liabilities denominated in currency other than the functional currency of the Group, primarily USD, RUB, CZK and PLN.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include mainly forward exchange contracts and cross-currency interest rate swaps.

These contracts are normally agreed with a nominal amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the functional currency against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the USD, CZK and PLN exchange rate, with all other variables held constant, on the Group's profit before tax and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material. The risk of fluctuations in RUB exchange rate is fully eliminated by hedging in form of the cross-currency interest rate swaps.

In thousands of EUR	*Change in exchange rate*	*Effect on profit before tax*
31 December 2020		
CZK	+10%	(1,643)
USD	+10%	(888)
PLN	+10%	(80)
31 December 2019		
CZK	+10%	(1,428)
USD	+10%	(1,773)
PLN	+10%	(164)

iii) Commodity price risk

The exposure of the Group to the risk of volatility of commodity prices is mainly associated with the purchase and sale of electricity as well as with the purchase of fuel used for the power production. The exposition resulting from the difference between purchase and sale of commodities or as a consequence of contracts tied to price indices is quantified by risk factors.

Regarding the electricity sold, the Group enters into fixed-price contracts in the form of bilateral contracts with physical delivery, whereas in case of trading transactions the Group enters into contracts with both types of settlement, physical delivery and financial settlement (e.g. contracts for differences in which the differences are paid to the counterparty should the market electricity price exceed the strike price or to the Group in the opposite case).

Various types of derivative instruments (mainly forward contracts, swaps, options, futures and contracts for differences) are used to reduce the exposure to the fluctuations in commodity prices.

The commodity price risk management process in the Group is designed to continuously monitor and evaluate the development in risk over time and determine whether the levels of risk, as observed for specific fields (e.g. geographical, organisational etc.), comply with the thresholds consistent with the risk appetite of top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified by units that are independent of those undertaking the transactions, while trading positions are monitored on daily basis using the Value at Risk indicator.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes the following within net debt: current and non-current loans and borrowings less accrued interests including finance lease liabilities, reimbursement right from the National Nuclear Fund and total amount of cash and cash equivalents. As at 31 December 2020 the net debt to equity ratio was 0.44 (as at 31 December 2019: 0.45).

32. Events after reporting date

On 22 January 2021 the Nuclear Oversight Authority disclosed the basis for the decision and the draft decision in the matter of administrative proceedings for Unit 3 Mochovce 3,4 Nuclear Power Plant that were published on its website. The comments on the basis for the decision should have been sent in writing no later than 22 February 2021.

On 31 January 2021, the Group as borrower signed the facility agreement in the amount of EUR 270 million with its shareholder Slovak Power Holding B.V.

In April 2021, the Group has not signed, for the time being, the further renewal of an expired interim waiver from one of its creditors in respect of a technical covenant for Mochovce unit 3 and 4 timeline completion, pending to the finalization of the ongoing negotiations between the Group and all its creditors with the aim to unify certain provisions of loan agreements.

On 13 May 2021, the Nuclear Regulatory Authority of the Slovak Republic published information that after verifying compliance with all technical and legislative requirements, it issued a permit for the commissioning of Unit 3 of the Mochovce Nuclear Power Plant, as well as related authorization for the management of radioactive waste and spent nuclear fuel and permit for early use of the building. After the delivery of the issued decision by a public decree, the participants will have an opportunity to file an appeal against the issued decision of the Nuclear Regulatory Authority within the legal period. Fuel load, by which the commissioning begins, will be possible only after the entry into force (and fulfillment of the conditions) of the issued decision.

With regards to the current developments regarding the pandemics of COVID-19 induced by the coronavirus SARS-CoV-2 the management shall continue to monitor the potential impact and take all necessary steps to facilitate the impact of any future negative consequences on the Group and its employees.

Slovenské elektrárne, a.s.

Deloitte Audit s.r.o.
Digital Park II, Einsteinova 23
851 01 Bratislava
Slovak Republic

Tel: +421 2 582 49 111
deloitteSK@deloitteCE.com
www.deloitte.sk

Registered in the Business
Register of the District Court Bratislava I
Section Sro, File 4444/B
Company ID: 31 343 414
VAT ID: SK2020325516

SLOVENSKÉ ELEKTRÁRNE, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of Slovenské elektrárne, a.s.:

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Slovenské elektrárne, a.s. (the "Company"), which comprise the separate balance sheet as at 31 December 2020, and the separate income statement, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to Notes 3 and 15 to the separate financial statements. The Company has evaluated its obligations in respect of the operations of nuclear electricity plants and recorded related provisions as at 31 December 2020 on the basis of management's estimate of the expenditure required to settle those obligations when they fall due. The estimates and assumptions considered by management in determining these provisions are inherently sensitive to expectations about future costs and forecasted cash outflows, timing of cash outflows, inflation rates, discount rates, technical plans and changes in government legislation. Any changes in these parameters could materially affect the carrying amounts of the provisions recorded in the separate financial statements in future periods.

We draw attention to Notes 2.1, 5, 19 and 32 to the separate financial statements in relation to significant amounts recorded as assets under construction for nuclear power plant Mochovce Units 3 and 4 and borrowings that have a significant impact on the financial situation of the Company. The recoverability of these assets assumes the successful commissioning of the Unit 3 as a minimum. Additionally, a significant portion of the non-current borrowings has been classified as current pending further negotiations with the Company's financing creditors on the prolongation of an existing technical covenant for Mochovce unit 3 and 4 timeline completion. The Company has also not signed, for the time being, the further renewal of an expired interim waiver for this technical covenant from one of its creditors. The separate financial statements do not include any adjustments to the carrying value of assets or liabilities that might be necessary if the Company's creditors demand acceleration of debt repayment, which is currently scheduled for periods beyond 2025, to earlier.

We draw attention to Note 29 to the separate financial statements which describes uncertainty related to the outcome of several court disputes pertaining to Vodné elektrárne Gabčíkovo ("VEG") Operating Agreement, the Agreement on Settlement of Legal Relations with respect to the VEG Assets and the Agreement of Indemnity.

Our opinion is not modified in respect of these matters.

Other Matter

The separate financial statements of Slovenské elektrárne, a.s. for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on the separate financial statements on 22 April 2020.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted in the 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.

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 International Standards on Auditing 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 International Standards on Auditing, 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 disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the separate financial statements stated above does not apply to other information in the annual report.

In connection with the audit of separate financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit of the separate financial statements, or otherwise appears to be materially misstated.

We assessed whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.

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

- Information disclosed in the annual report prepared for 2020 is consistent with the separate financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, 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 issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 17 May 2021

Ing. Wolda K. Grant, FCCA
Responsible Auditor
Licence SKAu No. 921

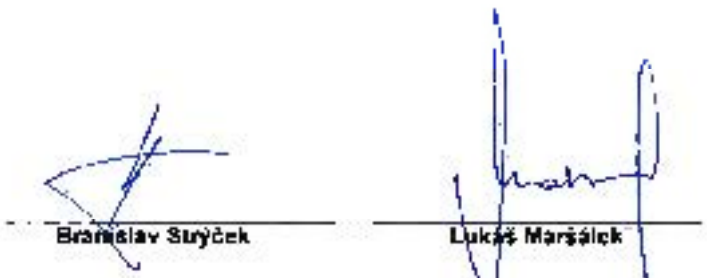
On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

Slovenské elektrárne, a.s.

Slovenské elektrárne, a.s.

Separate Financial Statements
Prepared in Accordance with International Financial Reporting Standards
as Adopted by the European Union

31 December 2020



Branislav Strýček

Chief Executive Officer
Chairman of the Board of Directors

Lukáš Maršálek

Member of the Board of Directors

Bratislava, 17 May 2021

CONTENTS

BALANCE SHEET
as at 31 December 2020
(in thousands of EUR)

	Note	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	9,436,613	9,178,080
Intangible assets	6	5,489	5,933
Assets from embedded derivatives	7	-	622
Derivative assets	7	284	6,243
Investments in subsidiaries, associates and other securities	8,9	28,074	27,655
Right for reimbursement from the National Nuclear Fund	15	1,436,920	1,338,112
Other receivables	11	130,366	104,969
Other non-current assets	13	1,474	1,243
Prepayments for non-current assets	5	13,565	27,280
Total non-current assets		**11,051,785**	**10,691,257**
CURRENT ASSETS			
Inventories	10	315,485	336,328
Trade and other receivables	11	179,637	178,796
Assets from embedded derivatives	7	230	29
Derivative assets	7	148,810	182,796
Cash and cash equivalents	12	10,815	4,631
Other current assets	13	13,718	17,183
Assets classified as held for sale	5	270	268
Total current assets		**661,910**	**719,961**
TOTAL ASSETS		**11,713,695**	**11,411,218**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,269,296	1,269,296
Revaluation reserve	14	3,321,273	3,364,393
Other reserves	14	143,240	190,892
Retained earnings, of that:	14	(295,386)	(335,266)
Retained earnings of prior periods		*(305,256)*	*(353,234)*
Net income for the year		*39,870*	*17,969*
Total equity		**4,448,729**	**4,489,316**
NON-CURRENT LIABILITIES			
Subordinated loan	19	452,542	350,903
Provision for nuclear decommissioning and storage costs	15	2,403,929	2,150,189
Provision for dismantling of thermal power plants	16	136,342	126,707
Employee benefits	17	42,517	41,377
Other provisions	18	20,843	19,719
Loans and borrowings	19	1,809,457	2,915,923
Derivative liabilities	7	199,947	99,115
Other non-current liabilities	20	44	52
Deferred tax liability	27	387,437	429,134
Total non-current liabilities		**5,453,058**	**6,133,119**
CURRENT LIABILITIES			
Subordinated loan	19	49	-
Provision for nuclear decommissioning and storage costs	15	22,389	15,758
Provision for dismantling of thermal power plants	16	220	150
Employee benefits	17	1,468	1,648
Other provisions	18	41,871	43,667
Loans and borrowings	19	1,256,347	205,433
Derivative liabilities	7	169,277	182,633
Trade and other current payables	21	286,741	313,184
Current income tax liability	27	50,526	21,614
Other current liabilities	20	919	1,706
Total current liabilities		**1,810,807**	**788,793**
Total liabilities		**7,272,975**	**6,921,902**
TOTAL EQUITY AND LIABILITIES		**11,713,695**	**11,411,218**

INCOME STATEMENT
for the year ended 31 December 2020
(in thousands of EUR)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
REVENUES			
Electricity and heat revenues	22	2,773,081	2,349,470
Other operating income	23	25,181	58,172
Total revenues		**2,798,262**	**2,407,642**
OPERATING EXPENSES			
Nuclear fuel		(63,766)	(70,051)
Fossil and other fuel		(79,233)	(100,066)
Cost of electricity purchased for resale	22	(1,782,026)	(1,489,429)
Repairs and maintenance		(36,155)	(35,316)
Other raw materials and consumables		(120,245)	(111,400)
Personnel expenses	24	(129,637)	(125,990)
Changes in provision for nuclear decommissioning and storage costs	15	(134,029)	(45,817)
Changes in provisions for dismantling of thermal power plants	16	(1,763)	4,654
Other operating costs, other than depreciation, amortisation and impairment	23	(107,058)	(97,012)
Total operating expenses		**(2,455,387)**	**(2,070,437)**
PROFIT BEFORE FINANCIAL RESULT, TAX, DEPRECIATION, AMORTISATION AND IMPAIRMENT		**342,275**	**337,205**
Revaluation of property, plant and equipment	5	-	(30,371)
Depreciation, amortisation and impairment	25	(210,590)	(217,156)
PROFIT BEFORE FINANCIAL RESULT AND TAX		**131,685**	**89,728**
Finance income	26	36,376	35,419
Finance costs	26	(103,741)	(98,999)
PROFIT BEFORE TAX		**64,320**	**26,148**
INCOME TAX	27	(24,450)	(8,177)
NET PROFIT FOR THE YEAR		**39,870**	**17,969**

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020
(in thousands of EUR)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Net profit for the year		**35,878**	**17,363**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges, net of tax	7,27	(44,899)	85,172
Other, net of tax		419	557
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(44,480)**	**85,729**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of property, plant and equipment, net of tax	5,27	–	503,111
Changes in valuation of property, plant and equipment, net of tax	5,27	28	(907)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	15,27	(40,864)	(18,894)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	16,27	(2,262)	(482)
Change in estimates of the environmental provision through revaluation reserve, net of tax	18,27	(14)	(383)
Remeasurement losses on defined benefit plans, net of tax	17,27	(666)	(1,332)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(43,806)**	**481,113**
Other comprehensive income for the year, net of tax		**(88,486)**	**566,842**
Total comprehensive income for the year, net of tax		**(48,608)**	**584,811**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020
(in thousands of EUR)

	Note	Share capital	Hedging reserve	Revaluation reserve	Other reserves	Accumulated losses	Total equity
Balance as at 1 January 2019		1,269,236	(196,861)	2,881,348	232,496	(353,234)	3,834,985
Net income for the year		-	-	-	-	17,969	17,969
Other comprehensive income							
Revaluation of property, plant and equipment, net of tax	5,27	-	-	503,111	-	-	503,111
Changes in valuation of property, plant and equipment, net of tax	5,27	-	-	(907)	-	-	(907)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	15,27	-	-	(18,894)	-	-	(18,894)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	16,27	-	-	(482)	-	-	(482)
Change in estimates of the environmental provision through revaluation reserve, net of tax	16,27	-	-	(383)	-	-	(383)
Net movement on cash flow hedges, net of tax	7,27	-	65,172	-	-	-	65,172
Remeasurement losses on defined benefit plans, net of tax	17,27	-	-	-	(1,332)	-	(1,332)
Other, net of tax		-	-	-	557	-	557
Total comprehensive income, net of tax		-	65,172	482,445	(775)	17,969	564,811
Balance as at 31 December 2019		1,269,236	(40,689)	3,364,393	231,721	(335,265)	4,499,316
Balance as at 1 January 2020		1,269,236	(40,689)	3,364,393	231,721	(335,265)	4,499,316
Net income for the year		-	-	-	-	39,870	39,870
Other comprehensive income							
Changes in valuation of property, plant and equipment, net of tax	5,27	-	-	20	-	-	20
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	15,27	-	-	(40,864)	-	-	(40,864)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	16,27	-	-	(2,262)	-	-	(2,262)
Change in estimates of the environmental provision through revaluation reserve, net of tax	16,27	-	-	(14)	-	-	(14)
Net movement on cash flow hedges, net of tax	7,27	-	(44,889)	-	-	-	(44,889)
Remeasurement losses on defined benefit plans, net of tax	17,27	-	-	-	(866)	-	(866)
Other, net of tax		-	-	-	419	-	419
Total comprehensive income, net of tax		-	(44,889)	(43,126)	(447)	39,870	(48,592)
Balance as at 31 December 2020		1,269,236	(85,728)	3,321,273	231,274	(295,395)	4,448,720

The notes form an integral part of the separate financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020
(in thousands of EUR)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income taxes		64,320	26,146
Adjustments to reconcile profit before income taxes to net cash flows operating activities:			
Depreciation, amortisation, revaluation and impairment of non-current assets	5,6	201,293	216,165
Effect of the revaluation	5	-	30,321
Amortisation of deferred income		(750)	(894)
Loss on sale of property, plant and equipment and intangible assets	23	6,294	424
Interest income	26	(2,664)	(2,877)
Income from non-current investments	26	(593)	(405)
Interest charge on other provisions (employee benefits, environmental provision)	26	805	948
Interest charge on provision for nuclear decommissioning and storage costs and dismantling of thermal power plants	26	96,255	92,050
Interest from loans and borrowings		1,653	1,629
Change in estimate of provision for nuclear decommissioning and storage costs and dismantling of thermal power plants through income statement	15,16	119,831	24,455
Other changes in provision for nuclear decommissioning and storage costs and dismantling of thermal power plants	15,16	(619)	1,230
Change in valuation of embedded derivatives	30	451	385
Change in environmental and employee benefits provision		(588)	(847)
Change in other provisions		(1,123)	10,101
Interest income from the National Nuclear Fund	15,26	(31,539)	(30,681)
National Nuclear Fund administration fee	15	659	794
Change in revaluation of derivatives through income statement		20,594	35,812
Effect of other financial cost		2,726	2,381
Changes in other assets and liabilities through equity		9,022	(4,184)
Changes in working capital:			
Inventories	10	19,773	4,086
Trade and other receivables		13,908	(36,795)
Trade and other payables		(16,443)	(50,979)
Other assets and liabilities		(41,734)	(12,651)
Cash generated from operations		461,451	386,586
Interest received		93	146
Interest paid		(144,618)	(123,380)
Income taxes paid		(13,859)	5,094
Net cash from operating activities		**303,077**	**188,346**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(317,133)	(447,693)
Acquisition of intangible assets		(1,055)	(681)
Proceeds from non-current investments	26	593	405
Contributions to the National Nuclear Fund	15	(65,938)	(79,346)
Net cash used in investing activities		**(383,533)**	**(527,315)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawing of borrowings		1,447,907	2,439,571
Repayment of borrowings		(1,361,267)	(2,104,563)
Net cash from financing activities		**86,640**	**335,008**
NET DECREASE IN CASH AND CASH EQUIVALENTS		6,184	(3,961)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12	4,631	8,592
CASH AND CASH EQUIVALENTS, END OF PERIOD	12	**10,815**	**4,631**

1. General information

Slovenské elektrárne, a.s. (hereinafter as the "Company" or "SE") is an electricity and heat generation, supply and trading company, which owns and operates 51.3% (2019: 52.8%) of the installed capacity of power plants in the Slovak Republic.

The Company's registered address and registration numbers are:
Slovenské elektrárne, a.s.
Registration number: 35 829 052
Tax registration number: 2020261353
Mlynské nivy 47
821 09 Bratislava
Slovak Republic

The Company was set up on 13 December 2001 and was incorporated into the Commercial Register on 21 January 2002.

The Company has two branches, one is established in the Czech Republic and the second one is in Poland.

The Company is not a partner with unlimited liability in any company.

During the year 2020 the Company had 3,684 employees on average (2019: 3,597 employees), the number of employees as at 31 December 2020 was 3,708 (as at 31 December 2019: 3,625, of which 24 were management (31 December 2019: 25 managers).

The separate financial statements are presented in thousands of euros.

The separate financial statements have been prepared as ordinary separate financial statements according to Section 17 (6) of the Slovak Accounting Act No. 431/2002 Coll. as amended.

The separate financial statements are available at the Company's registered address and at the Commercial Register of District Court in Bratislava I, Záhradnícka 10, 812 44 Bratislava. According to Section 23 of the Slovak Accounting Act No. 431/2001 Coll. as amended, the separate financial statements are also filed in the registry of the financial statements, in the electronic form.

Ownership structure
As at the date of these separate financial statements the Company's shares were owned by Slovak Power Holding B.V., the Netherlands (amounting to 66% of the share capital) and by the Slovak Republic, on behalf of which acts the Ministry of Economy of the Slovak Republic (amounting to 34% of the share capital).

As at the date of these separate financial statements, the shares of Slovak Power Holding B.V. (hereinafter as "SPH") were owned by Enel Produzione S.p.A., Italy (hereinafter as "Enel Produzione") in the amount equal to 50% of the share capital and by EP Slovakia B.V., the Netherlands (hereinafter as "EP Slovakia") also in an amount equal to 50% of the share capital. The only shareholder of EP Slovakia was Energetický a průmyslový holding a.s., Czech Republic (hereinafter as "EPH"). The ultimate parent entity of the Company is SPH.

The shareholders agreement and contract for the sale of the stake held through SPH by Enel Produzione in Slovenské elektrárne, a.s., executed on 18 December 2015, as amended in August 30, 2018 and recently updated on December 22, 2020, provides among other things, for a call option in favour of EP Slovakia for the acquisition of the remaining SPH shares held by Enel Produzione that is exercisable 6 months after the signature of the updated contract until the earlier of (i) 4 years from the completion of the Trial Run of Unit 4 or (ii) December 2028.

Furthermore, always with respect to the remaining 50% of the SPH's share capital held by Enel Produzione, the above mentioned agreements provide for a put option in favour of Enel Produzione and a call options in favour of EP Slovakia that can be both exercised when the latest of these events has occurred (i) 6 months after the Trial Run of Unit 4, (ii) the date of completion of the first outage of Mochovce unit 4 and (iii) the maturity of the shareholder loans set in year 2032.

Upon exercise of the above options, Enel Produzione shall transfer the remaining 50% of the SPH's share capital to EP Slovakia and EPH shall take over the shareholder loans according to an agreed schedule.

2.1 Basis of preparation

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future.

As described in Notes 5 ,18 and 32, the Company recorded significant amounts as assets under construction for nuclear power plant Mochovce Units 3 and 4 and drawn borrowings that have a significant impact on the financial situation of the Company. Additionally, as of the date of these separate financial statements, the Company is still under negotiations with the banks on the prolongation of an existing technical covenant related to the Mochovce unit 3 and 4 timeline.

The Company is also negotiating with some of its creditors the granting of an interim waiver in relation to this technical covenant until a final agreement is reached in the short term. Under this situation, a significant portion of the drawn non-current borrowings were classified as current, pending further negotiations with the Company's financing creditors. The separate financial statements do not include any adjustments to the carrying value of assets or liabilities that might be necessary if the Company's creditors demand acceleration of debt repayment, which is currently scheduled for periods beyond 2025, to earlier.

The financial year is the same as the calendar year.

The separate financial statements of the Company for the previous period were approved by the ordinary Annual General Meeting of the Company held on 29 May 2020.

The assets and liabilities reported in the balance sheet are classified on a current/non-current basis, with separate presentation of assets classified as held for sale and assets and liabilities directly associated with discontinued operations. Current assets, which include cash and cash equivalents, are assets that are intended to be realised, sold or consumed during the normal operating cycle of the Company or within the twelve months following the balance sheet date. Current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Company or within the twelve months following the balance sheet date.

The costs in the income statement are classified according to their nature. Net profit from discontinued operations is presented separately.

The indirect method is used for the statement of cash flows that presents the net cash flows attributable to the operating, investing and financing activities.

The separate financial statements have been prepared on the historical cost basis except for the following:

- property, plant and equipment are carried at their revalued amounts,
- derivative financial instruments are measured at fair value,
- financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in Note 5 and 30.

i) Information on the consolidated group

The separate financial statements of the Company are included in the consolidated financial statements of the Slovenské elektrárne Group which are part of the consolidated financial statements of Slovak Power Holding B.V. and are available directly at the registered address of the company, at Herengracht 471, 1017 BS Amsterdam, the Netherlands. The consolidated financial statements are filed in the business register of the Chamber of Commerce of Amsterdam, De Ruijterkade 5, 1013 AA, Amsterdam, the Netherlands.

ii) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those applied in the separate financial statements prepared as at 31 December 2019 except as follows:

The Company has adopted the following new and amended IFRS as at 1 January 2020, all adopted by the European Union (hereinafter as the "EU"):

IAS 1 IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material *(effective for annual reporting periods beginning on or after 1 January 2020)*;
IFRS 9 IAS 39 IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform *(effective for annual reporting periods beginning on or after 1 January 2020)*;
IFRS 3	Amendments to IFRS 3 Business Combinations *(effective for annual reporting periods beginning on or after 1 January 2020)*;
IFRS 16	Amendment to IFRS 16 Leases Covid 19 - Related Rent Concessions *(effective for annual reporting periods beginning on or after 1 January 2020)*;

Amendments to References to the Conceptual Framework in IFRS Standards *(effective for annual reporting periods beginning on or after 1 January 2020)*

The impact of adoption of the new or amended standards on the separate financial statements of the Company is described below:

Amendments to IAS 1 and IAS 8: Definition of material
The amendments introduce a new definition of material. The information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's financial statements would make on the basis of those financial statements. The materiality of information is assessed either individually or in combination with other information. The application of these amendments did not have any impact on the Company's separate financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Platform
The objective of the Amendments is to avoid the discontinuation of hedging relationships as a result of uncertainties related to the IBOR transition, in particular due to the inability to meet specific forward-looking hedge accounting requirements in the periods before the transition. The Amendments provide relief from the highly probable and prospective assessments required by IFRS 9 and IAS 39 insofar these tests relate to hedging relationships that are affected by the uncertainties of the IBOR reform. With the same objective, the Amendments also provide relief from the retrospective assessment under IAS 39. The exceptions described in the Amendments apply only to those hedging relationships directly affected by uncertainties of the IBOR reform including some types of cross-currency interest rate swaps. The application of these amendments did not have any impact on the Company's separate financial statements.

Amendments to IFRS 3 Business Combinations
The Amendments respond to concerns reported by stakeholders during the Post-implementation Review of IFRS 3 about how to interpret and apply the definition of a business, with the objective to clarify the definition and assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

Minimum requirements to be a business
The Amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. They also clarify that a set of activities and assets can qualify as a business without including all of the inputs and processes needed to create outputs, or including the outputs themselves, by replacing the term 'ability to create outputs' with 'ability to contribute to the creation of outputs'.

Market participant's ability to replace missing elements
It is no longer necessary to assess whether market participants are capable of replacing any missing inputs or processes (for example by integrating the acquired activities and assets) and continuing to produce outputs. The Amendments focus on whether acquired inputs and acquired substantive processes, together, significantly contribute to the ability to create outputs.

Assessing whether an acquired process is substantive
The Amendments provide guidance and illustrative examples to help entities assess whether an acquired process is a substantive process. The guidance requires more persuasive evidence when the acquired set of activities and assets has no outputs as the existence of outputs already provides evidence that the acquired set of activities and assets is a business.

When there are outputs at the acquisition date (i.e. revenue is generated) an acquired process is substantive in either of the following cases: (a) The process is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge or experience to perform that process; or (b) The process significantly contributes to the ability to continue producing outputs and is considered unique or scarce and cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

If there are no outputs at the acquisition date, an acquired process is considered substantive if both the following criteria are met: (a) The process is critical to the ability to develop or convert an acquired input or inputs into outputs; and (b) The inputs acquired include both an organised workforce that has the necessary skills, knowledge or experience to perform that process and other inputs that the workforce could develop or convert into outputs.

The Amendments note that an acquired contract (such as an outsourced asset management arrangement) is not a substantive process, in order to clarify that a contract that provides a continuing revenue stream (e.g. a lease contract) is not itself a process. However, the Amendments also inform that an acquired contract can give access to an organised workforce which, in turn, performs a substantive process that the entity has acquired.

Narrowed definition of outputs
The Amendments narrow the definition of outputs by focusing on goods and services provided to customers, investment returns and other income from ordinary activities, and by removing the reference to returns in the form of lower costs and other economic benefits directly to investors or other owners, members or participants. The definition of a business has also been amended to make it consistent with the narrowed definition of outputs.

Concentration test
An optional concentration test has been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The test is designed to reduce costs and complexity by avoiding the need for a detailed assessment in some cases. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. Entities may elect whether or not to apply the concentration test on a transaction-by-transaction basis. If the test is not met, or if an entity elects not to apply it, an entity would be required to perform a detailed assessment.

The focus of the concentration test is on gross assets, rather than net assets, mainly because the existence of associated debt or other liabilities (i.e. how the acquisition was financed) should not affect the assessment of whether what is acquired is a business. For similar reasons, the concentration test also excludes cash and cash equivalents acquired, as well as deferred tax assets and goodwill resulting from the effects of deferred tax liabilities.

Overall, the concentration test is expected to lead to fewer transactions being accounted for as business combinations.

The application of these amendments did not have any impact on the Company's separate financial statements.

Amendment to IFRS 16 Leases Covid 19- Related Rent Concessions
The Amendment provides a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the Covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The application of this amendment did not have any impact on the Company's separate financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards
The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of asset and liability and guidance supporting these definitions. Consequently, it was necessary to amend the references to the Conceptual Framework in IFRS standards. The application of these amendments did not have any impact on the Company's separate financial statements.

The Company has not early adopted any standards and interpretations where the adoption is not mandatory at the balance sheet date.

2.3 Summary of significant accounting policies

a) Subsidiaries and associated companies

Securities and shares in subsidiaries and associated companies which are not classified as held for-sale are recognised in carrying value representing acquisition cost less accumulated impairment losses.

Securities and shares in subsidiaries and associated companies classified as held-for-sale are recognised at the lower of carrying value or fair value less disposal costs.

Acquisition cost of securities and shares in subsidiaries and associated companies is the purchase price of acquired securities or shares. Additional acquisition cost, such as option premium from applied bought call option, charges and commissions paid to brokers, advisors or to stock exchange, etc. form part of acquisition cost.

b) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset or disposal group 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.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

c) Foreign currency translation

The Company's separate financial statements are presented in euros, which is the functional currency of the Company.

Foreign currency transactions are recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction to the foreign currency amount. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences are recorded as financial income or expense.

d) Revenue recognition

Revenues are generated primarily from the sale of electricity and related services to wholesale markets, to retail customers, to market and network operators and from the sale of heat.

The Company recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised in the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, value added tax). The Company has decided not to adjust the transaction price for the effect of financing component because it is not significant and because contract asset and contract liabilities are amortized within less than 12 months. Contracts with customers contain also variable consideration which is typically constrained and therefore not accrued.

(i) Revenue from sale of electricity

a. *Domestic and foreign sale, incl. wholesale trades*

Revenue from sale of electricity is recognised over time when the commodity is supplied to the customer and based on the quantities provided during the period, even if these have not yet been invoiced, and is determined using estimates as well as periodic meter readings. The performance obligation is deemed to be a series of distinct services that are substantially the same and transfer consecutively over the settlement period. Revenue is based on short-term contracts with fixed energy prices.

b. *Deviation/imbalance revenue*

Deviation/imbalance revenue represents variable consideration related to domestic sale which is measured based on the difference between the contractual amount of electricity and the real amount of electricity of the electricity market participant. Its value is determined based on actual spot market prices. It has a technical but also a financial value. The deviation/imbalance income is highly susceptible to factors outside the Company's influence and may not be reliably predicted. Therefore, it is not accrued, but is recognized as incurred.

(ii) Revenue from grid balancing services

a. *Revenue from ancillary services*

Ancillary services are one of the types of commodity in the electricity market. The Company supplies ancillary services typically to the transmission system operator (SEPS, a. s.), which uses them to maintain the quality of electricity supply and to ensure the operational reliability of the Slovak electricity system. The Company earns fees for providing the ancillary service regardless of whether the SEPS activates it (remuneration for availability, stand-ready services). Revenues from ancillary services are recognised over the time of the contract on straight-line basis. Revenue is based on long-term contracts (1-2 years). The services are invoiced on monthly basis.

b. *Revenue from regulating electricity*

Revenue from regulating electricity includes electricity supplied to transmission system operator (SEPS, a. s.) in case of activation of ancillary services. The company has evaluated that this activity is not distinct from ancillary services described above and therefore it accounts for it as for variable consideration related to ancillary grid balancing services. The Company evaluated that this variable consideration is constrained as it is highly susceptible to factors outside Company's influence (such as weather conditions and consumption peaks). Therefore, the Company does not accrue the related revenues and recognize them as incurred. The price is typically determined based on actual spot market prices.

(iii) Revenues from tariff from system operation

Revenues from tariff from system operation include revenues in part of electricity production from the power plant Nosáky according to the General Economic Interest. Revenues from tariff from system operation are recognised over time and measured based on actual consumption on Slovak electricity market.

(iv) Revenues from heat

Heat is typically co-produce in Company's power plants and sold to customers in adjacent territories. Revenue from heat generation is recognized over time and measured based on the volume of energy delivered. Possible fixed fees are accrued over the period of 1 year based on estimated seasonal consumption pattern, which however are not material.

(v) Revenue from rendering of services

Revenue from rendering of services is recognised when the services are rendered, or by reference to the stage of completion of services at the end of the reporting period. This category includes other services not related to sale of electricity and gas.

e) Government grants

Government grants are recognised if there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis with the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income statement in equal amounts over the expected useful life of the related asset.

f) Income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Income tax is calculated from the accounting profit as determined according to valid legislation in the Slovak republic and adjusted for certain items to taxable income using a valid tax rate for the income tax of 21%.

In line with Act No. 235/2012 Coll. on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplement of Certain Acts, the Company is obliged to pay a monthly special levy effective from September 2012. The special levy represents 6.54% per annum (2019: 6.54%). This levy is based on profit before tax and is presented as part of the current income tax pursuant to the IFRS requirements.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

g) Financial instruments – initial recognition and subsequent measurement

ii) Financial assets

Initial recognition and classification of financial assets
A financial asset is recognised in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial assets within the scope of IFRS 9 Financial Instruments are classified as financial assets subsequently measured at amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss, depending on the Company's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets. Financial assets can be designated as hedging instruments in an effective hedging relationship, as appropriate. Embedded derivatives, which represent a component of hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative, are also within the scope of IFRS 9 Financial instruments.

The Company determines the classification of its financial assets at initial recognition.

The Company accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial Instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are outside the scope of this standard.

Except for trade receivables, at initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss at the initial recognition. At initial recognition, the Company measures trade receivables that do not contain a significant financing component at their transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification at initial recognition as follows:

Financial assets measured at amortised cost
A financial asset is classified as measured at amortised cost if the objective of the Company is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (hereinafter as "EIR"), less impairment. Amortised cost is calculated by taking into account the fees paid or received between the contractual parties that are an integral part of the EIR, transaction costs and all other premiums and discounts. The EIR amortisation is included in finance income in the income statement. The impairment gains and losses are recognised in the income statement. This category includes cash and cash equivalents, trade and other receivables and other current and non-current assets.

Financial assets measured at fair value through other comprehensive income
A financial asset is classified as measured at fair value through other comprehensive income if the Company's business model objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Financial assets measured at fair value through other comprehensive income – option for equity instruments
Equity instruments are only classified as financial assets measured at fair value through other comprehensive income when the Company elects them to fair value through other comprehensive income option as of the initial recognition and the equity instrument is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS applies. Movements in the carrying amount are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss.

Financial assets measured at fair value through profit or loss
Financial assets that do not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Financial assets that are held within a business model which is neither "held to collect" or "held to collect and sell" are measured at fair value through profit or loss.

This category includes:

- commodity derivatives that are not designated as hedging instruments in hedge relationships as defined by IFRS 9
- hybrid instruments including host contracts and embedded derivatives

After the initial recognition, financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Embedded derivatives
An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Company generally designates the whole hybrid contract at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income, a lease receivable, a contract asset, a loan commitment or a financial guarantee contract to which the impairment requirements apply in accordance with IFRS 9 Financial Instruments.

For trade and lease receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised since the initial recognition of receivables. For further details, see Note 11 and Note 31.

For all financial assets other than trade receivables and lease receivables, the Company applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognised at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

For purchased or originated credit-impaired financial assets, the Company applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

For financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Company applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

As at 31 December 2020 and 31 December 2019, the Company recognised expected credit losses allowance only in respect of trade and lease receivables. The expected credit losses for other financial assets recognised in the balance sheet are negligible.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as at the balance sheet date in line with IFRS 9 Financial Instruments. The loss allowance for the financial assets measured at fair value through other comprehensive income is recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

Financial assets together with the related allowance are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to the cash flows from the financial asset expire;
- The Company has transferred the financial asset and the transfer qualifies for derecognition in line with requirements of IFRS 9 Financial Instruments.

ii) Financial liabilities

Initial recognition and measurement
A financial liability is recognised in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, commitments to provide a loan at a below-market interest rate and contingent consideration recognised by an acquirer in a business combination in scope of IFRS 3 Business Combinations.

The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities may be designated as hedging instruments in a hedging relationship.

The Company accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial Instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are outside the scope of IFRS 9.

At initial recognition, the Company measures a financial liability at its fair value plus or minus, in case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement
After initial recognition, the financial liabilities are measured according to their classification determined at initial recognition. Reclassifications of financial liabilities are not permitted in any circumstances. The Company classified its financial liabilities as financial liabilities at fair value through profit or loss and financial liabilities subsequently measured at amortised costs.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired or incurred principally for the purpose of selling or repurchasing it in the near term, on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes the following:

- embedded derivatives separated from the host contract,
- commodity derivatives, that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities measured at amortised cost
This category includes loans and borrowings, trade and other payables. Amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The calculation of EIR includes the fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The EIR amortisation is recognised in finance cost in the income statement.

Derecognition
A financial liability is derecognised when it is extinguished, i.e. when the obligation under the liability is discharged or cancelled or expires.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

In case of modification of the terms of an existing financial liability, the Company considers both quantitative and qualitative criteria to evaluate whether the modification was significant. As for the quantitative criteria, based on the pronouncements of IFRS 9, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Significant qualitative changes include for example change in the currency in which the liability is denominated, a substantial change in covenants, a change in the interest rate basis, significant extension of the maturity period which results in renegotiated interest rate and other contractual terms, a change in terms of security or a change in creditor.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. In accordance with IAS 32, Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, the right to offset must not be contingent on a future event and it has to be legally enforceable both in the normal course of business and in case of default, insolvency or bankruptcy.

iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

v) Hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency, interest rate and commodity price risk exposures. A hedged item is a recognised asset or liability, unrecognised firm commitment, highly probable forecast transaction or net investment in a foreign operation that exposes the Company to risk of changes in fair value or future cash flows and is formally designated as a hedged item in the hedging relationship. A hedged item can also be a component of such an item or group of items. The hedged item must be reliably measured.

A hedging instrument is a designated derivative or measured at fair value through profit or loss whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. The Company has designated the following derivatives as hedging instruments: interest rate swaps, cross-currency interest rate swaps, commodity forwards and FX forwards.

Hedging derivatives are recognised initially at fair value; the attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, hedging derivatives are measured at fair value, and changes in fair value are accounted for as described below.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and accumulated in equity in a separate cash flow hedge reserve to the extent that the hedge is effective, following the conditions set in IFRS 9.

The amount recognised within equity is the lower of cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in fair value of the hedged item from the inception of the hedge. Any remaining gain or loss on the hedging instrument is a hedge ineffectiveness that is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that have been recognised directly in equity shall be reclassified to profit or loss during the same period(s) during which the asset acquired or the liability assumed affects profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

Fair value hedges
A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The gain or loss on the hedging instrument is recognised in profit or loss. When a hedged item in a fair value hedge is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss. When a hedged item in a fair value hedge is a firm commitment to acquire an asset or assume a liability, the initial carrying amount of the asset or the liability that results from the entity meeting the firm commitment is adjusted to include the cumulative change in the fair value of the hedged item that was recognised in the statement of financial position.

The gain or loss from remeasuring the hedging instrument at fair value shall be recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss.

As of 31 December 2020, and 31 December 2019, the Company classified all its hedging relationships as cash flow hedges.

The effectiveness of the hedge is an extent to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in those of the hedging instrument. The hedge ineffectiveness is evaluated through a qualitative assessment or a quantitative computation, depending on the extent to which the critical terms of the hedged item and the hedging instrument match.

The main causes of hedge ineffectiveness include the basis difference (i.e. the fair value or cash flows of the hedged item depend on a variable that is different from the variable that causes the fair value or cash flows of the hedging instrument to change), timing difference (i.e. the hedged item and the hedging instrument occur or are settled at different dates), quantity or notional amount differences, credit or other risks that have an impact on the fair value of a hedged item or a hedging instrument.

Discontinuing of the hedge accounting
The Company discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The cumulative gains or losses previously recognised in equity are reclassified to profit and loss in the same period(s) when the hedged item affects the profit or loss. A hedging relationship that still meets the risk management objective and continues to meet all other qualifying criteria, after taking into account any rebalancing, cannot be discontinued.

Current versus non-current classification
Derivative instruments are classified as current or non-current or separated into a current and non-current portion as follows:

- When the Company holds a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.
- Derivative instruments which are held primarily for the purpose of trading are classified as current.

j) Property, plant and equipment

Items of property, plant and equipment are measured at cost upon initial recognition. Cost includes expenditures that are directly attributable to the acquisition of the asset, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located ("dismantling asset"). The cost of self-constructed assets includes also the cost of materials and direct labour consumed during its construction.

Subsequent to initial recognition, items of property, plant and equipment are carried at revalued amount, being their fair value at the date of the most recent revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of the property, plant and equipment is credited in equity to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Assets related to construction of nuclear power plant Mochovce 3&4 are carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated impairment losses. Depreciation of property, plant and equipment commences when the assets are ready for their intended use.

Subsequent costs incurred in relation to an item of property, plant and equipment are recognised as an increase in the carrying amount of this item only if it is probable that these costs will result in the increase in related future economic benefits and the costs can be measured reliably. All other costs are recognised in profit or loss as incurred.

The cost of replacing part or all of an item of property, plant and equipment is recognised as an increase in the carrying amount of this item and is depreciated over its remaining useful life; the net carrying amount of the replaced unit is derecognised through profit or loss, with the recognition of any capital gain or loss.

Periodic maintenance and inspection costs are capitalized as a separate component of the related item of property, plant and equipment. All other repair and day-to-day maintenance costs are recognised in the income statement as incurred.

Depreciation of property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The Company does not perform any transfer from the revaluation reserve to retained earnings on derecognition, sale or retirement of revalued property.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings, halls and structures	20 – 60 years
• Machines, plant, equipment and vehicles	4 – 60 years
• Other assets	up to 4 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation methods, useful lives and residual values are reassessed regularly, with the effect of any changes in estimate accounted for on a prospective basis.

Leased property, plant and equipment recognised in the balance sheet are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated as it is deemed to have an infinite life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating costs/income in the income statement in the period in which the item was disposed of.

g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is considered to contain a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This applies when the customer has both of the following:
i) the right to obtain substantially all of the economic benefits from use of the identified asset
ii) the right to direct the use of the identified asset

If the customer has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

Company as a lessee
At the commencement date, the Company recognises a right-of-use asset and a lease liability. Right-of-use asset represents the Company's right to use an underlying asset for the lease term, is measured at cost and is presented as part of property, plant and equipment.

The cost of the right-of-use asset comprises the following:
- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Company measures the right-of-use assets in a way consistent with the measurement of the assets owned by the Company. The depreciation policy for depreciable leased assets is also consistent with that for depreciable assets that are owned by the Company.

Company as a lessor
The Company classifies each of its leases as either an operating lease or a finance lease. Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (e.g. economic life or residual value of the underlying asset) or changes in circumstances (e.g. default) do not give rise to a new classification of a lease.

k) Borrowing costs

Following IAS 23 (Revised), the borrowing costs are included in the acquisition cost of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. Borrowing costs include interest charges, commitment fees and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs. The amount of borrowing costs that is capitalised shall be limited by the value of borrowing costs recognised as a finance cost during the period.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The useful lives of intangible assets are assessed as finite. The estimated useful lives for the current and comparative period are as follows:

- Software 4 – 5 years
- Licences 4 – 5 years

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the proceeds from disposal and the carrying amount of the asset and are recognised net within "other operating costs/income" in the income statement in the period in which the item was disposed of.

m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The Company is considered as one cash generating unit. Where the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is first recognised in other comprehensive income up to the amount of any previous revaluation.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.

n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprise of the expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The stock value is based on the weighted average principle except for nuclear fuel as described below.

Nuclear fuel which is consumed over a period of more than one year, whether being used in the reactors or stored is recognised in inventories. Each individual nuclear fuel supply is valued at acquisition costs of particular supply. Nuclear fuel consumption is determined for each load based on the volume of energy produced in reactor from that nuclear fuel load. The volumes of energy produced are determined based on the technical data extracted from balancing system of each plant. The quantities consumed are valued at the acquisition costs of the particular fuel supply burnt in the reactor. Cost of inventories consumed is periodically corrected in view of forecast burnt quantities based on neutron measurements.

o) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand, valuables and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

p) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. In case of long-term provisions, which are discounted to their present value, the value of provision is periodically increased by the unwounded interest cost. This increase is recognised as a finance cost in the income statement.

(ii) Provision for severance payments and other termination benefits

The employees of the Company are eligible, immediately upon termination due to organizational changes or in other cases as set by the valid legislation or valid Company Collective Agreement, for severance payment pursuant to the Slovak law and the terms of the Company Collective Agreement, signed between the trade unions operating at the Company and the Company. The liability is recognised within Other provisions in the balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

(iii) Provision for retirement benefits

Defined contribution pension plans:
A defined contribution plan is a pension plan under which the Company pays fixed contributions to the fund and will have no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Company contributes to the government and private defined contribution pension plans. The Company makes contributions to the Government's health, retirement, and social benefit and unemployment schemes at the statutory rates in force, based on gross salary payments. Throughout the period, the Company made contributions to such schemes amounting to max. 35.2% (2019: 35.2%) of gross salaries in accordance with the Slovak legislation, together with contributions by employees of a further 13.4% (2019: 13.4%). Throughout the period, the Company made contributions to such schemes amounting to max. 19.52% (2019: 19.52%) of gross salaries in accordance with the Polish legislation, together with contributions by employees of a further 22.71% (2019: 22.71%). The cost of the contributions made by the Company is charged to the income statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, during 2020 and 2019 the Company made contributions to the supplementary scheme amounting up to 2.0% from the total of monthly tariff wage plus compensatory wage, with monthly limit of EUR 50 per one employee.

Unfunded defined benefit pension plan
A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age or years of service.

According to the valid Company Collective Agreement, signed between the trade unions operating at the Company and the Company, the Company is obliged, based on the number of years in service, to pay its employees on retirement or disability a multiple of their average monthly earning according to the valid Company Collective Agreement. The minimum requirement of the Labour Code of one-month average earning payment on retirement is included in the above multiples.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using market yield on high quality European corporate bonds.

Amendments to pension plans are charged or credited as past service cost to the income statement in the period when the amendments occur.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in case these relate to the retirement benefits. In case of other employment benefits, the adjustments are charged to the income statement.

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in Trade and other current payables and is paid out after the evaluation of the performance in the given year. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

(iv) Other employee benefits

In line with the terms of the valid Company Collective Agreement, signed between the trade unions operating at the Company and the Company, the Company also pays certain work anniversary benefits.

The liability in respect of work anniversary benefits plan is the present value of the work anniversary benefit obligation at the balance sheet date. The work anniversary benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the work anniversary benefit obligation is determined by the estimated future cash outflows using market yield curve on high quality European corporate bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and amendments to pension plans are charged or credited to the income statement when incurred.

(v) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or the Company has raised valid expectations that the restructuring will be undertaken by starting to implement that plan or announcing its main features.

(vi) Environmental provisions (Site restoration)

Environmental liabilities represent any current or future environmental assignments whose implementation is subject to the need to comply with the legislative requirements or the constructive obligation of the Company. Environmental provisions can only be recognised for those types of costs that are incurred in relation with the abovementioned assignments and only if the provision recognition criteria is met. Environmental provisions should also be recognised when there is an obligation to eliminate damages caused by contamination or disposal of hazardous wastes.

(vii) Provision for nuclear decommissioning and storage costs

The provision for nuclear decommissioning and storage costs is recognised based on discounted future cash flows estimated in relation to the decommissioning of nuclear facilities, storage and disposal of radioactive waste, the storage and disposal of spent nuclear fuel and post-operational costs of nuclear power plants. The future estimated cash flows include also estimated costs of recultivation of the sludge beds since their operation is directly related to the operation of a nuclear power plant. The provision is reduced by the actual costs incurred (i.e. usage of provision) and increased for the effect of unwinding of interest. Any excess of actual decommissioning costs over the planned amounts in the current year are included in the income statement of the current year.

The provision for nuclear decommissioning and storage costs is estimated by applying a forward long-term inflation index to the projected disbursements, which are then discounted to present value using discount rate determined based on long-term data series and takes into account the fact that some expenses covered by provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

(viii) Provision for dismantling of thermal power plants

A provision for the dismantling of thermal power plants is recognised to cover future decommissioning costs which are expected to take place upon the shut-down of the thermal power plants. The provision includes also estimated costs for recultivation of sludge beds that are located in the area of thermal power plants.

Remeasurement of provision for nuclear decommissioning and storage costs and provision for dismantling of thermal power plants

Remeasurement of an existing provision for nuclear decommissioning and storage costs and provision for dismantling of thermal power plants that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are accounted for as follows:

(a) Changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

(i) a decrease in the liability is (subject to (b)) credited directly to revaluation surplus in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;

(ii) an increase in the liability is recognised in profit or loss, except that it is debited directly to revaluation surplus in equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

(b) In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss;

(c) A change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any such revaluation is taken into account in determining the amounts to be taken to profit or loss and equity under (a). If a revaluation is necessary, all assets of that class are revalued;

(d) The change in the revaluation surplus arising from a change in the liability is separately identified and disclosed in the statement of other comprehensive income of each item of income or expense that is recognised directly in equity.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in income statement as they occur.

The periodic unwinding of interest is recognised in the income statement as a finance cost as it occurs.

q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the separate financial statements in the period in which the dividends are approved by the Company's shareholders.

r) Greenhouse gas emissions

According to the European Union Emissions Trading Scheme and a valid National Allocation Plan the Company receives part of emission allowances for selected facilities for free. The rest of emission allowances are purchased from the third parties. Emission allowances acquired by the Company for free are provided on an annual basis and the Company is required to return allowances corresponding to the emissions actually discharged by the end of April of the following calendar year. The Company accounts for the net liability arising from greenhouse gas emissions. This means that the allowances acquired for free are not accounted for and the provision is recognised only in the case and at the moment when actual greenhouse gas emissions exceed the emission allowances acquired for free.

Emission allowances purchased from third parties are measured at cost and are accounted for as inventory.

Emission allowances acquired by the purchase from the third parties for the purpose of further sale on the market are measured at fair value. The fair value is considered to be the actual market price. The change in the fair value of the emission allowances held for trading is recognised in the income statement.

3. Significant accounting judgments, estimates and assumptions

Judgments, estimates and assumptions

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods. The key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below:

(i) Nuclear decommissioning, storage and disposal of spent nuclear fuel and radioactive waste

The Company recognises significant amounts as a provision for decommissioning and post operational costs of nuclear power plants and provision for storage and disposal of spent nuclear fuel and radioactive waste. These amounts are based on the technical and financial estimates of cash flows that will be incurred over periods ranging from 1 to 100 years, based on current technology and strategy for decommissioning and disposal, as applied by the Company. Estimation of this provision is sensitive to assumptions concerning costs, inflation, discount rates and disbursement schedules

The Company's management has used its best estimates, knowledge and a valid "National Policy and National Programme for handling of spent nuclear fuel and radioactive wastes in the Slovak Republic", adopted by Slovak government on 8 July 2015 in form of an update of strategic document "Strategy of the Back-end Cycle of the Peaceful Exploitation of the Nuclear Energy in the Slovak Republic" as well as the "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning" approved by the Nuclear Regulatory Authority of the Slovak Republic on 27 August 2018 when defining disbursement schedules in respect to the nuclear decommissioning and storage and disposal of spent nuclear fuel and radioactive waste. There is an inherent risk in these estimates given the timeframe, the valid and the planned legislation, the different alternatives open to the management of the Company and the possible future changes in technology for nuclear decommissioning and storage and disposal of spent nuclear fuel and radioactive waste.

(ii) Dismantling of thermal power plants

The Company recognises a significant amount as a provision for dismantling of thermal power plants. Estimation of this provision is sensitive to assumptions concerning costs, inflation, discount rates and disbursement schedules. Disbursement schedules can be significantly impacted by the Company's future decisions regarding the strategy of the operation and dismantling. Market developments could also impact future plans of the Company management.

(iii) Revaluation of property, plant and equipment

In 2006, the Company applied the revaluation model in accordance with the accounting standard IAS 16 and revalued the items of property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4. The assumptions used in the revaluation model were taken from the report of an independent professionally qualified expert. Based on the appraisal, the useful life of the property, plant and equipment has been modified.

Subsequent revaluation of the Company's property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4 was undertaken in 2010, in 2014 and in 2019 by an independent professionally qualified expert in accordance with IAS 16 and IFRS 13 Fair value measurement. The following approaches have been used: the cost approach, the market approach and the income approach. The following assumptions were reflected in the revaluation model: technical condition of assets (useful lives, maintenance, technical enhancement), market conditions, economic factors and other specific conditions. For further information please refer to Note 5.

(iv) Testing for impairment of non-financial assets

Following the standard IAS 36 the Company tests the non-current non-financial assets for impairment in case there are any impairment indicators identified. The Company recognises impairment of non-financial assets if the carrying amount exceeds their recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

Value in use is determined as the estimated future post-tax cash flows discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the non-financial asset. The cash flows are derived from the long-term plan of the Company and board approved management plans and forecasts, based on expected generation profile. The value in use is sensitive to the assumptions related to long-term forward commodity prices, fuel costs, discount rate, inflation rate, growth rate, future development of the electricity prices and successful commissioning of nuclear power plant Mochovce 3&4 in accordance with the project timeline.

(v) Fair value of financial instruments

Where the fair value of the financial instruments recorded in the balance sheet cannot be derived from active markets, it is determined taking into account the observable market inputs and management judgement on the future development of the key variables affecting fair values, such as yield curves, exchange rates or risk-free interest rates. Fair value determination includes considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(vi) Litigations

The Company is involved in various legal disputes in the ordinary course of its business. In view of the nature of such litigations, it is not always objectively possible to predict the outcome of such disputes. Provisions have been recognised to cover all significant liabilities for cases in which the Company's management believe an adverse outcome is probable and a reasonable estimate of the financial effect can be made.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's separate financial statements are listed below:

IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(these amendments have not been approved by the EU yet, the effectiveness date of the amendments was deferred indefinitely);*
IFRS 14	Regulatory Deferral Accounts *(effective for annual reporting periods beginning on or after 1 January 2016. The European Commission decided not to launch the endorsement process of the interim standard and wait for the final IFRS standard);*
IFRS 17	Insurance Contracts *(effective for annual reporting periods beginning on or after 1 January 2023, the standard has not been approved by the EU yet);*
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date *(effective for annual reporting periods beginning on or after 1 January 2023, the standard has not been approved by the EU yet);*
IFRS 3	Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework *(effective for annual reporting periods beginning on or after 1 January 2022);*
IAS 16	Amendments to IAS 16 Property, Plant and Equipment: Proceeds Before Intended Use *(effective for annual reporting periods beginning on or after 1 January 2022);*
IAS 37	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract *(effective for annual reporting periods beginning on or after 1 January 2022);*
IFRS 4	Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 *(effective for annual reporting periods beginning on or after 1 January 2021);*
IFRS 9 IAS 39 IFRS 7 IFRS 4 IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 *(effective for annual reporting periods beginning on or after 1 January 2021);*

Annual Improvements 2018-2020 *(effective for annual reporting periods beginning on or after 1 January 2022).*

The principal effects of these changes are as follows:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

According to these amendments, the current requirements of IAS 28 Investment in Associates and Joint Ventures regarding the partial gain or loss recognition for transaction between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations. The gain or loss resulting from the sale or contribution of assets to an associate or joint venture of assets that constitute a business as defined by IFRS 3 Business Combinations is recognised in full.

IFRS 10 Consolidated Financial Statements was amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined by IFRS 3 Business Combinations to an associate or joint venture is recognised only to the extent of unrelated investors interests in the associate or joint venture. The Company is considering the impact of these amendments on the separate financial statements.

IFRS 14 Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for regulatory deferral account balances in accordance with its previous GAAP requirements, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The Standard cannot be adopted by the entities that currently prepare their financial statements under IFRS. The application of the standard will not have any impact on the separate financial statements of the Company.

IFRS 17 Insurance Contracts
Standard introduces a complex accounting model applicable for all insurance and reinsurance contracts (both short-term and long-term) and also for investment contracts with discretionary participation features. It brings a new approach for measurement and recognition of life and property insurance contracts and defines a new measurement aspect of the insurance contracts, contractual service margin, representing the unearned profit that the entity will recognise as it provides services under the insurance contracts. The application of the standard will not have any impact on the separate financial statements of the Company.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date
These amendments reconcile apparent contradictions between paragraph 69(d) – which required an 'unconditional right' to defer settlement— and paragraph 73 — which referred to an entity that 'expects, and has the discretion, to' refinance or roll over an obligation. The effective date of the amendments is moved to 1 January 2023. The application of these amendments will not have any impact on the separate financial statements of the Company.

Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
The objectives of the Amendments are to update IFRS 3 Business Combinations so it refers to the 2018 Conceptual Framework instead of the 1989 Framework in a manner that avoids unintended consequences and clarify aspects of IFRS 3. The Company is considering the impact of these amendments on the separate financial statements.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds Before Intended Use
The Amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment (PPE) any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Company is considering the impact of these amendments on the separate financial statements mainly related to nuclear power plant Mochovce 3&4 put-into-use.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
The objective of the Amendments is to clarify the requirements of IAS 37 on onerous contracts regarding the assessment of whether, in a contract, the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Company is considering the impact of these amendments on the separate financial statements.

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9
The objective of the Amendments is to allow qualifying entities to continue to defer the application of IFRS 9. Currently IFRS 4 requires insurance entities to apply IFRS 9 from 1 January 2021, the change will mean that IFRS 9 becomes effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. The application of these amendments will not have any impact on the separate financial statements of the Company.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
The Amendments are needed to avoid the discontinuation of hedge accounting relationships solely due to the impacts of the Interest Rate Benchmark Reform, to properly account for modifications of financial instruments and lease contracts accounted for under IFRS and to deal with the implications on hedge accounting arising from the reform. The Company is considering the impact of these amendments on the separate financial statements.

Annual Improvements 2018-2020
The amendments relate to:
- IFRS 1 First-time Adoption of International Financial Reporting Standards. Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments. Fees included in the '10 per cent' test for derecognition of financial liabilities;
- IFRS 16 Leases. Illustrative example 13; and
- IAS 41 Agriculture. Taxation in fair value measurement.

The application of these amendments will not have any impact on the separate financial statements of the Company.

5. Property, plant and equipment

In thousands of EUR	Buildings, halls and structures *Level 3*	*Plant, machinery and other* *Level 3*	*Land* *Level 2*	*Assets in the course of construction* *Level 3*	*Total*
Valuation as at 1 January 2020	1,379,550	2,183,886	85,076	6,033,865	9,682,377
Accumulated depreciation as at 1 January 2020	(4,096)	(20,768)	(5)	–	(24,869)
Accumulated impairment losses as at 1 January 2020	(3,160)	(25,396)	(6)	(450,846)	(479,408)
Carrying amount as at 1 January 2020	**1,372,294**	**2,137,702**	**85,065**	**5,583,019**	**9,178,080**
Year ended 31 December 2020					
Opening carrying amount as at 1 January 2020	1,372,294	2,137,702	85,065	5,583,019	9,178,080
Additions	2,614	25,378	–	440,673	468,665
Impairment loss (-) and reversal (+) through revaluation reserve	20	5	–	–	25
Impairment loss (-) and reversal (+) through income statement (Note 25)	7	(172)	17	10,479	10,331
Transfers	3,158	12,006	4	(15,268)	–
Transfers from intangible assets	-	-	–	93	93
Transfers to Assets held for sale	11	-	7	–	18
Disposals	(10,466)	(108)	(6)	–	(10,574)
Depreciation charge (Note 25)	(54,429)	(155,535)	(61)	–	(210,025)
Valuation as at 31 December 2020	1,374,903	2,215,080	85,098	6,459,194	10,134,285
Accumulated depreciation as at 31 December 2020	(58,455)	(171,250)	(66)	–	(229,809)
Accumulated impairment losses as at 31 December 2020	(3,160)	(24,559)	(6)	(440,138)	(467,863)
Carrying amount as at 31 December 2020	**1,313,288**	**2,019,291**	**85,026**	**6,019,056**	**9,436,613**

In thousands of EUR	*Buildings, halls and structures* *Level 3*	*Plant, machinery and other* *Level 3*	*Land* *Level 2*	*Assets in the course of construction* *Level 3*	*Total*
Valuation as at 1 January 2019	1,710,100	2,552,034	41,503	5,519,952	9,823,589
Accumulated depreciation as at 1 January 2019	(194,513)	(572,715)	–	-	(767,228)
Accumulated impairment losses as at 1 January 2019	(173,256)	(235,567)	(719)	(436,489)	(846,051)
Carrying amount as at 1 January 2019	1,342,331	1,743,732	40,784	5,083,463	8,210,310
Year ended 31 December 2019					
Opening carrying amount as at 1 January 2019	1,342,331	1,743,732	40,784	5,083,463	8,210,310
Additions	19,030	26,464	1,455	529,863	576,812
Revaluation through revaluation reserve	56,764	538,278	41,807	-	636,849
Revaluation through income statement	1,657	(32,415)	1,081	(644)	(30,321)
Impairment loss (-) and reversal (+) through revaluation reserve	-	(1,148)	–	-	(1,148)
Impairment loss (-) and reversal (+) through income statement (Note 25)	(11)	(1,268)	(2)	(14,101)	(15,382)
Transfers	4,253	11,343	–	(15,596)	-
Other	3	10	1	34	48
Disposals	-	(10)	–	-	(10)
Depreciation charge (Note 25)	(51,733)	(147,284)	(61)	-	(199,078)
Valuation as at 31 December 2019	1,379,550	2,183,885	85,076	6,033,965	9,682,377
Accumulated depreciation as at 31 December 2019	(4,896)	(20,768)	(5)	-	(24,669)
Accumulated impairment losses as at 31 December 2019	(3,160)	(25,396)	(6)	(450,845)	(479,406)
Carrying amount as at 31 December 2019	1,372,294	2,137,782	85,065	5,583,119	9,178,302

Under the category Assets under construction, the most significant value relates to nuclear power plant Mochovce 3&4. The Company has prepayments for non-current assets in the amount of EUR 13,565 thousand which relate to property, plant and equipment, thereof EUR 13,008 thousand relate to the construction of nuclear power plant Mochovce 3&4 (2019: EUR 27,280 thousand, thereof EUR 10,380 thousand related to the construction of nuclear power plant Mochovce 3&4).

Assets classified as held for sale

Assets classified as held for sale are mainly land and buildings, which are not used by the Company for their initial purpose.

In thousands of EUR	2020	2019
Buildings, halls & structures	255	267
Land	15	21
Total	270	288

Revaluation of property, plant and equipment to fair value

The first revaluation of the Company's property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4 took place on 28 April 2006. This revaluation was carried out by an independent professionally qualified expert.

The second and third subsequent revaluation was performed as at 31 December 2010 and as at 31 December 2014. During 2019 a new revaluation of property, plant and equipment was performed. This fair valuation was recorded as at 30 November 2019. All subsequent fair valuations were undertaken by an independent professionally qualified expert. The fair value was determined by using the following approaches: the cost, the market and the income approach.

The cost approach was the primary method. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset and is based on the cost to a market participant to acquire or construct a substitute asset or comparable utility, adjusted for the obsolescence (Level 3). Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets (Level 2). The market approach was primarily used to value land. Appropriate consideration was given to location and current and future use of individual land plots.

The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those amounts. The income approach was considered on an overall portfolio basis since these plants work together in generating electricity for the grid.

Fair valuation of the thermal power plant in Nováky as well as fair valuation of selected assets in the nuclear power plant in Jaslovské Bohunice was based on the presumptions that electricity production in the thermal power plant Nováky would not be economically viable without the state support and that heat production is regulated. Therefore, the fair value of electricity production assets of the thermal power plant Nováky is primarily driven by their carrying amounts and the fair value of the heat production assets in the thermal power plant Nováky and the heat production assets in the nuclear power plant Jaslovské Bohunice is primarily driven by tax carrying amounts (Level 3).

Following the revaluation of property, plant and equipment in 2019 the Company recognized overall increase of the value of non-current assets in amount of EUR 606,528 thousand, out of which EUR 636,849 thousand as an increase through the revaluation reserve and, at the same time impairment loss in the value of EUR 30,321 EUR in the income statement.

Impairment of property, plant and equipment

As at 31 December 2020 and as at 31 December 2019 the Company tested property, plant and equipment for impairment. No impairment loss was recognized in this respect in 2019 and 2020.

A value in use calculation was used to determine the recoverable amount of property, plant and equipment of the Company. Sensitivity analysis was performed taking into consideration a decrease of long-term electricity prices as well as an increase of WACC proving sufficient headroom between the recoverable amount and the carrying value of property, plant and equipment as at 31 December 2020.

During the period ended 31 December 2020 the Company recognised an overall change in impairment loss of individually assessed items in the total amount of EUR 10,356 thousand; out of which 2,275 thousand EUR represents an impairment loss of individually impaired items recognized in the line Depreciation, amortization and impairment, EUR 12,606 thousand represents an impairment loss release recognized in the line Repairs and maintenance and EUR 25 thousand increase in Revaluation reserve. During the period ended 31 December 2019 the Company recognized an impairment loss in respect of individually assessed items of property, plant and equipment in the amount of EUR 16,330 thousand, out of which EUR 15,352 thousand was recognized in the line Depreciation, amortization and impairment and EUR 1,148 thousand in the line Revaluation reserve.

The fair value of assets as at 31 December 2020 and 2019 is as follows:

In thousands of EUR	*31 December 2020*	*Level 1*	*Level 2*	*Level 3*
Buildings, halls and structures	1,313,250	-	-	1,313,250
Plant, machinery & other	2,019,281	-	-	2,019,281
Land	85,026	-	85,026	-
Assets in the course of construction	6,019,056	-	-	6,019,056
Total	**9,436,613**		**85,026**	**9,351,587**

In thousands of EUR	*31 December 2019*	*Level 1*	*Level 2*	*Level 3*
Buildings, halls and structures	1,372,294	-	-	1,372,294
Plant, machinery & other	2,137,782	-	-	2,137,782
Land	85,065	-	85,065	-
Assets in the course of construction	5,583,019	-	-	5,583,019
Total	**9,178,080**	-	**85,065**	**9,093,015**

Since there have been no transfers of non-current assets between levels 1 – 3 during years 2020 and 2019, the reconciliation from the opening to closing carrying amounts for each individual level is valid as shown in the table on pages 29 and 30.

If property, plant and equipment were measured using the cost model, the carrying amounts as at 31 December 2020 and 2019 would be as follows:

In thousands of EUR	*Buildings, halls & structures*	*Plant, machinery & other*	*Assets under finance lease*	*Land*	*Assets in the course of construction*	*Total*
Carrying amount as at 31 December 2020 under the cost	417,528	993,419	12,073	13,901	6,019,856	7,455,977
Carrying amount as at 31 December 2019 under the cost	441,381	1,042,048	16,537	13,884	5,583,019	7,096,869

Capitalised borrowing costs

The Company capitalised borrowing costs in the total amount of EUR 107,532 thousand for the year ended 31 December 2020, thereof EUR 308 thousand related to prepayments (2019: EUR 140,859 thousand, thereof EUR 288 thousand related to prepayments). The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.74% p.a. which is the average effective interest rate of all the general borrowings of the Company.

Insurance of property, plant and equipment:

As at 31 December 2020 the fixed assets of the Company were insured as follows:

- The insured value of the fixed assets of conventional power plants and non-generating assets of the Company represented EUR 2,970 million.
- Assets of nuclear power plants were insured up to the limit of EUR 700 million for the operating nuclear power plants.
- The insured value of the assets in the course of construction was EUR 3,833 million.

The Company insures its property as follows:

- Fixed assets of conventional power plants and conventional part of the nuclear property are insured by commercial carriers.
- Fixed assets of the nuclear power plants are insured by EMANI (a mutual insurance association with the registered seat in Belgium).

Leases

At 31 December 2020, the carrying value of assets under lease included in Property, plant and equipment was EUR 12,073 thousand (31 December 2019: EUR 16,537 thousand). Total cash outflow for leases in 2020 was EUR 4,008 thousand (in 2019 EUR 3,415 thousand).

As at 31 December 2020 and 31 December 2019, the total minimum lease payments and the present value of minimum lease payments are as follows:

	Total minimum lease payments		Present value of minimum lease payments	
In thousands of EUR	2020	2019	2020	2019
Amounts payable under leases:				
Within one year	4,058	4,006	3,725	3,534
In the second to fifth year inclusive	6,867	10,766	6,589	10,094
After five years	1,493	1,752	1,151	1,371
Total	12,518	16,524	11,465	14,999
Less future finance charges	(1,053)	(1,525)	-	-
Present value of lease payments	11,465	14,999	11,465	14,999
Liabilities from lease recognised in Trade payables and borrowings in the balance sheet (Note 19)			11,465	14,999
Less: Amount due for settlement within 12 months presented within current liabilities (Note 19)			(3,725)	(3,534)
Amount due for settlement after 12 months (Note 15)			7,740	11,465

Movements of assets recognised under lease are as follows:

In EUR thousands	*Land*	*Buildings, halls and structures and other assets*	*Total*
Carrying amount as at 1 January 2020	1,334	15,143	16,537
Depreciation charge	(61)	(4,403)	(4,464)
Carrying amount as at 31 December 2020	1,333	10,740	12,073

In EUR thousands	*Land*	*Buildings, halls and structures and other assets*	*Total*
Carrying amount as at 1 January 2019	1,455	15,537	16,992
Additions	-	3,209	3,209
Depreciation charge	(61)	(3,603)	(3,664)
Carrying amount as at 31 December 2019	1,394	15,143	16,537

Expenses relating to short-term leases and to leases of low-value assets as at 31 December 2020 of EUR 2,282 thousand (2019: EUR 2,347 thousand) that are not shown as short-term leases are included in the line Other raw materials and consumables in the income statement.

6. Intangible assets

In thousands of EUR	Software	Other intangible assets	Intangible assets in progress	Total
Cost as at 1 January 2020	76,088	1,531	335	77,934
Accumulated amortisation as at 1 January 2020	(70,677)	(1,304)	-	(71,981)
Accumulated impairment losses as at 1 January 2020	(80)	-	-	(80)
Carrying amount as at 1 January 2020	5,331	227	335	5,933
Year ended 31 December 2020				
Opening carrying amount as at 1 January 2020	5,331	227	335	5,933
Additions	569	-	569	1,138
Impairment loss through income statement (Note 25)	(96)	-	-	(96)
Transfers	210	-	(210)	-
Transfers to Property, plant and equipment	-	-	(99)	(99)
Amortisation (Note 25)	(1,396)	(17)	-	(1,413)
Cost as at 31 December 2020	75,933	1,531	601	78,065
Accumulated amortisation as at 31 December 2020	(71,138)	(1,321)	-	(72,459)
Accumulated impairment losses as at 31 December 2020	(117)	-	-	(117)
Carrying amount as at 31 December 2020	4,678	211	601	5,489
Cost as at 1 January 2019	75,936	1,531	320	78,787
Accumulated amortisation as at 1 January 2019	(70,529)	(1,281)	-	(71,810)
Accumulated impairment losses as at 1 January 2019	(80)	-	-	(80)
Carrying amount as at 1 January 2019	5,327	250	320	5,957
Year ended 31 December 2019				
Opening carrying amount as at 1 January 2019	5,327	250	320	5,957
Additions	346	-	335	681
Transfers	320	-	(320)	-
Amortisation (Note 25)	(1,662)	(23)	-	(1,705)
Cost as at 31 December 2019	76,088	1,531	335	77,934
Accumulated amortisation as at 31 December 2019	(70,677)	(1,304)	-	(71,981)
Accumulated impairment losses as at 31 December 2019	(80)	-	-	(80)
Carrying amount as at 31 December 2019	5,331	227	335	5,933

In 2020 and 2019 the Company did not incur nor capitalize any expenses for development.

7. Derivatives

Assets from derivatives measured at fair value through profit or loss

In thousands of EUR	2020	2019
Non-current		
Embedded derivatives	-	622
Total	**-**	**622**
Current		
Embedded derivatives	200	29
Derivatives not designated as hedges	121,936	152,869
Total	**121,136**	**152,898**

Liabilities from derivatives measured at fair value through profit or loss

In thousands of EUR	2020	2019
Current		
Commodity derivatives not designated as hedges	115,047	115,948
Total	**115,947**	**115,948**

Derivatives measured at fair value through profit or loss

Embedded derivatives
On 7 October 2013 a long-term electricity contract with Slovalco, a.s. was signed that is valid from 1 January 2014 to 31 December 2021. According to the contract provisions the price of electricity is expressed in USD. The value of the embedded option on the price of aluminium is subject to indexation to the price of aluminium on the London Metals Exchange (LME). The initial value of the embedded options as at the date of the conclusion of the long-term electricity contract with Slovalco, a. s. was recognised against deferred revenue on the face of the balance sheet as it related to revenues from electricity deliveries since 1 January 2014. This value is amortised to income statement over the term of the long-term contract on a straight line basis (see Note 20 and 30).

Commodity derivatives
The Company recognises commodity derivatives not designated as hedges in respect of trading contracts for purchase and sale of electricity, emission allowances and gas according to the valid accounting policy of the Company. Except for the mentioned contracts the Company has traded derivative transactions also for uranium and emission allowances with the aim of economic hedge against the price volatility of these commodities.

The Company sells its production via transactions concluded under market conditions, usually using brokerage platforms or energy exchange, e.g. European Energy Exchange AG (EEX), or Polish Power Exchange (PolPX), considered to be the most transparent and most reliable means of electricity trading in the region. In case of EEX trading the open positions are being revalued on daily basis and these are immediately settled in cash (as at 31 December 2020 the cumulative revaluation of the commodity derivatives at EEX represents EUR 23,888 thousand – electricity, gas and emission allowances).

Assets from derivatives designated as effective hedging instruments in cash flow hedge

In thousands of EUR	2020	2019
Non-current		
Hedging derivatives – exchange rate	49	9
Hedging derivatives – commodities	235	6,234
Total	**284**	**6,243**
Current		
Hedging derivatives – exchange rate	8,668	66
Hedging derivatives – commodities	19,205	29,861
Total	**27,874**	**29,927**

Liabilities from derivatives designated as hedging instruments in cash flow hedge relationship

In thousands of EUR	2020	2019
Non-current		
Hedging derivatives – exchange rate	152,920	89,163
Hedging derivatives – interest rate	14,385	5,708
Hedging derivatives – commodities	32,742	4,244
Total	**199,947**	**99,115**
Current		
Hedging derivatives – exchange rate	512	4,604
Hedging derivatives – interest rate	1,384	1,096
Hedging derivatives – commodities	42,334	80,983
Total	**44,338**	**86,683**

Derivatives designated as hedges

All derivative contracts designated as hedges are classified as cash flow hedges.

Exchange rate

The Company hedges the impact of the exchange rate fluctuations connected with the purchase and sale of electricity and also the purchase of commodities necessary for the production of electricity through forwards on foreign currency exchange rates. The cash flows from the hedging derivatives are contracted to occur in the moment when the purchase or sale of the hedged transaction is expected to occur.

In case of purchase and sale of electricity the cash flows from the hedging foreign currency derivatives are recognised in profit or loss at the moment of the realization of the trade.

Interest rate and exchange rate

The Company hedges its exposure to interest rate risk and exposure to exchange rate fluctuations in connection with the loans drawn through interest rate swaps or cross-currency interest rate swaps. The maturity of the swaps interest payments corresponds with the maturity of interests from loans. For details of the interest rate risk management strategy refer to Note 31.

Electricity price

The Company hedges cash flows from sales of future electricity production against the risk of electricity price movement by selling the production via forward contracts with respect to the strategy of production selling. Strategy for managing risks associated with fluctuation of the electricity prices is described in more details in the Note 31.

Uranium price

In connection with the contracted purchases of nuclear fuel, the Company hedges its exposure to volatility of the price of uranium, as a risk component of the nuclear fuel price, through swaps for sale and purchase of the uranium product.

Change in the hedging reserve in the statement of other comprehensive income, before tax, during the period was as follows:

In thousands of EUR	2020	2019
Balance as at 1 January	**51,572**	**159,532**
Change in valuation of cash flow hedges	120,171	(107,905)
Reclassification to profit or loss:		
Unrealized foreign exchange loss	(51,312)	28,677
Hedges that became ineffective	(9,725)	4,397
Net gain/(loss) of the restored contracts	(3,644)	(4,777)
Transfer of hedge reserve to initial cost of the asset	1,093	–
Balance as at 31 December	**198,555**	**51,572**

8. Investments in subsidiaries

The structure of the Company's interest in subsidiaries is as follows:

In thousands of EUR

Company name	Country of incorporation	Ownership 2020	Carrying amount of investment 2020
Ochrana a bezpečnosť SE, s.r.o.	Moldava, Slovak Republic	100%	37
Slovenské elektrárne – energetické služby, s.r.o.	Bratislava, Slovak Republic	100%	4,505
Centrum pre vedu a výskum, s.r.o.	Moldava, Slovak Republic	100%	6
Slovenské elektrárne Česká republika, s.r.o.	Prague, Czech Republic	100%	11,869
SE Služby hŕbitovných slavieb, s.r.o.	Moldava, Slovak Republic	100%	200
Total investments in subsidiaries			**16,417**

In thousands of EUR

Company name	Country of incorporation	Ownership 2019	Carrying amount of investment 2019
Ochrana a bezpečnosť SE, s.r.o.*	Moldava, Slovak Republic	100%	37
Slovenské elektrárne – energetické služby, s.r.o.	Bratislava, Slovak Republic	100%	4,505
Centrum pre vedu a výskum, s.r.o.	Moldava, Slovak Republic	100%	6
Slovenské elektrárne Česká republika, s.r.o.	Prague, Czech Republic	100%	11,869
SE Služby hŕbitovných slavieb, s.r.o.	Moldava, Slovak Republic	100%	200
Total investments in subsidiaries			**16,417**

**Change of legal form from joint stock company to limited liability company of Ochrana a bezpečnosť SE was registered in the Commercial register on 19 September 2019*

9. Investments in associates and other investments

The structure of the Company's interest in the associates is as follows:

In thousands of EUR

Company name	Country of incorporation	Ownership 2020	Carrying amount of investment 2020	Equity 2020	Profit 2020
REAKTORTEST, s.r.o.	Slovak Republic	49%	33	320	155
ÚJV Řež, a.s.	Czech Republic	27.77%	4,684	78,697	11,408
Energolet, a.s.	Slovak Republic	20%	525	6,221	880
Total investments in associates			**5,242**	**84,338**	**12,443**

In thousands of EUR

Company name	Country of incorporation	Ownership 2019	Carrying amount of investment 2019	Equity 2019	Profit 2019
REAKTORTEST, s.r.o.	Slovak Republic	49%	33	440	275
ÚJV Řež, a.s.	Czech Republic	27.77%	4,684	69,402	3,087
Energolet, a.s.	Slovak Republic	20%	525	6,919	1,407
Total investments in associates			**5,242**	**76,761**	**4,775**

Assets, liabilities, revenues and expenses of the associates were as follows:

In thousands of EUR	*Non-current assets*	*Current assets*	*Total assets*	*Equity*	*Non-current liabilities*	*Current liabilities*	*Total liabilities*	*Revenues*	*Expenses*	*Profit*
2020										
REAKTORTEST, s.r.o.	24	2,634	2,658	320	-	1,738	1,738	21,603	21,448	155
ÚJV Řež, a.s.	84,510	47,429	131,939	78,697	22,057	31,185	53,242	51,683	40,275	11,408
Energotel, a.s.	4,221	6,016	10,237	5,321	244	4,672	4,916	11,206	10,326	880
Total	**88,755**	**56,079**	**144,834**	**84,338**	**22,301**	**37,595**	**59,896**	**84,492**	**72,049**	**12,443**

In thousands of EUR	*Non-current assets*	*Current assets*	*Total assets*	*Equity*	*Non-current liabilities*	*Current liabilities*	*Total liabilities*	*Revenues*	*Expenses*	*Profit*
2019										
REAKTORTEST, s.r.o.	-	2,574	2,574	440	338	1,796	2,134	23,580	23,305	275
ÚJV Řež, a.s.	53,510	52,638	106,248	69,402	20,907	15,939	36,846	51,415	48,318	3,097
Energotel, a.s.	4,579	7,251	11,830	6,919	168	4,842	5,011	12,057	10,650	1,407
Total	**58,089**	**62,463**	**120,752**	**76,761**	**21,414**	**22,577**	**43,991**	**87,052**	**82,253**	**4,779**

The structure of the other investments is as follows:

In thousands of EUR	*Carrying amount of investment 2020*	*Carrying amount of investment 2019*
Other investments	6,415	5,996
Total	**6,415**	**5,996**

Other investments include the Company's equity interests in the European Liability Insurance for the Nuclear Industry (ELINI), European Mutual Association for Nuclear Insurance (EMANI), Blue Re Mutual Association and Nuclear Industry Reinsurance Association (NIRA) and contribution of the Company to other capital funds of the subsidiary Centrum pre vedu a výskum, s.r.o. in total value of EUR 500 thousand (2019: EUR 500 thousand).

10. Inventories

In thousands of EUR	At cost 2020	At lower of cost or net realizable value 2020	At cost 2019	At lower of cost or net realizable value 2019
Nuclear fuel	231,555	231,378	249,668	249,361
Fossil fuel	14,017	8,432	20,153	17,338
Spare parts	25,305	20,545	23,660	19,332
Material and supplies	6,862	4,741	6,402	4,377
Emission allowances	45,786	48,910	45,596	45,596
Other	1,459	1,459	384	384
Total inventories	324,984	315,465	345,783	336,388

Inventories in total value of EUR 165,187 thousand (2019: EUR 198,298 thousand) are expected to be consumed within a period of more than twelve months following the balance sheet date.

Total balance of emission allowances recognized as at 31 December 2020 were held for trading and were valued at the fair value. Emission allowances in 2019 were purchased to settle the liability from actually discharged emissions in accordance with the European Union Emissions Trading Scheme and in line with the valid legislation in the Slovak Republic.

Nuclear fuel movements

In thousands of EUR	2020	2019
Balance as at 1 January	249,668	254,870
Purchases	51,861	61 135
Consumption	(63,786)	(70,061)
Sale to the Slovak State Reserves	(6,188)	(6,276)
Balance as at 31 December	231,555	249,668

Movement in the write-down to inventories

In thousands of EUR	2020	2019
Balance as at 1 January	9,455	7,150
Write-down	3,369	3,257
Usage	(180)	(273)
Release	(1)	(679)
Balance as at 31 December	12,643	9,455

The Company writes down obsolete and slow-moving inventories.

11. Trade and other receivables

In thousands of EUR	2020	2019
Current receivables		
Receivables given by contracts with customers	211,949	204,299
Other receivables	15,449	16,625
Receivables from subsidiaries	23,234	29,294
Receivables from other related parties	61,000	70,147
Amounts receivable under finance leases	2,951	2,569
Expected credit losses allowance	(142,718)	(145,054)
Total financial receivables	171,865	176,980
Value added tax and other taxes and fees	767	1,815
Total trade and other receivables	172,632	178,795

In thousands of EUR	2020	2019
Non-current receivables		
Receivable from the sale of Gabčíkovo hydro power plant	82,410	79,984
Non-current prepayments	44,765	22,088
Amounts receivable under finance leases	3,041	2,647
Other non-current receivables	130	300
Total non-current receivables	130,346	104,969

Receivable from the sale of Gabčíkovo hydro power plant (hereinafter as the "VEG") was recognised based on the Agreement on settlement of legal relations with respect to the VEG assets, signed on 24 March 2006, in the value determined by an expert. The balance of non-current receivable from the sale of the VEG assets recognised as at 31 December 2020 amounting to EUR 82,410 thousand (31 December 2019: EUR 79,984 thousand) represents its discounted present value. The nominal value of the receivable as at 31 December 2020 amounts to EUR 102,812 thousand (31 December 2019: EUR 102,812 thousand). For the information regarding related ongoing legal disputes, refer to Note 28.

The Company recognised long-term and short-term lease receivable from the finance lease of heat distribution system to the company Slovenské elektrárne – energetické služby, s.r.o.

As at 31 December 2020 and 31 December 2019 minimum lease payments and present value of minimum lease payments is as follows:

	Total minimum lease payments		Present value of minimum lease payments	
Y/As EUR	2020	2019	2020	2019
Amounts receivable under leases:				
Within one year	3,090	2,690	2,951	2,569
In the second to fifth year inclusive	3,090	2,690	3,041	2,647
After five years	-	-	-	-
Total	6,180	5,380	5,992	5,216
Less future finance income	(188)	(164)	-	-
Present value of lease payments	5,992	5,216	5,992	5,216
Receivables from lease recognised in the lines Other receivables and Trade and other receivables			5,992	5,216
Less: Amount due for settlement within 12 months presented within Trade and other receivables			(2,951)	(2,569)
Amount due for settlement after 12 months			3,041	2,647

For terms and conditions relating to related parties, refer to Note 28.

Trade receivables are non-interest bearing and are generally due within 14 - 90 days.

For trade and lease receivables, the Company applies the IFRS 9 simplified approach that measures expected credit losses by calculating a lifetime expected loss allowance. Trade receivables have been grouped based on the days past due. The Company has established a provision matrix, the expected loss rates for trade receivables were calculated based on payment profiles of sales over a period of 5 years before 31 December 2020 and 31 December 2019 and the corresponding historical credit losses experienced within this period. For more details regarding credit risk, please refer also to Note 31.

Movements in the expected credit losses allowance were as follows:

In thousands of EUR	2020
Balance as at 1 January	145,954
Charge for the year (Note 25)	64
Utilised	-
Unused amounts reversed (Note 25)	(3,300)
Balance as at 31 December	142,718

In thousands of EUR	2019
Balance as at 1 January	144,943
Charge for the year (Note 25)	1,148
Utilised	(4)
Unused amounts reversed (Note 25)	(133)
Balance as at 31 December	145,954

As at 31 December 2020 and 2019 trade receivables included receivables against VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK in total value of EUR 22,137 thousand, which are subject to an ongoing dispute with the counterparty. Due to uncertainties related to the collectability of these receivables, the Company recognised an allowance for individually impaired receivables in full amount. These receivables were not included in the IFRS 9 simplified model for calculation of the expected credit losses allowance, but were assessed on an individual basis.

As at 31 December 2020 and 2019 trade receivables included an amount of EUR 113.85 million related to past contributions to Združenie Dunaj ("the Danube Association") which was established to facilitate the co-operation between the Company and the company VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK for the construction of the Gabčíkovo dam and electricity facilities. Due to uncertainties related to the collectability of this receivable, the Company recognised an an allowance for individually impaired receivables in full amount. These receivables were not included in the IFRS 9 simplified model for calculation of the expected credit losses allowance, but were assessed on an individual basis.

As at 31 December 2020, trade receivables include an amount of EUR 1,400 thousand, related to purchased credit-impaired trade receivables (31 December 2019: EUR 1,470 thousand) receivables that are fully impaired since initial recognition.

12. Cash and cash equivalents

In thousands of EUR	2020	2019
Cash at banks and on hand	18,815	4,631
Total cash and cash equivalents	18,815	4,631

Cash and cash equivalents as at 31 December 2020 include EUR 100 thousand that is restricted by legislation (31 December 2019: EUR 100 thousand).

13. Other assets

In thousands of EUR	2020	2019
Other current assets		
Prepaid expenses - insurance	2,128	1,953
Prepaid expenses - lease of buildings	640	632
Prepaid expenses - state supervision over nuclear power plants	-	5,302
Prepaid expenses - fees related to loans and borrowings	375	361
Prepaid expenses - other	167	1,712
Accrued revenue - uninvoiced electricity deliveries	13,382	7,133
Total other current assets	**16,718**	**17,493**

In thousands of EUR	2020	2019
Other non-current assets		
Right for reimbursement of the special purpose financial reserve	1,474	1,363
Total other non-current assets	**1,474**	**1,363**

On 1 January 2019 a new Act No. 312/2018 Coll. amending the Act No. 79/2015 Coll. on waste came into effect. This new act has amended, inter alia, also the pronouncements regarding the special purpose financial reserve for waste dumps which the Company as an operator of the waste dumps must create. According to the § 24, article 4 of this act the funds must be deposited on the special account in the State Chamber. Following the § 135e, article 1 of the Act No. 312/2018 Coll. the Company had an obligation to transfer the funds on the special account of the State Chamber by 31 March 2019. Since this moment the Company recognizes this special purpose financial reserve as a long-term asset – a right for reimbursement of the special purpose financial reserve in line with the interpretation IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

14. Share capital and reserves

i) Share capital

As at 31 December 2020, the share capital comprised 39,041 ordinary shares (2019: 39,041), thereof 38,238 shares at a par value of EUR 33,193.92 and 803 shares at a par value of EUR 33.19. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends in accordance with legislation valid in the Slovak Republic and as decided by the general meeting and are entitled to vote, while each EUR 33.19 represents one vote. The Company does not hold any of its own shares.

ii) Reserves

Revaluation reserve

Following the IAS 16 and the valid accounting policy the Company applies revaluation model for subsequent measurement of property, plant and equipment after initial recognition. The assets' revaluation reserve is recognised in relation to the increase in the carrying value of property, plant and equipment and decrease in this value to the extent that such decrease reverses an increase in the fair value, previously recognised in equity. The reserve cannot be used to pay dividends.

Other reserves

Other reserves mainly consist of the legal reserve fund and the hedging reserve. As at 31 December 2020 the legal reserve fund amounts to EUR 256,066 thousand (2019: EUR 256,066 thousand). This fund is not available for distribution to shareholders, but to cover losses or increase the share capital.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred or have not yet affected profit or loss.

Distribution of profit from the previous accounting period

Distribution of profit from the previous accounting period of EUR 17,969 thousand was as follows:

In thousands of EUR	*Accounting profit for 2019*
Transfer to retained earnings	17,969
Total	**17,969**

The net profit for 2020 is proposed to be transfered to the retained earnings and to be used in accordance with the approved Strategic Plan of the Company.

15. Provision for nuclear decommissioning and storage costs

Provision for decommissioning of nuclear power plants

Based on the provisions of the Act No. 541/2004 Coll. on Peaceful use of Nuclear Energy as amended (hereinafter as the "Atomic Act"), the licence holder for operation of nuclear power plants is responsible for preparation of the conceptual plan of decommissioning of each nuclear power plant and provide for its decommissioning after the end of its operation. According to the pronouncements of the Atomic Act, the entity responsible for execution of the decommissioning is the licence holder for decommissioning.

Provision for decommissioning of nuclear power plants includes the costs of dismantling of V2 nuclear power plant in Jaslovské Bohunice (hereinafter as "V2") and the first and the second unit of the nuclear power plant in Mochovce (hereinafter as "EMO 1&2") (units VVER 440 type 213 with reactors performance 505 MW (V2) and 470 MW (EMO 1&2)). The underlying assumption for recognising the provision is the obligation after the end of operation of nuclear power plants to dismantle the facility, process and dispose all radioactive waste from decommissioning and return the site to the condition defined in the conceptual plan of decommissioning developed for the individual power plant. The total present value of the obligations concerning decommissioning of nuclear power plants is covered by a provision. The initial estimate of cost in respect of the provision that has been recognised by the Company forms a part of the carrying amount of property, plant and equipment.

The Council Directive No. 2011/70/EURATOM, which establishes a basic framework for the responsible and safe management of spent nuclear fuel and radioactive waste in the European Atomic Energy Community (hereinafter as the "Directive"), raised the requirement for the member states of the European Union to prepare a national policy and national programme for the responsible and safe management of spent nuclear fuel and radioactive waste. The Directive was reflected in the Slovak legislation through the Act No. 143/2013 Coll. from 21 May 2013, by which the Atomic Act and at that time valid Act No. 238/2006 Coll. on National Nuclear Fund were amended. Following the abovementioned, on 8 July 2015 the Slovak Government adopted the document named "National Policy and National Programme for handling of spent nuclear fuel and radioactive wastes in SR", as an update of the strategic document "Strategy of the back-end cycle of the peaceful exploitation of the nuclear energy in the Slovak Republic" (hereinafter as the "National Policy" and the "National Programme").

The above mentioned documents define the strategy of immediate decommissioning for the nuclear power plants both in Jaslovské Bohunice and Mochovce, which is consistent with the one applied by the Company and reflected in the conceptual plans of decommissioning, subject to approval of the Nuclear Regulatory Authority of the Slovak Republic (hereinafter as the "UJD SR"). Estimation of the costs and disbursements for decommissioning of the nuclear plants as at 31 December 2020 is based on the strategy of the Company to apply more conservative prompt (immediate) decommissioning approach. The decommissioning strategy is subject to review and assessment of the UJD SR and the National Nuclear Fund for decommissioning of nuclear power plants and disposal of spent nuclear fuel and radioactive waste (hereinafter as the "National Nuclear Fund" or the "NNF").

The updated estimation of the costs of decommissioning, as included in the document "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed in April 2017 by the company EGP INVEST, spol. s r.o., an independent specialist in determining cost estimates of back-end cycle processes of nuclear industry, was used as a basis for valuation of the provision for decommissioning of nuclear power plants as at 31 December 2020 and 31 December 2019. These documents were approved by the UJD SR on 27 August 2018.

Provision for post-operational costs of nuclear power plants

This provision includes disbursements to be incurred by the operator of a nuclear power plant once the nuclear power plant's energy production is stopped until the license for decommissioning is obtained. The method of termination of operation is determined by the gradual reactors shut downs (two years apart) and after-cooling of spent nuclear fuel in the storage pool, which creates typical termination of operation phases. The length of the individual phases is determined mainly by the type of spent fuel interim storage.

The provision for post-operational costs of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the Company as the holder of the operating license to bring the plant into the decommissioning stage as defined by the Atomic Act.

The provision for post-operational costs reflects the present value of the expected disbursements to be incurred during the four year period. Disbursements of the costs are dependent on an expected date of the shut-down of the nuclear power plants.

The expected disbursements reflected in the valuation of the provision as at 31 December 2020 and 31 December 2019 are based on the estimation included in the document "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed by the company EGP INVEST, spol. s r.o.

Provision for storage and disposal of spent nuclear fuel

This provision includes the costs of transportation of spent nuclear fuel (hereinafter as "SNF"), storage of such waste in the interim storage facility and its final disposal in the deep geological repository.

The provision for SNF of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the originator of such waste as defined by the Atomic Act.

On 31 March 2000 the Company entered into a service agreement with the company Jadrová vyraďovacia spoločnosť, a.s. (hereinafter as "JAVYS, a.s."). The subject of this agreement is a provision of services related to transportation to an interim storage facility and storage of SNF in the interim storage facility. The Company concluded a service agreement and subsequent amendments to it with the prices and quantities until 2022. The amendment to the service agreement for the years 2020 through 2022 was approved for signature by the Board of Directors of the Company on 24 March 2020. The prices and quantities after these dates are subject to negotiations.

The disbursement schedule of costs related to transportation of SNF and its storage in the interim repository till the end of 2009 was defined in the service agreement. The disbursements schedule of the costs for the subsequent years until 2022 was defined in the amendments to the service agreement. The provision as at 31 December 2020 was calculated using unit prices as per the amendment to the service agreement for the years 2020 through 2022. Costs beyond this date were determined based on technical assumptions after this date. The provision takes into account quantity of SNF existing as at 31 December 2020.

In line with the National Policy, the Company expects final disposal of spent nuclear fuel in a deep geological repository. The provision for disposal in the deep geological repository was calculated considering expected costs to build such repository, since this repository does not exist as at 31 December 2020.

As of 6 December 2018, a team of independent experts for analyses of back-end cycle processes of nuclear power plants (ÚJP Praha a.s., ÚJV Řež, a.s.) developed "Updated feasibility study of deep geological repository in the Slovak Republic". This study was used as a basis for valuation of the provision for final disposal of spent nuclear fuel as at 31 December 2020 and 31 December 2019.

The valuation of the provision as at 31 December 2020 and 31 December 2019 reflects the expected timing of commissioning of the deep geological repository compliant with the National Policy and the National Programme adopted by the Government of the Slovak Republic on 6 July 2015. The said National Policy and the National Programme specify the year 2065 as the planned year for commissioning of the deep geological repository.

Provision for storage and disposal of radioactive waste

This provision includes the costs of transportation, treatment, modification and disposal in the surface repository facility of low-level radioactive waste and it is recognised for radioactive waste generated by V2 and EMO 1&2.

The provision for long-life low-level radioactive waste of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the originator of such waste as defined by the Atomic Act.

On 31 March 2000 the Company entered into a service agreement with JAVYS, a.s. The subject of this service agreement is a provision of the nuclear services the cost of which is the basis for valuation of this provision. The Company concluded a service contract and subsequent amendments to it with the prices and quantities being defined until 2022. The amendment to the service agreement for the years 2020 through 2022 was approved for signature by the Board of Directors of the Company on 24 March 2020. The prices and quantities after this date are subject to negotiations.

The disbursement schedule of these costs till the end of 2009 was defined in the service agreement. The disbursement schedule of these costs for subsequent years until 2022 was defined in the amendments to the agreement. The provision as at 31 December 2020 was calculated using unit prices as per the amendment to the service agreement for the years 2020 through 2022. Costs beyond this date were determined based on technical assumptions after this date. The provision takes into account quantity of long-life low-level radioactive waste existing as at 31 December 2020.

Movements in the provision are summarized as follows:

In thousands of EUR	Provision for decommissioning of nuclear power plants	Provision for post-operational costs of nuclear power plants	Provision for storage and disposal of spent nuclear fuel	Provision for storage and disposal of radioactive waste	Total
Balance as at 1 January 2020	**591,296**	**156,145**	**1,362,138**	**56,368**	**2,165,947**
Increase of provision through income statement	-	-	13,761	2,200	15,961
Unwinding of interest (Note 25)	25,200	6,655	57,010	2,195	91,060
Effect of change in estimates through income statement	3,126	10,829	99,960	4,133	118,048
Effect of change in estimates through equity	51,726	-	-	-	51,726
Usage of provision	-	-	(8,594)	(7,780)	(16,464)
Balance as at 31 December 2020	**671,348**	**173,629**	**1,524,285**	**57,116**	**2,426,278**
Balance as at 1 January 2019	**542,578**	**144,772**	**1,288,694**	**56,842**	**2,034,786**
Increase of provision through income statement	-	-	14,244	2,433	16,677
Unwinding of interest (Note 25)	23,801	6,297	54,686	2,246	86,030
Effect of change in estimates through income statement	1,208	5,076	21,197	1,659	29,140
Effect of change in estimates through equity	23,917	-	-	-	23,917
Usage of provision	-	-	(8,593)	(6,812)	(15,405)
Balance as at 31 December 2019	**591,296**	**156,145**	**1,362,138**	**56,368**	**2,165,947**

In 2020, the Company reassessed the interest rates used for discounting of the provision for nuclear decommissioning and storage costs to its present value. As a result, the Company recognised a change in estimate of EUR 114,520 thousand debit through profit and loss and EUR 51,726 thousand debit through equity (2019: EUR 52,080 thousand debit through profit and loss and EUR 23,917 thousand debit through equity). These amounts are included within lines Effect of change in estimates through income statement and Effect of change in estimates through equity in the table above.

In 2019 the Company recognized change in estimate of the provision for storage and disposal of spent nuclear fuel based on the updated estimation of future costs, following the signed amendment to the service agreement on provision of the nuclear services with JAVYS, a.s. The effect of change in estimates through income statement for the year ended 31 December 2019 represents credit of EUR 22,940 thousand.

The provision is presented in the balance sheet as at 31 December 2020 as follows:

In thousands of EUR	Provision for decommissioning of nuclear power plants	Provision for post-operational costs of nuclear power plants	Provision for storage and disposal of spent nuclear fuel	Provision for storage and disposal of radioactive waste	Total
Current liabilities	-	-	14,729	7,640	22,369
Non-current liabilities	671,348	173,629	1,509,476	49,476	2,403,929
Total provision	**671,348**	**173,629**	**1,524,285**	**57,116**	**2,426,278**

The provision is presented in the balance sheet as at 31 December 2019 as follows:

In thousands of EUR	Provision for decommissioning of nuclear power plants	Provision for post-operational costs of nuclear power plants	Provision for storage and disposal of spent nuclear fuel	Provision for storage and disposal of radioactive waste	Total
Current liabilities	-	-	11,126	4,632	15,758
Non-current liabilities	591,296	156,145	1,351,012	51,736	2,150,189
Total provision	**591,296**	**156,145**	**1,362,138**	**56,368**	**2,165,947**

The present value assumptions of the provisions

The present value of the provisions mentioned above was calculated applying 2% inflation rate (31 December 2019: 2%) and a discount rate ranging from 3.88% to 4.05% (31 December 2019: 3.88% to 4.25%) over forecasted disbursement schedules. The discount rate was determined based on long-term series of interest rate data and it takes into account the fact that some expenses covered by provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

The estimated schedule of future disbursements takes into account all known statutory and environmental regulations applicable, together with an uncertainty factor inherent to the fact that payments will only be made in the long-term (see Note 3 (j)).

The sensitivity of the main components of provisions to changes in the discount rate is shown in the table below:

	Present value of the provision		Sensitivity to discount rate change			
			2020		2019	
In thousands of EUR	2020	2019	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Storage and disposal of spent nuclear fuel and radioactive waste	1,581,321	1,418,506	(124,288)	139,706	(110,558)	124,286
Decommissioning and post-operational costs of nuclear power plants	844,977	747,441	(61,232)	90,562	(73,081)	81,613
Total	2,426,298	2,165,947	(285,520)	234,268	(183,738)	205,899

Funding for decommissioning of nuclear power plants and for costs of storage and disposal of spent nuclear fuel and radioactive waste

In August 1994, the National Council of the Slovak Republic passed the Act No. 254, which provided for the creation of the State Fund for Decommissioning of Nuclear Facilities and Disposal of Spent Nuclear Fuel and Radioactive Waste ("Fund"). On 18 March 2006 the National Council of the Slovak Republic passed the Act No. 238/2006 Coll. (hereinafter as the "Act on the National Nuclear Fund"), which cancelled the Fund and established its successor, the National Nuclear Fund. Based on the Act No. 200/2011 Coll., which amends the Act on the National Nuclear Fund, rules for the amount of the contributions were established. Pursuant to valid pronouncements of the act, commencing 1 February 2012 the operators of nuclear facilities were required to contribute a fixed amount of EUR 13,428.28 per each MW of installed electric capacity relating to nuclear facilities and 5.05% of the sales price of electricity generated by these nuclear facilities per year. The rate paid per each MW of installed capacity was valorized by the rate of inflation every year.

As of 17 October 2018, new Act No. 306/2018 on the National Nuclear Fund was passed. With the effective date of 1 January 2019, new rules for determination of the amount of the contributions to the National Nuclear Fund have been established. The amount of contribution is separately calculated for each nuclear facility, mostly based on the total estimated cost of the back-end cycle processes of each nuclear power plant, the number of years during which the contributions are accumulated on the sub-account assigned to the nuclear facility, the appreciation of accumulated contributions over time and the impact of macroeconomic factors on each nuclear power plant over individual phases of its life cycle. Based on the new calculation and following the regulation No. 222/2019 Coll. dated on 9 January 2019 a new contribution was determined stating the value of yearly contribution for the years 2019 through 2022 in amount of EUR 41,036,094 per year for V2 and EUR 24,891,727 per year for EMO1&2.

The following table reconciles the right for reimbursement from the National Nuclear Fund which represents financial amounts on the subaccounts of the National Nuclear Fund designated for decommissioning of nuclear facilities owned by the Company including management of radioactive waste from such decommissioning:

In thousands of EUR	*Balance of NNF sub-accounts assigned to NPPs of the Company*
Balance as at 1 January 2020	**1,335,112**
Payments to the fund during 2020	65,928
Interest received (Note 25)	31,539
Fund administration fee	(659)
Balance as at 31 December 2020	**1,431,920**
Balance as at 1 January 2019	**1,225,863**
Payments to the fund during 2019	79,346
Interest received (Note 25)	30,691
Fund administration fee	(794)
Balance as at 31 December 2019	**1,335,112**

According to the Act on the National Nuclear Fund the Company is one of the contributors to the National Nuclear Fund. The National Nuclear Fund, reporting to the Ministry of Economy of the Slovak Republic, is not controlled by the Company. The above mentioned right for reimbursement from the National Nuclear Fund is recognised as a separate asset and represents the reimbursement right for the purposes of decommissioning of nuclear facilities owned by the Company including management of radioactive waste from such decommissioning in the amount of actual contributions paid including net revenue interest from this part of contributions in line with the interpretation IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

Based on provisions of the Act on the National Nuclear Fund covering activities of the National Nuclear Fund, the Company expects that the assets of the National Nuclear Fund (primarily deposits at the Slovak State Treasury and commercial banks) will be used exclusively for enacted purposes in future. If there is a decrease in the funds accumulated on the sub-accounts assigned to the nuclear power generating facilities owned by the Company as a result of the decision on funds allocation issued by the authorized bodies of the National Nuclear Fund, the Company decreases the carrying value of the right to receive the reimbursement reported as the right for reimbursement from the National Nuclear Fund on the balance sheet and charges the change in the value of the reimbursement right to profit or loss.

Under the Atomic Act the Company is responsible to secure decommissioning of nuclear facilities and to manage radioactive waste and spent nuclear fuel until their takeover by an entity established, incorporated or authorized by Ministry of Economy of the Slovak Republic. Assuming all legal requirements are met, the Company therefore expects that, the right for reimbursement from the National Nuclear Fund arises for that part of the contributions, which shall be used to reimburse actual costs incurred mainly during decommissioning, liquidation and management of spent nuclear fuel and radioactive waste from decommissioning of the nuclear power plants of the Company. The Company also expects that the remaining part of its contributions (together with other sources of the National Nuclear Fund) determined for the purposes of design, construction, operation and closure of repositories, will be used by the state in future under conditions and for the purposes set by the law.

The ability of the National Nuclear Fund to meet the costs of decommissioning of the nuclear power facilities operated by the Company and storage of spent fuel is dependent on various factors. These factors include among other things: the revenues earned by the Company on such generation, earnings on cash deposited in the National Nuclear Fund and the level of contributions to the National Nuclear Fund from other sources. The actual decommissioning and disposal costs may vary from the initial estimates because of regulatory requirements, changes in technology and increased costs of labour, materials and equipment.

The current financing scheme of the back-end cycle of nuclear energy includes the sources of financing that are designed to cover the costs related to so-called „historical deficit" that arose due to not contributing the financial resources from operated nuclear power plants into the Nuclear Fund until the end of 1994 (when the State Fund for Decommissioning of Nuclear Facilities and Disposal of Spent Nuclear Fuel and Radioactive Waste was established). Most of this deficit relates to the state owned nuclear facilities in Jaslovské Bohunice (A1 and V1) that are not in operation as at the balance sheet date. In order to cover this deficit the Government of the Slovak Republic approved the Regulation No. 426 dated 6 October 2010, introducing a special tariff to be ultimately paid by final consumers amounting to 3 EUR/MWh of electricity delivered in 2011, that is being adjusted by the rate of the core inflation every year. This tariff is included in the price of the electricity delivered to the end customer. Operators of the transmission system and regional distribution systems deliver these funds to the account of the Ministry of Economy of the Slovak Republic and further, via transfer the funds are deposited to the account of the NNF. This tariff is determined to finance the activities related to decommissioning of the nuclear power plant A1 and part of the nuclear power plant V1 in Jaslovské Bohunice.

On 9 January 2019, the Government of the Slovak Republic approved the regulation No. 21/2019, with the effective date of 1 February 2019, establishing the amount of special tariff to be used to cover the historical deficit from electricity delivered to end customers. The tariff was set at 3.27 EUR/MWh in the year 2020.

From the practical reasons it is assumed that the tariff, collected by the operators of the transmission system and regional distribution systems to cover the historical deficit, shall be spread over the longer time horizon and shall cover the actual needs that are to be updated every 6 years.

The report on the fulfilment of the National Programme for handling spent nuclear fuel and radioactive waste in the Slovak Republic as at 31 December 2019 states, among other things, that the analysis of the historical deficit and the proposal of the mechanism ensuring the financial resources to cover this deficit is expected to be elaborated during the update of the National Programme, which was launched in the half of 2019 and its completion is expected by the end of 2021.

16. Provision for dismantling of thermal power plants

Considering the current market and regulatory environment the Company estimates that it will not be able to operate Nováky ("ENO") and Vojany ("EVO") thermal power plants beyond their estimated remaining useful lives. Due to the existing legal environment, the Company, in line with its past practice, takes full responsibility for decommissioning of these thermal power plants once the plants cease their operations. Consequently, the Company recognised a provision to cover future decommissioning costs which are expected to be incurred upon shut-down of the plants.

In thousands of EUR	2020	2019
Balance as at 1 January	136,857	135,754
Unwinding of interest (Note 26)	5,195	5,220
Effect of change in estimates through income statement	1,783	(4,685)*
Effect of change in estimates through equity	2,863	610
Actual expenditure in period	(136)	(42)
Balance as at 31 December	136,562	136,857

*Thereof EUR 91 thousand was presented as a credit within the line Depreciation, amortisation and impairment in the income statement, see Note 25

The provision is presented in the balance sheet as at 31 December 2020 as follows:

In thousands of EUR	*Provision for dismantling of thermal power plants*
Current liabilities	220
Non-current liabilities	136,342
Total provision	136,562

The provision is presented in the balance sheet as at 31 December 2019 as follows:

In thousands of EUR	*Provision for dismantling of thermal power plants*
Current liabilities	150
Non-current liabilities	136,707
Total provision	136,857

The thermal power plant Nováky is operated based on the decision of the Slovak Government in general economic interest in order to ensure security of supplies in Bystričany nodal area. On 5 august 2019 the Ministry of Economy issued a decision No. 17237/2019-4130-38185 valid since 1 September 2019 by which it defines responsibility for the Company in respect of the production of electricity from domestic coal in the thermal power plant Nováky within the general economic interest until 2023.

The Regulatory Office for Network Industries issued a decision No. 0162/2018/E dated 18 December 2017 further amended by a decision No. 0273/2018/E dated 27 August 2018 and a decision No. 0186/2020/E dated 5 December 2019 stating a fixed price for the domestic coal electricity production and a decision No. 0174/2018/E dated 19 December 2017 further amended by a decision No. 0274/2018/E dated 28 August 2018 and a decision No. 0185/2020/E dated 13 December 2019 stating a tariff for system operation that the Company has to invoice to the short-term electricity market operator OKTE, a.s. for the period of 2018 – 2021. These decisions were valid as at 31 December 2020.

The Company operates the thermal power plant in Nováky and the thermal power plant in Vojany in line with the valid environmental legislation.

The Company allocates revenues and expenses in accordance with the accounting principles mentioned in these financial statements and in accordance with the internal accounting records and the valid legislation.

The process of shut down and dismantling of the thermal power plants shall be administered in line with the decommissioning strategy of individual plants in EVO and ENO. This strategy is currently considering different possibilities how to proceed with areas of the thermal power plants such as partial dismantling of the plant, utilization of the area for further business development, or, sale of the area not used.

For the purpose of dismantling of thermal power plants in Vojany and Nováky comprehensive studies "Assessment of the costs for decommissioning of the thermal power plants of SE, a.s." were developed by the company EGP Invest, spol. s r.o. The studies contain the assessment of the status of individual main production facilities as well as auxiliary equipment reflecting their useful life and planned utilization. The studies also assessed a secondary usage of materials and sources. The dismantling of already shutdown and non-operated production facilities in ENO and EVO is planned to be executed in stages. The studies also contain the plan for dismantling of the sources and equipment that is currently in operation and dismantling of which will begin only after the end of their useful lives.

During the year 2020 the Company reassessed the expected costs for recultivation of sludge bed at EVO as well as the discount rate used for discounting the provisions for dismantling of thermal power plants and decommissioning of sludge beds. As a result of this reassessment the Company recognised a change in the estimate of the provision in amount of EUR 4,645 thousand which is the total effect of increase of provision due to reassessment of the expected costs in amount of EUR 338 thousand and increase of EUR 4,307 thousand due to change in the discount rate.

In 2019 the management of the Company reassessed disbursement schedules related to the process of dismantling of thermal power plants with no change in relation to the volume of the estimated cost and, at the same time, reassessed the discount rates used for discounting of the provisions. As a result of this reassessment the Company recognised a change in the estimate of the provision in amount of EUR 4,075 thousand which represent a net effect of the increase of provision due to change in the discount rate in amount of EUR 2,133 thousand and a decrease due to shift of the time schedule of the cash disbursements in amount of EUR 6,208 thousand.

The present value assumptions of the provisions

There is an inherent uncertainty involved in the calculation of the provision due to the estimation of various assumptions, including future inflation expectations, discount rates and the actual disbursement schedules. The present value of the provisions mentioned above is calculated applying 2% inflation rate and a discount rate based on long-term series of interest rate data ranging from 3.68% to 4.05% (as at 31 December 2019 ranging from 3.88% to 4.25%) over forecasted disbursement schedules.

The sensitivity of the provision to the change in the discount rate is shown in the table below:

	Present value of the provision		*Sensitivity to discount rate change*			
			2020		2019	
In thousands of EUR	2020	2019	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Provision for dismantling of thermal power plants	136,882	126,957	(5,269)	5,601	(5,362)	5,511

17. Employee benefits

Employee benefits recognised in the balance sheet are as follows:

	2020		2019	
In thousands of EUR	*Current liabilities*	*Non-current liabilities*	*Current liabilities*	*Non-current liabilities*
Long-term incentives	-	152	-	182
Post-employment benefits and other employee benefits	1,488	42,335	1,648	41,195
Total	**1,488**	**42,517**	**1,648**	**41,377**

In terms of the Company Collective Agreement (hereinafter as "CCA"), signed between the trade unions operating at the Company and the Company, the long-term employee benefit programs in the Company represent defined benefit plans, specifically classified as post-employment benefits (retirement) and other employee benefits (work anniversary benefits).

In December 2020 the CCA valid for years 2021 – 2023 was approved and signed. All the parties concerned were informed about its conditions.

As at 31 December 2020 the Company had 3,871 employees (2019: 3,854 employees) eligible for employee benefits payable in future periods. The weighted average duration of the post-employment benefits and other benefits is 9 years (2019: 9 years).

Change in the present value of the defined benefit obligation

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2020*	*2019*
Present value of the obligations as of 1 January	**41,513**	**1,330**	**42,843**	**39,358**
Current service cost	1,953	74	2,027	1,858
Unwinding of interest (Note 26)	408	13	421	541
Gains/losses due to change in demographic assumptions	1,216	34	1,250	346
Gains/losses due to change in financial assumptions	(1,596)	9	(1,587)	1,527
Experience gains/losses arising during the year	1,476	38	1,514	(33)
Benefit payments during the year	(2,517)	(148)	(2,665)	(786)
Present value of the obligations as at 31 December	**42,453**	**1,350**	**43,803**	**42,843**

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2020*	*2019*
Net liability as at 1 January	**41,513**	**1,330**	**42,843**	**39,358**
Expenses recognised in profit and loss	2,361	168	2,529	2,553
Remeasurements recognised in other comprehensive income	1,096	-	1,096	1,686
Benefit payments	(2,517)	(148)	(2,665)	(786)
Net liability as at 31 December	**42,453**	**1,350**	**43,803**	**42,843**
Thereof: Current portion	1,296	172	1,468	1,648
Non-current portion	41,157	1,178	42,335	41,195

Expenses recognised in the income statement

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2020*	*2019*
Current service cost	1,953	74	2,027	1,858
Unwinding of interest (Note 26)	408	13	421	541
Immediately recognised actuarial losses	-	81	81	154
Expenses for the year	**2,361**	**168**	**2,529**	**2,553**

Actuarial assumptions

Assumptions regarding future mortality are based on published mortality tables valid in the Slovak Republic in the year 2019 issued by the Statistical Office of the Slovak Republic during the year 2020 (used for valuations at 31 December 2020) and based on published mortality tables valid in the Slovak Republic in the year 2018 issued by the Statistical Office of the Slovak Republic during the year 2019 (used for valuations at 31 December 2019).

Other actuarial assumptions are disclosed below:

	2020	2019
Discount rate as at 31 December	0.09%	1%
Future earnings increases	2021: 1.9% 2022: 1.1% 2023: 1.9% since 2024: 1.7%	2.5%
Average fluctuation rate	2%	2.5%
Retirement age	according to valid legislation	according to valid legislation

Historical information

In thousands of EUR	2020	2019	2018	2017	2016	2015
Present value of the defined benefit obligation as at 31 December	43,803	42,843	39,390	38,951	34,556	65,954

Sensitivity analyses

The sensitivity of the provision to the change in significant assumptions is shown in the table below:

		Discount rate		Future salary increase
In thousands of EUR	*31 December 2020*	*+ 0.50%*	*- 0.50%*	*+ 0.50%*
Net liability from defined benefit obligation	43,803	(1,953)	2,155	1,410

		Discount rate		Future salary increase
In thousands of EUR	*31 December 2019*	*+ 0.50%*	*- 0.50%*	*+ 0.50%*
Net liability from defined benefit obligation	42,843	(1,942)	2,097	1,948

18. Other provisions

In thousands of EUR	Environmental provision	Legal provision	Provision for emissions	Other provisions	Total
Balance as at 1 January 2020	9,179	11,851	43,154	2	63,386
Provisions made during the period	-	104	41,386	2	41,492
Provisions used during the period	(389)	-	(43,089)	(2)	(43,480)
Unwinding of interest (Note 26)	384	-	-	-	384
Effect of change in estimates through income statement	438	-	(65)	-	373
Effect of change in estimates through equity	18	-	-	-	18
Release from other payables	-	541	-	-	541
Balance as at 31 December 2020	9,630	11,896	41,386	2	62,714
Non-current portion	9,147	11,895	-	-	20,843
Current portion	483	-	41,386	2	41,871
Balance as at 1 January 2019	9,327	10,362	33,143	3	54,835
Provisions made during the period	-	89	43,154	2	43,245
Provisions used during the period	(1,845)	-	(34,264)	(3)	(36,112)
Unwinding of interest (Note 26)	407	-	-	-	407
Effect of change in estimates through income statement	205	-	1,121	-	1,326
Effect of change in estimates through equity	485	-	-	-	485
Balance as at 31 December 2019	9,179	11,851	43,154	2	63,386

Environmental provision

The environmental provision is recognised for the recultivation of waste dumps and the removal of confirmed environmental burdens in accordance with the environmental legislation valid in the Slovak Republic and in line with the Company's published environmental policy.

The Company owns and operates several waste dumps and has a legal obligation to recultivate them once their capacity is filled up. The Company recognises this provision based on the expected future disbursements arising at the expected date of closure of these dumps.

The provision for the removal of environmental burdens, where the Company is confirmed originator, is recognised at the value of the estimated future costs for their clearance.

The present value of the environmental provision as at 31 December 2020 is calculated based on applying 2% inflation rate (31 December 2019: 2%) and a discount rate ranging from 3.88% to 4.05% (31 December 2019: 3.88% to 4.25%) over forecasted disbursement schedules.

Legal provision

Based on estimate of the Company's management, a provision for legal cases against the Company has been recognised to reflect probability of an unsuccessful resolution of these legal disputes, including the court fees and other related legal fees.

Provision for emission allowances

Provision for emission allowances was recognised for the greenhouse gas emissions discharged during the period. The provision is measured at the estimated quantity of the emissions discharged for the period of a calendar year, valued by the unit market price or unit contracted price of the emission allowances designated for the purposes of compliance under the European Union Emissions Trading Scheme and the valid legislation in the Slovak Republic.

19. Loans and borrowings

In thousands of EUR	Nominal interest rate (%)	Maturity	2020	2019
Current loans and borrowings				
Loans payable to banks	0.721 – 6.00	2021	1,249,992	203,198
Subordinated loan (accrued interest)	5.92	2021	49	38
Loans from companies within Group	0.50	2021	2,640	1,663
Obligations from finance lease (Note 5)	5.75	2021	3,725	3,534
Total current loans and borrowings			**1,256,406**	**208,433**
Non-current loans and borrowings				
Loans payable to banks	0.721 – 6.00	2022 - 2026	1,801,747	2,904,458
Subordinated loan	5.92	2027	452,542	360,903
Obligations from finance lease (Note 5)	5.75	2022 - 2043	7,740	11,465
Total non-current loans and borrowings			**2,262,029**	**3,276,826**

The substantial part of the loan portfolio is collateralized via pledge over a selected portfolio of assets of the Company. The carrying amount of the pledged assets is disclosed in the Note 29.

As at 31 December 2020 out of the total amount of loan facilities drawn, the Company recognized EUR 165,000 thousand of revolving loans which are classified as long-term (as at 31 December 2019: EUR 165,000 thousand), since the Company has the discretion and intention to roll over the obligation for more than twelve months after the reporting period under the existing loan facilities.

The Company has signed a contract with Slovak Power Holding B.V. to provide a subordinated debt up to the amount of EUR 700 million, out of which EUR 438 million was drawn as at 31 December 2020 (EUR 345 million as at 31 December 2019).

As at 31 December 2020 (and 31 December 2019) the Company was not in breach of any financial or non-financial covenants defined in the loan facility agreements.

In the interest of fulfilment of undertakings resulting from loan agreements the Company agreed with relevant creditors on prolongation of deadlines for fulfilment of certain non-financial covenants. With regards to the ongoing negotiation between the Company and all its creditors with aim to unify certain provisions of loan agreements, the creditors agreed with temporary prolongation of deadlines for fulfilment of certain non-financial covenants as of the reporting day. The final prolongation of deadline shall be part of complex agreement between the Company and its creditors. As the agreed prolongation of deadlines as at 31 December 2020 did not exceed period of 12 months the Company assessed that conditions of IFRS for long term presentation of financial liabilities have not been met and recognized the loans in the value of EUR 1,009,280 thousand as short term.

As at 31 December 2020 and 31 December 2019, the scheduled repayments of loans and borrowings, excluding the effect of the reclassification of the non-current portion of loans and borrowings as described above, are as follows:

In thousands of EUR	2020	2019
On demand or within one year	247,116	208,433
In the second to third year inclusive	127,730	58,214
Beyond the third year	3,143,579	3,208,612
Total	**3,518,425**	**3,475,259**

Overview of undrawn credit lines balances:

In thousands of EUR	2020	2019
Uncommitted credit lines	51,321	65,251
Specific purpose term loans	460,851	453,441
Subordinated loan	262,000	355,000
Total	**774,172**	**873,692**

Overview of the loans' movements during the year 2020 and 2019 is as follows:

In thousands of EUR	*Balance as at 1 January 2020*	*Cash flows*	*Non-cash movements*		*Balance as at 31 December 2020*
			Other	*Foreign exchange differences*	
Loans payable to banks	3,107,656	(3,431)	(1,204)	(51,312)	3,051,729
Subordinated loan	350,941	93,000	8,650	-	452,591
Loans payable to companies within the Group	1,663	977	–	-	2,640
Obligations from finance lease (Note 5)	14,999	(4,006)	472	-	11,465
Total current and non-current loans and borrowings	**3,475,259**	**86,540**	**7,918**	**(51,312)**	**3,518,475**

In thousands of EUR	*Balance as at 1 January 2019*	*Cash flows*	*Non-cash movements*		*Balance as at 31 December 2019*
			Other	*Foreign exchange differences*	
Loans payable to banks	2,838,717	235,780	(14,898)	27,877	3,107,656
Subordinated loan	344,661	101,000	5,280	-	350,941
Loans payable to companies within the Group	-	1,663	–	-	1,663
Obligations from finance lease (Note 5)	1,580	(3,415)	16,834	-	14,999
Total current and non-current loans and borrowings	**3,184,958**	**335,028**	**8,216**	**27,877**	**3,475,259**

Total interest calculated using effective interest method amounted to EUR 169,215 thousand in 2020 (2019: EUR 142,488 thousand), out of which EUR 167,532 thousand was capitalized (2019: EUR 140,859 thousand) as disclosed in Note 5.

20. Other liabilities

Other liabilities consist of deferred income from derivative transactions, accrued expenses and deferred income from grants.

Deferred income from derivative transactions relates to the initial value of the embedded options as at the date of the conclusion of the long-term electricity contract with Slovalco, a.s. For further detail see Note 7.

Other liabilities comprise the following:

In thousands of EUR	*2020*	*2019*
Deferred income from derivative transactions	777	1,554
Other deferred income	18	-
Accrued expenses – air pollution charges	124	152
Grants	44	52
Total	**963**	**1,758**
Non-current portion	44	52
Current portion	919	1,706

21. Trade and other current payables

In thousands of EUR	*2020*	*2019*
Financial liabilities		
Trade payables	225,209	245,925
Other current liabilities		
Social security payables	5,071	5,097
Payables to employees	27,233	28,887
Other direct taxes	9,592	7,332
Short-term provisions	15,435	14,983
Other payables	4,201	10,960
Total other current liabilities	61,532	67,259
Total trade and other current payables	**286,741**	**313,184**

Terms and conditions of the above stated financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of payment of one to three months.
- For terms and conditions relating to related parties, refer to Note 28.

For explanations on the Company's credit risk management processes, refer to Note 31.

The social fund payable is included in other non-financial liabilities. The creation and use of the social fund during the period are shown in the table below:

In thousands of EUR	2020	2019
At the beginning of the period	1,128	836
Legal creation through expenses	1,315	1,218
Usage	(1,431)	(916)
At the end of the period	1,012	1,138

Trade and other payables divided into due and overdue are shown in the table below:

In thousands of EUR	2020	2019
Trade and other payables due	286,389	312,832
Trade and other payables overdue	352	352
Total	286,741	313,184

22. Electricity and heat revenues and cost of electricity purchased for resale

Electricity and heat revenues comprise the following:

In thousands of EUR	2020	2019
Domestic sales, including traders	944,025	830,373
Ancillary services	71,094	73,012
Regulating electricity	1,222	4,229
Deviation/imbalance	8,616	7,919
Revenues from tariff from system operation	112,692	116,638
Heat revenues	18,196	19,364
Domestic revenues	1,156,845	1,050,535
Foreign sales	1,617,236	1,290,935
Total electricity and heat revenues	2,773,881	2,341,470

Cost of electricity purchased for resale comprise the following:

In thousands of EUR	2020	2019
Purchase of electricity	1,771,748	1,480,723
Electricity fees	1,765	2,706
Other	8,513	6,000
Cost of electricity purchased for resale	1,782,026	1,489,429

23. Other operating income and other operating costs

Other operating income comprises the following:

In thousands of EUR	2020	2019
Rental income	1,268	1,273
Gain on sale of emission allowances	16,979	52,295
Amortisation of deferred income	7	117
Contractual fines	675	242
Gain on sale of material	-	412
Compensation of damage	1,703	10
Income from settlement agreements	423	102
Revenue from rendering of other services	3,762	3,459
Other	364	262
Total other operating income	**25,181**	**58,172**

Other operating costs, other than depreciation, amortisation and impairment, comprise the following:

In thousands of EUR	2020	2019
Local taxes and environmental charges	16,183	15,263
Insurance costs	4,867	5,486
Change in other provisions	5481	295
Commodity derivatives, net	36,292	30,314
Loss on sale of property, plant and equipment	6,204	424
Contractual fines	388	292
Membership fees	832	911
Change in provision for reimbursement of damages caused by relocations	186	(565)
Change in provision for emission allowances	41,321	44,276
Other	270	306
Total other operating costs	**107,003**	**97,812**

The expenses for services provided by auditor were as follows:

In thousands of EUR	2020	2019
Audit of the financial statements	136	126
Related audit services	4	26
Other non-audit services	156	11
Total	**296**	**167**

24. Personnel expenses

In thousands of EUR	2020	2019
Wages and salaries	83,945	81,331
Social security costs	37,259	35,824
Other social expenses	5,696	5,344
Employee benefits (Note 17)	2,108	2,012
Change in provision for long-term incentives	-	(107)
Severance payments	627	1,096
Personnel expenses	**129,637**	**125,599**

25. Depreciation, amortisation and impairment

In thousands of EUR	2020	2019
Depreciation charge – property, plant and equipment (Note 5)	210,025	199,078
Amortisation charge - intangible assets (Note 6)	1,413	1,705
Impairment loss through income statement - property, plant and equipment (Note 5)	2,275	15,382
Impairment loss through income statement – intangible assets (Note 6)	96	-
Change in estimate of provision for dismantling of thermal power plants (Note 16)	–	(31)
Creation of allowance for expected credit losses, net (Note 11)	(3,235)	1,015
Other	17	9
Depreciation, amortisation and impairment	210,589	217,158

26. Finance income and costs

In thousands of EUR	2020	2019
Interest income	2,664	2,877
National Nuclear Fund – interest received (Note 15)	31,539	30,891
Embedded derivatives – release of deferred revenues (Note 20)	777	777
Income from investments in subsidiaries and associates	609	405
Revaluation gain from ineffective hedging derivatives	803	669
Finance income	36,376	35,419

In thousands of EUR	2020	2019
Foreign exchange differences, net	634	840
Unwinding of interest – provision for nuclear decommissioning and storage costs (Note 15)	91,060	85,830
Unwinding of interest – provision for dismantling of thermal power plants (Note 16)	5,195	5,220
Unwinding of interest – employee benefits (Note 17)	421	541
Unwinding of interest – other provisions (Note 18)	384	407
Embedded derivatives – change in valuation (Note 30)	451	305
Other	5,396	5,088
Finance costs	103,741	98,359

27. Income tax expense

Current and deferred tax expense

In thousands of EUR	2020	2019
Current tax expense	42,771	13,424
Out of that: Tax for current period	42,613	13,414
Tax for previous years recognised in the income statement	158	10
Deferred tax expense		
Origination and reversal of temporary differences	(18,321)	(5,247)
Income tax recognised in the income statement	24,450	8,177

In accordance with the valid legislation as at 31 December 2020 the Company applied the tax rate of 21% for income tax calculation (21% in the year 2019) and 21% for deferred tax calculation (21% in the year 2019).

Current income tax liability amounting to EUR 50,526 thousand recognised as at 31 December 2020 is related to the income tax position as at the balance sheet date and to the position in respect of the special levy on business in regulated industries as at the balance sheet date (31 December 2019: EUR 21,614 thousand).

Special levy

On 23 November 2016, the National Council of the Slovak Republic adopted an amendment to the Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries with effect from 31 December 2016. The amendment states the force of the legislation is delayed ad infinitum, i.e. the special levy is paid also beyond the year 2016. The amendment also increased the monthly rate from 0.00363 to 0.00726 for the period of the year 2017 and 2018 and to 0.00545 in years 2019 and 2020. Starting from the year 2021 the monthly rate is determined at 0.00363. Pursuant the amendment the basis for the special levy has been changed as well and since 2017 the levy is paid only from the regulated activities.

Reconciliation of effective tax rate

In thousands of EUR		2020		2019
Profit for the period		39,578		17,968
Total income tax expense		24,450		8,177
Profit before income tax		**64,028**		**26,145**
Income tax using the Company's domestic tax rate	21%	13,937	21%	5,491
Special levy on business in regulated industries		1,767		778
Non-deductible expenses/revenues, net	14%	9,018	7%	1,896
Income tax recognised before prior year adjustments	**38%**	**24,252**	**31%**	**8,167**
Current tax for previous years recognised in the income statement		198		10
Income tax recognised in the income statement	**38%**	**24,450**	**31%**	**8,177**

Deferred tax recognised directly in equity

In thousands of EUR	2020	2019
Net movement on cash flow hedges	11,684	(16,442)
Revaluation of property, plant and equipment	-	(133,738)
Changes in valuation of property, plant and equipment	(5)	241
Remeasurement losses on defined benefit plans	230	354
Change in estimate of the provision for nuclear decommissioning and storage costs	10,882	5,023
Change in estimate of the provision for dismantling of thermal power plants	601	128
Change in estimate of the environmental provision	4	102
Effect of initial application of IFRS 9	-	-
Total deferred tax recognised directly in equity	**23,376**	**(144,332)**

Deferred tax assets and liabilities

	Assets		*Liabilities*		*Net*	
In thousands of EUR	2020	2019	2020	2019	2020	2019
Property, plant and equipment	-	-	(679,351)	(667,396)	(679,351)	(667,396)
Derivatives and cash flow hedges	23,400	4,228	-	-	23,400	4,228
Embedded derivatives	-	-	(42)	(137)	(42)	(137)
Inventories	2,659	1,985	-	-	2,659	1,985
Employee benefits	9,237	9,035	-	-	9,237	9,035
Provision for nuclear decommissioning and storage costs	609,633	464,849			609,633	464,849
Provision for dismantling of thermal power plants	28,678	26,640	-	-	28,678	26,640
Receivable from the sale of the VEG assets	4,242	4,752	-	-	4,242	4,752
Right for reimbursement from the National Nuclear Fund	-	-	(301,543)	(281,214)	(301,543)	(281,214)
Other	17,328	19,569	(1,569)	(1,445)	15,760	18,124
Balance as at 31 December	**695,967**	**521,858**	**(982,584)**	**(950,192)**	**(287,437)**	**(429,134)**

Movement in temporary differences during the year

In thousands of EUR	*Balance as at 1 January 2019*	*Recognised in profit or loss*	*Recognised in equity*	*Balance as at 31 December 2019*	*Recognised in profit or loss*	*Recognised in equity*	*Balance as at 31 December 2020*
Property, plant and equipment	(526,971)	(6,928)	(133,497)	(667,396)	(11,950)	(5)	(679,351)
Derivatives and cash flow hedges	15,645	5,025	(16,442)	4,228	7,488	11,684	23,400
Embedded derivatives	(201)	64	-	(137)	95	–	(42)
Inventories	1,501	484	-	1,985	674	–	2,659
Employee benefits	8,401	280	354	9,035	(26)	228	9,237
Provision for nuclear decommissioning and storage costs	425,205	24,621	5,023	454,849	43,812	10,862	509,523
Provision for dismantling of thermal power plants	26,408	104	128	26,640	1,437	601	28,678
Receivable from the sale of the VEG assets	5,282	(530)	-	4,752	(510)	–	4,242
Right for reimbursement from the National Nuclear Fund	(261,171)	(20,043)	-	(281,214)	(20,329)	–	(301,543)
Other	15,852	2,170	102	18,124	(2,368)	4	15,760
Deferred tax liability	**(239,849)**	**5,247**	**(144,334)**	**(423,134)**	**18,321**	**23,376**	**(387,437)**

As at 31 December 2020 the Company recognised a defered tax position in the net amount of EUR 50,201 thousand (31 December 2019: 26,040 thousand) on the face of the balance sheet (deferred tax asset) from the temporary differences on the following items: dismantling asset, right for reimbursement from the National Nuclear Fund, provision for decommissioning of nuclear power plants, part of provision for storage and disposal of spent nuclear fuel related to its final disposal in the deep geological repository.

As of 17 October 2018, a new Act No. 308/2018 on the National Nuclear Fund was passed that introduces new legal requirements regarding post operation and decommissioning of nuclear power plants, with the effective date as of 1 January 2019.

With regards to the long-term horizon of the final stage of peaceful utilization of nuclear energy it is not possible to anticipate impact of changes on tax deductibility in future with reference to the valid pronouncements of the Act on the National Nuclear Fund. Under the prudency principles the Company currently resolved not to alter the said tax position.

28. Related party transactions

Related parties have been identified as subsidiaries, associates, shareholders, directors and management of the Company and entities controlled by the government that the Company transacts with.

The Company had the following transactions and outstanding balances with related parties as at and for the year ended 31 December 2020:

In thousands of EUR	*Revenues*	*Costs*	*Receivables*	*Payables*
Shareholders				
Slovak Power Holding B.V.	-	25,572	-	452,591
Companies of ENEL Group	60,291	82,055	5,086	24,245
Companies of EPH Group	151,801	51,633	20,348	19,398
Government related entities*	292,961	94,070	118,041	21,486
Subsidiaries				
Centrum pre vedu a výskum, s.r.o.	4	1,427	1	745
Ochrana a bezpečnosť SE, s.r.o.	390	7,456	540	1,327
SE Služby inžinierskych stavieb, s.r.o.	277	10,064	46	6,891
Slovenské elektrárne - energetické služby, s.r.o.	110,980	3,428	24,685	1,465
Slovenské elektrárne Česká republika, s.r.o.	84,234	15,422	5,877	13,808
Associates				
Energotel, a.s.	67	1,047	14	331
REAKTORTEST, s.r.o.	-	9,021	-	47
ÚJV Řež, a.s.	2	2,451	-	1,795
European Mutual Association (EMANI)	-	2,037	-	-
European Liability Insurance for the Nuclear Industry (ELINI)	-	1,022	-	21
Companies related to key management personnel	150	587	89	102
Total	**701,157**	**316,232**	**175,787**	**544,853**

* The Company discloses only those transactions and balances with the government related entities, which are significant.

The Company had the following transactions and outstanding balances with related parties as at and for the year ended 31 December 2019:

In thousands of EUR	*Revenues*	*Costs*	*Receivables*	*Payables*
Shareholders				
Slovak Power Holding	-	15,586	-	350,941
Companies of ENEL Group	98,819	113,373	9,030	46,320
Companies of EPH Group	106,740	56,791	15,337	4,830
Government-related entities*	249,247	63,569	103,604	19,057
Subsidiaries				
Centrum pre vedu a výskum, s.r.o.	4	797	2	353
Ochrana a bezpečnosť SE, s.r.o.	397	6,792	80	514
SE Služby inžinier. stavieb	317	21,252	78	4,853
Slovenské elektrárne - energetické služby, s.r.o.	136,513	2,042	24,228	507
Slovenské elektrárne Česká republika, s.r.o.	58,402	1,771	4,907	229
Associates				
Energotel	68	999	20	268
Reaktortest, s.r.o.	-	10,768	-	-
ÚJV Řež, a.s.	2	3,820	-	1,996
European Mutual Association (EMANI)	-	1,944	-	-
European Liability Insurance for the Nuclear Industry (ELINI)	-	883	-	252
Companies related to key management personnel	-	295	-	66
Total	**658,510**	**299,892**	**157,286**	**430,187**

* The Company discloses only those transactions and balances with the government-related entities, which are significant.

For information regarding the transactions with VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK, see the Note 11 and 29.

Transactions with National Nuclear Fund are disclosed in the Note 15.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months from the reporting date, except for the non-current receivable from VV (see Note 11) and right for reimbursement from National Nuclear Fund (see Note 15). None of the balances is secured.

Statutory bodies of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2020, the Company's statutory bodies have the following composition:

The Board of Directors:	Ing. Branislav Strýček, Chairman of the Board Michele Bologna, Vice-chairman of the Board JUDr. Radoslav Zigo, Vice-chairman of the Board (from 31 October 2020) Ing. Jaroslav Holubec Ing. Lukáš Maršálek Pedro José Cariamero González Ing. Ľubomír Tomík (from 29 August 2020) Ing. Milan Horváth (from 29 August 2020)
The Supervisory Board:	Ing. Ivan Šramko, Chairman of the Board (from 1 October 2020) Jiří Feist, Vice-chairman of the Board (from 30 May 2020) Stanislav Kysel Ing. Bohumil Kratochvíl Pavel Janík Jan Síftesky Mgr. Zdenek Turian Ján Topolovský Ing. Josef Tochler (from 1 October 2020) Maria Antonietta Gianneli Giuseppe Ferrara Stefano Checchi (from 8 January 2020) Elisabetta Barberi

The membership in the Company's statutory bodies which ended during 2020:

Ing. Peter Hlbocký, Vice-chairman of the Board (by 28 February 2020)
Pavol Shuller, MBA (by 24 January 2020)
Ing. Martin Suchánek (by 28 August 2020)
JUDr. Peter Hajdučok, Vice-chairman of the Board (by 30 September 2020)
Ľudovít Hasaj (by 12 May 2020)
Jozef Ondrejíček (by 12 May 2020)
doc. JUDr. Boris Balog (by 30 September 2020)
Andrea Pisapentini (by 7 January 2020)

Emoluments of the members of the Board of Directors:

In thousands of EUR	2020	2019
Salaries and other short-term employee benefits	1,380	1,526
Benefits in kind	29	21
Total	1,409	1,547

Emoluments of the members of the Supervisory Board:

In thousands of EUR	2020	2019
Salaries and other short-term employee benefits	96	232
Total	96	232

Emoluments of the members of the key management:

In thousands of EUR	2020	2019
Salaries and other short-term employee benefits	3,735	3,854
Benefits in kind	94	58
Total	3,829	3,912

No loans and advance payments have been granted to the key management and the members of the Board of Directors and the Supervisory Board. No guarantees have been granted to the key management and the members of the Board of Directors and the Supervisory Board.

28. Commitments and contingencies

Short-term and low value lease commitments – Company as the lessee

Short-term and low value lease charges comprise:

In thousands of EUR	2020	2019
Lease of cars	1,303	1,333
Lease of land and buildings	66	60
Lease of IT and telecommunication devices	913	954
Total	2,282	2,347

The Company has entered into contracts on lease of cars and IT and telecommunication devices with definite terms. The Company has entered into contracts on lease of land and buildings with definite and indefinite terms.

The future minimum lease payments under non-cancellable lease contracts are as follows:

In thousands of EUR	2020	2019
Less than one year	1,720	1,652
Between one and five years (inclusive)	1,113	3,073
More than five years	307	120
Total	3,140	4,845

Short-term and low value lease commitments – Company as the lessor

Short-term and low value lease revenues comprise:

In thousands of EUR	2020	2019
Lease of land and buildings	1,304	1,248
Lease of IT and telecommunication devices	214	337
Total	1,518	1,585

The Company has entered into contracts on these leases with both, definite and indefinite terms.

The future minimum lease payments under non-cancellable lease contracts are as follows:

In thousands of EUR	2020	2019
Less than one year	1,270	1,536
Between one and five years (inclusive)	1,805	1,602
More than five years	765	582
Total	3,840	3,720

Capital commitments

The Company is engaged in continuous capital expenditure programs, including environmental improvements and the modernisation, replacement and expansion of existing power generation facilities and continuing of construction of Mochovce 3&4. As at 31 December 2020 the Company has concluded contracts to purchase property, plant and equipment in overall amount of EUR 5,688,838 thousand (31 December 2019: EUR 5,510,752 thousand), thereof EUR 284,314 thousand was not yet utilized as at 31 December 2020 (31 December 2019: EUR 305,388 thousand).

Legal claim contingency

The Company is involved in various litigations in the ordinary course of its business. Except for the legal proceedings specified below and the litigations for which the provision has been recognised (see Note 18), the Company is not currently involved in any legal proceeding that is expected, either individually or in aggregate, to have a significant effect on the accompanying separate financial statements.

VEG court proceedings

The Company, the company VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK (hereinafter as the "VV") and certain other entities are involved in several court disputes pertaining VEG Operating Agreement (hereinafter as the "Operating Agreement") signed on 10 March 2006 as amended by the Amendment No. 1 dated 17 July 2006, the Agreement on Settlement of Legal Relations with respect to the VEG Assets (hereinafter as the "Settlement Agreement") signed on 24 March 2006 as well as the Agreement of Indemnity signed on 22 March 2006 between the National Property Fund of the Slovak Republic (hereinafter as the "NPF") and the Company (hereinafter as the "Indemnity Agreement").

Finished court proceedings

1. Actions on invalidity of the VEG Operating Agreement

The Company was party to dispute in two proceedings concerning invalidity of the Operating Agreement. The court definitely decided that the Operating Agreement is invalid in the proceedings initiated by the Public Procurement Office.

Another legal action was raised by VV, but the court stopped these proceedings due to the final decision about invalidity of the Operating Agreement in proceedings initiated by the Public Procurement Office.

2. Action on invalidity of the Agreement of Indemnity

The Company was party to dispute in the proceedings concerning invalidity of the Agreement of Indemnity initiated by the National Property Fund of the Slovak Republic (legal predecessor of MH Manažment, a.s.) on declaration of the Agreement of Indemnity null and void. The court definitely dismissed the action.

Court proceedings ongoing

1. Action initiated by VV challenging the Indemnity Agreement

On 20 June 2008, VV filed an action (against the Company as well as against the NPF) claiming that the Indemnity Agreement is null and void arguing, in essence, that it (i) does not comply with the International Treaty, (ii) is contrary to several laws and good morals and fair commercial relations.

On 27 September 2017, the court dismissed the action filed by VV. VV filed an appeal on 27 November 2017. The appellate proceeding confirmed the dismissal of the action by the first instance court.

On 9 March 2020, VV filed an extraordinary appeal (dovolanie). The extraordinary appellate proceeding is pending.

2. Action initiated by VV challenging the Settlement Agreement

On 20 June 2008, VV filed an action claiming that Article 8 of the Settlement Agreement is null and void arguing, in essence, that: (i) it does not comply with the International Treaty, (ii) is contrary to several laws and good morals and fair commercial relations. The National Property Fund of the Slovak Republic, the Ministry of Economy of the Slovak Republic and Slovenský energetický podnik, štátny podnik v likvidácii, act as other defendants.

The company MH Manažment, a.s. entered into the proceedings as a legal successor of the NPF. The judge's preliminary legal assessment of the matter complies with the Company's legal argumentation. At the hearing of 5 March 2019, the court dismissed VV's legal action and awarded the right for the reimbursement of the costs of the proceeding in full extent to the other parties in the dispute.

In May 2019, both VV and the Ministry of Economy of the Slovak Republic filed an appeal. The appellate proceeding is pending.

3. Several court disputes in which VV claims unjustified enrichment allegedly gained by the Company due to the operation of the VEG

In ten disputes, VV claims from the Company the amount of 35% share on revenues gained by the Company during operation of the VEG on the basis of the allegedly invalid Operating Agreement for years 2008 – 2015 in total amount of EUR 364,485 thousand (the principal).

Each of the disputes covers one year, or its respective part from the period of 2008 through 2015.

The Company filed a statement for setting up a counterclaim (i.e. for preventive reasons the Company raised its claim to receive payment of services rendered in connection with operation of the VEG in case that the Operating Agreement is null and void).

During 2018 – 2019, the Company raised counterclaims against VV arising from invalidity of the VEG Operating Agreement and also financial compensation for non-financial performance.

In the proceeding concerning recovery of unjustified enrichment for the year 2012 the court dismissed VV's legal action and also the Company's counterclaim on 25 April 2019; on 7 June 2019 VV filed an appeal and on 21 June 2019 the Company filed an appeal. The appellate proceeding is pending.

In the proceedings concerning recovery of unjustified enrichment for the years 2008 – 2008 the court dismissed VV's legal action and also the Company's counterclaim on 28 June 2019; on 17 July 2019 VV filed appeals and on 30 July 2019 the Company filed appeals. The appellate proceedings are pending.

In the proceedings concerning recovery of unjustified enrichment for the year 2010 and for the year 2013, the parties to dispute submitted the closing statements (záverečná reč) and the court will decide about the merit of the dispute on the very next scheduled hearing. The proceedings are pending.

All other proceedings on Unjust Enrichment Proceedings (concerning years 2009, 2011, 2014 and 2015) are pending.

4. Action initiated by VV to recover the amounts paid to the Company under the Settlement Agreement

On 8 July 2015, VV filed a claim requesting that the Company is ordered to pay to VV the amount of EUR 43,279 thousand (plus default interests) corresponding to the amount already fulfilled by VV to the Company for VEG assets carved out from the Company's assets in 2000 under the Settlement Agreement. VV argues that the Company should have never received such compensation for VEG assets given the invalidity of the Operating Agreement and the fact that a transfer of VEG assets to the Company in 1994 was illegal. In reaction to the Company's objections, VV decreased requested amount to EUR 20,385 thousand (plus default interests).

During the hearing on 18 December 2020, the VV's action was dismissed.

On 4 January 2021, VV filed an appeal. The appellate proceeding is pending.

5. The Company's claim for annual settlement

On 31 December 2014, the Company filed the claim for a balance resulting from the annual settlement for year 2010 which has not been paid until the date of these financial statements by VV in the amount of EUR 5,824 thousand (including VAT) with default interest.

On 22 January 2019 the court rendered a ruling about continuation in the proceeding. On 10 October 2019 the court dismissed the Company's legal action. Subsequently, on 15 November 2019 the Company filed an appeal.

On 23 January 2021, the appellate court confirmed the dismissal of the Company's action.

The Company is considering filing an extraordinary remedy.

6. The Company's claim for a return of payments made under Article 10 of the Operating Agreement

On 12 November 2014, the Company filed a claim for EUR 23,857 thousand with default interest, i.e. the return of a regular payment made under Article 10 of the Operating Agreement in the amount not yet statute-barred. The Company argues, in essence, that the contractual conditions under Article 10 of the Operating Agreement by VV for receiving a regular payment were not fulfilled and that the Company was never obliged to pay approximately EUR 5 million per year.

On 22 January 2019 the court rendered a ruling about continuation in the proceeding. The proceeding is pending. On 10 October 2019 the court dismissed the Company's legal action.
Subsequently, on 15 November 2019 the Company filed an appeal.

On 24 September 2020, the appellate court cancelled the decision on dismissal of the action and returned the matter for further proceeding and deciding of the first instance court.

The proceedings is pending.

Other court proceedings

1 Court proceedings with ŠV OVČIARSKY VODOHOSPODÁRSKY PODNIK, Štátny podnik

The Company is and was involved in several court disputes with SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, Štátny podnik (hereinafter as the "SVP").

The Company open the negotiations with SVP about possible settlement of the mutual receivables and out-out-court closing of all disputes.

a) active and passive dispute pertaining an offtake of surface water from Liptovec river in 2002

(i) passive dispute initiated by SVP

In the court proceeding initiated by SVP in 2004 for payment of the EUR 5,847 thousand (principal) and default interests, SVP prevailed on both instances and the Company paid to SVP, in 2010, the amount of EUR 10,004 thousand.

Subsequently, in 2012, the Company was successful with its constitutional complaint and the judgment ordering the Company to pay the above-mentioned amount was canceled and the matter was referred back to the courts to rehear the case.

In the expert opinion, from expert appointed by the court, a market price for the surface water off-take was stated in amount of EUR 1,550 thousand (without VAT).

This proceeding is still pending in the first instance.

(ii) active dispute initiated by the Company

Given the fact that SVP refused to return EUR 10,004 thousand paid originally by the Company under the judgment in the passive dispute in 2010 which was set aside by the Constitutional Court, the Company sued SVP for payment of this sum and obtained the judgment (effective and enforceable) ordering SVP to pay the Company EUR 10,004 thousand and default interests.

Until now, SVP has not paid this amount.

b) passive dispute related to the commission for recovery of SVP's receivables against the Company performed by the company BRNO TRUST, a.s. for SVP

The Company is involved in a court dispute with SVP for payment of an amount of EUR 7,801 thousand and default interests.

The Company prevailed in both instances, but the general prosecutor filed an extraordinary review which reversed the matter in the end to the first-instance proceedings.

On 20 October 2020, the first instance court granted SVP's action and obliged the Company and BRNO TRUST to pay claimed amount, default interests and the reimbursement of the costs of proceedings jointly and severally.

On 2 December 2020, the Company and BRNO TRUST filed appeal. The appellate proceeding is pending.

2 Court proceedings related to G – component

The Company is involved in 3 court disputes with all distribution system operator after the cancellation of the part of the Regulatory Office for Network Industries' decree allowing distribution system operator to ask to pay a fee (so called G-component) from an electricity producer even without conclusion of the respective contract on access and electricity distribution given in the Energy Act, by the award of the Constitutional Court of the Slovak Republic.

The Company asked for back-payment of the payments of G-component for years 2014 – 2017, in aggregate app. amount of EUR 54,017 thousand.

3. Disputes concerning ČKD/BAZCOM

The company ČKD PRAHA DIZ, a.s. (hereinafter as the „ČKD") performed the work for the Company until the termination of the contract. The Company has the receivables and the liabilities from this contract.

(i) the insolvency proceedings of ČKD

In 2016, the insolvency proceedings of ČKD has started in the Czech Republic and in 2017 the bankruptcy of ČKD was declared.
The Company registered into the insolvency proceedings the receivables amounting to EUR 6.6 million, which were rejected by the insolvency trustee almost in full.

The insolvency proceedings is pending.

(ii) the insidence proceedings of ČKD (on determination of the title and amount of the receivables)

Due to the fact that the insolvency trustee rejected almost all registered receivables in 2017, the Company filed a legal action for their determination in the amount of EUR 6.6 million against the insolvency trustee.

The proceeding is pending.

(iii) the arbitration BAZCOM vs SE

Within the insolvency proceedings, in 2020 the insolvency trustee assigned ČKD receivables towards the Company in app. amount of EUR 15.4 million to the company Bazcom, a.s. (hereinafter as the „BAZCOM").
On 13 May 2020, BAZCOM filed a Request for Arbitration with the ICC International Court of Arbitration and subsequently its supplement by which requires payment of an amount of EUR 19.67 million with appurtenances.

The arbitration is stayed and parties to arbitration has already started the mediation.

The proceeding is pending.

Vienna Convention on Civil Liability for Nuclear Damage

Under the Vienna Convention on Civil Liability for Nuclear Damage (May 1963), the operator of a nuclear installation is absolutely liable for damages caused by nuclear incident. In the Slovak Republic the Vienna Convention entered into force on 7 June 1995. The Vienna Convention requires the operator of nuclear installation to maintain insurance or other financial security covering its liability for nuclear damage in such an amount, of such a type and in such terms as the installation state shall specify. The installation state may not reduce the limit of the operator's liability below USD 5 million (value of USD in terms of gold on 29 April 1963, that is to say USD 35 per one troy ounce of fine gold) per single nuclear incident.

On 19 March 2015 the National Council of the Slovak Republic approved the Act No. 54/2015 Coll. on Civil Liability for Nuclear Damage and on its Financial Coverage and on amendment and supplement of certain acts, which entered into force on 1 January 2016 and based on which the operator's liability for nuclear damage caused by each nuclear incident is limited to EUR 300 million for a nuclear installation for energy generation purposes and EUR 185 million for other nuclear installation and transport of radioactive material.

As at the balance sheet date the Company had in place liability insurance policies compliant with the indemnity limit of EUR 300 million for each operating nuclear installation (Jaslovské Bohunice and Mochovce) separately, a liability insurance policy compliant with the indemnity limit of EUR 185 million for units 3 and 4 of Mochovce nuclear power plant (in respect of a fresh nuclear fuel storage) and a policy for insurance of the liability for a damage caused by operation and handling of ionising radiation sources with an indemnity limit up to EUR 1.4 million.

Financial guarantees

The Company has granted promise of indemnification in favour of its supplier, value of which amounted to EUR 4.488 thousand as at 31 December 2020 (as at 31 December 2019: EUR 4.840 thousand) The Company does not expect any reimbursements towards the supplier in this respect and therefore no liabilities were recognised on face of the balance sheet.

Except for the abovementioned, the Company did not have any financial guarantee contracts in favour of third parties as at 31 December 2020 and 31 December 2019.

Other inspections

The Company is subject to various controls performed by the state authorities. Although the Company cannot exclude that any of these proceedings discover irregularities in its activities based on which the Company could be penalized, the management cannot determine any amount for which a provision should be recognised because of such proceedings. Due to that reason, no provision has been recognised for that purpose as at 31 December 2020 and as at 31 December 2019.

The Company has significant transactions with shareholders and other related parties and recognizes significant accounting transactions that are based on technical, financial and other expert assumptions which bear a certain extent of uncertainty. The tax environment in which the Company operates in the Slovak Republic is dependent on the prevailing tax legislation and practice. As the tax authorities are reluctant to provide official interpretations in respect of tax legislation, there is an inherent risk that the tax authorities may require, for example, transfer pricing or other adjustments of the corporate income tax base. The tax authorities in the Slovak Republic have broad powers of interpretation of tax laws which could result in unexpected results from tax inspections. The amount of any potential tax liabilities related to these risks cannot be estimated.

Pledged assets

As of the date of these financial statements the Company's long term tangible assets in the value of EUR 9,321,191 thousand (2019: in the value of EUR 9,059,366 thousand) and inventories in the value of EUR 24,680 thousand (2019: in the value of EUR 22,100 thousand) were pledged in favour of banks and loan creditors.

30. Fair values

The fair values of financial assets and liabilities, compared to the carrying amounts shown in the balance sheet, are as follows:

		31 December 2020		31 December 2019	
In thousands of EUR	Note	Carrying amounts	Fair values	Carrying amounts	Fair values
Non-current financial assets					
Other receivables	11	130,366	130,366	104,969	104,969
Embedded derivatives	7	-	-	622	622
Hedging derivatives	7	284	284	6,243	6,243
Other investments	9	6,415	6,415	5,996	5,996
Total non-current financial assets		**137,065**	**137,065**	**117,830**	**117,830**
Non-current financial liabilities					
Loans and borrowings	19	2,262,029	2,675,041	3,266,826	4,085,255
Hedging derivatives	7	199,947	199,947	99,115	99,115
Total non-current financial liabilities		**2,461,976**	**2,874,988**	**3,365,941**	**4,184,370**
Current financial assets					
Trade and other receivables	11	172,632	172,632	178,796	178,796
Embedded derivatives	7	280	280	29	29
Derivatives not designated as hedges	7	120,936	120,936	152,869	152,869
Hedging derivatives	7	27,874	27,874	29,927	29,927
Cash and cash equivalents	12	10,815	10,815	4,631	4,631
Total current financial assets		**332,457**	**332,457**	**366,252**	**366,252**
Current financial liabilities					
Loans and borrowings	19	1,256,396	1,570,333	208,433	208,433
Derivatives not designated as hedges	7	115,047	115,047	115,940	115,940
Hedging derivatives	7	44,330	44,330	66,683	66,683
Trade and other current payables	21	286,741	286,741	313,184	313,184
Total current financial liabilities		**1,702,514**	**2,016,451**	**704,240**	**704,240**

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between informed, willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Company based on parameters such as interest rates, specific country risk factors, the individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2020 and 31 December 2019, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Fair value of quoted instruments is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using a valuation technique with market observable inputs are mainly foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments and non-financial assets (see Note 5) by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As at 31 December 2020 the Company held the following financial instruments measured at fair value:

Financial assets measured at fair value

In thousands of EUR	Note	31 December 2020	Level 1	Level 2	Level 3
Embedded derivatives	7	200	-	200	-
Derivatives not designated as hedges	7	120,936	-	120,936	-
Hedging derivatives	7	28,158	-	28,158	-

Financial liabilities measured at fair value

In thousands of EUR	Note	31 December 2020	Level 1	Level 2	Level 3
Derivatives not designated as hedges	7	115,047	-	115,047	-
Hedging derivatives	7	244,277	-	244,277	-

As at 31 December 2019 the Company held the following financial instruments measured at fair value:

Financial assets measured at fair value

In thousands of EUR	Note	31 December 2019	Level 1	Level 2	Level 3
Embedded derivatives	7	651	-	651	-
Derivatives not designated as hedges	7	152,869	-	152,869	-
Hedging derivatives	7	36,170	-	36,170	-

Financial liabilities measured at fair value

In thousands of EUR	Note	31 December 2019	Level 1	Level 2	Level 3
Derivatives not designated as hedges	7	115,940	-	115,940	-
Hedging derivatives	7	165,798	-	165,798	-

There have been no transfers between the Levels 1 – 3 during 2020 and 2019.

The movement in fair value of embedded derivatives is summarized as follows:

In thousands of EUR	
Balance as at 1 January 2020	851
Change in fair value through profit or loss (Note 25)	(451)
Closing balance as at 31 December 2020	400

In thousands of EUR	
Balance as at 1 January 2019	956
Change in fair value through profit or loss (Note 25)	(105)
Closing balance as at 31 December 2019	851

The fair value of commodity derivatives not designated as hedges (net) is sensitive to movements in electricity prices, effect of which is summarized as follows:

Derivatives on electricity

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	(2,812)	(8,700)
Balance as at 31 December 2020	5,888	
10% increase	14,588	8,700

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	9,432	(16,408)
Balance as at 31 December 2019	25,840	
10% increase	42,247	16,407

Derivatives on other commodities

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	13,548	2,869
Balance as at 31 December 2019	11,089	
10% increase	8,230	(2,859)

The impact of shift in electricity and commodity prices by +/- 10 % has been calculated by changing the spot price at the valuation date or as at the reporting date.

The fair value of embedded derivative (net) that relates to the long-term electricity contract with Slovalco, a.s. is sensitive to movements in aluminium prices, as follows:

In thousands of EUR	*Fair value of embedded derivatives, net*	*Change*
10% decrease	1,089	889
Balance as at 31 December 2020	200	
(10% increase	22	(178)

In thousands of EUR	*Fair value of embedded derivatives, net*	*Change*
10% decrease	2,171	1,520
Balance as at 31 December 2019	851	
10% increase	143	(508)

The impact of shift in aluminium prices by +/- 10 % has been calculated by changing the spot price at the valuation date or as at the reporting date.

31. Financial risk management objectives and policies

Following financial risks are related to the activities of the Company:

i) Credit risk;
ii) Liquidity risk,
iii) Market risk, which includes:
- Interest rate risk;
- Foreign currency risk;
- Commodity risk.

Risk management

As part of its operations, the Company is exposed to different market risks, notably the risk of volatility of commodity prices, interest rates and exchange rates as well as to the liquidity risk and to the credit risk. To minimize the risk implied from volatility of exchange rates and interest rates, the Company enters into transactions with required parameters or into derivative contracts with the intent to hedge individual risk using instruments available on the market.

Transactions that qualify for hedge accounting in line with the requirements of IFRS 9 are classified as hedging transactions, while those carried out with the intent of hedging that do not qualify for hedge accounting in line with IFRS 9 are classified as trading transactions.

Depending on their purpose and the decision of the management the financial derivative instruments are classified as:

- cash flow hedges, related to hedging the risk of changes in the cash flows;
- fair value hedges, related to hedging the risk of changes in the fair value;
- trading derivatives, related to hedging interest and exchange rate risk and commodity risk which do not qualify for recognition under IFRS 9 as hedges of specific assets, liabilities, commitments or future transactions.

The fair value is determined using the prices on the relevant markets. Accordingly, the impact on profit or loss and shareholders' equity depends on normal market development. The credit risk with respect to the derivatives portfolio is considered as negligible since transactions are conducted solely with leading Slovak and international banks, and the exposure is therefore diversified among different institutions.

The Company hedges cash flows from sales of future electricity production against the risk of electricity price movement by selling the production via forward contracts up to 4 years prior to the delivery, with respect to the strategy of production selling.

Slovak, Czech, German and Hungarian forward electricity prices are highly correlated as a result of strong interconnections between countries and the correlation is amplified even more thanks to the day ahead market coupling mechanism providing effective implicit allocation of cross-border capacities between Czech Republic and Slovakia.

Liquidity of Slovak market with physical delivery is from the view of long-term hedging opportunities lower in comparison with German, Czech or Hungarian market with higher liquidity as a result of higher overall electricity consumption and production, and also in comparison with liquidity of Slovak market with financial delivery.

When there is not enough liquidity in Slovak market with physical delivery at required times, electricity production is therefore being hedged in either German, Czech or Hungarian market as follows: When the electricity price in Slovakia is suitable the electricity is first sold in Germany, Czech Republic or Hungary via baseload yearly contracts and later when liquidity in Slovak market emerges, the deal in foreign country is closed by purchasing baseload yearly forward contract of same volume and subsequently, the electricity production is being sold in Slovak market with physical delivery. This way the risk of electricity price movement except for small movements in SK-CZ, SK-DE resp. HU-SK spreads is hedged. This mechanism is also applied to financial delivery on the Slovak market, in case, when at the required time there is higher liquidity on the Slovak market with financial delivery than on the Slovak market with physical delivery. In this case the Company avoids the risk of price movements.

Credit risk

The Company makes most of the steps in order to mitigate the credit risk, e.g. to prevent the situations when the contractual party does not fulfil any of its liabilities on time and in full amount. The Company has developed sophisticated tools and procedures for the purpose of identification and analysis of the credit risk. Further monitoring, management and mitigation of the credit risk is ensured via specific processes and methods.

Additional aspects eliminating the credit risk

The specific structure of the Company's customers requires individual approach to the evaluation of the credit risk. Distribution companies represent those with the lowest credit risk. Most of the customers and business partners have long-time history of their activities in the energy sector, thus this fact contributes to the decrease of the risk resulting from the customer insolvency. The credit risk analysis of the business partner is performed every time before the contract is closed and is reviewed on regular basis, at least once per year. With respect to the results of the analysis and other aspects influencing the risk factor the customer is assigned a limit for trading. If the analysis or other information gathered reveals potential credit risk factor of the customer, the Company will evaluate and eliminate risk factor. In case of smaller customers deposit payments are required. Long-time experience of the Company shows that the analytical methods, assessment and management of the credit risk are effective and mitigate the credit risk accordingly.

The expected loss rates and the expected losses allowance, calculated in line with the IFRS 9 simplified approach for trade and lease receivables as at 31 December 2020 and 31 December 2019 were as follows:

In thousands of EUR	*Expected credit loss rate*	*Expected credit loss as at 31 December 2020*	*Expected credit loss rate*	*Expected credit loss as at 31 December 2019*
Receivables not yet due	0.02%	36	0.02%	37
Receivables less than 15 days overdue	0.10%	–	0.10%	-
Receivables less than 30 days overdue	0.05%	–	0.33%	-
Receivables less than 90 days overdue	0.56%	–	11.64%	-
Receivables less than 180 days overdue	0.94%	–	15.92%	-
Receivables less than 270 days overdue	1.24%	–	20.96%	-
Receivables less than 360 days overdue	1.74%	2	29.75%	1
Receivables more than 360 days overdue	100%	5,225	100%	8,457
Receivables assessed on an individual basis (Note 11)	100%	135,989	100%	135,989
Purchased credit-impaired receivables (Note 11)	100%	1,466	100%	1,470
Total expected credit losses of receivables (Note 11)		142,718		145,954

Analysis of cash at bank and short-term bank deposits based on rating:

In thousands of EUR	2020	2019
Cash at bank and short-term bank deposits		
AA	9,970	3,238
A	1,569	1,325
No rating	179	4
Total	18,798	4,567

Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements that enable mutual offsetting:

As at 31 December 2020:

	Gross amount on the face of the balance sheet before offsetting	*Gross amount set off on the face of the balance sheet*	*Net amounts on the face of the balance sheet*	*Related amounts not set off on the face of the balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
NON-CURRENT ASSETS						
Other receivables	160,366	–	160,366	–	651	129,715
CURRENT ASSETS						
Trade and other receivables	256,998	84,365	172,632	9,216	15,040	148,376
Derivative assets	180,931	32,121	148,810	88,579	-	60,231
Total assets subject to disclosure for offsetting requirements	**598,295**	**196,487**	**481,808**	**97,795**	**15,691**	**338,322**

As at 31 December 2019:

	Gross amount on the face of the balance sheet before offsetting	*Gross amount set off on the face of the balance sheet*	*Net amounts on the face of the balance sheet*	*Related amounts not set off on the face of the balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
CURRENT ASSETS						
Trade and other receivables	244,041	65,245	178,796	87,809	20,074	70,913
Derivative assets	228,490	45,614	182,796	94,124	-	88,672
Total assets subject to disclosure for offsetting requirements	**472,451**	**110,859**	**361,592**	**181,933**	**20,074**	**159,585**

The column (d) contains those financial assets that are not offset due to either absence of the enforceable right or intention of the Company.

The column (e) represents financial guarantees received and cash collateral collected by the Company.

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements that enable mutual offsetting:

As at 31 December 2020:

	Gross amount on the face of the balance sheet before offsetting	*Gross amount set off on the face of the balance sheet*	*Net amounts on the face of the balance sheet*	*Related amounts not set off on the face of the balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
NON-CURRENT LIABILITIES						
Loans and borrowings	1,809,457	-	1,809,457	-	60,000	1,749,457
CURRENT LIABILITIES						
Derivative liabilities	191,498	32,121	159,377	88,579	-	70,798
Trade and other current payables	271,107	84,366	286,741	9,216	5,685	271,840
Total liabilities subject to disclosure for offsetting requirements	**2,372,062**	**116,487**	**2,255,585**	**97,795**	**65,685**	**2,892,125**

As at 31 December 2019:

	Gross amount on the face of the balance sheet before offsetting	*Gross amount set off on the face of the balance sheet*	*Net amounts on the face of the balance sheet*	*Related amounts not set off on the face of the balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
NON-CURRENT LIABILITIES						
Loans and borrowings	2,915,923	-	2,915,923	-	60,000	2,855,923
CURRENT LIABILITIES						
Derivative liabilities	228,237	45,614	182,623	94,124	-	88,499
Trade and other current payables	378,429	65,245	313,184	87,809	608	224,767
Total liabilities subject to disclosure for offsetting requirements	**3,522,589**	**110,859**	**3,411,730**	**181,933**	**60,608**	**3,169,189**

The column (d) contains those financial liabilities that are not offset due to either absence of the enforceable right or intention of the Company.

The column (e) represents financial guarantees issued and cash collateral paid by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and/or available sources of funding through credit lines. Considering the dynamic nature of the underlying business, the Company treasury management aims at maintaining flexibility by keeping sufficient amount of credit lines available.

As at 31 December 2020, besides specific purpose term loans in the total amount of EUR 1,470 million (2019: EUR 1,424 million), the Company had committed general purpose loans amounting to EUR 2,030 million (2019: EUR 2,030 million), all of which were actually drawn as at 31 December 2020 and 31 December 2019. At the same date the Company had uncommitted credit lines undrawn in the amount of EUR 51 million (2019: EUR 65 million). Undrawn part of the specific purpose term loans will be available after the fulfilment of conditions precedent to the drawdowns.

	2020			2019		
In thousands of EUR	*Amount available for drawing*	*Amount drawn*	*Available amount*	*Amount available for drawing*	*Amount drawn*	*Available amount*
Committed loans for general purposes	2,030,000	2,030,000	–	2,030,000	2,030,000	–
Specific purpose loans	1,469,733	1,008,882	460,851	1,423,590	970,149	453,441
Subordinated loan	700,000	438,000	262,000	700,000	345,000	355,000

Financial liabilities as at 31 December 2020

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

In thousands of EUR	*Less than one year*	*Between 1 and 3 years*	*Over 3 years*	*Total*
Loans and borrowings - principal	1,272,138	112,855	2,168,127	3,553,130
Loans and borrowings - interest	380,988	145,718	231,948	758,655
Obligations from finance lease (Note 5)	4,058	6,449	2,011	12,518
Trade payables (Note 21)	225,109	-	-	225,109
Derivative financial instruments	159,377	98,748	101,199	359,324

Financial liabilities as at 31 December 2019

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

In thousands of EUR	*Less than one year*	*Between 1 and 3 years*	*Over 3 years*	*Total*
Loans and borrowings - principal	192,562	60,805	3,257,090	3,510,258
Loans and borrowings - interest	134,331	258,304	462,977	855,612
Obligations from finance lease (Note 5)	4,006	7,560	4,958	16,524
Trade payables (Note 21)	249,525	-	-	249,525
Derivative financial instruments	182,623	13,877	86,038	281,738

Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term loans with floating interest rates.

The Company uses interest rate derivatives to hedge its interest rate risk.

These contracts are normally agreed with a nominal value and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

The Company adopts a policy of ensuring that adequate part of its exposure to changes in interest rates on borrowings is de facto on a fixed rate basis. Interest rate swaps were entered into to achieve an appropriate mix of fixed and floating rate exposure or cross-currency interest rate swaps in case the loans are denominated in foreign currency to achieve also appropriate currency exposure. The interest rate swaps are denominated in euros with maturity till 2025. In respect of these swaps the Company pays the fixed rate from 0.028% to 1.300% p.a. and receives EURIBOR. As at 31 December 2020 the Company had interest-rate swaps with nominal value in the amount of EUR 2,529,000 thousand (2019: EUR 2,830,000 thousand). The nominal value of cross-currency interest rate swaps was in the amount of EUR 300,000 thousand as at 31 December 2020 (2019: EUR 300,000 thousand).

Sensitivity analysis

The Company has performed an analysis of a possible impact in case of a reasonable change in interest rates by +/- 100 bp with all the other variables held constant.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's profit before tax through the impact on floating rate borrowings:

In thousands of EUR	*Increase in basis points*	*Effect on profit before tax 2020*
Variable rate instruments	+100bp	(33,409)

In thousands of EUR	*Increase in basis points*	*Effect on profit before tax 2019*
Variable rate instruments	+100bp	(32,409)

The decrease in basis points would have had the equal but opposite effect on the amounts shown above, on the basis that all the other variables remain constant.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates.

The Company is exposed to a currency risk of receivables and liabilities denominated in currency other than the functional currency of the Company, primarily USD, RUB, CZK and PLN.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include mainly forward exchange contracts and cross-currency interest rate swaps.

These contracts are normally agreed with a nominal amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the functional currency against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the USD, CZK and PLN exchange rate, with all other variables held constant, on the Company's profit before tax and the Company's equity. The Company's exposure to foreign currency changes for all other currencies is not material. The risk of fluctuations in RUB exchange rate is fully eliminated by hedging in form of the cross-currency interest rate swaps.

In thousands of EUR	*Change in exchange rate*	*Effect on profit before tax*
31 December 2020		
CZK	+10%	(988)
USD	+10%	(889)
PLN	+10%	(60)
31 December 2019		
CZK	+10%	(619)
USD	+10%	(1,773)
PLN	+10%	(104)

iii) Commodity price risk

The exposure of the Company to the risk of volatility of commodity prices is mainly associated with the purchase and sale of electricity as well as with the purchase of fuel used for the power production. The exposition resulting from the difference between purchase and sale of commodities or as a consequence of contracts tied to price indices is quantified by risk factors.

Regarding the electricity sold, the Company enters into fixed-price contracts in the form of bilateral contracts with physical delivery, whereas in case of trading transactions the Company enters into contracts with both types of settlement, physical delivery and financial settlement (e.g. contracts for differences in which the differences are paid to the counterparty should the market electricity price exceed the strike price or to the Company in the opposite case).

Various types of derivative instruments (mainly forward contracts, swaps, options, futures and contracts for differences) are used to reduce the exposure to the fluctuations in commodity prices.

The commodity price risk management process in the Company is designed to continuously monitor and evaluate the development in risk over time and determine whether the levels of risk, as observed for specific fields (e.g. geographical, organisational etc.), comply with the thresholds consistent with the risk appetite of top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified by units that are independent of those undertaking the transactions, while trading positions are monitored on daily basis using the Value at Risk indicator.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity. The Company includes the following within net debt: current and non-current loans and borrowings less accrued interests including finance lease liabilities, reimbursement right from the National Nuclear Fund, finance lease receivables and total amount of cash and cash equivalents. As at 31 December 2020 the net debt to equity ratio was 0.45 (as at 31 December 2019: 0.46).

32. Events after reporting date

On 22 January 2021 the Nuclear Oversight Authority disclosed the basis for the decision and **the draft decision** in the matter of administrative proceedings for Unit 3 Mochovce 3,4 Nuclear Power Plant that were published on its website. The comments on the basis for the decision should have been sent in writing no later than 22 February 2021.

On 31 January 2021, the Company as borrower signed the facility agreement in the amount of EUR 270 million with its shareholder Slovak Power Holding B.V.

In April 2021, the Company has not signed, for the time being, the further renewal of an expired interim waiver from one of its creditors in respect of a technical covenant for Mochovce unit 3 and 4 timeline completion, pending to the finalization of the ongoing negotiations between the Company and all its creditors with the aim to unify certain provisions of loan agreements.

On 13 May 2021, the Nuclear Regulatory Authority of the Slovak Republic published information that after verifying compliance with all technical and legislative requirements, it issued a permit for the commissioning of Unit 3 of the Mochovce Nuclear Power Plant, as well as related authorization for the management of radioactive waste and spent nuclear fuel and permit for early use of the building. After the delivery of the issued decision by a public decree, the participants will have an opportunity to file an appeal against the issued decision of the Nuclear Regulatory Authority within the legal period. Fuel load, by which the commissioning begins, will be possible only after the entry into force (and fulfilment of the conditions) of the issued decision.

With regards to the current developments regarding the pandemics of COVID-19 induced by the coronavirus SARS-CoV-2 the management shall continue to monitor the potential impact and take all necessary steps to facilitate the impact of any future negative consequences on the Company and its employees.