

ANNUAL REPORT 2019



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APPENDIX 1

REPORT OF THE INDEPENDENT AUDITOR ON THE VERIFICATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 AND THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

1. SPEECH OF THE CHIEF EXECUTIVE OFFICER

Dear customers, business partners, shareholders and colleagues,

I am glad that, a year later, I can once again state that SSE has written another particularly successful year of its existence into its almost century-old „book of life“. I am particularly pleased because I know the conditions under which the success of the year 2019 arose. That is not only the result of an interplay of favorable economic circumstances, but it is achieved in a tough competitive environment, changing market conditions, and only thanks to SSE working systematically and responsibly, in order to achieve its objectives pursued. The results achieved correspond to this.

In the category of sales to B2B customers, apart from striving to maintain the existing portfolio, we also aimed at maximizing the acquisition potential of the market. Thanks to increased demand, we managed to not only carry out the contracted supplies of electricity and gas for 2019 in the expected volumes, but we have exceeded the business target set for the fiscal year 2019 by more than 115%.

Throughout the year, we worked intensively on acquisitions of strategic customers and contracting electricity and gas supplies for the years 2020 to 2022. The result is evident, 54% year-on-year increase in the volume of contracted electricity and gas for 2020.

In the B2C customer segment, we set and gradually fulfilled several priority objectives for 2019. Stabilizing the existing customer portfolio, increasing satisfaction and positive customer experience as well as gaining new customers were the challenges also throughout previous years. That not only the number of customers to whom we supply gas increased, but we also succeeded in regaining customers who changed suppliers in the past. It is a signal of the good work! This applies not only to households, but also in the segment of small and medium-sized enterprises. Our long-term efforts to bring solutions for efficient use of energy are also intended for both of these customer groups. In addition to the consultancy itself, we are increasingly active in solving renewable energy projects in households and businesses, where we observe increased interest from customers. Just as we joined the national Green for Households programme a few years ago, we have successfully launched a similar product, Green for Enterprises. We have managed to implement a number of projects that bring energy costs savings by minimizing the initial investment, which is taken over by SSE. The customer is thus able to quickly deploy our cost-saving solutions and repay the investment from the actually savings achieved.



JUDr. Zdenek Schraml
General Director

We are well aware that attractive offers alone are not enough. Overall customer satisfaction is paramount for a long-term business relationship. Therefore, all our steps are aimed at achieving the highest possible level of customer satisfaction and comfort in every interaction with SSE. In 2019, we managed to improve this long-term process also in terms of the use of IT tools. During the year, for example, we launched communication with customers through a chat box, which we placed on our company's website. We have also created a new section with the frequently asked questions that our customers ask about energy supply and use. The use of online space for communication with customers is of vital importance nowadays. Finally, the validity of these steps became apparent almost immediately, in the positive acceptance and repeated use of these tools. Our efforts to get closer to customers in personal contact go hand in hand with online solutions. As part of building a network of customer's centres, we opened a new customer centre of SSE in Martin at the end of 2019. SSE thus provides professional service and consultancy in the supply of energy and energy services already in nine branches in central Slovakia.

We would not be able to achieve any of the above mentioned results without high-quality staffing. It is an indisputable competitive advantage that SSE has had such a working team at its disposal for a long time. The commitment, with which our employees embark on solving often very complex working problems and challenges, demonstrates the high level of their professionalism. On the other hand, their involvement in voluntary activities and social responsibility projects also reflects their human qualities. Both of these features of our employees deserve appreciation and gratitude for how they build and represent the SSE brand.

In any case, my thanks also go to you, dear customers, business partners, and shareholders. SSE can further grow and strengthen its position as a modern and successful energy company thanks to your cooperation, support, and trust.

2. ABOUT THE COMPANY

2.1 BASIC INFORMATION ON THE COMPANY

The company Stredoslovenská energetika, a. s., Company ID No.: 51 865 467 with its registered seat at Pri Rajčianke 8591/4B, Žilina 010 47 (hereinafter referred to as „SSE“) registered in the Commercial register of the District Court Žilina, Section Sa, Insert no.: 10956/L.

SSE was established on 19 July 2018, and was entered in the Commercial Register on 3 August 2018 under the business name Stredoslovenská energetika Obchod, a.s. With effect from 1 January 2019, it acquired, through its contribution, a part of the company related to all matters, in particular, in relation to the purchase and sale of electricity and gas, energy efficient solutions as well as the sale of non-commodity products, etc. from its parent company Stredoslovenská energetika Holding, a.s. (until 31 December 2018 under the business name Stredoslovenská energetika, a. s.). Along with the acquired contribution of a part of the company, SSE also acquired its current business name with effect from 1 January 2019.

In 2019, SSE provided its customers mainly with the supply of electricity and gas as well as related comprehensive services.

2.2 BUSINESS ACTIVITIES

In 2019, SSE was doing its business SSE based on permits issued by the Regulatory office for Network Industries in the following main activities:

- electricity supply
- gas supply

In addition to the specified activities, SSE is also doing its business based on the issued trade and other licenses in other activities, in particular:

- the provision of energy services with a guarantee of energy savings
- the provision of energy support services
- performance of the activity of energy auditor
- financial intermediation - performance of the activity of bound financial agent in the insurance and reinsurance sector.

2.3 SHAREHOLDER STRUCTURE

The sole shareholder of Stredoslovenská energetika, a. s., is the company Stredoslovenská energetika Holding, a. s., owning 100% of its shares

2.4 IDENTIFICATION DATA

Stredoslovenská energetika, a. s.
 Pri Rajčianke 8591/4B
 010 47 Žilina
 Company ID No.: 51 865 467
 VAT ID No.: SK 2120814575
 VAT registration number: 2120814575
 Bank connection
 VÚB, a. s. Žilina
 IBAN: SK91 0200 0000 0000 0070 2432
 SWIFT: SUBASKBX

Public limited liability company is registered in Commercial register of the District Court Žilina, Section: Sa, Insert No.: 10956/L, date of registration 1 January 2019.

Phone: 041/519 1111
 E-mail: sse@sse.sk
 Fax number: 041/519 2575
 Internet: www.sse.sk

2.5 MANAGEMENT OF THE COMPANY AS UNTIL 31 DECEMBER 2018

BOARD OF DIRECTORS:

Mgr. Petr Sekanina	Chairman
Mgr. Ing. Máriaus Hričovský, Dr. oec.	Vice-Chairman
Mgr. Ing. Pavol Kolenčík, PhD.	Member
Ing. Jiří Feist	Member
Ing. Petr Tomášek	Member

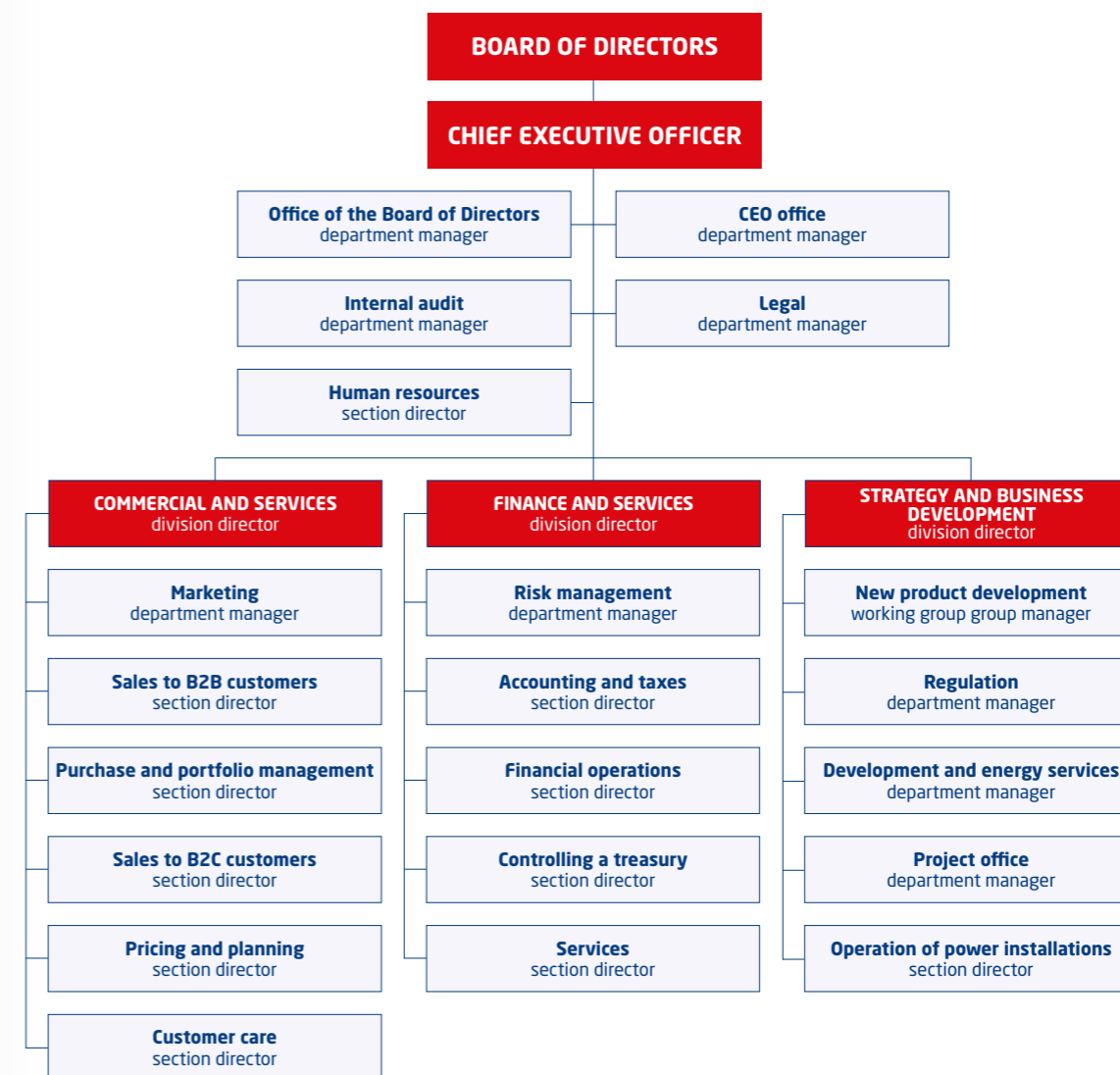
DOZORNÁ RADA:

JUDr. Peter Hajduček	Chairman
Ing. Jozef Antošík	Vice-Chairman
Ing. Ján Voštenák	Member
Ing. Ivan Ivanič	Member
Mgr. Karol Hat'apka	Member
JUDr. Boris Balog	Member

EXECUTIVE MANAGEMENT:

JUDr. Zdeněk Schraml	Chief Executive Officer
Mgr. Szilárd Mangult	Director of Commercial and Services division
Ing. Peter Ďurmek	Director of Finance and Services division
Ing. Pavel Bárdoš	Director of Strategy and business development division

2.6 ORGANISATIONAL STRUCTURE OF SSE, A. S. AS AT 31 DECEMBER 2019



3. COMPANY'S ACTIVITIES

3.1 COMMERCIAL AND SERVICES

SALES TO B2B CUSTOMERS

We evaluate the year 2019 in the sales segment for B2B customers as very successful, aimed at maintaining the existing customer portfolio, but also at making full use of the market's acquisition potential. Thanks to increased demand, we managed not only to carry out the contracted supplies of electricity and gas for 2019 in the expected volumes, but also to increase them in some segments. According to this, we have exceeded the business target set for the fiscal year 2019 by more than 115%.

The main activity during the year was contracting the supply of the commodity for the years 2020 to 2022 with existing customers. We put an emphasis on improving the quality of the service provided, on individual approach as well as the offer of tailor-made products. The market situation was affected by the stabilization of commodity prices, lower spot prices, and liquidity.

The whole year was sustained by the spirit of acquisitions of strategic customers, contracting multi-year contracts with key customers, an increase of the unit margin as well as a significant increase in sales of flexible products in order to reduce market risk. The year-on-year increase in the volume of contracted electricity and gas represented 54% for 2020. During the year, the company applied a new system of customer loyalty, carried out several business breakfast for customers' education in the energy field, and the energy efficiency products were developed.

There is also a growing trend in terms of non-commodity solutions. SSE recorded more than a 40% increase in contracted business cases. There is a continuous effort to offer innovative measures that bring customers more efficient operation, reduced energy consumption, increased competitiveness with no less significant impact on the environment. In terms of legislation, the construction of local electricity sources (LZE) was supported. It allows businesses to install and use a source of energy based on renewable energy sources (OZE) with an output up to 500 kW, provided that the energy produced is used exclusively for their own consumption. Our customers

were mainly interested in the construction of photovoltaic power plants. Out of the contracted number, five photovoltaic sources are already in operation (each with an installed capacity of at least 35kWh), others are awaiting implementation.

The reconstruction of lighting remains a traditional measure. We also offer innovative solutions in this segment, such as luminaires with higher power, luminaires with intelligent control via bluetooth technology or integration into superior control systems. In the heating and cooling segment, we carried out reconstructions of conventional sources with a replacement for modern solutions such as biomass or gas condensing boilers as well as cogeneration units in the form of combined heat and power generation. We have supplied sophisticated systems for industry including „air“ as working medium, i.e. compressor stations, blower, and vacuum systems.

We can include other products provided in the field of electricity, such as reactive power compensation, construction of new and reconstruction of existing transformer stations, solving problems related to the quality of the electricity network, and more. Furthermore, we constantly reflect on the market demand for smart solutions

SALES TO B2C CUSTOMERS

In 2019, we continued to focus our activities on the stabilization of existing customer portfolio, increasing satisfaction and a positive customer experience for both, our existing as well as new customers, the number of which is constantly growing. Apart from increasing the number of customers to whom we supply gas, we were also successful in regaining customers who changed suppliers in the past. We managed to increase the number of customers not only in the household segment, but also in the segment of small and medium-sized businesses. This growth is not only the result of attractive offers, which we were able to provide to customers during the year. However, it is particularly caused by changes aimed at customer satisfaction and comfort in every interaction with SSE. We have also intensively started this process

from the point of view of IT tools for simplifying and accelerating sales and customer service, from which we expect positive results in the future.

We continued our efforts to bring customers energy efficiency solutions in 2019. In addition to the consultancy, we also focused on the development of renewable sources for energy production in households as well as businesses, where we observe increased interest from customers. Regarding households, it was mainly our active participation in the national programme Green for Households. We provide consultancy and the actual installation of heat pumps, biomass boilers, solar and photovoltaic panels within its framework. We successfully launched a similar product, Green for Enterprises, for small and medium-sized businesses. We actively approached offers for increasing energy efficiency for corporate customers and their businesses. We managed to implement a number of projects that bring energy costs savings by minimizing the initial investment, which is taken over by SSE. The customer is thus able to quickly deploy our cost-saving solutions and repay the investment from the actual savings achieved.

Sales and service channels are the key to taking care of existing and new customers. Therefore, we continued in implementation of changes that we had started in the previous period, and which were primarily focused on the customer and customer care, strengthening relationships with the customer and addressing their requirements and needs. Communication with the customer remains crucial for us. It is in our interest to address individual requirements of each customer, not only in our „standard“ commodities, but also in regard to energy efficiency products. We have developed our sales channels with a strong emphasis on their quality over the past year. This applies, in particular, to the personal sales launched for household customers, where, in communication and provision of offers, we adhere to our company's Code of Ethics.

The company's constant effort is to get as close as possible to customers so that they know they have a partner whom they can turn to with confidence. In order to increase satisfaction, we focused on the development of communication skills, professional approach and

professional knowledge of our employees who are in direct contact with customers. In terms of building a network of customer centres, increasing care and approaching customers, a new customer centre was opened in Martin at the end of the year. SSE thus provides personal contact already in nine branches in the central Slovakia. On the basis of needs identification, customer centres offer a service to customers, consultancy, commodity products like electricity, gas and non-commodity products that are tailor-made to the customer's needs.

In terms of marketing communication, SSE focused on addressing and educating a generation whose opinions and ideas are significantly influenced by the online environment in which it grows up. Attention focused on clear consultancy in the area of energy and households savings.

CUSTOMER CARE

The care about our current and potential customers was a key area for us in 2019. During the year, we started to communicate with customers through a chat box, which we placed on the website of our company. Our customers welcomed this step positively, which results in a high level of usability.

Another important step was the creation of a new section on the SSE website called „Frequently Asked Questions“. We developed tools for our customers in detail, and at the same time we also tried to provide enough information and interesting tips for those who are still choosing their energy supplier. We perceive the use of online space for communication with the customer as extremely important nowadays.

Fast and high-quality processing of customer requirements remains our priority. Due to system changes and the possibility of contacting the customer back, we managed to meet these parameters. More than 50,000 customers took advantage of the possibility of back contacting. Regular monitoring and evaluation of customer satisfaction in connection with the subsequent adjustment of processes was also reflected in the increase of customer satisfaction. Systematic monitoring, measurement and evaluation of the quality of services provided as well as customer satisfaction has become an integral and natural part of our work. On the basis of the feedback received

from customers, we prepare solutions with which we would like to meet their expectations.

We are also aware of the importance of developing the education of our employees. A satisfied employee has also a high impact on customer satisfaction. For this reason, we decided to create a cycle of trainings and activities that contribute to a positive atmosphere in the Customer Care workplace.

PRICING AND PLANNING

A wide range of products for our customers in the supply of electricity and natural gas is the basis for their satisfaction as well as the fulfillment of our growth ambitions and related business objectives. An individual offer based on specific requirements for the purchase from customers is a matter of course for larger customers. In recent years, we have seen an increasing effort of customers to decide when to buy together with an effort to spread the risks, whether through several purchase tranches, the so-called indexed purchases, or a combination of purchase at forward prices with purchase at daily market prices.

So far, still untapped opportunity remains the use of a growing number of so-called smart metering devices (SMS) in the supply of electricity. In 2019, such meters were installed at another 18,000 supply points in the household segment, and at 4,000 supply points of corporate customers. In total, SSE has already more than 76,000 supply points with installed SMS in its balance group. However, it will be necessary to change the legislative framework in order to apply the possibilities offered by these measuring devices.

PURCHASE AND PORTFOLIO MANAGEMENT

The liberalized Slovak energy market continued its dynamic development in 2019 in all its segments. The market participants primarily represent traditional participants being traditional suppliers, system operators and customers. Alternative suppliers and electricity traders are also active alongside them.

Stredoslovenská energetika has been a major player in the Slovak energy market since the very beginning of its liberalization. As a traditional trader/supplier of energy commodities for end customers, it focuses on certain segments of end customers, especially in central Slovakia, and nationwide in other customer categories. Regarding this fact, we must respond flexibly to the changing environment, conditions, and market requirements. During the year, the company was confronted with the difference between the prices of traded commodities on forward and spot in the area of sourcing. Fulfillment of economic expectations with a stable position on the market was also achieved with the contribution of the activities of the Purchase and Portfolio Management section. This section carries out mainly the purchase of traded commodities like electricity and gas on the wholesale market, and these are subsequently sold to the portfolio of end customers through other sections of SSE. After the turbulent year 2018, forward electricity prices more or less stabilized in the first half of 2019. This is due to milder course of winter, which, however, brought enough snowfall, especially in the Alps. This played a significant role in the increase of watercourses and hydropower plants levels.

Consumption of natural gas began to decline significantly already in spring months, and conversely, the containers began to fill up quickly nearly throughout Europe. Cheap gas together with the growing share of RES in Germany began to push expensive coal out of the mix, which was once again broken by the highly volatile EUAs. The postponement of Brexit during spring, and the associated unclear fate of allocated allowances to British companies, caused the increase of EUA to € 27.50 in April. This also brought the first significant increase in the price of German electricity for 2020, from € 46 to € 51 in 2 weeks in April.

The positive benefit of the increase in output from RES was maintained also in the summer months. This also resulted in a significant decline in the spread between the Czech and Slovak spot market, which is often under pressure from demand in Hungary and Balkan countries, especially in the summer months. The volatility of the EUA fully occurred again in July, after three months. At this time, the price of the allowance fell just below the psychological level of 30 €/t without obvious fundamentals. This logically led to a renewed increase in the price of CAL contracts and

German electricity exceeded the level of €53 /MWh. However, there was also a major break in the price trend and commodity contracts began to gradually decline again, mainly under the pressure of a surplus in the natural gas market. The market was partially affected by attacks on oil facilities in Saudi Arabia in September or the faulty welds in parts of nuclear power plants in France. However, the slight weather development by the end of the year didn't bring the expected seasonal increase in demand and electricity prices, so both continued in the declining trend until the end of the year. While the price of the Slovak CAL20 contract was at the level of € 56.80 at its peak in July, it expired at the level of € 46/MWh at the end of the year just before Christmas, which also represented its year-round minimum.

MARKETING

Within the framework of marketing communication, we focused on addressing and educating a younger target group in 2019. We decided to focus on the generation whose opinions and ideas are significantly influenced by the online environment in which it grows up. We focused on clear consultancy in the area of energy and savings at home. Through practical advices and tips, we taught our current and potential customers how to reduce their energy bills in a long run through targeted media communication and the use of social media Facebook and Youtube. We are aware of the fact that building a positive relationship with SSE brand is extremely important for our company, therefore we consider the decision to work with a younger target group to be a key one. Due to this reason, we became a part of the Grape Summer Festival in Piešťany in the summer of 2019, where we prepared a pleasant relaxation zone for the festival participants, where they could relax, get to know our company and, in addition, charge their mobile devices comfortably and free of charge. In terms of social responsibility, we decided to cooperate with the Požičaná planéta (Borrowed Planet) project. The purpose of the cooperation was to teach and motivate children to take a responsible ecological approach. Our next successful project aimed at children in the area of education is the Štukes fun switch with his friends. Through educational videos on the company's Youtube

channel, we talk to children and teach them the basic principles of saving energy in a playful way. We believe that the relationship towards our planet and the resources it gives us needs to be built from an early age. In this context, we also prepared an educational competition with Štukes for children. More than 100 kindergardens and primary schools from Central Slovakia took part in the first round of the competition. We distributed up to EUR 100,000 to the winners

FINANCE AND SERVICES

Financing of the company in 2019 was carried out in accordance with the agreed strategy respecting the principles of the balance between long-term assets and liabilities, the balance between short-term assets and liabilities and an acceptable debt ratio.

In the field of electricity and gas supply invoicing, the trend of increasing the share of customers with electronic invoice delivery and the use of direct debit payment method continues, which increases the comfort of communication and servicing of customers.

3.3 STRATEGY AND BUSINESS DEVELOPMENT

The company focused on the development of strategic initiatives, management of projects in the field of energy efficiency and related energy services. In the field of regulation, we focused on legislation and relationship with state institutions also in 2019.

In terms of this process, we have continued in preparation and implementation of projects in the following areas:

- public lighting,
- industrial lighting,
- compressed air systems,
- electric drivers and their control as well as
- air conditioning and ventilation system.

In the field of electro mobility, we have continued our cooperation with the city of Banská Bystrica, Zvolen and Žilina by renting electric cars. The key to our approach is a corporate and social responsibility and financial feasibility.

REGULATION - MARKET SITUATION (MARKET RULES, IMPLEMENTATION OF MARKET RULES)

From the regulatory point of view, the year 2019 meant the continuation of the regulatory period 2017 - 2021, in which the legislatively introduced price regulation of electricity and gas supply to vulnerable customers continued to apply, i.e. electricity and gas consumers in households and small businesses.

The Regulatory Office for Network Industries (ÚRSO) approved the submitted proposal for variation of prices in the area of electricity supply for the year 2018 that reflected an increase in commodity prices in wholesale markets, which represented an increase in the final price of electricity of approximately 6 % on average compared to 2018. In 2019, the adopted business policy was maintained in the gas supply area as well as the guaranteed discount of up to 23% when applying prices throughout the year compared to the approved regulated prices of the most important gas supplier on the market in the Slovak Republic. Following the business policy, the gas supply portfolio slightly expanded, while the business activities of the Stredoslovenská energetika, a.s. concentrated on maintaining its position as a major electricity supplier, particularly in the territory of Central Slovakia.

In 2019, in the area of quality regulation, the company Stredoslovenská energetika, a. s. reached the level of quality standards set by legislation in electricity supply up to 99,8% and gas supply up to 99,2%, which is well above the minimum standard required by the Regulatory Office for Network Industries. The company thus confirmed its reputation of a reliable energy supplier. Above all, it is the effort to achieve efficiency in the company processes and the cooperation of individual departments ensuring the quality standards and their compliance behind the excellent results. Thanks to this cooperation and also the quality data, the company Stredoslovenská energetika, a.s. has been able to keep quality standards for a long time at a very high level.

INTERNAL AUDIT

The control function in SSE is performed by the Internal Audit Department. Through its activities, it initiates the optimization of processes, reduction of business risks,

and thus helps to achieve the business objectives of the company.

The Internal Audit works on the basis of the approved Annual Plan of Audits and Controls, which is compiled according to risk areas from the SSE Risk Catalogue, current risk analysis of the Internal Audit Department that takes into account the findings from previous audits as well as the requirement of the Management. The implementation of internal audits is governed by the principles of the International Framework of Professional Practice for Internal Auditing.

In 2019, internal auditors assessed and evaluated the company's level of compliance with EU regulations on personal data protection (GDPR) together with the processes and services related to the fulfillment of the company's strategic objectives in the B2C segment. We paid increased attention to setting up control mechanisms in the area of IT services provided by external companies. Business activities in the provision of non-commodity products, especially Enef solutions, were another audited area. The auditors also assessed the risk of fraud in all audits.

The Internal Audit provided the Management of the company with an independent assessment of effectiveness of the internal control system, risk management, and compliance with the applicable legislation and regulatory requirements in the audited processes through written reports from individual audits.

The constant activity of the Internal Audit was the supervision over the implementation of the measures taken to eliminate the identified risks as well as the consultancy and role of an independent professional sponsor in the process of ensuring the compliance of the company with the requirements of the Cyber Security Act.

4. SOCIAL RESPONSIBILITY

4.1 SOCIAL RESPONSIBILITY

Social responsibility has been an integral part of our corporate life for a long time. Our objective is to do good things within the whole community in which we live and do business. Solidarity and responsibility is the way to help and support where it is most needed.

In 2019, our cooperation with the civic association Svetielko that is aimed at improving and enhancing the lives of children and adolescents with oncological or other serious illness and their families began. In addition to financial support, the cooperation also includes the visibility and support of the Svetielko nádeje brand in the regions of Kysuce and Orava.

We have been helping to restore the area of the Banská Štiavnica Calvary already for eight years. One of the long-term supported activities is the construction of night lighting, which has been functioning in its basic design since 2014. And since November 2019, it has been lighting in a new, expanded range.

During the eight years of our cooperation with the Calvary Fund, the entire complex was electrified. It involves several kilometers of cabling in very difficult and rocky terrain. At present, 10 object are already lit, the upper church, ECCE HOMO and 8 chapels.

The promotion of night lighting committed to the increasing visit rate. If 26,000 visitors visited Calvary in 2011, it was already over 90,000 this year. Calvary is thus one of the most visited monuments in Slovakia. And we have also contributed to this fact.

Most of the 23 buildings on Calvary have been restored in 12 years of works. The fresco paintings, 17 chapels and three churches have been restored. The interiors of the Central Church and The Holy Sepulchre are currently being restored. Due to high number of visitors, great attention is paid to the repair of sidewalks, retaining walls and railings.

We participate in activities on the occasion of Earth Day every year. Presentation, lectures and discussion on various topics were prepared for colleagues, like interactive demonstrations of waste recovery, information about nature protection as well as calamities in nature, and more. In the early evening, a film by the environmentalist Erik Baláž, The Ranger of the Wilderness, was screened for colleagues and their families. In cooperation with the civic association Preles, the employees also participated in the cleaning and revitalization of the forest park in Žilina.

We have traditionally helped the Rescue Station in Zázrivá with voluntary activities and financial contributions for the maintenance of the station.

Part of our social responsibility includes also regular donation of the most precious fluid, which is unfortunately always lacking. Our cooperation with the National Transfusion Service in Žilina is a long-term one, and it further continues.

During the jubilee 10th year of the company's Christmas markets, we again collected a record proceeds of EUR 6,170. Our employees contributed to another good cause. We donated the entire proceeds to the Anjelské krídla Foundation in Žilina, which used it to help the ill or physically handicapped people, or people in difficult life situations.

INTEGRATED MANAGEMENT SYSTEM

Our company has made a long-term effort to compete in the electricity and gas market. Although high-quality electricity supply and gas supply as well as well high-quality customer service provision, will check the customer loyalty at first, but ISO and OHSAS certificate is something like an internationally set standard. Thus, in the eyes of a customer, a certified company is a safe choice because the customer knows that certain quality standards are adhered to in the company, without which the company would not have obtained the certificate.

The objective of Stredoslovenská energetika is to fulfill the relevant needs and expectations of customers and other involved parties in the highest quality with regard to the environment and health and safety protection at work. In order to improve the activities of our company, we have an integrated and certified management system for the following three areas:

- Quality Management System (ISO 9001:2015),
- Environmental Management system in accordance with the standard requirements (ISO 14001:2015),
- Occupational Health and Safety Management System (OHSAS 18001:2007).

From 19 to 22 March 2019, a recertification audit was carried out in the company in order to verify the compliance with the OHSAS 18001:2007 and ISO 14001:2015 standards. No discrepancies were found during the audit. The company was issued a certificate for a period of three years.

In 2019, a recertification audit was carried out for the area of occupational health and safety and the environment.

In 2019, a Health and Safety week was carried out. During the week, the employees had the opportunity to undergo a cervical spine massage, attend a Happy Cell lecture, they could be taken up by an assembly platform and experience adrenaline as a worker at heights, try to handle a fire extinguisher, improve their first aid, watch short films on the topics like dust at work and safety in traffic, try walking in drunk glasses, and ride an electric scooter.

A part of the OSH week 2019, was also a presentation by the Všeobecná zdravotná poisťovňa on the prevention of breast and colon cancer. Employees could also have their birthmarks examined as well as their cholesterol level measured from a drop of blood.



5. EMPLOYEES

SSE is a major employer operating in the region of Central Slovakia. We provide our employees with an above-standard working environment, the possibility of professional development and career growth.

The number of employees as at 31 December 2018 was 313 (without members of the Board of Directors and the Supervisory Board, and employees working on agreement), out of which 73 % were women, and 27 % were men. The average age of employees is 41.29 years, and 68 % of them represent university-educated employees. The average number of years worked per employee in the company was 12.08.

During the year 2019, SSE employed 61 new employees from the external environment, mainly for the area of business and customer services. Voluntary employee turnover in 2019 was on the level of 5.7 %.

Our goal is to work effectively with employees, use their real potential they offer us and, on the other hand, to create a quality and attractive working environment for them.

In 2019, the area of human resources management and individual implemented activities were marked by the support and transaction sales, set up of processes, development of new products and solutions for our customers and related services.

One of the main objectives, related to this for 2019 in the area of Human Resources, was the education and development of employees. In order to strengthen our position of a reliable and successful supplier not only of electricity and gas, but also of energy-efficient solutions, we focused the trainings of employees of sales and customer services mainly on the development of sales skills, communication skills, and internal product and process trainings. We also focused on the area of psychohygiene, in which we implemented a block of anti-stress training for first contact employees. We have continued a new SSEminár programme, the objective of which is to develop managers in the area of managerial competencies and skills as well as to ensure that SSE has prepared internal successors in management and defined key positions from internal sources at its disposal. The programme is attended by 81 employees. Out of which, 5 employees were identified as successors promoted to managerial positions.

In 2019, we have invested EUR 160,000.00 in education

of employees, and each employee of the company spent nearly 8 days on educational activities.

TRAINEE PROGRAM has been one of the most successful programs in cooperation with schools for a long time. The goal is to find and select the most talented students during the studies and involve them into our teams. The current TRAINEE PROGRAMME 2018 - 2020 is designed for the ambitious and talented daily university students. We selected eleven students of fourth-year university study for the 1st phase of the programme JUNIOR in 2018. In 2019, they continued in the programme, and had space to acquire professional and practical skills and knowledge in the field of rules and principles of trading on the energy market. At the same time, they had the opportunity to understand the functioning of individual organizational units of the company as a whole and to apply the theoretical knowledge gained during the study in practice.

In May 2019, they completed the final presentations, and 10 successful „trainees“ progressed to the 2nd phase of the SENIOR programme, which will continue from April 2020.

Four improvement proposals were sent to the EDISON system, which allows employees to become authors of improving internal processes. Three of them have been approved and are currently being implemented. EDISON thus not only offers the possibility of professional and personal development but also financial appraisal.

In the area of social policy and in order to support a work-life balance, we offer many attractive benefits to our employees. The standard benefits include extended holiday entitlement, flexible working time, contribution to supplementary pension savings, and contribution to pre-school facilities for children of employees, various sports and cultural events for employees and their family members, health days for employees, and many others. Our employees have also the opportunity to use discounts at various shops and service providers. We continue to be very active in support of women on maternity and parental leave.

The company Stredoslovenská energetika was again awarded in the field of effectiveness of human capital management. In 2019, it was awarded the title “Company with the most effective human capital management in the energy sector” for the fifth time in a row. The award of PwC consulting company is designed for companies that effectively manage their human capital and determine the best practices in the human resources market.

6. FUTURE

Customer orientation and creation of a positive customer experience is a priority for us. We are interested in any innovative measure that brings more efficiency to the operations of our customers and decreases the energy intensity. We want to continue to bring an increasing quality service and energy consultancy for effective energy use to our customers. We focus on accelerating and simplifying processes, continually improving availability for our customers and also developing, in particular, the electronic communication channels and limitation of the paper agenda.

Innovative products for active management of consumption on the customer's side with the aim of savings are the way in which we have know-how to be supportive to our existing and potential customers.

In addition to traditional commodity products, the development of the electricity and gas market, the development of competition and the ambition to grow our market share also require the supply and sale of additional, non-commodity products that are a prerequisite for a comprehensive service offer to customers. In 2020, the diversity of this offer will play an important role in customer decision-making in relation to the choice of energy supplier. The development and offer of these products become the market standard and we develop our position towards the competition by developing the offer of new products.

We further continue to improve the quality of provided services, because we see the possibility of competitive differentiation in this field also in a strongly regulated environment of the Slovak energy market. The presence of electricity supply regulation, limits resources for the development and launch of a new product, nevertheless,

we would like to focus on products that mean real energy savings on the customers' side in this segment.

We are an energy company that understands the industry in which it operates; therefore our focus is on real smart heating management and the integration of renewable resources across the whole system. In the unregulated segment, we successfully continued to develop activities in energy efficiency solutions in 2019, and, in SSE, we believe this is the right way. In this segment, competition and pressure on commodity prices are enormous, and this know-how we possess is becoming a new pillar in our strategy.



7. REPORT ON THE ECONOMIC RESULTS AND OPERATION OF THE COMPANY SSE FOR THE YEAR 2019

7.1 FINANCIAL RESULTS

Individual profit and loss statement of SSE, a. s. (in thousands of EUR)		
Specification	2019	2018
Sales	685 052	0
Purchase of electricity, gas, related charges and distribution fees	-659 289	0
Personal expenses	-11 364	0
Consumption of material and sub-deliveries	-315	0
Other operational income	2 182	0
Other operational expenses	-4 008	-9
EBITDA	12 259	-9
Depreciation and value adjustments to assets	5 836	0
Operating profit	18 094	-9
Interest income	67	0
Interest expense	-8	0
Income from dividends	0	0
Other financial revenues	-23	0
Net financial revenues	36	0
Profit before tax	18 131	-9
Income tax	-4 413	0
Profit for the financial year	13 718	-9

Individual profit and loss statement of the company Stredoslovenská energetika, a. s. for the year 2019 was compiled according to Slovak standards for financial accounting in the adopted version MF/18009/2014. Operating profit expressed as an indicator of EBITDA achieved in 2018 amounted to € 12.3 mil.

The company Stredoslovenská energetika, a. s. ("SSE") was established on 19 July 2018, and was entered in the Commercial Register on 3 August 2018. Stredoslovenská energetika, a. s. is the subsidiary of Stredoslovenská energetika Holding, a.s. ("SSE Holding, a.s."), which has a 100% share in its share capital.

As part of the transaction of the contribution of a part of the company, a part of the parent company SSE Holding, a.s. was contributed to the company SSE as of 1 January 2019. The contributed part of the company represents all activities and employees related to the area of purchase and supply of electricity and gas, provision of energy support services, energy efficiency projects, and related units of the enterprise.

8. REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF STREDOSLOVENSKÁ ENERGETIKA, A. S. FOR THE YEAR 2019

THE SUPERVISORY BOARD WORKED IN THE FOLLOWING COMPOSITION THROUGHOUT THE YEAR 2019:

JUDr. Peter Hajduček	Chairman
Ing. Jozef Antošík	Vice-Chairman
Ing. Ján Voštenák	Member
Ing. Ivan Ivanič	Member
Mgr. Karol Hat'apka	Member
JUDr. Boris Balog	Member

The main subject of activity of the company is the supply of electricity and gas, in particular, in the region of central Slovakia. The revenues from the sale of electricity and gas accounted for the most significant proportion of the total sales. Another part of the turnover is attributable to sales for connection and checking fees for electricity consumers, for services to the subsidiaries on the basis of SLA agreements as well as sales from energy efficiency projects.

Similarly, a major proportion of the total costs accounted for the costs of the purchase of electricity and gas.

The economic result after tax amounted to EUR 13.7 mil.

More detailed financial data are contained in the report of the independent auditor to the separate financial statements as at 31 December 2019.

The Supervisory board met five times at its meetings in 2019, while it had a quorum at each meeting.

Within the exercise of its competence according to the Articles of Association and the Commercial Code:

(a) has approved:

- proposals for the variable parts of remuneration of members of the Board of Directors for each period;
- report on the activities of the Supervisory Board for 2019;

- opinion of the Supervisory Board to the audited annual individual financial statements drawn up as at 31 December 2018 according to IFRS standards and the proposal for profit distribution for the year 2018;
- form of financing short-term receivables through factoring, i.e. assignment of selected receivables of Stredoslovenská energetika, a. s., towards Tatra banka, a. s.

(b) has noted:

- the draft of individual annual budget plan and the business plan of SSE Group for the year 2019;
- separate financial statements in accordance with Slovak Accounting Standards (hereinafter referred to as „SAS“) as of 31 December 2018;
- quarterly management reports including profit and loss account, balance sheet and cash flow statement for the periods;
- written reports on all transactions of the SSE Holding Group with Related Parties for the relevant periods for the Supervisory Board;
- statement of the Board of Directors for the members of the Supervisory Board within the meaning of Article XII (22) (a) (ii) of the Articles of Association concerning financial transactions carried out by the company with related parties, in which the value of any such transaction or series of related transactions individually together exceeds the amount of one hundred thousand EUR (€ 100,000), and the company's transactions concluded under other than standard commercial conditions;
- information about the underlying intentions of management of SSE, a. s. as well as information on the status of the assets of the foreseeable development, finance and revenues of SSE within the meaning of section 193 of the Commercial Code for the period of 2019

The Supervisory Board did not request the Board of Directors of the company to convoke the Extraordinary General Assembly during the year 2019.

The company's share capital was not increased or decreased during 2019.

CONCLUSION:

The Supervisory Board has properly fulfilled its supervisory function within the meaning of the Articles of Association and the section 197 et seq. of the Commercial Code.

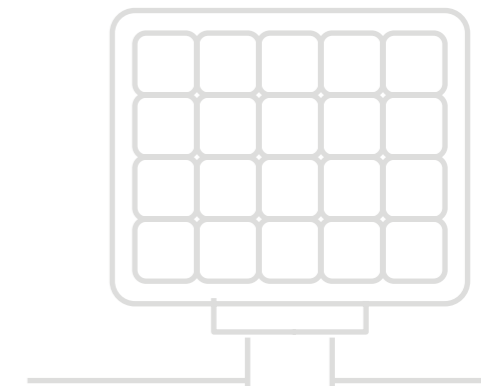
The Supervisory Board did not record any violation of the Articles of Association and laws in force on the part of the Board of Directors within the performance of the business activities of the company.

This report was approved at the meeting of the Supervisory Board of SSE, a. s., which was held on 2 April 2020.

In Žilina on 2 April 2020



JUDr. Peter Hajduček
Chairman of the Supervisory Board
Stredoslovenská energetika, a. s.



9. A PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2019

Profit for the year 2019	EUR 13,717,594.18
Allocation to legal reserve fund	EUR 0.00
Contribution to social fund	EUR 10,000.00
Royalties for members of the Board of Directors and the Supervisory Board	EUR 0.00
Use of profit to cover losses from previous periods	EUR 8,665.94
Part of the profits retained in equity as a result of management in previous years	EUR 7,025,288.30
The share of income proposed for payment	EUR 6,673,639.94
Undistributed profits from previous periods proposed for payment	EUR 0.00
The proposed payment of dividends to shareholders in total	EUR 6,673,639.94

10. SPECIAL RELEVANCE EVENTS OCCURRING AFTER THE ACCOUNTING PERIOD FOR WHICH THE ANNUAL REPORT IS PREPARED

On 11 March 2020, the World Health Organization declared a global pandemic in connection with the spread of the SARS-CoV-2 virus and the COVID-19 disease caused by it. The Slovak government declared a state of emergency on 16 March 2020. As the health care for our employees and customers comes first, the company has taken certain measures, which, however, do not limit the continuity of services provided by the company.

The main measures introduced by the company include in particular, 1) implementation of a work from home programme, where employees, who do not necessarily have to work from the office, are required to work from home, 2) special regime for employees working in critical infrastructure and 3) ensuring increased disinfection in administrative premises as well as equipping employees with protective equipment.

As part of important events that occurred after the date on which the annual report is prepared, the company assessed the possible impact of SARS-CoV-2 virus on the company's activities for the year 2020 as well as its liquidity. The company will be negatively affected by the decline in electricity consumption in industry as well as the volatile development of the price of electricity, however, on the basis of available information, the company expects an impact only in the short term, and it is not expected that the results of the company will be significantly worse in the medium to long term.

The company assessed the impact of the maximum expected loss of income and its impact on planned management and liquidity. Based on this, it came to conclusion that it has sufficient liquidity to be able to cover the shortfall as well as to ensure the uninterrupted continuation of the company. As of 31 December 2019, the company had positive working capital, and this situation has not changed even under

current developments. The company is part of the cash management mechanism within the SSE Holding Group, giving it access to draw on free cash within the Group to cover its operating costs and maintain financial stability. In addition, the company has liquid assets in a form of short-term receivables, repayment of which is expected in the near future. Therefore, the company is able to meet its obligations and ensure continuity in cash flows under unchanged conditions.

In the opinion of the company's management, the mentioned factors support the statement that the company will have sufficient resources to continue in its activity for at least 12 months from the date of issue of the annual report. The company's management has concluded that the range of possible outcomes considered in adopting this opinion does not give rise to significant uncertainties related to events or conditions that could cast serious doubt on the company's ability to continue its activity.

11. EXPENSES RELATED TO ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

SSE did not have any expenses related to activities in the field of research and development in 2019.

12. ACQUISITION OF OWN SHARES, TEMPORARY CERTIFICATES, BUSINESS SHARES AND STOCKS

The company did not acquire any of its own shares and stocks in 2019.

13. ORGANISATIONAL UNITS OF THE ACCOUNTING ENTITY ABROAD

The company doesn't have organisational units abroad.

14. OPINION OF THE SUPERVISORY BOARD OF STREDOSLOVENSKÁ ENERGETIKA, A. S. ON REGULAR FINANCIAL STATEMENTS PREPARED AS OF 31 DECEMBER 2019 AND ON THE PROPOSAL FOR PROFIT DISTRIBUTION FOR THE YEAR 2019

The Supervisory Board of Stredoslovenská energetika, a. s., at its meeting on 2 April 2020, reviewed the regular financial statements of the company as at 31 December 2019 compiled on 16 January 2020 and the proposal of the Board of Directors for the distribution of the company's profit for 2019.

On the basis of the aforementioned, the Supervisory Board of Stredoslovenská energetika, a. s. recommends the Regular General Assembly of Stredoslovenská energetika, a. s.:

1. approve the regular separate financial statements of Stredoslovenská energetika, a. s., as at 31 December 2019
2. approve the proposal for the distribution of profits of the company Stredoslovenská energetika, a. s. for the year 2019, as follows:

Profit for the year 2019	EUR 13,717,594.18
Allocation to legal reserve fund	EUR 0.00
Contribution to social fund	EUR 10,000.00
Royalties for members of the Board of Directors and the Supervisory Board	EUR 0.00
Use of profit to cover losses from previous periods	EUR 8,665.94
Part of the profits retained in equity as a result of management in previous years	EUR 7,025,288.30
The share of income proposed for payment	EUR 6,673,639.94
Undistributed profits from previous periods proposed for payment	EUR 0.00
The proposed payment of dividends to shareholders in total	EUR 6,673,639.94

The Supervisory Board of Stredoslovenská energetika, a. s., at the same time **recommends** the Regular General Assembly of Stredoslovenská energetika, a. s., to approve the proposal for profit distribution for the year 2019.

In Žilina on 2 April 2020



JUDr. Peter Hajduček
Chairman of the Supervisory Board
Stredoslovenská energetika, a. s.

APPENDIX 1.

Report of the independent auditor on the verification of the financial statements as at 31 December 2019 and the financial statements as at 31 December 2019



**STREDOSLOVENSKÁ
ENERGETIKA**