ESET, spol. s r.o.

2022 CONSOLIDATED ANNUAL REPORT

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ESET, spol. s r.o.

SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT to Section Report on Information Presented in the Annual Report

To the Partners, Supervisory Board and Executives of ESET, spol. s r.o.:

We have audited the separate financial statements of ESET, spol. s r.o. (the "Company") as at 31 December 2022 presented in annex 2 to the accompanying consolidated annual report of the Company, on which we issued an independent auditor's report on 28 April 2023 that forms part of annex 2 to the Company's consolidated annual report. We have also audited the consolidated financial statements of ESET, spol. s r.o. and its subsidiaries (the "Group") as at 31 December 2022 presented in annex 1 to the accompanying consolidated annual report of the Company, on which we issued an independent auditor's report on 28 April 2023 that forms part of annex 1 to the Company's consolidated annual report. We have prepared this supplement in accordance with Article 27 (6) 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 "Statutory Audit Act").

Based on the performed procedures described in section "Report on Information Presented in the Annual Report" of the independent auditor's reports specified above, in our opinion:

- Information presented in the Company's consolidated annual report prepared for 2022 is consistent with its separate and consolidated financial statements for the relevant year; and
- The consolidated annual report includes information pursuant to Act No. 431/2002 Coll. on Accounting, as amended.

Furthermore, based on our understanding of the Group and its position obtained during our audits of the separate financial statements and the consolidated financial statements, we are required to disclose whether material misstatements were identified in the consolidated annual report. There are no findings that should be reported in this regard.

Bratislava, 18 October 2023

Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

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

This is a translation of the original supplement to the auditor's report issued in the Slovak language to the accompanying annual report translated into the English language.

Dear friends,

2022 was full of challenges. In late February, the world was shocked by Russia's unfathomable military aggression against Ukraine. This conflict impacted our company on both a professional and a human level, as we have a long-standing business presence in Ukraine through our partner and many of our colleagues have family and loved ones residing there. That is one of the reasons why our response was quick and decisive.

We immediately assisted Ukraine with its cybernetic defense. The evening before the military invasion itself, our researchers were the first in the world to record cyberattacks on Ukrainian infrastructure. The ESET Foundation also set up a fund to help the citizens of Ukraine, with ESET contributing €500 000 in the first phase. To date, ESET has contributed a total of €1 277 000 to this fund. These financial resources were distributed among humanitarian organizations and other entities that provide assistance to people affected by the war, namely UNICEF Ukraine, the City of Bratislava, and the INTEGRA Foundation. Our employees also offered various types of humanitarian aid as volunteers. Finally, at the beginning of March, we stopped the sale of all our products in Russia and Belarus. Instead, we provided our Ukrainian customers with free upgrades to the highest tiers of our products in order to increase their cyber resilience, and we automatically extended end customers' licenses free of charge.

These measures – especially our withdrawal from the Russian market – also had an economic impact. Over the past year, inflation was another big issue, primarily due to the resulting increase in labor costs. Nevertheless, our workforce grew, exceeding 2 000 employees globally. In fact, the increased demand for security solutions around the world that was brought about by the war in Ukraine had a positive effect on our economic performance. As a result, we saw strong growth, especially in the business segment and in Europe in particular. Therefore, our company's economic result for the past year grew. ESET Group's consolidated revenue saw a year-on-year increase of ten per cent, reaching €601 million in total.

We continue to innovate our product portfolio in all segments. In our business product offering, the product that underwent the biggest changes was ESET PROTECT – our security management platform that helps IT administrators manage security risks in their environment. ESET Enterprise Inspector, our popular advanced EDR tool, now has a cloud version available under the title ESET Inspect Cloud. Our award-winning products for home users have gained several new and improved features to ensure greater privacy protection, better router security, protection against brute force attacks, and always-on security for all browsers.

In the past year, we also introduced several new products. For instance, we launched ESET NetProtect, a new product offering for the telecommunications and internet services industry that introduces a new layer of network-level protection for consumers. Our new product offering includes ESET NetProtect for Mobile and ESET NetProtect for Mobile Advanced for mobile networks, as well as ESET NetProtect for Home Advanced for fixed networks. Another new development is the creation of the new ESET Corporate Solutions division, which is tasked with seizing new business opportunities in this segment. We plan to complement and expand our existing product and service offering with new solutions and to implement a new way of cooperating that focuses on our largest customers. Thanks to our unique research, which received global recognition last year owing to – among other things – our research in Ukraine. We also started to offer ESET Threat Intelligence to our customers. This service provides them with detailed analyses of current events in the field of cybersecurity, APT groups, and current digital threats.

Despite the circumstances, the past year was also rich in positive events. In the first half of the year, we launched our long-awaited new global brand proposition to represent ESET's mission: Progress. Protected. I am glad that its unveiling involved world-renowned figures, such as Canadian astronaut and former ISS commander Chris Hadfield and Japanese cultural anthropologist Professor Mimi Ito. As is tradition, in October we organized the ESET Science Award ceremony to recognize the work of excellent Slovak scientists. The event was attended by both President Zuzana Čaputová and Prime Minister Eduard Heger. Its international committee was chaired by Chemistry Nobel laureate Ada Yonath, who is known for elucidating the structure and functions of the ribosome. Last but not least, in September we celebrated ESET's 30th anniversary.

More challenges await us in the coming year. Our intention to build the ESET Campus as our new headquarters, which we announced some time ago, is starting to take shape. In April 2023, we received the required demolition permit and we are now in the process of finalizing the bidding process for the demolition works. Thus, step by step, ESET Campus is getting closer to becoming a reality. Another new project we are intensively working on is a partnership with the global science festival Starmus, which will be held in Bratislava in 2024. For one week, Slovakia will be hosting the world's most brilliant minds from the fields of science and art, including Nobel laureates, astronauts, and the most outstanding musical artists of our time.

The 2010s introduced uncertainty and a number of global challenges to humanity. Things that we used to take for granted in the past, such as peace, democracy, and freedom, are now things we have to fight for. Private companies need to stand up for the fundamental values on which our society is built. They need to be the voice of reason that makes itself heard when we are going through difficult times. We strive to be that voice and will continue to do so.

Richard Marko
Chief Executive Officer

CONTENTS

1. ESET GROUP PROFILE

Revenues
€601 mil.

+10 %

Operating result (EBIT)
€88 mil.

+ 2 %

Net cash flows from operating activities
€120 mil.

+23 %

Number of employees

2 181

Number of users

> 110 mil.

When I started to work at ESET, the internet was still in its early days and email felt like a magical thing that you could send to the other end of the world. We would mail out our programs on floppy disks, and updates were published once a year. A lot has changed since then. Nowadays, things happen almost instantly. The way we live and communicate has changed. Computers are now part of everything we do. Our mission is to protect technology and the progress that we as humanity have achieved.

Richard Marko
Chief Executive Officer, ESET

* The ESET Group comprises of ESET, spol. s r.o. – the parent company headquartered in Slovakia – and all its subsidiaries listed in Section 1.2.

1.1 COMPANY CHARACTERISTICS

ESET, spol. s r.o. (hereinafter also referred to as “the company” or “ESET”), is a global leader in the field of digital security and the largest supplier of security solutions in the European Union. It is also the biggest and most reputable IT company in Slovakia.

Its beginnings came in 1987, when Miroslav Trnka and Peter Paško discovered one of the first computer viruses in the world and they decided to write a program that could detect it. This resulted in the very first version of the legendary NOD Antivirus. ESET, spol. s r.o., was founded in 1992 by Miroslav Trnka, Peter Paško, and Rudolf Hrubý, who are still the company’s co-owners. They were later joined by Richard Marko, Maroš Grund, and Anton Zajac. The company has been headquartered in Bratislava ever since it was first established.

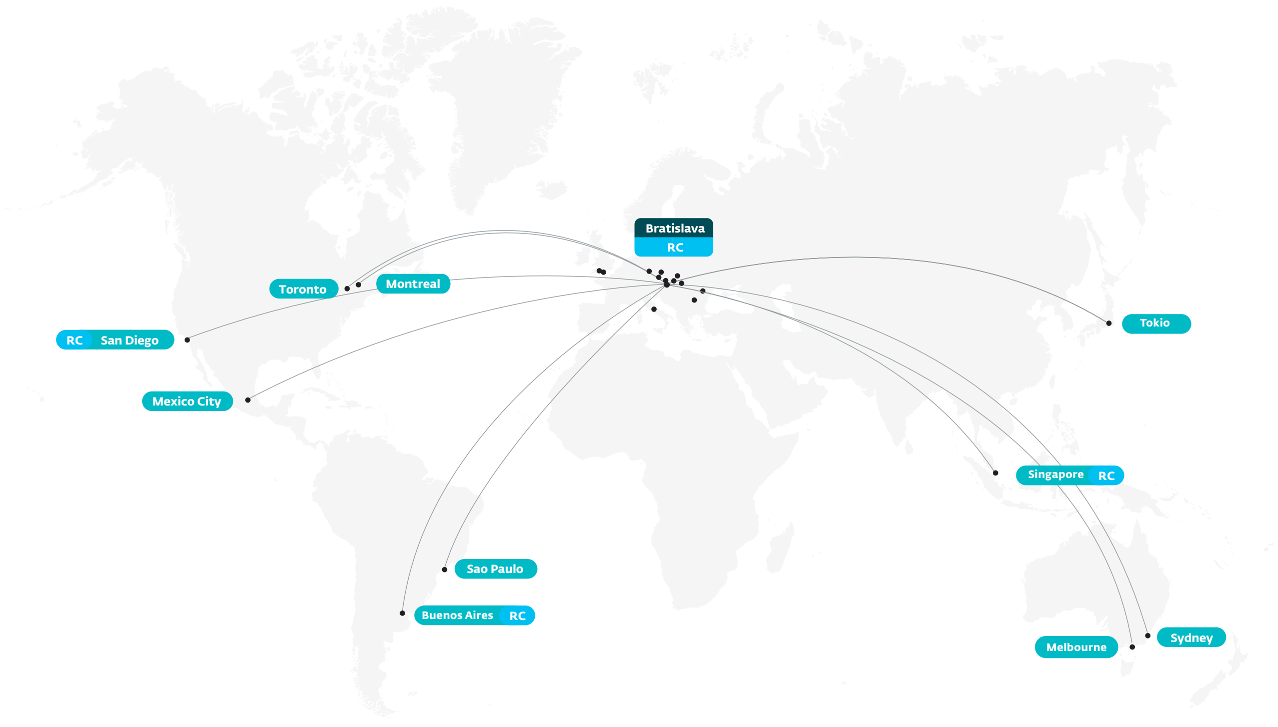
Since the early 1990s, the company has experienced dramatic growth and expansion to foreign markets, while also establishing a network of exclusive partners, distributors, and its own subsidiaries. Thanks to this network, ESET currently operates in more than 200 countries and territories. Globally, the company employs more than 2,000 people, spread across 24 offices in 16 countries, out of which 10 are research and development centers.

For more than 30 years, ESET has been developing leading-edge software and services focusing on IT security and the protection of businesses, critical infrastructure, and households all over the world from increasingly sophisticated digital threats. Offering a wide range of solutions for endpoints and mobile devices, including services like encryption and two-step authentication, ESET provides its customers with high-performing and easy-to-use products that offer unintrusive protection 24 hours a day. The company’s security mechanisms are updated in real time so that users are always safe and companies can operate without interruptions.

As a global cybersecurity company, ESET is recognized for its responsible approach to business and for contributing to positive change in society through its support of educational and humanitarian projects. These efforts are closely aligned with the activities and projects of the ESET Foundation, which focuses its philanthropic activities on the fields of science, research, and education. It also financially supports independent NGOs that promote positive change and contribute to the oversight of public administration, as well as transparency and efficiency in the use of public resources. Since its establishment in 2011, the ESET Foundation has supported hundreds of organizations and projects, including the ESET Science Award – its flagship operational program for supporting and popularizing science. Last year, the ESET Foundation dedicated a substantial part of its financial support to humanitarian aid in connection with the war in Ukraine. In 2022, the ESET Foundation’s support for public-benefit purposes (grants and operational programs) reached €1 967 068.

1.2 ESET GROUP STRUCTURE

The ESET Group comprises of ESET, spol. s r.o. – the parent company headquartered in Slovakia – and all its subsidiaries, which are involved in the distribution of antivirus software, service provision, and research and development activities (R&D centers).



HQ	RC	Office		R&D
Headquarter	**Regional Center**	**Europe**	**Global**	**Research & Development**
Bratislava (SK)	Bratislava (SK)	Bratislava (SK)	San Diego (US)	Bratislava (SK)
	San Diego (US)	Košice (SK)	Buenos Aires (AR)	Košice (SK)
	Buenos Aires (AR)	Žilina (SK)	Singapur (SG))	Žilina (SK)
	Singapore (SG)	Brno (CZ)	Toronto (CA)	Brno (CZ)
		Jablonec nad Nisou (CZ)	Montreal (CA)	Jablonec nad Nisou (CZ)
		Praha (CZ), 2 pobočky	Melbourne (AUS)	Praha (CZ)
		Jena (DE)	Sydney (AUS)	Krakov (PL)
		Mníchov (DE)	Mexico City (MX)	Taunton (GB)
		Krakov (PL)	Sao Paulo (BR)	Montreal (CA)
		Bournemouth (GB)	Tokio (JP)	Iași (RO)
		Taunton (GB)		
		Miláno (IT)		
		Iași (RO)		

PARENT COMPANY

ESET, spol. s r.o. (SK)
Regional center (RC) and Research & Development Center (R&D)

SUBSIDIARIES

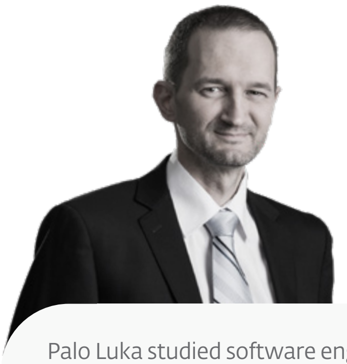
NAME	CORE BUSINESS	ESTABLISHED	EQUITY PARTICIPATION (%)	
			2022	2021
ESET, LLC	Antivirus software distributor	1999	100 %	100 %
ESET Canada Recherche Inc.	Research and development	2011	100 %	100 %
ESET Canada Inc.	Antivirus software distributor	2015	100 %	100 %
ESET Deutschland GmbH	Antivirus software distributor	2012	100 %	100 %
ESET software spol. s r.o.	Antivirus software distributor	2001	100 %	100 %
ESET Research Czech Republic s.r.o.	Research and development	2012	100 %	100 %
ESET Polska Sp. z o.o.	Research and development	2012	100 %	100 %
ESET SOFTWARE UK Limited	Antivirus software distributor	2016	100 %	100 %
PGNB Limited (1)	(2)		100 %	100 %
ESET RESEARCH UK Limited	Research and development	2011	100 %	100 %
ESET Romania S.R.L. (3)	Research and development	2016	100 %	100 %
ESET ITALIA S.R.L.	Antivirus software distributor	2019	100 %	100 %
Nadácia ESET	Foundation	2011	100 %	100 %
ESET ASIA PTE. LTD.	Service provider + Antivirus software distributor	2010	100 %	100 %
ESET Software Australia, PTY, LTD.	Antivirus software distributor	2013	100 %	100 %
ESET Japan Inc. (4)	Service provider	2017	90 %	90 %
ESET LATINOAMERICA S.R.L. (5)	Service provider	2009	100 %	100 %
ESET DO BRASIL MARKETING LTDA (6)	Service provider	2011	100 %	100 %
ESET MÉXICO S. de R.L. de C.V. (7)	Service provider	2017	100 %	100 %

1. In November 2021, an application was submitted for the voluntary deletion of PGNB Limited from the commercial register. PGNB Limited was struck off the UK Commercial Register on 19 April 2022.
2. PGNB Limited did not carry out any business in 2022.
3. ESET, spol. s r.o., owns 99.9963 % of the shares and ESET Research Czech Republic s.r.o. owns the remaining 0.0037 %.
4. The parent company owns 90 % of the shares and Canon Marketing Japan Inc. owns the remaining 10 %.
5. ESET, LLC owns 90 % of the shares and the parent company owns the remaining 10 %.
6. The parent company owns 90 % of the shares and ESET, LLC owns the remaining 10 %.
7. The parent company owns 90 % of the shares and ESET, LLC owns the remaining 10 %.

MANAGEMENT

Richard Marko
ESET co-owner
and Chief Executive Officer

Richard Marko joined ESET in the early 1990s as a software developer while he was still a university student, becoming one of the company's first employees. He gradually became one of the authors of the ESET antivirus system and its scanning engine. In 1998, he became the company's main software architect and in 2008 he became its CTO. In 2011, when ESET's co-founders left their positions in active management, Richard Marko became the company's first global CEO. He is also one of the company's co-owners and a member of the procuration. In an independent survey conducted by PwC and Forbes magazine, he has been voted the most respected CEO of the year three times now.

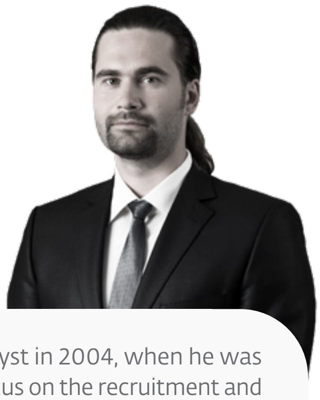


Palo Luka
Chief Operations Officer

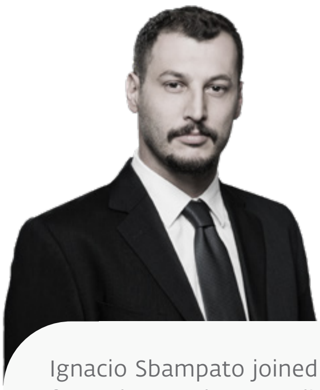
Palo Luka studied software engineering at the Faculty of Electrical Engineering and Information Technology at the Slovak University of Technology. While he was still a student, he started working at ESET as a developer of the second-generation 16-bit NOD antivirus system for MS DOS, sold under the name NOD iCE. In 2008, he joined the company's top management as its Chief Information Officer. From this position, he managed the development of infrastructure and internal systems. Since 2011, he was ESET's Chief Technology Officer, responsible for development and research, as well as product and service quality. Since January 2017, he has been the company's Chief Operating Officer. In addition to management, he also focuses on strategic investments.

Juraj Malcho

Chief Technical Officer



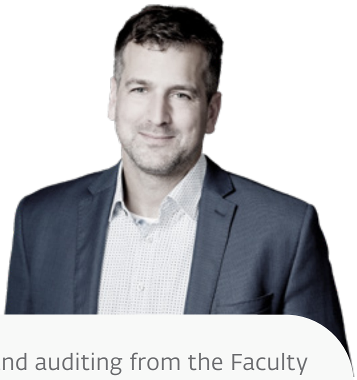
Juraj Malcho joined ESET as a computer virus analyst in 2004, when he was still studying at university. Gradually, he came to focus on the recruitment and training of new employees, and he also contributed to the establishment of ESET's Virus Lab, which he led since 2008. In 2011, he became the company's Chief Research Officer. In addition to being responsible for the detection and research of threats, he was also put in charge of the development of key technologies. He moved to his current position of Chief Technology Officer in 2017. He is a member of several research and working groups, including CARO, IEEE ICSG, and AMTSO. He has held lectures at numerous specialized conferences organized by Virus Bulletin, AVAR, and ISOI, and even for NATO.



Ignacio Sbampato

Chief Business Officer

Ignacio Sbampato joined ESET in 2004 as the company's Vice President for Latin America, contributing to the establishment of this regional ESET headquarters, which he later led as its CEO. He also helped establish branches in Argentina, Brazil, and Mexico, while also expanding our network of partners in individual markets in this region. Since 2017, he has been ESET's Chief Business Officer, leading sales, marketing, and customer care all over the world. He has also helped establish ESET branches in Germany, the United Kingdom, Italy, Australia, and Japan.



Martin Balušík

Chief Financial Officer

Martin Balušík is a graduate of accounting and auditing from the Faculty of Economic Informatics at the University of Economics in Bratislava. In early 2019, he joined ESET as its Deputy CFO, only to become the company's Chief Financial Officer a year later. In addition to supervising the financial condition of the company, he also participates in strategic planning and the evaluation of investments across the ESET Group.

Vladimír Paulen

Chief Information Officer

Vladimír Paulen graduated from Clemson University in South Carolina, and in 2004 he joined ESET North America as its Tech Support and IT Manager. He spent seven years in ESET's North American branch, where he later also held the positions of Operations Manager and Vice President of Operations. In 2011, he came to the company's headquarters in Bratislava to work as ESET's Chief Information Officer, a position he has held ever since. His task is supervising the company's IT infrastructure all over the world.

Peter Škodný

Chief Corporate Solutions Officer

Peter Škodný graduated from the Faculty of Electrical Engineering (now known as the Faculty of Electrical Engineering and Information Technology) at the Slovak University of Technology in Bratislava in the late 1980s. He started working at ESET in October 2022, joining the newly formed Corporate Solutions division as the Chief Corporate Solutions Officer. He is responsible for the development and operation of this division, which focuses on the sales and delivery of solutions to large enterprises. Before that, he spent almost 30 years at Accenture, where he held important management positions on a regional level and he was also responsible for multinational customers.

STATUTORY BODY

Rudolf Hrubý

Peter Paško

Miroslav Trnka

Registered equity capital structure by partners in the reporting parent company

PARTNERS	SHARE IN REGISTERED CAPITAL		SHARE IN VOTING RIGHTS
	EUR	%	%
Miroslav Trnka	31 850	22,750	22,750
Rudolf Hrubý	30 800	22,000	22,000
Peter Paško	30 800	22,000	22,000
Maroš Grund	16 975	12,125	12,125
Richard Marko	16 975	12,125	12,125
Anton Zajac	12 600	9,000	9,000

Equity capital registered in the Commercial Register: 140 000 EUR
Equity capital not registered in the Commercial Register: –

THE SUPERVISORY BOARD

(registered in the Commercial Register since 16 February 2022, effective since 1 January 2022)

Matej Bošňák
chair

Maroš Grund

Anton Zajac

1.3 VALUES, VISION, AND MISSION

THE ESET VALUES

COURAGE

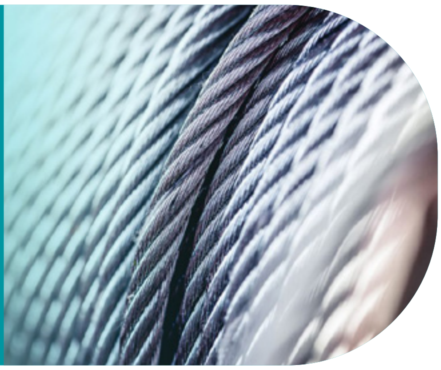
We don't take the easy way. We constantly push boundaries and are determined to make a difference.

INTEGRITY

We encourage honesty and fairness in everything we do. We have an ethical approach to business.

RELIABILITY

People need to know that they can count on us. We work hard to live up to our promises, and to build trust and rapport.



PASSION

We're passionate, driven, and determined to make a difference. We believe in ourselves and what we do.

These brand values are based on the vision of the company's founders and co-owners, which has remained unchanged for almost 30 years. ESET's goal is to make sure that everybody can enjoy the breathtaking opportunities that technology offers.

THE ESET VISION

We will enable our users to enjoy the full potential of themselves and their technology in a secure digital world.

THE ESET MISSION

Working with ethical and passionate people, we are building a safer technology environment for everyone to enjoy. We are doing this through education and our commitment to research and development.

OUR PLEDGE

We believe in technology – and we want to make sure that you can enjoy it in safety.

2. KEY EVENTS AT ESET IN 2022

AWARDS

ESET awarded top marks for its business and consumer offerings in two separate Advanced Threat Protection tests.

ESET named a "Strategic Leader" in the 2021 Endpoint Prevention and Response (EPR) Comparative Report.

ESET recognized as a "Top Player" in Radicati Endpoint Security – Market Quadrant 2021 report.

ESET named "Top Player" for the third consecutive year in Radicati APT Protection Market Quadrant survey.

ESET's detection and response capabilities tested in MITRE Engenuity ATT&CK® Evaluations.

ESET named "Overall Leader" in KuppingerCole's prestigious report for its endpoint protection, detection, and response capabilities.

ESET named Champion in the prestigious Canalys Global Security Leadership Matrix 2022..

CORPORATE NEWS

Sales stop in Russia and Belarus	In response to the Russian invasion of Ukraine, *ESET stops the sales of its products* to customers in Russia and Belarus.
ESET and INTEL join forces	*ESET partners with Intel* to enhance business endpoint security with ransomware detection.
Progress. Protected.	ESET announces *new global brand positioning*: Progress. Protected.
ESET Science Award	The ESET Science Award in the Outstanding Scientist in Slovakia category goes to *Professor Silvia Pastoreková*.
ESET a Borussia Dortmund	ESET and Borussia Dortmund *extend partnership until 2025*.

3. CORPORATE SOCIAL RESPONSIBILITY AT ESET

Climate change, technological innovation, the growth of cybersecurity threats, our previous comprehensive CSR activities, and a strong mandate from the company management to ensure that our activities are sustainable for future generations – all these things inspired us to start preparing a global environmental, social, and governance (ESG) strategy in 2021. In 2022, we mapped and analyzed the activities of ESET and its branches. On a global level, we launched activities and closer cooperation in several key topics identified in cooperation with the Boston College Center for Corporate Citizenship. An especially important undertaking was our first internal survey mapping diversity, equity, and inclusion among our employees.

In 2023, we will follow up on this survey, while also intensively cooperating on the creation of a unified global ESG strategy, which will draw from the success of previous activities and implement reporting practices in line with both European and international standards. Creating a long-term global ESG strategy will allow us to track, continuously measure, and improve our company culture; decrease our environmental impact; develop programs focusing on education in the field of cybersecurity and digital skills; and provide long-term support and development for science, research, and innovation, thus ensuring their positive impact on society. We want to improve our management, prevent risks, and achieve greater competitiveness so that we continue to maintain the trust of both existing and future customers. The vision of ESET's ESG strategy is to build a world with strong digital competence.

ESET'S ESG STRATEGY IS DIVIDED INTO FOUR PILLARS

Cybersecurity education

- Cybersecurity awareness
- Digital skills education
- The Safer Kids Online global program
- Expert volunteering

Our goal: Educate society to use the full potential of technology along with ensuring digital safety.

Science, innovation, and technology

- Technology, research, and development in the fields of cybersecurity, data protection, and artificial intelligence
- Science popularization
- Supporting the scientific community
- The We Live Security global program

Our goal: Bring technology and scientific ideas close to various target groups and ensure progress and innovation in cybersecurity.

Company culture, diversity, equity, and inclusion

- Internal processes and policies (recruitment, career development, and leadership)
- Internal capacity building and awareness
- Employee resource groups

Our goal: Create a diverse and inclusive corporate culture to ensure that different experiences and unique worldviews enable us to be more innovative, effective, and creative.

Environmental sustainability

- Energy efficiency
- Waste management
- Carbon footprint reduction
- Employee engagement and volunteering

Our Goal: Implement new bestpractices that will allow us to mitigate the impact that our activity has on the environment.

Volunteering and employee engagement, as well as **ethical values**, are tightly intertwined with all four pillars of this strategy.

GLOBAL ESG WORKING GROUP

In October 2022, a Global Working Group was formed in order to ensure better coordination and closer cooperation in the field of ESG between the ESET headquarters and branches. Its members consist of country representatives and managers together with ESET's senior management. At regular quarterly meetings, the working group comments, completes, and subsequently approves the direction and development of individual areas of ESET's ESG strategy, while also ensuring the implementation of activities via their local teams.

STRUCTURE OF THE GLOBAL WORKING GROUP

SK	**Lenka Surotchak**, Global CSR/ESG Director (SK) **Ivana Raslavská**, Senior CSR Specialist (SK) **Lucia Marková**, CSR Manager (SK) **Palo Luka**, Chief Operations Officer (SK)	**Pavol Holéczi**, President of EMEA Region (SK) **Patrik Ostrihoň**, Senior Manager of Network Defense Technologies/Technical Fellow (SK) **Tomáš Gruchala**, Software Engineer III/Team Coordinator (SK)
EMEA excluding SK	**Martin Mojžiš**, Operations Manager (CZ) **Juraj Ferenc**, Country Manager CZ (CZ) **Holger Suhl**, Country Director DACH (DE) **Malcolm Tuck**, Country Manager UK (UK)	**Andrei Ciubotaru**, Director of Endpoint Security/ Operations Manager (RO) **Fabio Buccigrossi**, Country Manager Italy (IT) **Lukas Wojdala**, Operations Manager (PL)
NORAM	**Brent McCarty**, President of NORAM (US)	**Bob Bonneau**, Country Manager Canada (CA)
LATAM	**Federico Perez Acquisto**, Chief Operations Officer LATAM (AR) **Marcelo Carnero**, Director of Finance, HR and Sustainability LATAM (AR)	**Carlos Baleeiro**, Country Manager Brazil (BR) **Luis Vázquez**, Country Manager Mexico (MX)
APAC	**Parvinder Walia**, President APAC Region (SG)	**Hiroya Kuroda**, Country Manager Japan (JP)

ETHICS AT THE CORE OF OUR BUSINESS

ESET considers ethics to be the foundation of its business. We have managed to gain the respect of our partners and the general public by being a company with a firm set of ethical values ever since being first established. In addition to upholding moral and ethical standards, we monitor compliance with legislation so that our activities go beyond what is required by the laws of the countries where we operate.

In 2022, we prepared the **Global Code of Ethics and Integrity**, which unifies the ethical principles and company culture at all of ESET's branches. It is based on ESET's values and it reflects our culture of integrity and the high standards that we follow. The main goal of the Global Code of Ethics and Integrity is to define how to achieve mutual respect and trust within work and business environments throughout ESET, as well as in relation to our stakeholders. The standards it sets forth are implemented in various interconnected areas of life, thus creating a global and sustainable culture of integrity. These areas include people, society, external relations, and the planet.

We have a zero-tolerance approach to corruption when dealing with employees and contractual partners. We are only interested in working with contractual partners who share the same values.

ESET'S REACTION TO THE CRISIS IN UKRAINE

The military attack on Ukraine in February 2022 was met with strong reactions and condemnation all over the world. At ESET, we have been affected by these events as well. We are aware of the difficult situation in which our neighboring country finds itself, as well as its effects on our customers, partners, and colleagues in Ukraine. Without delay, we reacted by **stopping the sales of our products in Russia and Belarus**. ESET has played a significant role in the cybersecurity of Ukraine, and it has also achieved global impact by protecting users around the world from cyberattacks. Almost immediately after the outbreak of the conflict, we upgraded our security solutions provided to vulnerable organizations in the conflict zone, the neighboring state administrations, as well as organizations in countries that were involved in the international response and could become targets of cyberattacks.

Simultaneously, the ESET Foundation provided significant aid to Ukrainian citizens by setting up a **Ukraine relief fund**. Over the course of 2022, ESET and individual donors donated **a total of €770 000 to** help Ukraine and its citizens. In cooperation with our branches, these funds were used to provide direct financial aid to displaced Ukrainians in Slovakia, Romania, Czechia, and Poland; to help set up an assistance center in Bratislava; and especially to help humanitarian organizations such as UNICEF and the Integra Foundation, which had been providing humanitarian aid directly in Ukraine since the start of the invasion.

ESET's mission is the protection and the creation of a safer digital world by providing unique telemetry solutions along with its expertise. We perform security research for several global and European organizations that try to solve and mitigate cybersecurity threats resulting from the war in Ukraine. Our researchers are constantly monitoring digital threats related to the ongoing conflict. As early as 23 February 2022, we announced our discovery of HermeticWiper – a new piece of malware that attacked Ukrainian targets on the eve of the Russian military attack on Ukraine, deleting data on compromised devices. The following days, our researchers published a warning against fraudulent fundraisers trying to take advantage of the war in Ukraine and they also published information about their other findings on cyberattacks in Ukraine. In cooperation with national CERT teams, we support the digital security of both companies and government institutions in the European Union.

We are aware that as a global cybersecurity company headquartered in Slovakia, an EU country, we have the opportunity to express our solidarity in more ways than just financial and security aid. Therefore, we helped our Ukrainian business partners move to offices in Slovakia and offered them a new home. To help our colleagues from Ukraine and their families, our employees provided them refuge in their own homes.

We expanded the volunteering program for our colleagues to also include humanitarian volunteering, giving them more time to help the charities and initiatives that they thought would help Ukraine the most. We offered financial aid and the help of our volunteers to the Foreign Police and the refugee assistance center in Bratislava, which were the first points of contact for Ukrainians seeking information and help. ESET employees in Slovakia also participated in establishing health checkpoints, so-called "hotspots" on the Ukrainian border. During the first months of the war, a team of our employees assisted the *Kto pomôže Ukrajine* (Who Will Help Ukraine) association by preparing the bulk of information for its social media accounts, where people fleeing the war could find basic and constantly updated information. We also kept Ukrainians in mind during the annual ESET World event organized for our partners, customers, and employees: we auctioned off a guitar signed by Chris Hadfield – a well-known astronaut, ESET's guest, and one of the four ambassadors of our *Progress. Protected.* campaign. The final auction price of €35,000 was matched by the ESET Foundation, which resulted in a donation of €70,000 to support Ukrainian refugees.

3.1 CYBERSECURITY EDUCATION

At ESET, we consider cybersecurity education and digital skills vital for the development of every country where we operate. By supporting high-quality education together with our long-term and persistent efforts to increase the public's interest in these topics, we try to help build a better, innovative, and modern society where everyone can use the full potential of technology with the guarantee of digital security.

ESET AROUND THE WORLD

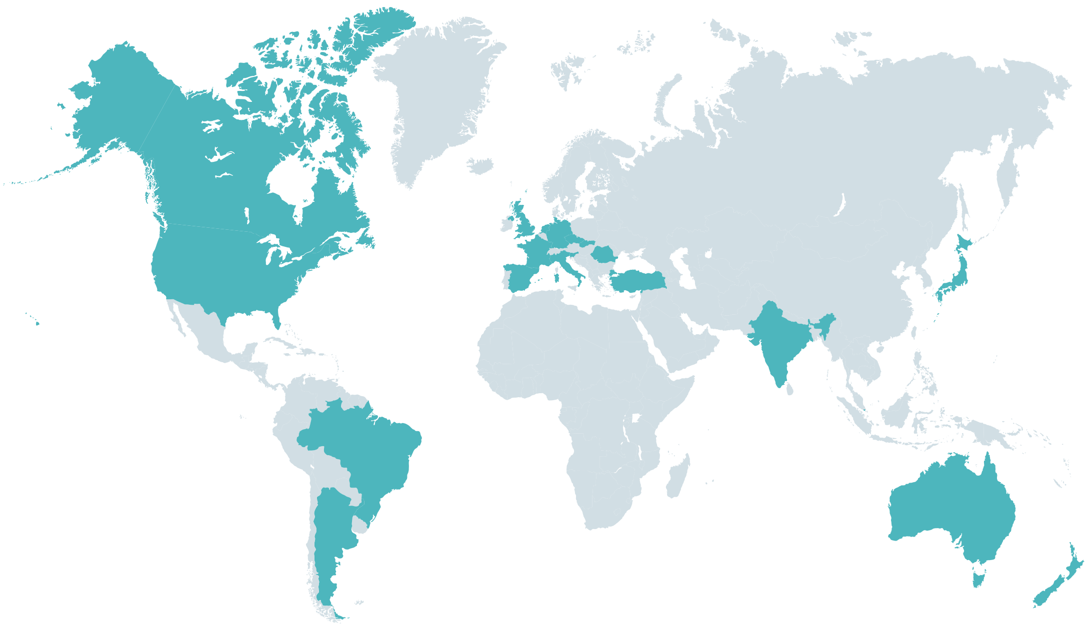
SAFER KIDS ONLINE – SAFER INTERNET FOR CHILDREN

At ESET, we feel responsible for educating the general public about the cybersecurity of the youngest and most vulnerable members of society. Our global **Safer Kids Online (SKO) platform raises awareness about the importance of creating a safer online environment for children, and it provides practical educational content for parents and teachers**. The SKO online platform includes articles, vlogs, interactive materials, as well as expert knowledge that helps parents and teachers safely guide children in the online environment, allowing them to utilize the full potential of digital technology. In 19 countries, we also support communities, schools, and innovative projects, thus increasing the impact of this initiative.

>1 000 000
unique visitors on the website in 2022

20 %
of all parents* have been reached
(*with children aged 5 to 15 in the countries where the program was active)

100+
articles, videos, and vlogs



The global Safer Kids Online platform is currently active in the US, Europe, Latin America, and the Asia-Pacific region.

As part of our global SKO platform, in the **United Kingdom**, we launched a project that focuses on sponsoring a free educational app created in cooperation with the Internet Matters NGO. The goal of this collaboration is to offer tools for effectively disseminating curricula focusing on online security and media literacy among teachers, parents, and children. ESET and Internet Matters use a web application called *Digital Matters* to cover several important topics, such as Online Relationships, Privacy and Security, Online Harassment, and Managing Online Information. This app represents another tangible product with a real educational impact on our target group. As many as 1,880 schools participated in the project in 2022.

In the DACH region (Germany, Austria, Switzerland), ESET supports the Borussia Dortmund (BVB) football club. In April 2022, in cooperation with BVB KidsClub and BVB Learning Center, ESET organized a one-day event titled Safer Kids Camp for children aged 9 – 14 and their parents. ESET's security experts prepared an event jam-packed with interactive activities for the attendees, focusing on topics like cyberbullying, fake profiles, and data hacking. As part of an initiative called School Tour with Lotta and Emil, ESET's experts visited several schools where they organized workshops for children aged 10–13 and distributed the *Lotta and Emil* educational brochure.

ESET Australia has a long-term cooperation with K-Zone magazine. In 2022, they organized an online workshop that focused on educating children in the field of cybersecurity. This year, they also evaluated their survey focusing on digital security for Safer Kids Online. As many as 2,880 Australian children aged 6 to 13 participated in the survey. It measured the children's cyber well-being, their online behavior, their understanding of cyber threats, and their attitudes toward popular social media and games.

ESET Czech Republic communicates cybersecurity topics on the website *dvojklik.cz*. In 2022, a Safer Kids Online subpage aimed at children and their parents was added to the website. Its launch was accompanied by a successful campaign titled *To nevymažes* (Think Twice), which focused on the risks of sharing private content online, aiming to not only explain how to eliminate these risks, but also to help those who have been targets of sexting. The campaign reached more than 13 million people. It centered around a survey conducted in cooperation with the Center for the Prevention of Risky Virtual Communication at the Faculty of Education of the Palacký University in Olomouc together with the Department of Prevention at the Police Presidium of the Czech Republic. The campaign continued with a series of workshops at primary and secondary schools, during which prevention officers from the police force managed to reach more than 20 thousand children. Almost 180 thousand children learned about this activity thanks to digital information panels at schools.

Since October 2020, the exclusive partner of ESET in the **Netherlands** has been working with *HackShield*, a Dutch cybersecurity game in which children aged 8 to 12 train to become Junior Cyber Agents. In addition to providing financial support to the HackShield Foundation, the exclusive partner of ESET in the Netherlands also provides its expertise to the project by creating content for this educational game. The game increases children's resilience against online crime and teaches them everything about online security, aiming to raise a generation fluent in cybersecurity.

As part of our global Safer Kids Online platform **in Slovakia**, in late 2021 we launched a special section for teachers on the *Bezpečne na nete* (Safe on the Web) portal. This section includes comprehensive educational materials that have been prepared by ESET experts in cooperation with experts on psychology and teaching. Together with the Digital Security Handbook for primary school teachers, teachers can also make use of practical exercises on our portal that teach students about the pitfalls of the digital era in an interactive form. In 2022, we finalized our support for this section, which is popular among teachers. Since its launch, we have recorded approximately 3 000 downloads of educational materials (out of which 1 225 were recorded in 2022).

In 2022, we also launched a new animated educational children's series titled **HEY PUG!**, focusing on digital security and localized in accordance with global instructions. In the show, a pug guides the viewers through the story, helping its friends identify the dangers that children face online. It includes 5 unique stories that help children identify cyberbullying and online predators, protect their digital identity, successfully navigate the virtual world, and distinguish between truth and disinformation. The series has reached more than 33,000 views on YouTube and more than 40,000 views on social media platforms.

ESET ANTIVIRUS TOUR & ACADEMIA ESET

The most important educational activity in the region of Latin America is the ESET Antivirus Tour. Since 2004, our experts on online security in various countries of the region have been organizing a series of free seminars at universities that focus on technology and information systems, the goal being to offer up-to-date information about malware analysis and information security. Since its inception, the project has had **more than 95 000 participants at 112 universities in 15 Latin American countries**.

Academia ESET is the largest e-learning platform focusing on digital security in all of Latin America. The platform offers both free and paid courses that have allowed more than 136 000 users to learn more about how to be safer when using the internet and other technology.

In the Latin American region, ESET has a cooperation agreement with the National Technological University (UTN) in Argentina, which includes the creation of a joint laboratory for researching and analyzing malware, as well as creating new ways of improving the methods of teaching IT security. This collaboration also includes the organization of a series of free seminars at 29 regional UTN faculties as part of the ESET Antivirus Tour, as well as the preparation of trainings and courses focusing on malware analysis and information security at each of the institution's premises.

ESET WOMEN IN CYBERSECURITY SCHOLARSHIP

In the field of cybersecurity, women represent less than one quarter of the workforce (source: 2021 Cybersecurity Workforce Study, (ISC)2). Since 2015, ESET North America has been organizing the ESET Women in Cybersecurity Scholarship program, which supports exceptional women who have decided to study cybersecurity and build their careers in this field. **In 2022, scholarships of 5 000 USD (20 000 USD in total) were awarded to three exceptional women studying information security in the United States and one in Canada**, where the program had been launched in 2021.

In 2022, the program expanded to the Asia-Pacific region. In August, ESET Australia announced the first winner of its 5 000 USD scholarship. The program also continues in 2023, with the support of Clare O'Neil, the Australian Minister for Home Affairs and Minister for Cyber Security.

ESET provides long-term support to NGOs active in the field of education and with a focus on increasing diversity, such as Aj Ty v IT, Girls Inc., #LatinaGeeks, WITI (Women in Technology International), WiCys (Women in Cybersecurity), Media chicas, Empujar, Argentina Cibersegura, Contrata Trans, UN Women, and Promise2Kids.

ESET SLOVAKIA

SAFE ON THE WEB AND SAFE IN COMPANIES

Bezpečne na nete ("Safe on the Web") is an educational portal where visitors can find practical information about the safe use of the internet and technology. The portal aims to present information about various digital security topics using easy-to-understand language and with the help of various content formats. Therefore, the project includes articles, infographics, interviews, a podcast series, and exclusive animated videos for parents and children. In 2022, the portal was visited more than 215,000 times.

In January 2023, a new Cybernews section was added to the three existing sections: IT Security, Parents and children, and Teachers. Its goal is to bring the general public the latest information on digital security and news from the world of technology, along with recommendations on how to protect oneself.

In late October 2022, we launched a new informational and educational portal titled ***Bezpečne vo firme* ("Safe in the Company")**, the goal of which is to use simple language to provide companies with a good overview of both recent and well-known threats in the digital world. The *Bezpečne vo firme* portal includes useful information for cybersecurity specialists, managers, and rank-and-file employees. The portal offers practical advice on how to protect oneself from individual threats, placing focus on educating employees. In a little more than two months since its launch, the portal recorded almost 24,000 visits.

SECURITY GIRL

ESET is an exclusive partner and expert guarantor of the Security Girl project, which is organized by the Aj Ty v IT NGO. The **Security Girl** project is active all over Slovakia and its main goal is to offer secondary school students sufficient education in the field of cybersecurity, teaching them suitable ways of protecting themselves, their data, or other private information, but also allowing them to serve as security liaisons in their schools and communities.

In July 2022, the pilot edition of **Security Girl 1.0** concluded, which ESET had supported with €20 400. The project had 15 participating schools from all over Slovakia, where kick-off security workshops were organized for almost 200 girls. Two in-person workshops took place at ESET's headquarters – one in Bratislava (30 March 2022) and one in Košice (7 April 2022). **The first edition produced 30 ambassadors, who have communicated internet security topics to more than 660 students in their surroundings.**

At the start of the 2022/2023 school year in September 2022, the second edition titled **Security Girl 2.0** was launched. ESET supported it with an increased amount of €32 693.

GIRL'S DAY

Every year, ESET supports **GIRL'S DAY**, a nationwide event organized as part of International Girls in ICT Day, which connects IT companies and organizations with female secondary school students all over Slovakia in order to motivate them to study computer science and build their careers and start a businesses in this industry. In Slovakia, it has been organized by the Aj Ty v IT NGO since 2014. Over nine years, they have managed to reach more than 8 000 girls. On this day every year, ESET opens its doors to girls, allowing them to see the dynamically developing world of information technology with their own eyes and consider potential future careers in the sector. Girl's Day took place on 28 April 2022 and was attended by more than 1 800 girls all over Slovakia.

MINI TECH MBA

Mini Tech MBA is a unique IT education program specifically created for women. Over the course of four months, participants gain a comprehensive overview of information technology, improve their digital skills, and expand their professional network of contacts. The program is built on a global curriculum that combines theoretical lessons with practical workshops and discussions with IT and business professionals. The program was established in 2017 and at the end of 2022, it already had 224 successful alumni.

ESET co-creates the content of this program that focuses on the field of computer security. In 2022, 120 of the program participants attended tours and lectures at the ESET headquarters (June and December 2022) and also online. A publicly available podcast with Zuzana Hromcová was published, which has had more than 2 000 listeners. Two of the program alumni have chosen to continue their careers at ESET.

In addition to valuable knowledge, every training at ESET also includes a traditional photo with a view of Bratislava.
Source: ESET.

TRAINING TEACHERS IN DIGITAL SKILLS

Since 2019, ESET has been part of the **Digital Skills** initiative organized by Business Leaders Forum (BLF). Together with other partners, ESET provides digital skills training to teachers in this annual project.

The Digital Skills project

As part of its support for the Digital Skills project, ESET offers its expertise in digital security, as well as employee volunteering in the field of cybersecurity. In 2022, 7 expert volunteers participated in activities organized as part of this project, such as the Hour of Code, Code.org, and trainings for libraries. Altogether, they spent a total of 50 hours organizing trainings in 2022.

The Digital Competence Coordinator project

The Digital Competence Coordinator program is meant for primary school teachers and it is based on the need to increase the digital literacy and competence of teachers, allowing them to make more effective use of modern technology when teaching. The program was born from the initiative of tech companies and organizations that have long been supporting the education and development of students and teachers in the field of digital skills.

In the 2020/2021 school year, teachers from 10 schools participated in the pilot edition of the project by completing the whole program. Another almost 200 teachers attended individual educational events that were organized throughout the school year. Almost 100 teachers participated in the program in the 2021/2022 school year. In the 2022/2023 school year, the third edition of the project is underway, with 84 registered teachers from all over Slovakia.

In 2022, 6 ESET employees participated in the Digital Competence Coordinator project, helping as expert volunteers and preparing specialized content for lectures and trainings. Moreover, ESET provided financial support in the amount of €5 000 to help cover the operating costs of the program, and it regularly provides its premises for educational events for teachers that include lectures on digital security.

COOPERATION WITH UNIVERSITIES

The ESET Research Center is a joint project of ESET, the Slovak University of Technology (STU), and Comenius University in Bratislava (UK). The research center operates at the Faculty of Informatics and Information Technologies of the Slovak University of Technology (STU), where it offers consultations to students of three faculties from these universities whenever they need help with their research papers or space to conduct practical experiments in the field of information security. The optional courses Reverse Engineering Fundamentals and Programming in C++ are available to students of the Faculty of Informatics and Information Technologies at STU; the Faculty of Electrical Engineering and Information Technology at STU; and the Faculty of Mathematics, Physics, and Informatics at Comenius University.

ESET cooperates with the Faculty of Business Management at the University of Economics in Bratislava, helping to prepare lectures for the **Corporate Controlling** course at the university. The summer semester of 2022 marked the eighth time second-year master's students had the option to take this elective. The goal of this course is to introduce students to a modern, practice-oriented system of corporate controlling in the specific context of a global corporation (with branches in 16 countries and product availability in more than 200 countries worldwide), and highlight corporate controlling as an effective tool of international corporate management, with a special focus on sustainability.

Since 2020, ESET has been part of the **ENLIGHT university network** as one of two associated partners of Comenius University. The network has received support from European Universities, an initiative of the European Commission. It is part of the wider Erasmus+ program and its goal is to support the formation of so-called "European universities" by 2024. These universities will enable students to gain a university education (academic degrees) by combining studies in several EU member states.

The long-term vision is for the ENLIGHT alliance to transform into an integrated European system of universities by 2030, removing all barriers when it comes to studying, teaching, and cooperating. In February 2022, all partners of the alliance signed a multilateral agreement with the Erasmus+ program.

The first ENLIGHT European Dialogue took place at Uppsala University in Sweden on 11 – 12 May 2022. It focused on the topic of Sustainable Urban Development and was closely connected with SDG 11: Sustainable cities and communities. The event connected ENLIGHT's external partners, academics, students, and project staff from nine ENLIGHT regions, allowing them to consider new approaches to pressing challenges that our European regions are facing. ENLIGHT European Dialogue hosted 146 participants representing external partners, academics, students, and project staff.

SUPPORTING KEY PROJECTS IN EDUCATION

Slovensko.Digital

ESET is an active member of the Slovensko.Digital association, which aims to simplify the state's digital services and make the use of public resources for these services more transparent and efficient. In 2022, two expert volunteers from ESET helped with the digitization of public administration processes through two projects – Návody. Digital and Red Flags. The Návody.Digital project aims to help people navigate the confusing complex of e-government services by creating simple manuals. The Red Flags project focuses on systematically evaluating computerization projects in public administration and identifying critical spots and potential risks.

The ESET Foundation

ESET has long been focusing on the topic of education through the **ESET Foundation**. In 2022, the foundation allocated **€65 000** to support projects of non-profit organizations and associations. The foundation's resources were used to support the following long-term collaborations:

- **First Lego League** – a worldwide competition for children and young people in the field of robotics
- **Lifbee Academy** – an interdisciplinary educational program for innovative projects and socially responsible business in the field of biotechnology
- **TROJSTEN** – a program for talented primary and secondary school students that helps them develop their knowledge and skills in mathematics, physics, and computer science
- **The Union of Slovak Mathematicians and Physicists** – an organization that organizes the SEZAM and Sezamko correspondence seminar programs, which are aimed at students with an interest in mathematics.

3.2 SCIENCE AND RESEARCH, INNOVATION, AND TECHNOLOGY

Science, research, and innovation are at the center of technological development and all the products that ESET brings to its customers. Our R&D centers are home to hundreds of digital security experts. We consider scientific knowledge an important value that moves all societies forward. As an expert authority in the field of digital security, we feel an obligation to educate our customers and the public about online threats. ESET manages the global platform *WeLiveSecurity*, where we publish information about our research from around the world, along with the latest findings on different types of malware and trends in internet security.

Every year, ESET organizes *ESET Security Days*, a highly regarded security conference. On 12 May 2022, it saw leading cybersecurity experts present their insights on the cyberattacks that ESET researchers recorded both before and during the Russian invasion of Ukraine. They also discussed measures and activities that can increase the level of cybersecurity as recommended by the National Cybersecurity Center (SK-CERT). Another topic on the agenda was the issue of increasingly sophisticated cases of social engineering and disinformation campaigns, which can cause problems for an entire company if employees have not received adequate security training.

An important part of ESET's CSR strategy is the support and popularization of science. In 2019, the **ESET Science Award** was established in Slovakia, its goal being to improve the social status of science and increase trust in scientific knowledge. ESET Science Award pays homage to the exceptional personalities of Slovak science. The project also has an international reach, which ESET cultivates through popular science discussions with the world's leading science personalities that can be streamed all over the world.

ESET AROUND THE WORLD

INNOVATION

In 2022, we continued our project focusing on the application and research of machine learning and artificial intelligence. We continue to develop a rapid model for automated analysis and Threat Intelligence so that we can perform a detailed analysis of at least 100 000 malicious code objects per day, enabling us to respond to new threats earlier and more effectively.

We have also deployed the first test version of automatic incident creation in the ESET Inspect Cloud environment, taking our research in this area to the next level. This system for cloud infrastructure allows us to reduce the time needed to respond to new threats and also reduces the likelihood of false positives.

Another innovation that we are working on in our research labs is even more effective detection of ransomware – extortion software that encrypts files. Our goal is to find new techniques and algorithms that will correctly detect the presence and activity of ransomware earlier (i.e. reduce the number of encrypted files), while simultaneously maintaining or only slightly increasing the number of false positives.

We have also continued working on projects that focused on primary malware detection and the development of additional algorithms capable of automatically identifying malware and distinguishing it from other software.

Our ongoing collaborations continue, whether it is with our partners from the medical environment (the National Institute of Children's Diseases in Bratislava and the Clinic of Obstetrics and Gynecology at the General University Hospital in Prague) and technical universities (KInIT and the Technical University of Ostrava).

TECHNOLOGY

Products for Business Customers

In 2022, we brought several interesting functions to our flagship product for business customers – ESET PROTECT Cloud, our console for managing corporate endpoints. We introduced a number of ease-of-use improvements for small-scale customers, but not just for them. We greatly simplified the deployment of endpoint protection, added a product walkthrough for first-time logins to the console to familiarize users with important sections of the console, and simplified the initial setup of the environment through a simple dialog.

We increased the maximum number of devices connected to one console to 50,000 and added advanced filtering options for connected devices in large networks, which came as a pleasant change for many large customers. This year we also added support for a key protection layer, ESET INSPECT Cloud, which enables the detection and visualization of advanced infiltrations, while also providing new options for immediate corrective actions when responding to these problems. We significantly improved support for ESET Full Disk Encryption (an extra layer of protection against data theft) in the console by providing a simpler way of turning on the functionality, giving new customers the option to try out this layer. We also improved restart scheduling on endpoints and added options to transparently notify the end user together with a countdown. We even added something for fans of darker colors by allowing the console to be switched to dark mode.

In addition to all this, throughout the year we also brought many smaller improvements and performance optimizations.

Our product line for business customers with Windows OS

ESET Endpoint Antivirus/Security – In our flagship product for Windows devices, we focused on making it more effective and easier to protect web browsers, which are increasingly becoming the gateway used to access important and sensitive information and tools. The change relies on protecting all browser instances from the very moment they are launched, without the need to switch to protected sessions and without any disruptive restrictions, such as those arising from frequent browser updates. With the arrival of Windows 11, we made graphical adjustments to the design, and along with the usual dark mode support, we could also customize the visuals of our apps. Small practical features were also added to Device Control. Along with the arrival of the new ESET Bridge component, Endpoint now offers the option to streamline regular downloads of updates and other data (proxies) required to keep Endpoint running smoothly and offer maximum protection. A relatively unique addition is the support of a generic hardware mechanism for detecting ransomware based on the direct support of Intel® Threat Detection Technology for selected processors. These detection methods are performed at the processor level, independently of higher layers such as the operating system, applications, etc. Long-standing compatibility issues with the scanning engine and the MS Outlook email client and its various extensions have also been resolved, and the versatile ESET SysInspector screening tool has undergone design changes. At the same time, we have managed to address the increasingly common problem that users feel that computer reboots significantly interfere with their workflow. We have solved this by finding a balance between the IT department's need to enforce security standards and communicating the right moment for servicing to the logged-in user.

ESET Endpoint Security for macOS – In 2022, we successfully released version 7 of this product. Even though this version does not have all the functionality of the previous one, it is special in some regards. It has a completely redesigned architecture that will bring us greater product stability and faster deployment of new functions in the future. Our latest versions offer native support of the ARM architecture.

For customers using Linux – In 2022, both Server Security for Linux and Endpoint Antivirus for Linux were successfully integrated with ESET Inspect. This integration allows ESET Inspect to collect and process data from Linux servers and desktops to achieve the highest possible level of security. Additionally, it offers further improvements to automatic product updates of both Linux products and aligns them with our concept of platform-wide support. In 2022, Server Security for Linux added a new Watchdog feature to ensure the health of the product's core services, including the ability to report any issues observed. Server Security for Linux has also extended its official system support to include Ubuntu 22.04 LTS and RHEL 9, while Endpoint Antivirus for Linux has extended its system support to include Ubuntu 22.04 and Linux Mint 20.

When it comes to **Cloud Mobile Device Management and ESET Endpoint Security for Android**, in 2022 we worked hard to integrate these products with third-party solutions such as Microsoft Intune. Closer integration of our products with third-party solutions will allow administrators to deploy mobile device protection more universally and independently of the console they are using. We also ensured mutual compatibility between ESET solutions and third-party solutions.

In 2022, all server products designed for Windows Server operating systems (Server Security, SharePoint Security, Mail Security Exchange/Domino) received additional automatic update enhancements that can handle automatic app updates without any user intervention, while fully respecting the servers' maintenance windows. Additionally, users can now centrally manage automatic update settings using policies in the ESET Protect/Protect Cloud console. We have also modified our EULA to allow unilateral changes by ESET with the goal of simplifying the process for our users. Moreover, together with our research lab, we have implemented brute-force attack protection for RDP/SMB protocols. This protection can also be configured for larger networks and can be used by intranets (LANs) to detect lateral attacks. With Mail Security for Microsoft Exchange Server in particular, we focused on improving email filtering and the handling of detected attachments, as well as the validation of quarantined attachments using ESET LiveGuard. Mail Security for IBM Domino brought several new enhancements related to Anti-Phishing app states, timeouts for scheduled scans, and improved scan performance and stability for large databases.

LiveGuard – In the last year, we directed our resources towards two main improvements. Our customers – and more specifically their devices that send us samples – no longer have to wait for the result in 2-minute windows. The results are now sent to the device that has sent the sample as soon as they are available. Secondly, we worked on unifying detection levels and types. Additionally, we have begun working on ensuring that samples are analyzed in an environment that is as similar as possible to the environment from which they were originally sent. The results of these efforts will come soon.

In 2022, we mainly focused on the maintenance of ESET Endpoint Encryption products. Our development team is working on the company's priority project for the consumer segment, which will come to fruition in 2024.

ESET Inspect – This product brought significant changes and improvements to customers in 2022, with as many as three versions published one after the other. These enhancements were and still are part of our long-term vision and strategy to move toward a universally interoperable and integratable XDR (Extended Detection & Response) solution. Version 1.7 brought support for various major Linux distributions by introducing a special Linux EI connector. The aim of the GUI modifications was mainly to align with the ESET Protect management console and gradually improve the visibility of user-created objects (Searches, Tasks, and Incidents).

2022 also brought version 1.8, which we consider a turning point for the product. By shifting the evaluation of detection rules to the endpoints, we achieved the ability to evaluate incidents and perform remediation actions in real time. One of the primary prerequisites for enabling the adoption of ESET Inspect Cloud as an MSP tool was the ability to manage it from the ESET MSP Administrator (EMA) platform. This was already possible in ESET Inspect (the on-premise version) and in September 2022 we added the same functionality for Cloud customers as well.

In late 2022, we launched version 1.9. The biggest changes definitely included multitenancy and integration with our LiveGuard cloud sandbox. Many of the features brought long-term benefits by allowing new logic to be used in the rules, something that previous versions did not allow. This includes things like the ability to write rules that automatically create incidents and correlate already triggered detections from the AV/endpoint layer and then elevate them to incidents if needed. This logic will also be used in future versions, in which we want to give customers the ability to automatically create incidents.

ESET Services – On 4 April, we published updated terms and conditions, allowing the application of local jurisdiction in the US and the UK.

Our simplified concept of terms and conditions acceptance has reached the final stage of revision. We have created a temporary solution for selling our services through managed service providers (MSPs), which will be piloted in the Netherlands. As part of the pilot project, we have started offering ESET Detection and Response Essential in Slovakia and the Czech Republic. We have conducted research focusing on a simplified, less resource-intensive version of MDR, which is expected to be launched in 2023.

To meet the needs of customers who cannot or prefer not to upgrade to newer versions of ESET's on-premise products on a regular basis, we have launched a new service titled **ESET Extended Support**. Through this service, we offer customers the opportunity to extend their protection from an average of three years to five years while using the same product version. This option is available for ESET Endpoint Antivirus and ESET Endpoint Security for Microsoft Windows, as well as for our server solutions for Microsoft Windows, SharePoint, Exchange, and IBM Domino.

As part of our **product lifecycle management**, we have begun to improve our end-of-life policy that will increase the clarity and predictability of the support rules for our products and their versions. We continuously strive to achieve higher adoption rates of the latest versions of ESET products among our customers. As a result, in 2022, more than 80 % of our customers were protected by fully supported versions offering the highest level of protection. We have also decided to phase out support for the on-premise Mobile Device Management components in ESET PROTECT, which will allow us to bring a number of improvements to the alternative cloud-based version of mobile device management.

In 2022, the **ESET Cloud Office Security** team worked on a number of key product integrations to be released in 2023, but also refined the main product features based on feedback from partners and customers. In the first quarter, support for white-label reports was released, thus enabling co-branding mainly for IT service providers (so-called MSPs). In the second quarter, we added the option to report false positives/negatives in emails in order to improve detection algorithms, and we also added the option to import and export blacklists, whitelists, and ignore lists. Audit log functionality was added in the summer, and in the fall we already made it possible to export both audit logs and scan logs for further processing (e.g. using SIEM solutions). At the request of MSPs, in the fall we gave administrators the option to change the logic according to which lists are applied in policies so that it reflects the visuals and logic of our flagship product ESET Protect Cloud. All the evolutionary changes to ESET Cloud Office Security that took place in 2022 – whether they were visual or back-end related – took into account the need for consistency between different ESET consoles.

In 2022, we connected **ESET Business Account** and **ESET MSP Administrator** (our licensing portals for corporate end customers and IT service providers) with the ESET Inspect Cloud security platform, enabling our customers and partners to make use of enhanced detection and response to incidents on the networks they manage. We have enabled site administrators (i.e. local administrators) to access the ESET Inspect Cloud and ESET PROTECT Cloud security platforms. In the case of the **ESET MSP Administrator** licensing portal, we have also added new products and packages such as ESET Endpoint Encryption and ESET PROTECT Enterprise to our offer. We have also improved license management options, price list management, active changes to ordered products, new general settings options, and more.

In 2022, we discontinued support for **ESET License Administrator**, the predecessor of our licensing portals.

In 2022, we added **ESET Threat Intelligence** to our B2B offering. As part of this change, we introduced several new features such as a new data server and advanced integration manuals, while also raising our partners' awareness of the product. We also started to work on a number of major changes and partnerships to be unveiled in 2023.

In **ESET Secure Authentication**, we improved the activation method of authentication solutions and addressed further issues that we learned about from customer feedback. The product further ensured continued compliance with security standards.

Home Products

We published the 2023 editions of our flagship home products: **ESET Internet Security**, **ESET NOD32 Antivirus**, and **ESET Smart Security Premium**. To effectively respond to the requirements of home product users and offer them high-level protection, we integrated **Intel® Threat Detection Technology** into our products. It increases protection against ransomware by integrating Intel hardware technology. It detects ransomware that attempts to evade detection in its memory. Our improved Banking & Payment Protection function includes a dedicated secure browser for hassle-free online payments, as well as the option to launch any supported browser in secure mode by default (requires setup). This adds an extra layer of protection to your online transactions, cryptocurrency wallets, and financial data like passwords and payment card numbers, safeguarding them from abuse. The function also protects the keyboard and mouse from keyloggers. These are malicious programs that aim to intercept your keystrokes, giving scammers access to all the data you enter in your online banking interface or any other websites. All our products have also undergone a visual redesign with an emphasis on usability and accessibility. As part of the **Smart Security Premium product**, we have enhanced the Password Manager functionality. Over the past year, it has received various minor improvements that make the service more convenient to use. The most significant change concerned the registration of new users, which has become much easier and quicker. By automatically checking the user's email address, we can automatically add a Password Manager store to ESET HOME for most registrations, making registration faster and easier.

In 2022, we integrated **ESET HOME** with our online store more tightly, providing our customers with easier access to their accounts, licenses, and downloads after purchasing a security solution. As a new addition to the home screen on both the portal and the mobile app, users can now see the overall protection status, which shows security information together with the status of licenses and connected devices, all in one place. This allows users to see at a glance whether their protection is up-to-date and working smoothly. Another improvement updated the visuals of the UI and the emails sent by ESET HOME. We have also simplified the process of adding a license and downloading protection from a newly created account. We have strengthened the security of the ESET HOME platform with a number of enhancements and functions, including two-factor authentication (2FA). Users can now use their preferred authentication app, such as Google Authenticator or ESET Secure Authentication, to increase the security of their accounts. Users now also have easier control over the cookies used by the portal.

In 2022, we continued developing the new generation of **ESET Cyber Security** and **ESET Cyber Security Pro**. Version 7 brought new features such as native compatibility with ARM processors, a UI redesign, dark mode, and a user-friendly onboarding wizard, none of which were present in version 6. Version 7 of ESET Cyber Security was released in beta by the end of the year, promising users next-gen protection for the macOS platform. A new minor version was released for version 6 of both products, ensuring compatibility with macOS 13, the latest version of the operating system.

When it comes to **ESET Mobile Security** for Android, in 2022 we updated the intro screen to unify visuals across all products. To increase the protection of users against phishing, two new functions were added in the form of SMS and notification protection. Along with the new functions, we also made the anti-phishing settings easier to navigate. We made our explanations regarding the use of sensitive permissions more transparent, and we added support for visually impaired users by providing descriptions for the content of interactive graphical elements. A natural addition was support for Android 13, the newest version of the operating system. Optimizations and compatibility with the newest operating systems were also brought to other apps from the home user segment – ESET Parental Control for Android and ESET Smart TV Security for Google/Android TV.

In February 2022, we officially unveiled our new **ESET NetProtect** product at the Mobile World Congress international conference in Barcelona. The product was developed based on the requirements of telecom operators and internet service providers, who want to protect their customers from online threats directly over their fixed or mobile networks, while also allowing them to customize their protection settings according to their needs.

ESET NetProtect protects end customers at the DNS level and prevents them from accessing malicious domains that deliver malware, are used for phishing, or serve potentially unwanted content, and the product also offers a content filter with 35 separate categories. All of this is possible without the need to install any software, regardless of the user's operating system, hardware, or the speed of the connected device. ESET NetProtect is integrated into the operator's infrastructure, activated as a standard service through the operator's standard channels, and included in the operator's monthly charge. The product also includes two portals, the first of which is used for the administration of the solution and preparing reports for the operator, while the second portal is meant directly for the end customer, who can create custom rules and exceptions according to their needs. The portal also includes a security report, where the customer can see in what ways they were protected in the previous period.

ESET NetProtect was first launched commercially in collaboration with RadioLAN (a member of Slovanet Group) in November 2022.

Customer Care

In terms of customer care, in 2022 the wider ESET Group focused on aligning its procedures, processes, and systems, which also allowed the unification of a number of key metrics. Over the course of the year, the ESET Group customer support staff processed a total of 224 253 requests. Broken down by contact methods, we processed 130 228 phone calls, 70 588 emails, and 23 437 chat requests. In terms of content, technical requirements outnumbered commercial ones 163 465 to 60 788, which amounts to a split of approximately 72 % and 28 %.

A key pillar that we rely on to measure and improve the quality of customer support consists of a customer satisfaction survey that is sent after the request is resolved. In 2022, the survey indicated a high percentage of positive feedback on our work – over 87 % – and the UK, DACH, and SK teams exceeded the 90 % threshold that we had set for this evaluation. An important service component contributing to overall customer satisfaction is the request response time. In this area, the ESET Group kept to its goal of responding with a proposed solution to the customers' request within the following business day. However, we failed to achieve our internal goal of responding within 20 hours. Customer satisfaction is also reflected in the NPS score, which indicates the willingness of our customers to recommend ESET products and services. Among customers who had contacted ESET customer support, we managed to achieve a very high overall score of 65, and even exceeded 80 in the UK and Slovakia.

In 2022, we also saw progress in the self-service part of customer support, mainly owing to our online knowledge base. Globally, our knowledge base saw more than 7,7 million users who viewed over 17 million pages – a decrease of about 20 % from the year before. A key innovation last year was the deployment of automated article translation using the DeepL API, allowing us to translate articles into more than 30 languages with high accuracy. We have also made the user interface easier to navigate by applying several improvements in regard to the way content is categorized and filtered.

ESET SLOVAKIA

ESET SCIENCE AWARD

The ESET Science Award serves to recognize the work of leading-edge scientists who are symbols of excellence in science both in Slovakia and on an international scale. Their scientific work and results are beneficial for various parts of society. **The fourth ESET Science Award ceremony took place on Friday, 14 October 2022 in the Slovak Philharmonic in Bratislava.** The theme of this year's prestigious awards ceremony was the story of women in science. TV coverage of the event was broadcast on Jednotka, the main public TV channel in Slovakia.

In 2022, ESET Science Award was once again organized under the auspices of Slovak President Zuzana Čaputová. The awards ceremony was attended by the Slovak president, Slovak Prime Minister Eduard Heger, several foreign ambassadors, and other important representatives of the government, science, and academia. The international jury was chaired by Nobel Laureate Ada E. Yonath and the ceremony was also attended by special guest Garik Israelian, a famous astrophysicist and founder of Starmus, an international festival of science and art.

Laureates in three categories – **Outstanding Scientist in Slovakia**, **Outstanding Scientist in Slovakia Under the Age of 35**, and **Outstanding Academic in Slovakia** – were selected based on a demanding evaluation process that took into account a whole complex of criteria, such as the contribution of their scientific research to society, measurable scientometric data and scientific performance, participation in significant international research projects, making Slovak science and research more prominent abroad, or – in the case of university teachers – their teaching skills, teaching innovations, and student feedback.

The award in the main category of **Outstanding Scientist in Slovakia for 2022** went to Professor **Silvia Pastoreková** from the Biomedical Research Center of the Slovak Academy of Sciences. She researches the mechanisms through which tumor cells adapt to oxygen deprivation and explores how they can be used in the diagnosis and treatment of cancer.

The award in the **Outstanding Scientist in Slovakia Under the Age of 35** category went to Associate Professor **Miroslav Almáši**. He researches porous materials at the Faculty of Natural Sciences of the Pavol Jozef Šafárik University in Košice.

The award in the Outstanding Academic in Slovakia category went to Professor **Ľubomír Tomáška**, who – together with Professor Jozef Nosek – heads the laboratory shared by the Department of Genetics and the Department of Biochemistry at the Faculty of Natural Sciences of Comenius University in Bratislava. Together with a team of scientists and students, he is working to identify the mechanisms that enable communication between the different parts of our cells.

Laureáti ESET Science Award 2022. Zľava Miroslav Almáši, Silvia Pastoreková, Ľubomír Tomáška.
Foto: Linda Kisková Bohušová

An Excellent International Jury

The awards ceremony was also attended by an international jury which selected the winners of the scientific categories – Outstanding Scientist in Slovakia and Outstanding Scientist in Slovakia Under the Age of 35.

The jury was chaired by **Ada E. Yonath**, a world-renowned Israeli scientist from the Weizmann Institute and Nobel Prize laureate in chemistry who has been studying cellular life at the level of ribosomes for decades. Thanks to her research, we now know much more about the process through which the information encoded in the DNA is transformed into muscles, bones, and skin, as well as the basic building blocks that enable hearing, taste, smell, and possibly even speech and thought.

Members of the international jury included German materials scientist **Anke Weidenkaff**, US-based Ukrainian materials chemist **Yury Gogotsi**, Dutch oncologist and researcher **Rob Pieters**, and German particle physicist **Manfred Lindner**.

The laureate in the Outstanding Academic in Slovakia category was selected by a committee consisting of representatives of Slovak universities.

The ESET Science Award ceremony was also attended by several other important personalities from the world of international science, who are also helping to increase awareness about Slovak science. These were the ambassadors of our award: Michal Valko, a renowned expert on AI research who works in the prestigious Paris-based laboratory DeepMind, and Pavel Cheben, a world-renowned expert on integrated optics, silicon photonics, nanophotonics, and biophotonic sensors who works at the National Research Council in Canada.

Popularization of Science in Slovakia

As part of the ESET Science Award project, we regularly carry out important activities aimed at popularizing science in order to present science and scientists to the Slovak public. The reason for this is that according to a survey conducted by 2muse for the ESET Foundation in October 2022, 71 % of people still do not know any contemporary science personality in Slovakia.

In this year's edition, ESET and the ESET Foundation brought a scientific discussion of global significance to Bratislava. Israeli biochemist and Nobel laureate Ada Yonath, who also chairs the ESET Science Award's international jury, shared her views. Together with neuroscientist Tomáš Hromádka from the Slovak Academy of

Sciences, she searched for answers to the question What is the Origin of Life?. The discussion, which took place on 15 October 2022 at the Pavol Országh Hviezdoslav Theater in Bratislava, could also be viewed via a live stream.

Discussion between Ada E. Yonath and Tomáš Hromádka on the topic
"What is the Origin of Life?"
Photo: Linda Kisková Bohušová

ESET Science Award was also part of the program at Pohoda Festival. The festival included a series of discussions titled **ESET (Open) Space** that focused on current social issues such as climate change, the war in Ukraine, and digital threats. The **ESET (Open) Space** discussions with Slovak scientists and experts from other areas took place in Juraj Gábor's large-scale artwork titled **Sphéra**, where they could be enjoyed by festivalgoers, while others could catch them in broadcasts by RTVS or online on social media.

To support the popularization of science and research, the ESET Foundation also announced a grant call, supporting 10 projects with a total sum of €30 000. Its main objective was to support the popular science activities of NGOs and educational, research, or public institutions.

The ESET Foundation's Endowment Fund for Supporting Science

ESET and its owners are acutely aware of how important science is for the country's progress. Connecting private donors with outstanding scientists is a new and much-needed format of supporting science and research in Slovakia. Therefore, in late 2021, the ESET Foundation established the Endowment Fund for Supporting Science, which provides another useful supporting tool for developing the science and research ecosystem. At the first fundraising event organized by the endowment fund, ESET's co-founders and other successful Slovak entrepreneurs contributed a total sum of €220 000.

At the beginning of 2022, the collected money was used to support two Slovak scientists planning to apply for a prestigious European Research Council (ERC) grant for their projects. Martin Venhart from the Institute of Physics at the Slovak Academy of Sciences and Miroslav Baláž from the Biomedical Center at the Slovak Academy of Sciences each received €110 000 for their projects.

Slovakia currently ranks among the worst countries in the European Union when it comes to researchers' success rate in obtaining ERC grants. Yet these grants provide scientists, their institutions, and their countries the opportunity to expand their leading-edge research and development. They support the development of innovations that move society forward.

"*We have decided to support promising Slovak applicants for ERC grants, helping them conduct their ground-breaking research in Slovakia. We are sorry that our country is lagging so far behind others when it comes to obtaining grants from prestigious European schemes such as the ERC. Therefore, we also see this support as an inspiration for setting up systemic support for scientists working in Slovak scientific institutions, making them competitive on an international level*," said ESET CEO Richard Marko when presenting the financial support in January 2022.

In order to support the acquisition of ERC grants by Slovak scientists, the ESET Foundation announced a grant call titled Mentoring for ERC Grant Applicants in late 2021. The Slovak Center of Scientific and Technical Information (CVTI SR) served as the expert guarantor of the grant call. In 2022, the ESET Foundation distributed the total amount of €30 000 among 6 scientists who would be applying for ERC grants at Slovak institutions. In 2022, these scientists completed an exceptionally high-quality program of mentoring and in-depth assistance with their projects, focusing on both their form and content. In late 2022, the ESET Foundation announced that the Mentoring for ERC Grant Applicants grant call would continue in 2023, distributing a total amount of €30 000.

3.3 COMPANY CULTURE, DIVERSITY, EQUITY, AND INCLUSION

ESET's success stems from people, their diversity and talent, and the innovations that can be fully developed and realized thanks to a company culture built on strong values. As a global company and ambassador of the Diversity Charter, ESET continued to celebrate diversity in 2022. One such celebration took place in May on the World Day of Cultural Diversity for Dialogue and Development. ESET is a company with more than 2 000 employees and 45 different nationalities. Diversity Week started with a speech by ESET CEO Richard Marko and the central theme for the week was women at ESET, who make up around a quarter of our employees globally.

In October 2022, ESET joined Global Diversity Awareness Month, which gave our employees the opportunity to read the stories of women working at ESET; hear what perspectives people in leadership positions have on women in tech; and expand their knowledge of diversity, equality, and inclusion through an interactive quiz. Approximately a quarter of our employees viewed the internal communication materials and videos, and dozens of them participated in the interactive activities.

ESET CEO Richard Marko expressed public support for members of the LGBTI+ community and diversity as a whole, both in his speech at the ESET Science Award ceremony and his speech to ESET employees on 14 October:

"We condemn all forms of hatred and pledge our support for members of the LGBTI community. The least we can do is not to remain silent and turn a blind eye to intolerance and hatred. We strongly believe that diversity is an asset that benefits the whole society. We do everything within our power to make ESET a place where everyone – regardless of sexual orientation, creed, physical ability, age, or any other characteristic – can feel happy and safe."

ESET AROUND THE WORLD

ESET DIVERSITY, EQUITY, AND INCLUSION COUNCIL

In May 2022, ESET officially launched the global ESET Diversity, Equity, and Inclusion Council, which aims to identify opportunities for global alignment and sharing of experiences in the areas of diversity, equity, and inclusion. The role of this council is to shape ESET's new strategic and communication approach, which aims to create a supportive working environment that attracts and retains talent, fosters innovation, and capitalizes on new opportunities. The council has 18 members from different countries where ESET operates.

The Diversity, Equity, and Inclusion Council is committed to the following tasks:

- create an overarching, authentic, and unique vision of diversity, equality, and inclusion that resonates globally and supports ESET's business priorities,
- create a DEI plan and strategy by 2030 using the results of our DEI survey and available data,
- help collect data and publish ESG reports on an annual basis,
- help integrate DEI objectives into ESET's culture, policies, and practices,
- lead and manage the diversity implementation process in accordance with ESET's DEI strategy,
- communicate with internal and external stakeholders to raise awareness about ESG activities with the goal of becoming a leader in DEI in the cybersecurity industry.

DIVERSITY, EQUITY, AND INCLUSION SURVEY

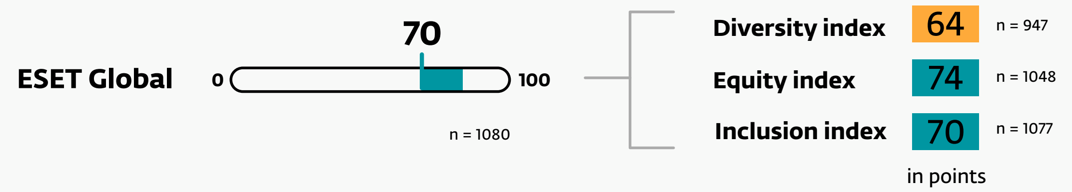
A key pillar of ESET's positive corporate culture is an inclusive work culture and a work environment that welcomes and values employees from diverse backgrounds. By improving inclusion and embracing diversity, we would like to ensure that our employees enjoy working at ESET for the long term. In November 2022, ESET partnered with 2muse to conduct an internal DEI survey, with 51 % of employees at the company's headquarters and across all of its branches participating.

The results of the survey now serve as a basis for setting strategic goals and activities to strengthen the integration of diversity, equality, and inclusion into ESET's corporate culture. We plan to conduct the survey biennially to monitor the impact of the implemented ESG strategy in this area.

Key findings from the survey:

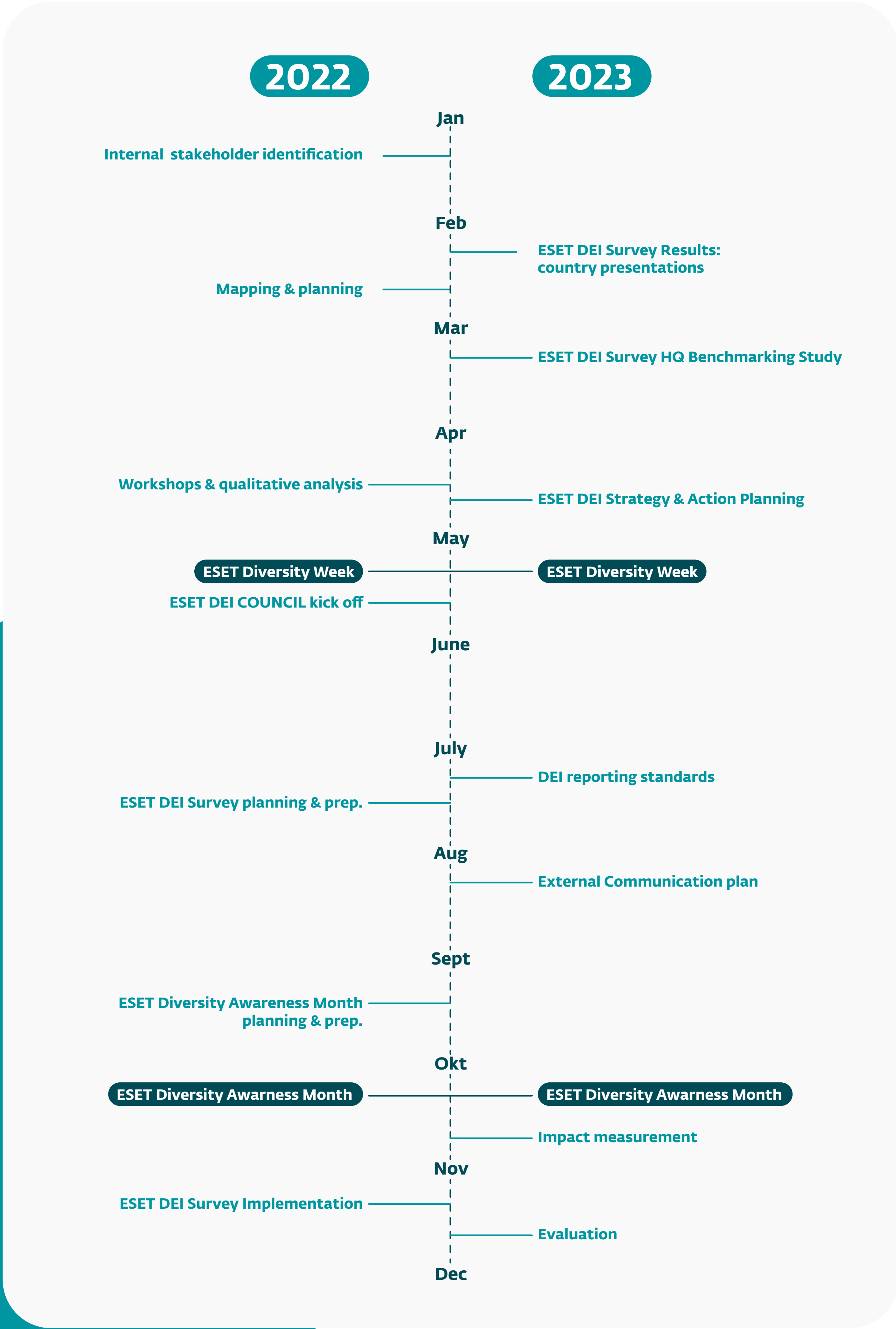
- ESET employees have good experience with DEI, and the most significant aspect contributing to the survey's outcome is equity.
- Four out of five people agree that diversity, equity, and inclusion should be part of ESET's system of values.
- Approximately 40 % of employees would like to learn more about DEI topics.
- Equal treatment in daily work, fair compensation, performance rewards, and acceptance are among the top-rated aspects and these have a positive impact on the perception of DEI at ESET

Diversity-Equity-Inclusion Index



Obr. 1

The strategic planning and participatory preparation of DEI activities at a global level has become a pilot ESG program that will be used as a model for other areas. In 2022, we decided on a two-year time period for the preparation of the program, with the intention of setting the program's objectives, activities, implementation structure, and processes for the period until 2030.


2022
2023
Jan
Internal stakeholder identification
Feb
ESET DEI Survey Results: country presentations
Mapping & planning
Mar
ESET DEI Survey HQ Benchmarking Study
Apr
Workshops & qualitative analysis
ESET DEI Strategy & Action Planning
May
ESET Diversity Week
ESET Diversity Week
ESET DEI COUNCIL kick off
June
July
DEI reporting standards
ESET DEI Survey planning & prep.
Aug
External Communication plan
Sept
ESET Diversity Awareness Month planning & prep.
Okt
ESET Diversity Awarness Month
ESET Diversity Awarness Month
Impact measurement
Nov
ESET DEI Survey Implementation
Evaluation
Dec

AWARDS IN CORPORATE CULTURE AND HUMAN RESOURCES

Najzamestnávateľ (ESET, spol. s r.o., Slovakia)

In 2022, we once again took part in the Najzamestnávateľ (Best Employer) survey conducted by Profesia. We are proud that we finished third in the IT and Telecommunications category. We are incredibly pleased with the support of the public and our employees, which reaffirms that ESET is an exceptional place for work with a welcoming atmosphere, full of great and talented people.

Best Workplaces 2022 – 2023 (ESET Asia, Singapore)

In this certification program, ESET Asia ranked third in the Micro category (companies with up to 30 employees) of the Best Workplaces in Tech list and 4th in the Micro category of the Best Workplaces list for 2022 – 2023. Employees gave the company high marks, especially for its atmosphere of solidarity, the offered remuneration, and the overall company culture.

Best Companies to Work For and Flexa100
(ESET Software UK, United Kingdom)

ESET UK received the "Very Good" grade in the "Best Companies to Work For" ranking for 2022. It scored highly in work-life balance, personal growth opportunities, and corporate social responsibility. It ranked 12th in the Best Technology Company to Work For in the UK list and 21st in the Best Small Company to Work For in the UK list.

ESET UK also made the Flexa100 list – a ranking of the 100 most flexible companies to work for. The things its employees valued the most included autonomy, flexible working hours, a flexible workplace, and work-life balance.

SATISFACTION AND ENGAGEMENT SURVEY

In 2022, we conducted the second edition of global Employee Satisfaction and Engagement Survey. As many as 1 554 employees participated in the survey, which amounts to an 81 % completion rate. The global survey identified several areas that contribute to employee engagement, most notably **pride in the company, a good atmosphere, and flexibility**.

Areas for improvement, which have been the focus of workshops and other activities, include **career growth and education** as well as **the performance evaluation system**. We already started implementing improvements in both areas in 2022. Within the area of **Career Growth and Education**, we focused on defining career paths (job levels) for the Legal, Project Management, and Sales divisions. We also continue our leadership development activities at different levels of management. We have expanded our offer of development activities for employees, which now also includes LinkedIn Learning. In the second half of 2022, we created a proposal for a new global concept called **GROW with ESET** and we will continue with its implementation in 2023.

Changes to the performance evaluation system were aimed at improving the employee experience when providing feedback and when working with the rating scale. In 2023, we plan to introduce a tool to record and track the progress of individual development activities, which will be linked to our new competence model.

TRAINING AND DEVELOPMENT

The LinkedIn Learning platform replaced Seduo in 2022 and is available in most of the company's branches. Between April and December 2022, more than 778 of our employees made use of the opportunity to take e-learning courses on the LinkedIn Learning platform. In total, our colleagues spent approximately 1 876 hours learning via this platform, and they attended more than 7 695 courses. The most popular topics included the growth mindset, time management, the habits of highly effective people, listening to customers, and strategic thinking.

At our offices in the **NORAM region**, we have implemented the IGNITE Onboarding Program for new employees, as well as the EMERGE Management Development Program to support employee development.

In December 2022, we organized a **Leadership Offsite** for our employees in our **German office** to improve alignment within the management team.

Leadership development also continued in our offices across the APAC region. We have successfully implemented the **Learn2Lead development program** for new leaders, which has garnered a lot of positive feedback.

Language Learning

In 2022, 13 % of our employees in Slovakia were learning foreign languages. Our colleagues spent 3 872 hours learning languages, 90,7 % of them attending English language courses and 9,3 % attending courses in other foreign languages (Russian, German, and Slovak for foreigners). The courses mainly focused on IT and technical topics, business English, and everyday communication. The lessons were aimed at strengthening, maintaining, and renewing our employees' qualifications, while also improving and developing their language skills.

Employees in our other branches can also make use of language learning opportunities. In 2022, 18 % of our employees at ESET Software CZ and 17 % of our employees at ESET Research CZ participated in language courses. At ESET Italia, 100 % of the employees attended English language classes in 2022.

ESET SLOVAKIA

BENEFITS OFFERED TO EMPLOYEES

Last year, we also tried to provide employees with benefits that contribute to their satisfaction and work-life balance. Our benefits package now includes the Multisport card, which helps employees offset their workload and supports their physical fitness. Towards the end of the year, we also introduced a new option in the Cafeteria system – the credits can now be used to cover the cost of an annual public transit pass. This option has been available to employees in all Slovak cities since 1 January 2023 and is one of the ways we are trying to promote greener forms of transport.

Employee events

2022 was a welcome reprieve after the long break caused by COVID-19. It gave us the opportunity to meet at our favorite ESET events again without any restrictions. The first one was the cheerful Family Day. Two weeks later, we continued with an unconventional "Christmas party" in the summer. In September, we attended the legendary Žranica, this time with a festival theme. In December, we organized a party for St Nicholas Day and then another Christmas party the week after, which was a pleasant way to end 2022.

Well-being Activities

Workshops and webinars

Even in 2022, we tried to inspire our colleagues and provide them with support in difficult times. We organized 5 inspirational workshops and 10 well-being webinars. The inspirational workshops were led by experienced coaches and instructors, who presented topics such as social intelligence, information classification, and critical thinking. We placed focus on the well-being and psychological needs of our employees, and we also organized well-being webinars to complement our existing comprehensive Employee Assistance program. The topics included anxiety, balance, personal power, self-regulation, and mental hygiene.

Sporting events

In 2022, we managed to support our employees participating in several running races. Our colleagues ran the ČSOB Marathon, the Telekom Nightrun, and the Košice Peace Marathon wearing ESET colors.

Health Week

In the fall, we were able to return to the original format of this event. During Health Week, our colleagues in Bratislava had the opportunity to undergo various medical examinations at ESET's premises. They could also attend interesting lectures focusing on various topics of physical and mental health led by experts and doctors from the relevant areas, with the option to do so either in person or online.

SUPPORTING TRAINING AND DEVELOPMENT

Training and development for ESET leaders

Another key area is the provision of development programs and activities for leaders at different levels of management, where we focus on addressing a variety of development needs. In 2022, we implemented 2 programs for new managers, 4 development programs for experienced leaders, and other specific development solutions such as one-on-one coaching.

Employee training and development

In 2022, we organized several activities aimed at developing our employees' soft skills. We organized 33 open trainings focusing on topics such as effective and assertive communication, presentation skills, conflict management, problem-solving, negotiation, critical thinking, and feedback.

INTERNAL COMMUNICATION

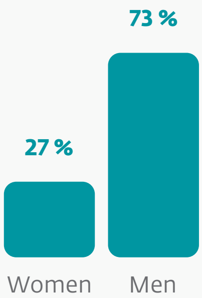
The third year of the pandemic brought a new aspect to our internal communication – people had learned how to make full use of online tools while gradually returning to the office, as well as in-person collaborative activities and internal events.

In February, the war in Ukraine became a dominant topic. We set up a working group to assist those of our employees who were providing volunteer help to their family members, acquaintances, and other people from Ukraine who had been forced to flee their homes. We tried to help them navigate the multitude of information from state institutions, and we also communicated what financial and non-financial support the company could provide.

Total number of ESET SLOVAKIA employees as of 31 December 2022: 1 277.

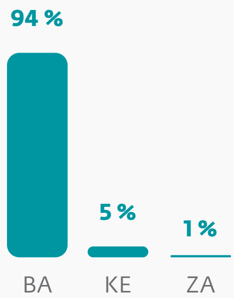
GENDER

Women: **348**
Men: **929**
Total: **1 277**



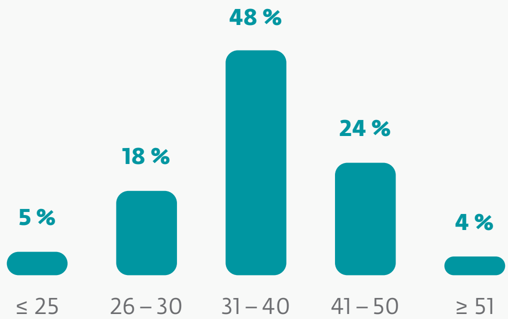
REGION

Bratislava: **1 195**
Košice: **67**
Žilina: **15**
Total: **1 277**



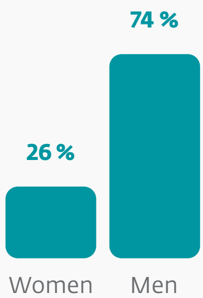
AGE

≤ 25: **70**
26 – 30: **228**
31 – 40: **617**
41 – 50: **308**
≥ 51: **54**
Total: **1 277**



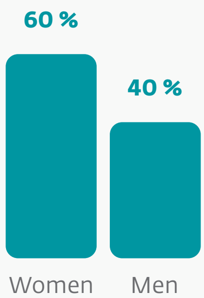
FULL-TIME EMPLOYMENT

Women: **322**
Men: **912**
Total: **1 234**



PART-TIME EMPLOYMENT

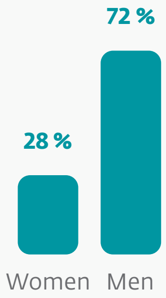
Women: **26**
Men: **17**
Total: **43**



Total number of the ESET Group's employees as of 31 December 2022: 2 181.

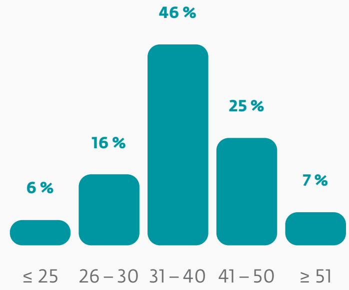
GENDER

Women:	615
Men:	1 566
Total:	2 181



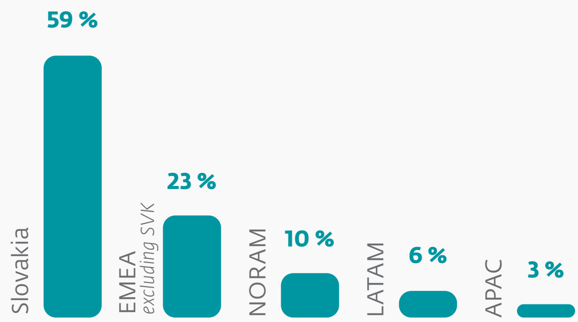
AGE

≤ 25:	126
26 – 30:	354
31 – 40:	1 001
41 – 50:	535
≥ 51:	165
Total:	2 181



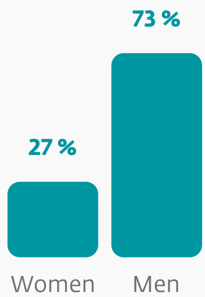
REGION

Slovakia:	1 277
EMEA: *(excluding SVK)*	497
NORAM:	216
LATAM:	130
APAC:	61
Total:	2 181



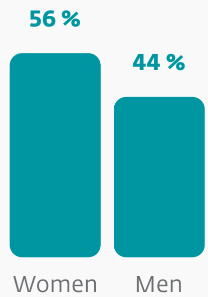
FULL-TIME EMPLOYMENT

Women:	570
Men:	1 531
Total:	2 101



PART-TIME EMPLOYMENT

Women:	45
Men:	35
Total:	80



3.4 ENVIRONMENTAL SUSTAINABILITY

ESET recognizes the importance of reducing the environmental impact of its everyday activities. We strongly believe that only data-driven, sustainable progress and measurable goals that meet the highest environmental standards will contribute to the success of ESET and the communities that we protect.

Already in 2018, ESET set a target to progressively reduce its environmental impact. Environmental sustainability is one of the four main pillars of our ESG strategy. In the long term, ESET plans to focus on **4 main areas in the field of environmental protection:**

- energy efficiency
- waste management and recycling
- carbon footprint measurement
- increasing employee awareness

ESET AROUND THE WORLD

CARBON FOOTPRINT MEASUREMENT

In 2019, we started measuring the carbon footprint of our Bratislava headquarters in cooperation with the Institute of Circular Economy (INCIEN). In 2021, our carbon footprint measurement was significantly expanded to include additional items falling under so-called "optional emissions", the energy produced by employees working from home, and we also included our other Slovak locations (Košice and Žilina) in the calculation. Alongside this, an effort to map data availability at a global level was also underway. We evaluated our access to credible data and our readiness for carbon footprint measurement across 20 branches of our company.

ESET's 2022 Carbon Footprint Report includes a complete calculation, including the Bratislava headquarters and all ESET offices where it was possible to either obtain the calculation inputs or make an informed estimate. The measurement of our CO2 footprint for 2022 will serve as the basis to develop a global strategy for gradually reducing our environmental impact.

The report itself will be published on our *company website*.

ENVIRONMENTAL SUSTAINABILITY COUNCIL

In late 2022, ESET began working on establishing a global Environmental Sustainability Council. Its role will be alignment, experience sharing, preparing and collecting the data needed to measure the company's global carbon footprint, and implementing concrete environmental protection solutions. The council will consist of representatives from ESET's headquarters and its branches. The first meeting is scheduled for the first quarter of 2023.

The Environmental Sustainability Council's strategic goals:

- set up a global process for carbon footprint measurement, which will form the basis of ESET's unified, global environmental sustainability strategy,
- identify opportunities for alignment and experience sharing,
- raise awareness among employees.

ENERGY EFFICIENCY AND WASTE MANAGEMENT

Based on a global mapping of environmental measures at the company's headquarters and 18 branches, we have identified a set of common features in the areas of energy efficiency and waste management. These data serve as inputs for the qualitative analysis of the company's environmental impact – a baseline used to create individual action plans for carbon footprint reduction.

Energy Efficiency

Energy efficiency means using less energy to do the same task or achieve the same result. Energy-efficient buildings use less energy for heating, cooling, and running appliances and electronics. The company's headquarters, as well as all of its branches, are located in leased spaces, so achieving energy-efficient operations is a challenge and it depends on cooperation with the lessors.

Cooling and heating

All of our offices make use of automated cooling and heating via timers and thermostats. The only exception is our office in Jablonec in the Czech Republic, which is located in an older building. When the spaces are unoccupied, all buildings have their cooling and heating systems turned off or turned down to a minimum. The Bratislava headquarters is located in two buildings with international sustainability certification – Aupark Tower is BREEAM certified and Digital Park is LEED Platinum certified.

Lighting

8 out of the 19 mapped branches use LED light bulbs, which can save up to 80 % of electricity compared to incandescent bulbs. Our offices in the Czech Republic, USA, Germany (Jena), Canada (Toronto), and UK (Taunton) use lighting activated by motion sensors, which also reduces electricity consumption.

IT equipment

Whenever possible, our branches purchase IT equipment with low energy consumption. Some employees, such as developers, need specific IT equipment that does not have low-power alternatives yet. Most of our hardware is sourced from manufacturers whose products are Energy Star certified.

Green energy

We try to use green energy in our buildings whenever possible. The company's branches and headquarters are located in rented buildings, which means that it is more difficult to have an influence over electricity suppliers. We purchase fully or partially green electricity in Slovakia, Germany, Romania, Italy, Singapore, and Australia.

Shared workspaces

Our offices in Argentina, Romania, and the German city of Jena have had a shared desk policy in place since 2022, which not only reduces the cost of office space and furniture, but also our consumption of electricity or gas for heating and cooling the offices. This approach is becoming increasingly important in the current post-covid era, when many people work from home.

Waste Management and Recycling

Although we are an IT company with no factories or production lines, we care about the amount of waste generated in our offices. We firmly believe that any waste, if not handled properly, can be harmful to the environment.

Waste recycling

We sort waste and recycle it at all our branches. Depending on local regulations and possibilities, we sort paper, plastics, glass, and organic waste, as well as returnable cans and PET bottles. At the Taunton office in the UK, recycling is handled by a third-party company that collects mixed waste, sorts it, and disposes of it in an environmentally friendly way. In this particular case, this is actually a more cost-effective solution. At six of our branches, we also have bins for batteries and other small electronic waste. Recycling bins are usually accompanied by posters or other materials that inform people how to sort waste properly. In Slovakia, for instance, the ECO-Ambassadors employee resource group has compiled a comprehensive guide on recycling and published it on our intranet. The only exception, for now, is the Singapore office, which plans to start recycling soon.

Retired hardware

Technology is an important part of our work. Discarded hardware is handled in several different ways. Some branches – such as those in Slovakia, the Czech Republic, Germany, Poland, the UK, Italy, and Singapore – give employees the option to buy back equipment to extend its life cycle. Many of our offices (8 out of 19) also donate old hardware to NGOs, charities, universities, or kindergartens. More than half of them send discarded equipment for recycling. Our branch in Taunton, UK, reuses decommissioned IT equipment for testing purposes. Some of our newer and smaller offices have not decommissioned any hardware yet.

Events and drinks

Beverages are offered to employees as part of the benefits package. Some of our offices buy recyclable bottles and cans and try to find ways to minimize waste. For instance, our UK office buys products in bulk, the one in Germany only uses glass bottles, and in Slovakia we have used the results of a survey to reduce the number of beverages available. Our offices in the Czech Republic and Poland exclusively use filtered water dispensers. In the US, it is common practice to give each new employee an ESET mug and a reusable water bottle when they join the company. When it is absolutely necessary to use disposable dishes and containers, for instance at company events, we always use recyclable or compostable ones.

Reducing paper consumption

All branches are making an effort to significantly minimize their paper consumption. For contracts, NDAs, and agreements all over the world, we prefer electronic signatures using DocuSign or other providers, with the exception of contracts where this is not recommended due to local legislation. Following the introduction of digital contract signatures, the carbon footprint of paper and other paper products purchased in Slovakia fell from 109 tons of CO2e in 2019 to 5.9 tons of CO2e in 2021.

THE BIKE TO WORK INITIATIVE

It has been a tradition for several years now that ESET motivates its employees to ride their bicycles to work. In addition to making shared bicycles available to all our employees at our Bratislava headquarters, this branch also participates in the annual "Bike to Work" campaign. In 2022, other offices in the Czech Republic, Poland, Singapore, and the United States joined as well. As many as 143 employees took part in the campaign, using greener transport a total of 2 815 times. During the month of June, they cycled 17 096 kilometers and walked 1 403 kilometers in total.

ESET CAMPUS – ON THE WAY TOWARD CARBON NEUTRALITY

In 2022, preparatory work on the ESET Campus project continued and the process of obtaining a building permit was gradually initiated. Our investment plan is currently being assessed by the City of Bratislava and we are also continuing to prepare the documents needed for obtaining a zoning decision. Meanwhile, we are still preparing for demolition work at the site of the future campus in accordance with the issued demolition permit.

Alongside our current focus on the permit processes, we are continuing to work on making ESET Campus truly carbon neutral. In particular, we are taking a detailed look at technical and construction alternatives, building materials, and possible solutions in regard to the use of green energy. When it comes to the demolition work, we anticipate that a high percentage of the material can be reused in the construction of the future campus.

Over the past year, we also managed to assemble a complete team for all essential areas of the project's planning phase, bringing in very experienced and internationally renowned partners. They are helping us to fulfill the environmental sustainability ambitions of this project. Aspects regarding landscape architecture are tackled by the award-winning London-based studio ExA – Exterior Architecture. The technical side of the project is handled by engineers and technical specialists from ARUP (technical facilities and equipment) and BURO HAPPOLD (structural stability). On a local level, the concept architects from BIG are assisted by the Slovak architectural studio PANTOGRAPH.

EMPLOYEE AWARENESS ABOUT SUSTAINABILITY

ESET motivates its employees to actively engage in the areas of sustainable development and environmental footprint reduction. In 2017, a group of volunteer ECO-ambassadors was formed. They create blogs, newsletters, and other activities that provide ideas and tips on how to minimize waste and reduce both one's personal carbon footprint, as well as the carbon footprint of the entire company.

The eco-ambassadors' activities in 2022

- they published regular tips on living more sustainably both in and outside the office,
- in cooperation with dedicated Facilities and CSR departments, the eco-ambassadors proposed and helped implement an in-company solution to accommodate the new system of deposits on plastic bottles and metal cans,
- in cooperation with the Facilities department, they prepared a survey on the use of beverages that are offered as a benefit to the company's employees, and based on the results they proposed a solution for reducing plastic waste,
- they wrote the Recyclopedia, which serves as a guide for sorting waste both in the office and at home,
- they organized a regular Cleanup event at the Janko Kráľ City Park,
- in cooperation with the Book Club, they organized the first ESET Book Swap,
- over the Christmas period, they published a series of articles with tips on how to enjoy a greener Christmas.

Our City – In June 2022, as many as 124 ESET volunteers participated in Our City, a country-wide volunteering event. Altogether, they spent a total of 620 hours doing various activities, primarily focusing on environmental protection and the renovation of public spaces.

3.5 OUR GOALS

Goal for 2023

ESET's goal is to build a world with strong digital competence. Our plan for 2023 is to finish our long-term global ESG strategy, which will define specific long-term goals and enable ESET to track, measure, and improve things in key areas: developing our corporate culture; reducing our environmental impact; raising awareness and educating people in cybersecurity; and supporting science, research, and innovation. It will build on existing objectives and programs in these areas.

Evaluation of Goals for 2022

ETHICS

GOAL

Introducing the Global Code of Ethics and Integrity and developing a pilot online training

STATE OF GOAL IN 2022

Having received comments and valuable inputs from relevant stakeholders at the center of the company and the company's 23 offices, the Global Code of Conduct and Integrity was aligned across the entire ESET Group. Final approval will be granted by the company's management and supervisory board in 2023.

In the second half of 2022, we started preparing the pilot version of an online training focusing on ethics and integrity that will be attended by ESET Slovakia employees in the first phase of the project.

VOLUNTEERING

GOAL

Having 20 % of ESET's global employees participate in expert or manual volunteering

STATE OF GOAL IN 2022

In 2022, 200 employees in Slovakia participated in the employee volunteering program, which amounts to approximately 15,5 %. Our employees dedicated nearly 2 700 hours to volunteering activities. After the outbreak of the war in Ukraine, we expanded our volunteer program to include humanitarian volunteering, with 46 of our employees making use of this option. Altogether, they spent more than 1100 hours helping Ukraine and its people.

In 2022, we were unable to map employee engagement in volunteering activities at a global level. This activity will be carried out in 2023.

EDUCATION, SCIENCE, RESEARCH, INNOVATION, AND TECHNOLOGY

GOAL

Analýza hodnotenia vplyvu globálneho projektu Safer Kids Online a lokalizácia know-how

STATE OF GOAL IN 2022

We continued the Bezpečne na nete project (bezpecnenanete.sk) as an activity that aims to improve awareness about online security, and we provided support in regard to its content and the associated communication activities.

As part of the global Safer Kids Online project, 29 articles were published for localization in 19 of the countries where ESET operates. The program underwent structural changes, placing a greater focus on parents and children aged 8 to 11 and on interaction with quality content.

GOAL

Mapping the impact of our collaborations that empower women and girls to enter the field of cybersecurity

STATE OF GOAL IN 2022

Each year we organize a number of activities to help improve the involvement of girls and women in IT. In Slovakia, we support and provide our expertise to the "Minitech MBA" and "Security Girl" projects, and we also organize the "Girls' Day" event. At a global level, we have identified the Women in Cybersecurity Scholarship program as an important initiative in this area and are working to expand it further.

The topic of women and girls in IT is also addressed in internal communications and is an important part of our diversity, equity, and inclusion strategy. We have published several interviews with female employees from our Technology division, and we also covered this topic during our Diversity Month campaign in October 2022.

COMPANY CULTURE, DIVERSITY, EQUITY, AND INCLUSION

GOAL

Employee Satisfaction and Engagement Survey

STATE OF GOAL IN 2022

At the start of the year, we successfully conducted the 2nd edition of our global Employee Satisfaction and Engagement Survey. The results were presented to both the management and our employees, and we actively worked on the topics identified as areas for improvement. We will continue to implement improvements in 2023 and in the second half of the year, we will start the preparation of the third survey, which will be conducted in 2024.

GOAL

A pilot version of our mentoring program

STATE OF GOAL IN 2022

In 2022, we introduced the pilot version of our internal mentoring program. 12 internal mentors – experienced leaders who had undergone mentoring themselves – were trained and prepared for their role in the program. The main goal is to improve knowledge sharing and support the professional and personal growth of both mentees and mentors.

GOAL

Proposal for a global growth concept (Grow with ESET)

STATE OF GOAL IN 2022

In the second half of 2022, we created a proposal for a new global concept called GROW with ESET. Its purpose is to provide a structure for planning and managing our employees' individual development. The concept clearly defines the company's development philosophy, process, and development tools. Its introduction and implementation is scheduled for the first half of 2023.

COMPANY CULTURE, DIVERSITY, EQUITY, AND INCLUSION

GOAL

Improvements in the performance evaluation system

STATE OF GOAL IN 2022

Based on the information collected from the Employee Satisfaction Survey, we streamlined the process of providing feedback in the performance evaluation process. We have also developed a rating scale that more clearly describes behavior across different levels of the rating scale. We have developed a tool that will allow employees to record and track their progress in individual development activities. The implementation of a new competence model is under review and will be rolled out in 2023.

GOAL

Setting benchmarks and organizing awareness activities in diversity, equity, and inclusion (DEI)

STATE OF GOAL IN 2022

We conducted a qualitative and quantitative DEI survey, which was filled out by 51 % of all company employees. In the first half of 2023, we will focus on evaluating the results of the survey and setting goals and indicators for all of ESET's branches.

We organized Diversity Week celebrations to commemorate World Day for Cultural Diversity for Dialogue and Development, as well as Diversity Awareness Month. In April 2022, we established the ESET DEI Council with the goal of making the planning and execution of DEI activities more efficient at all ESET branches.

ENVIRONMENTAL SUSTAINABILITY

GOAL

Creating a solution for the deposit return system for plastic bottles and metal cans

STATE OF GOAL IN 2022

We proposed and implemented a solution for the deposit return system for plastic bottles and metal cans at the company's Bratislava headquarters. A beverage consumption survey was also carried out during the year with the aim of reducing the consumption of beverage containers.

GOAL

Drawing up a global report focusing on carbon footprint reduction

STATE OF GOAL IN 2022

We are publishing our first global carbon report for 2022, which includes a carbon footprint calculation of all ESET branches in case it was possible to obtain input data for the calculation. The global carbon footprint calculation will be the basis of the company's long-term strategy for reducing the company's environmental impact by 2030.

Over the past year, we also managed to assemble a complete team for all essential areas of the planning phase for the ESET Campus project. We have gained experienced and internationally renowned partners who are helping us to fulfill the environmental sustainability ambitions of this project, and especially the carbon-neutral operation of the Campus building.

4. FINANCIAL RESULTS FOR 2022

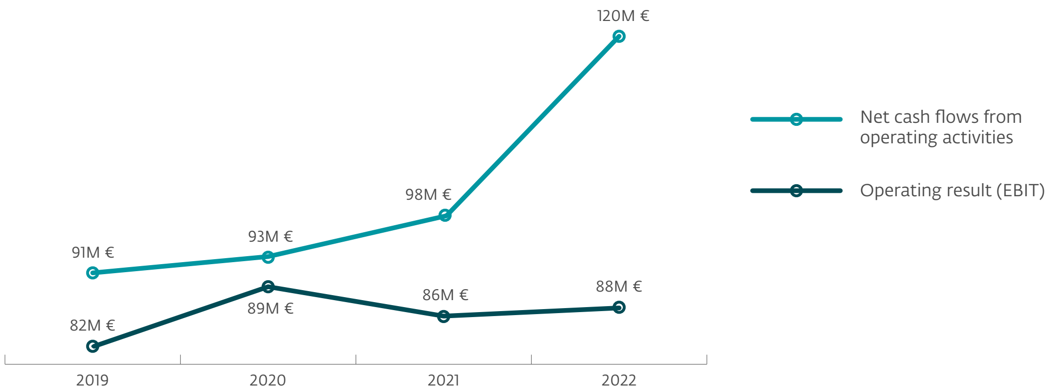
In the long run, the ESET Group has been experiencing a very positive development in its key financial indicators, which include billings and revenues, primarily from the provision of end-user licenses and services. In the following period, the ESET Group plans to maintain such a positive trend in these key financial indicators by publishing new versions and updates for ESET home products, as well as ESET comprehensive security products and services for medium-sized companies and large organizations. In the future, the ESET Group plans to expand its product portfolio, with a focus on cloud security and offering services to business customers.

When evaluating its financial situation and performance, the ESET Group follows the changes in its key financial indicators, which primarily include billings and revenues from the provision of end-user licenses and services, as well as operating result (EBIT) and net cash flows from operating activities. When interpreting the ESET Group's financial situation and performance, the focus is placed both on traditional and alternative financial indicators. Despite the general economic conditions, which have been influenced by factors such as the war in Ukraine, the energy crisis, or the high inflation, the ESET Group has been experiencing a positive development in these key financial indicators from both a short-term and long-term perspective. In the upcoming period, the ESET Group expects billings and revenues to grow by 10 %, which highlights the ESET group's good financial situation and performance despite the ongoing uncertainty caused by the global economic situation.

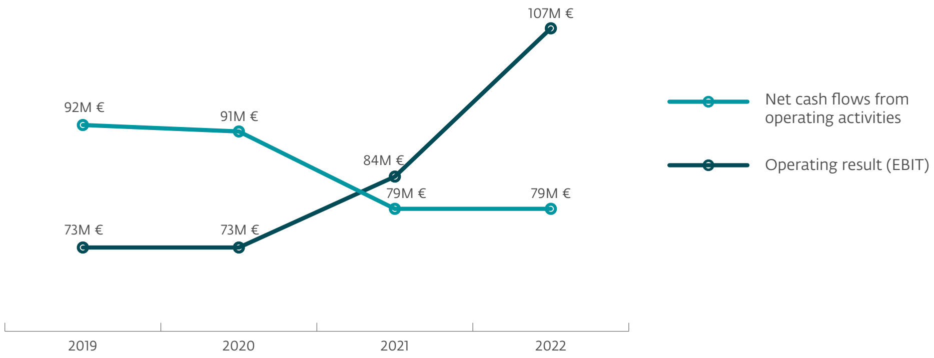
	CONSOLIDATED FINANCIAL STATEMENTS IN MILLION EUR			SEPARATE FINANCIAL STATEMENTS IN MILLION EUR		
INDICATOR	**2021**	**2022**	**↑↓**	**2021***	**2022**	**↑↓**
Revenues	548	601	10 %	549*	589	7 %
Operating result (EBIT)	86	88	2 %	79*	79	0 %
Net cash flows from operating activities	98	120	23 %	84*	107	27 %

**The indicators based on the separate financial statements of the ESET parent company for 2021 are calculated in accordance with IFRS. According to the separate financial statements for 2021, prepared in accordance with the Slovak legislation, the ESET parent company reached revenues of €564 million, its operating result (EBIT) was €93 million, and its net cash flows from operating activities amounted to €84 million. Further information about the ESET parent company and its first-time adoption of IFRS is provided in the separate financial statements.*

CONSOLIDATED FINANCIAL STATEMENTS



INDIVIDUAL FINANCIAL STATEMENTS



The ESET Group's consolidated financial statements and the ESET parent company's separate financial statements for 2022 were prepared in line with the International Financial Reporting Standards adopted by the European Union (IFRS), **including the comparative period for 2021**.

In 2022, the ESET Group's revenues increased from €548 to €601 million EUR, which represents an increase of 10 % in comparison to the previous accounting period. Over the same period, the ESET parent company's revenues increased from €549 to €589 million, which represents an increase of 7 %, comparable to the growth of this consolidated financial indicator. The relatively faster year-on-year increase in the ESET Group's revenues compared to the growth of the ESET parent company's revenues was primarily caused by changes in exchange rates, the use of which differs between consolidated and separate financial statements if they are measured in accordance with IFRS. The presented absolute difference between the consolidated and separate financial statements was also reflected in deferred income, which will have a proportionate impact on the above-mentioned financial indicator in the upcoming period.

From a long-term perspective, the ESET Group has been operationally efficient, i.e. it has a positive financial result determining its level of profitability. In 2022, the ESET Group's operating result (EBIT) increased from €86 to €88 million, which represents an increase of 2 % in comparison with the previous accounting period. Between 2021 and 2022, the operating result (EBIT) of the ESET parent company remained unchanged at €79 million. The operating result (EBIT) achieved by the ESET Group in 2022 was determined by the relatively faster year-on-year increase in revenues in comparison with the ESET parent company.

This level of profitability increases the tax burden, whereby the ESET Group's total expenses on income tax due and deferred represent almost €24 million in 2022, out of which the total expenses of the ESET parent company represent over €18 million. The majority of these ESET Group expenses are associated with the release of the ESET parent company's deferred tax asset as a result of its transition to IFRS and the alignment of revenue recognition, which is described in more detail in the separate financial statements.

In 2022, the ESET Group's net cash flows from operating activities increased from €98 million to €120 million, which represents an increase of 23 %. Over the same period, the ESET parent company's net cash flows from operating activities increased from €84 million to €107 million, which represents an increase of 27 %. The ESET Group's high liquidity is further boosted by both the cash and cash equivalents balance of €118 million at the end of 2022 as well as by the absence of loans, contributing to a strong dividend policy.

Until 2021, the separate financial statements of the ESET parent company were prepared in accordance with the Slovak legislation, which meant that they had to be evaluated and reported differently from the ESET Group's consolidated financial statements, prepared in accordance with IFRS. The most significant differences include revenues and trade receivables (IFRS 15 Revenue from Contracts with Customers), leases (IFRS 16 Leases), intangible assets (IAS 38 Intangible Assets) or financial instruments and the impairment of financial assets (IFRS 9 Financial Instruments). In 2022, the ESET parent company had a new obligation to prepare its separate financial statements in accordance with IFRS, which eliminated the precondition stated above and potential differences with the ESET Group's consolidated financial statements due to the same reporting framework.

Research and Development

Similarly to previous years, the ESET parent company did not receive any donations, investment grants, or other financial support from the Slovak or any other government in 2022. As a research and development center, the ESET parent company plans to utilize the benefits provided by the Income Tax Act (Section 30c of the Act) and apply an R&D cost deduction of €4 184 286,34 for 2022. This R&D cost deduction will be applied in the following periods. In 2022, the products that are described in more detail in Section 3.2 were introduced as part of R&D activities.

Distribution of Profit

As per the per rollam resolution of the shareholders from 5 June 2023 (outside the general meeting), the shareholders approved the separate financial statements of the ESET parent company and the consolidated financial statements of the ESET Group for 2022. At the same time, the shareholders approved that the net profit of the company for 2022 after taxation reported in the separate financial statements of the company for 2022 in the amount of €69 972 626 in total, will be distributed as follows:

1. part of the company's profit for 2022 in the amount of €65 972 626 will be transferred to the Retained earnings account as undistributed net profit; and
2. part of the company's profit for 2022 in the amount of €3 600 000 will be distributed among the shareholders in proportion to their shares in the company as of 30 June 2023,
3. the remaining part of the company's profit for 2022 in the amount of €400 000 will be transferred to the social fund.

Subsequent Events

In March 2023, the shareholders of the company approved the intention:

- to establish two new companies;
- to transfer the ESET Campus project to one of the newly established companies;
- to change the legal form of the parent company from a limited liability company to a joint stock company.

Lawsuits

ESET was in a legal dispute with FINJAN Inc., which sued ESET spol. s r.o. and its subsidiary ESET LLC for infringing on six patents that FINJAN Inc. had registered in the United States. The jury ruled in favor of ESET, spol. s r.o. and ESET LLC on all issues regarding potential patent infringement.

Between 31 December 2022 and the day when the annual report was prepared, no other events took place that would significantly impact the group's assets and liabilities.

5. EU TAXONOMY

The European Taxonomy Regulation[1] is a fundamental component of the European Commission's Sustainable Finance Action Plan to redirect capital flows towards a more sustainable economy. It marks an important step towards achieving carbon neutrality by 2050, as the European Taxonomy is a classification system for environmentally "sustainable" economic activities.

Pursuant to the EU Regulation 2080/852 of June 18, 2020 (known as the "Taxonomy Regulation") and the EU Delegated Climate Regulation 2021/2139 of June 4, 2021 (hereinafter also referred to as "delegated regulation" or "delegated act") that determine the conditions under which economic activities can be considered as substantially contributing to climate objectives, ESET is required to disclose the share of its revenue, its capital expenditure, and certain operational expenses for the 2022 fiscal year resulting from economic activities considered eligible and aligned in terms of the objectives of mitigation and adaptation to climate change.

An economic activity that is **"eligible"** for the Taxonomy is an economic activity that is included and described in the Delegated Acts, regardless of whether that economic activity meets some or all the "environmental" criteria set out in those Delegated Acts. An economic activity is considered **"aligned"** with the Taxonomy if it is classified as environmentally sustainable, substantially contributes to one or more environmental objectives, and complies with "technical screening criteria"established by the European Commission through delegated acts. At the same time, this economic activity must not cause significant harm to one or more environmental objectives defined in the EU Taxonomy Regulation:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of aquatic and marine resources
- Transition to a circular economy
- Pollution prevention and reduction
- Protection and restoration of biodiversity and ecosystems.

In addition, these economic activities must be carried out in compliance with minimum social guarantees, the so-called **"minimum safeguards"**.

The technical screening criteria have been established for the first two targets of the Climate Delegated Regulation[2]: therefore, the reporting of the Taxonomy is limited to these targets for the year ended December 31, 2022.

We have examined all economic activities eligible for the Taxonomy as stated in the Delegated Climate Regulation that are typical activities in the IT professional services.

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1 Regulation (EU) 2020/852 on establishing a framework to promote sustainable investment, and amending Regulation (EU) 2019-2088.

2 Commission Delegated Regulation (EU) 2021-2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council with the technical review criteria for determining under which conditions an economic activity can be considered to contribute substantially to climate change mitigation or adaptation and whether that economic activity does not cause significant harm to any of the other environmental objectives.

5.1 ELIGIBLE ACTIVITIES

Taxonomy eligible economic activity means an economic activity that is described in the delegated acts adopted pursuant of Regulation (EU), irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.

ESET group identified following eligible activities for the year ended December 31, 2022:

- **Activity 7.7. – Acquisition and ownership of buildings.**
- **Activity 8.1. – Data processing, hosting and related activities.**

ESET has analysed its activities in consideration of the Taxonomy Regulation and of the Draft Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act of December 19, 2022.

5.2 ALIGNED ACTIVITIES

An activity is taxonomy aligned if it meets the three following criteria:

- It substantially contributes to one or more environmental objectives, by meeting the specific technical criteria detailed in the Delegated Acts to the Taxonomy regulation.
- It does not cause any significant harm to the other environmental objectives, meeting the applicable "Do Not Significant Harm" criteria described in the Delegated Acts to the Taxonomy regulation.
- It is carried out in accordance with minimum safeguards and complies with the OECD (The Organization for Economic Cooperation and Development) Guidelines for Multinational Enterprises and UN (United Nations) Guiding Principles on Business and Human Rights.

ESET group conducted a detailed analysis of all activities. This analysis, carried out by the Finance department, business line experts and facility managers, led to the identification of the following eligible activities for the year ended December 31, 2022:

- **Activity 7.7. Acquisition and ownership of buildings** – assessment of this activity, which is defined as buying real estate and exercising ownership of that real estate, was based on the principle of applying the economic ownership of buildings according to IFRS 16 Leases (hereinafter also referred to as IFRS 16 or IFRS 16 Leases). The delegated act directly refers to IFRS 16, according to which we reported the Right of use assets. ESET and its consolidated entities (defined in section 1.2.) are seated in rented premises. These premises are meeting energy performance thresholds valid in concrete country whilst enhanced climate risk and vulnerability assessments were realized in connection with those facilities. Under eligible activities were identified rent agreements capitalized or modified in 2022 based on requirements of IFRS 16 Leases.
- **Activity 8.1. Data processing, hosting and related activities** – ESET has acquired servers and storage located in premises that are equipped with energy certificates, respect life-cycle requirements of hardware and implement energy-saving measures.

SUBSTANTIAL CONTRIBUTION CRITERIA

Regarding the substantial contribution criteria, ESET eligible activities 7.7. and 8.1. contribute substantially to the climate adaptation objective, whilst activity 8.1., contributes to climate mitigation objective:

- **Activity 7.7. Acquisition and ownership of buildings** – We considered performed robust climate risk and vulnerability assessment of rented building of ESET locations[3] for which was rent agreement modified during 2022 under conditions defined by IFRS 16 Leases. Assessments are based at scientific state-of-the-art climate projections in line with the most recent Intergovernmental Panel on Climate Change report (IPCC). Dynamic projections considered for CEE area are taken from intersucho.sk – a platform designed by recognized climate scientists and cited by a scientific community. On the other hand, considered static projections and summary information for Slovakia are contained in the Climate change adaptation strategy of the Slovak Republic and the OECD environment policy paper on Assessing municipal climate risks to inform adaptation policy in the Slovak Republic[4]. One office based in European Union processed climate data directly from the IPCC sixth assessment report.
- **Activity 8.1. Data processing, hosting and related activities** – Server and storage equipment which is aligned with EU taxonomy is operated by a provider respecting the most recent version of the European Code of Conduct on Data Centre Energy Efficiency. Alternative practices like EPA (Environmental Protection Agency) Energy Star Benchmarking or EU Climate Neutral Data Centre Pact (to which data centre operator is a signatory) committing to climate neutrality for by 2030 are considered as well and co-create a specific sustainability policy of the data centre operator. Expected energy efficiency practices in data centre are maintained by ISO 50001:2018

3 Two offices based in the European Union

4 OECD policy paper informs about local adaptation plans in Slovakia – those are taken into consideration as well

and ISO 14 001: 2015 certified energy and environmental management systems. ISO certifications are awarded by accredited certification body (NQA – National Quality Assurance) and regularly audited every three years. Above mentioned alternative best practices are considered as direct replacements of an exclusive orientation towards European Code of Conduct on Data Centre Energy Efficiency only, resulting into similar energy savings. The data centre cooling system used to cool down ESET server and storage equipment does not contain refrigerants. There are only CRAH'S (Computer Room Air Handler), which absorb the heat from the water.

DO NOT SIGNIFICANT HARM CRITERIA

Contribution to climate change mitigation objective

Activity 8.1. Data processing, hosting and related activities

- Climate adaptation – Climate risk and vulnerability assessment of the aligned European data centre exists and is triggered by ISO management systems. Several climate adaptation solutions are being realized (e.g. energy efficient cooling infrastructure, reuse of waste heat). Information on climate projections is taken from a country's central authority Water – Data centre has its own water strategy recognizing water intensity and water stress indicators – an advanced impact assessments related to water sources. There are concrete water conservation adaptation solutions developed as result of water risks assessments. Environmental degradation risks related to preserving water quality and avoiding water stress are in this way identified with scientific metrics and addressed with the aim of achieving good water status.
- Circular economy – A waste management plan is in place and ensures maximal recycling according to Slovak legislation (ESET transfers server and storage equipment being at the end of its life cycle to Slovakia)[5]:
    - Act. no. 79/2015 Coll. On waste
    - Amendment of Act no. 529/2010 Coll. on environmental design and use of products (Ecodesign Act)
    - Act no. 346/2013 Coll. on the restriction of the use of certain hazardous substances in electrical equipment and electronic equipment

Contribution to climate change adaptation objective

Activity 7.7. Acquisition and ownership of buildings

- Climate change mitigation – Aligned ESET rented premises are located in buildings built before 31 December 2020. All aligned locations exceed minimum required EPC standard (Energy Performance Certificate Standards).

5 Despite the fact IT waste management is organized centrally in Slovakia, relevant legislation of other EU member states is in specific cases respected

5.3 MINIMUM SAFEGUARDS

ESET considers in all its business activities the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human, including all principles and rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

- **Human rights** - ESET group respects all international commitments and principles regarding human rights and labour standards. A Code of Ethics has been published, laying out expectations of ESET in the area of human rights. Following a risk based approach, human rights risks are continually analysed, prioritized, and communicated as continuous improvements of human rights due diligence and remediation processes.
- **Anti-corruption** – ESET group has a zero-tolerance approach to corruption when dealing with employees and contractual partners.
- **Taxation** – ESET group complies with fiscal law in all countries of its operation. All tax risks are closely monitored by the Legal, Tax and Finance departments.
- **Fair competition** – ESET group supports and always obey the rules of fair economic competition.
- **Legal monitoring** – ESET group ensures close legal monitoring at Group level, with proactive identification of potential risks. Anonymous whistle blowing channel is available to employees, business partners, suppliers, and any other stakeholder to report any violations of its Code of Ethics.

5.4 DETAILS ON THE TAXONOMY PERFORMANCE INDICATORS

Eligible and aligned turnover

The analysis of the EU Taxonomy list of activities leads to the conclusion that ESET's group revenues are not eligible for the Taxonomy (i.e., not within the scope of the Taxonomy Regulation), and therefore not aligned, as our main economic activities are not identified neither as a materially relevant source of emissions nor as a solution to mitigate emissions and therefore are primarily not covered by the Delegated Climate Regulation to date.

The share of economic activities eligible for or aligned with the Taxonomy in our total revenue was calculated as the portion of consolidated revenue from services related to economic activities eligible for or aligned with the Taxonomy (numerator) divided by consolidated revenue (denominator), in each case for the year ended December 31, 2022.

The denominator of the revenue indicators is based on ESET's consolidated net sales and amounts to €600 745 thousands in 2022.

Therefore, for fiscal year 2022, the share of Taxonomy-eligible revenues amounts to 0 % of total consolidated revenues, based on € 0 of consolidated net revenues from Taxonomy-eligible business activities and the share of Taxonomy-aligned revenues reaches 0 % of our total consolidated revenues.

The breakdown of our turnover KPIs eligible for and aligned with the Taxonomy by economic activity is shown in the tables below:

	ECONOMIC ACTIVITIES		A. ACTIVITIES ELIGIBLE FOR TAXONOMY	A.1 Environmentally sustainable activities (aligned with the Taxonomy)	Turnover of environmentally sustainable activities (aligned with the Taxonomy) (A.1)
	Code		–	–	–
	Absolute turnover	In T EUR	–	–	0
	Proportion of turnover	%	–	–	0 %
SUBSTANTIAL CONTRIBUTION CRITERIA	**Climate change mitigation**	%	–	–	0 %
	Climate change adaptation	%	–	–	0 %
	Aquatic and marine resources	%	–	–	0 %
	Circular economy	%	–	–	0 %
	Pollution	%	–	–	0 %
	Biodiveristy and ecosystems	%	–	–	0 %
DNSH CRITERIA ("DOES NOT SIGNIFICANTLY HARM")	**Climate change mitigation**	Y/N	–	–	–
	Climate change adaptation	Y/N	–	–	–
	Aquatic and marine resources	Y/N	–	–	–
	Circular economy	Y/N	–	–	–
	Pollution	Y/N	–	–	–
	Biodiveristy and ecosystems	Y/N	–	–	–
	Minimum Safeguards	Y/N	–	–	–
	Taxonomy-aligned proportion of turnover, year N	%	–	–	**0 %**
	Taxonomy-aligned proportion of turnover, year N - 1	%	–	–	–
	Category (enabling activity)	E	–	–	–
	Category (transition activity)	T	–	–	–

ECONOMIC ACTIVITIES	Code	Absolute turnover	Proportion of turnover	SUBSTANTIAL CONTRIBUTION CRITERIA Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiveristy and ecosystems
		In T EUR	%	%	%	%	%	%	%
A. ACTIVITIES ELIGIBLE FOR TAXONOMY									
A.2 Taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the Taxonomy)	–	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Turnover of Taxonomy eligible but environmentally unsustainable activities (non-Taxonomy aligned activities) (A.2)	–	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Total Turnover of Taxonomy eligible activities (A1 + A2) = (A)	–	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY									
Turnover of Taxonomy non-eligible activities (B)	–	600 745	100 %	0 %	0 %	0 %	0 %	0 %	0 %
TOTAL (A+B)	–	600 745	100 %	0 %	0 %	0 %	0 %	0 %	0 %

Taxonomy eligible and aligned capital expenditures (CapEx)

We have analyzed capital expenditures (CapEx) directly related to activities of ESET stated in chapters 5.1 Eligible activities and 5.2 Aligned activities. We have identified activities resulting in capital expenditures that can be considered individually eligible or aligned activities. We considered the following categories "eligible for" or "aligned with the Taxonomy". The CapEx is related to these categories when the acquired output or an individual measure meets the description of its respective economic activity, i.e. the purchase of the output of an economic activity eligible for or aligned with the Taxonomy. In these categories, we considered assets that we own (legal ownership) as well as assets that we lease as a lessee (economic ownership). Accordingly, our individually eligible or aligned CapEx can be summarized as follows:

ELIGIBLE FOR TAXONOMY	ALIGNED WITH THE TAXONOMY
By 2022, all of our newly acquired or leased buildings (including lease renewals), regardless of their energy efficiency.	Only new buildings acquired or leased in 2022 that meet: **Substantial contribution criteria & Do not significant harm criteria**
By 2022, all of our newly purchased servers and storage equipment regardless of datacenter they are located in.	Only new equipment purchased in 2022 that meet: **Substantial contribution criteria & Do not significant harm criteria**

CapEx KPI is defined as CapEx eligible for or aligned with the Taxonomy (numerator) divided by our total consolidated CapEx (denominator).

Total capital expenditure corresponds to acquisitions of property, plant and equipment and intangible assets during the year, before depreciation and any revaluations, including those resulting from revaluations and impairments, and excluding changes in fair value.

This includes acquisitions of property, plant, and equipment (IAS 16 Leases), intangible assets (IAS 38 Intangible Assets) and right-of-use assets (IFRS 16 Leases). Acquisitions resulting from business combinations are also considered. Goodwill is not included in CapEx as it is not defined as an intangible asset under IAS 38 Intangible Assets.

As a result, ESET's total consolidated CapEx is €16 195 000 in 2022.

The CapEx amount for „7.7. Acquisition and ownership of buildings" is also the result of our centralized monitoring of new or modified real estate leases (leases additions) and the calculation of the corresponding Right of use assets in accordance with IFRS 16 Leases. We assessed the adaptive capacity of buildings to climate change . In this way we were able to assess the value and Right of use Assets share of the 2022 additions that meet the eligibility technical criteria, i.e., 100 % of our total real estate additions. However, not all these buildings meet the taxonomy technical criteria requirements, so we are reporting taxonomy alignment on 11,4 % of our new real estate leases for the year.

The CapEx amount for „8.1. – Data processing, hosting and related activities" is the result of our centralized monitoring of storage and server equipment purchases. We assessed criteria for green buildings and energy efficiency ESET IT equipment is stored in. In this way we were able to assess the value of the 2022 purchases that meet the eligibility criteria, i.e., 100 % of our total IT equipment purchases. Not all these purchases meet the taxonomy technical criteria requirements, so we are reporting taxonomy alignment on 0,4 % of our new purchases for the year.

As a result, for fiscal year 2022, the share of CapEx eligible for and aligned with the Taxonomy amounts to 41,9 % and 11,7 % of our total consolidated CapEx, respectively, based on €6 787 000 of CapEx eligible for the Taxonomy and €1 902 000 of CapEx aligned with the Taxonomy.

The breakdown of our CapEx KPIs eligible for and aligned with the Taxonomy by economic activity is shown in the tables below:

	ECONOMIC ACTIVITIES		A. ACTIVITIES ELIGIBLE FOR TAXONOMY	A.1 Environ-mentally sustainable activities (aligned with the Taxonomy)	Acquisition and ownership of buildings:	Data processing, hosting and relat-ed activities:	CapEx of environmentally sustainable activities (aligned with the Taxonomy) (A.1)
	Code		–	–	7.7.	8.1.	–
	Absolute CapEx	In T EUR	–	–	1 845	57	1 902
	Proportion of CapEx	%	–	–	11,4 %	0,4 %	11,7 %
SUBSTANTIAL CONTRIBUTION CRITERIA	Climate change mitigation	%	–	–	–	100 %	100 %
	Climate change adaptation	%	–	–	100 %	–	0 %
	Aquatic and marine resources	%	–	–	–	–	0 %
	Circular economy	%	–	–	–	–	0 %
	Pollution	%	–	–	–	–	0 %
	Biodiveristy and ecosystems	%	–	–	–	–	0 %
DNSH CRITERIA ("DOES NOT SIGNIFICANTLY HARM")	Climate change mitigation	Y/N	–	–	Y	n. a.	–
	Climate change adaptation	Y/N	–	–	n. a.	Y	–
	Aquatic and marine resources	Y/N	–	–	n. a.	Y	–
	Circular economy	Y/N	–	–	n. a.	Y	–
	Pollution	Y/N	–	–	n. a.	n. a.	–
	Biodiveristy and ecosystems	Y/N	–	–	n. a.	n. a.	–
	Minimum Safeguards	Y/N	–	–	Y	Y	–
	Taxonomy-aligned proportion of CapEx, year N	%	–	–	**11,4 %**	**0,4 %**	**11,7 %**
	Taxonomy-aligned proportion of CapEx, year N - 1	%	–	–	–	–	–
	Category (enabling activity)	E	–	–	–	–	–
	Category (transition activity)	T	–	–	–	–	–

ECONOMIC ACTIVITIES	Code	Absolute CapEx	Proportion of CapEx	CRITERIA FOR A SUBSTANTIAL CONTRIBUTION					
				Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiveristy and ecosystems
		In T EUR	%	%	%	%	%	%	%
A. ACTIVITIES ELIGIBLE FOR TAXONOMY									
A.2 Taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the Taxonomy)	–	0	0	0 %	0 %	0 %	0 %	0 %	0 %
Acquisition and ownership of buildings	7.7.	2 890	17,8 %	–	–	–	–	–	–
Data processing, hosting and related activities	8.1.	1 995	12,3 %	–	–	–	–	–	–
CapEx of Taxonomy eligible but environmentally unsustainable activities (non-Taxonomy aligned activities) (A.2)	–	4 885	30,2 %	–	–	–	–	–	–
Total CapEx of Taxonomy eligible activities (A1 + A2) = (A)	–	6 787	41,9 %	–	–	–	–	–	–
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY									
CapEx of Taxonomy non-eligible activities (B)	–	9 408	58,1 %	–	–	–	–	–	–
TOTAL (A+B)	–	**16 195**	**100 %**	–	–	–	–	–	–

Taxonomy eligible and aligned operating expenses OpEx

Total operating expenses (OpEx) in the Taxonomy correspond to non-asset costs related to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenses related to the routine maintenance of property, plant, and equipment.

Our assessment of OpEx under this definition leads to the conclusion that these expenses are not material in relation to ESET's consolidated OpEx and our business model. Therefore, we have used the exemption option provided by Article 8 of the Delegated Regulation and have not calculated the share of eligible or aligned OpEx.

The breakdown of our OpEx KPIs eligible for and aligned with the Taxonomy by economic activity is shown in the tables below:

	ECONOMIC ACTIVITIES		A. ACTIVITIES ELIGIBLE FOR TAXONOMY	A.1 Environmentally sustainable activities (aligned with the Taxonomy)	OpEx of environmentally sustainable activities (aligned with the Taxonomy) (A.1)
	Code		–	–	–
	Absolute OpEx	In T EUR	–	–	0
	Proportion of OpEx	%	–	–	0 %
SUBSTANTIAL CONTRIBUTION CRITERIA	Climate change mitigation	%	–	–	0 %
	Climate change adaptation	%	–	–	0 %
	Aquatic and marine resources	%	–	–	0 %
	Circular economy	%	–	–	0 %
	Pollution	%	–	–	0 %
	Biodiveristy and ecosystems	%	–	–	0 %
DNSH CRITERIA ("DOES NOT SIGNIFICANTLY HARM")	Climate change mitigation	Y/N	–	–	–
	Climate change adaptation	Y/N	–	–	–
	Aquatic and marine resources	Y/N	–	–	–
	Circular economy	Y/N	–	–	–
	Pollution	Y/N	–	–	–
	Biodiveristy and ecosystems	Y/N	–	–	–
	Minimum Safeguards	Y/N	–	–	–
	Taxonomy-aligned proportion of OpEx, year N	%	–	–	**0 %**
	Taxonomy-aligned proportion of OpEx, year N - 1	%	–	–	–
	Category (enabling activity)	E	–	–	–
	Category (transition activity)	T	–	–	–

ECONOMIC ACTIVITIES	Code	Absolute OpEx	Proportion of Opex	CRITERIA FOR A SUBSTANTIAL CONTRIBUTION: Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiveristy and ecosystems
		In T EUR	%	%	%	%	%	%	%
A. ACTIVITIES ELIGIBLE FOR TAXONOMY									
A.2 Taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the Taxonomy)									
OpEx of Taxonomy eligible but environmentally unsustainable activities (non-Taxonomy aligned activities) (A.2)	–	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Total OpEx of Taxonomy eligible activities (A1 + A2) = (A)	–	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %
B. ACTIVITIES NOT ELIGIBLE FOR OpEx									
OpEx of Taxonomy non-eligible activities (B)	–	2 399	100 %	0 %	0 %	0 %	0 %	0 %	0 %
TOTAL (A+B)	–	2 399	100 %	0 %	0 %	0 %	0 %	0 %	0 %

6. **ANNEXES**

ANNEX 1: CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT AS OF 31 DECEMBER 2022

ESET, spol. s r.o.

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

For the year ended 31 December 2022

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

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ESET, spol. s r.o.

INDEPENDENT AUDITOR'S REPORT

To the Partners, Supervisory Board and Executives of ESET, spol. s r.o.:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of ESET, spol. s r.o. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and 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 2022, 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.

Responsibilities of Management and Those Charged with Governance for the 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.

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.

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.

As at the issuance date of the auditor's report on the audit of consolidated financial statements, the consolidated annual report was not available to us.

When we obtain the consolidated annual report, we will assess whether the Group's annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the consolidated financial statements, we will express an opinion on whether:

- Information disclosed in the consolidated annual report prepared for 2022 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, we will disclose whether material misstatements were identified in the consolidated annual report based on our understanding of the Group and its position, obtained in the audit of the consolidated financial statements.

Bratislava, 28 April 2023

Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands EUR)

	Note	2022	2021
Revenues from the provision of end-user licences and services	8	600 745	547 513
Services	9	(349 526)	(317 759)
Personnel expenses	10	(146 636)	(127 875)
Depreciation		(11 873)	(11 832)
Impairment losses on trade receivables and contract assets		(2 488)	(2 583)
Other operating (expenses)/income, net		(2 061)	(976)
Profit/loss from the liquidation of a subsidiary	11	(1)	-
Finance income	12	4 879	4 795
Finance costs	13	(1 255)	(1 009)
Profit before tax		91 784	90 274
Income tax	14	(23 567)	(20 953)
PROFIT FOR THE YEAR		**68 217**	**69 321**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translating foreign operations into the reporting currency		*(3 954)*	*(5 743)*
Of which: Foreign exchange differences reclassified to profit or loss – profit/loss from the disposal of a subsidiary		*(17)*	-
Items that may not be reclassified subsequently to profit or loss:			
Gains (+)/losses (-) on the revaluation of defined benefit schemes, net of tax		*5*	-
TOTAL COMPREHENSIVE INCOME		**64 268**	**63 578**
Profit attributable to:			
Owners of the parent company		68 207	69 314
Minority interests		10	7
Total profit for the period		**68 217**	**69 321**
Other comprehensive income attributable to:			
Owners of the parent company		(3 943)	(5 741)
Minority interests		(6)	(2)
Total other comprehensive income for the period		**(3 949)**	**(5 743)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands EUR)

	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	51 360	45 302
Right-of-use assets	23	24 464	26 531
Intangible assets	16	3 559	3 864
Other assets		3 111	3 204
Capitalised costs of obtaining a contract	17	83 912	72 506
Deferred tax asset	21	45 508	62 710
Total non-current assets		**211 914**	**214 117**
CURRENT ASSETS			
Cash and cash equivalents	20	118 400	96 650
Term deposits	20	5 000	-
Trade and other receivables	18	15 551	14 879
Income tax assets		180	75
Capitalised costs of obtaining a contract	17	169 239	159 132
Inventories		339	477
Total current assets		**308 709**	**271 213**
TOTAL ASSETS		**520 623**	**485 330**
EQUITY AND LIABILITIES			
EQUITY			
Registered capital		140	140
Share premium		740	740
Legal reserve fund		166	154
Other capital funds		1 003	693
FX translation reserve		(9 890)	(6 209)
Revaluation reserve – actuarial gains and losses		5	-
Retained earnings		(42 855)	(32 826)
Equity attributable to the owners of the parent company in total		*(50 691)*	*(37 308)*
Minority interest		68	64
Total equity		**(50 623)**	**(37 244)**
NON-CURRENT LIABILITIES			
Deferred income	25	153 259	130 280
Non-current lease liabilities	23	18 900	20 928
Other non-current liabilities		498	439
Provisions for liabilities	24	8 561	7 717
Deferred tax liability	21	35	44
Total non-current liabilities		**181 253**	**159 408**
CURRENT LIABILITIES			
Trade and other payables	22	60 767	56 362
Deferred income	25	320 374	295 586
Current lease liabilities	23	6 550	6 994
Provisions for liabilities	24	1 747	2 235
Current income tax		555	1 989
Total current liabilities		**389 993**	**363 166**
TOTAL EQUITY AND LIABILITIES		**520 623**	**485 330**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands EUR)

	Registered Capital	*Share Premium*	*Legal Reserve Fund*	*Other Capital Funds*	*Foreign Currency Translation Reserve*	*Revaluation Reserve – Actuarial Gains/Losses*	*Retained Earnings*	*Total (Owners of the Parent Company)*	*Minority Interest*	*Total*
Balance at 31 December 2020	140	740	143	414	(533)	-	(24 197)	(23 293)	59	(23 234)
Net profit for the year	-	-	-	-	-	-	69 314	69 314	7	69 321
Allocation to reserves from profit	-	-	11	112	-	-	(123)	-	-	-
Dividends paid	-	-	-	-	-	-	(77 830)	(77 830)	-	(77 830)
Hyperinflationary restatement	-	-	-	167	58	-	17	242	-	242
Other comprehensive income, net	-	-	-	-	(5 734)	-	(7)	(5 741)	(2)	(5 743)
Balance at 31 December 2021	**140**	**740**	**154**	**693**	**(6 209)**	**-**	**(32 826)**	**(37 308)**	**64**	**(37 244)**
Net profit for the year	-	-	-	-	-	-	68 207	68 207	10	68 218
Allocation to reserves from profit	-	-	12	155	-	-	(167)	-	-	-
Dividends paid	-	-	-	-	-	-	(78 164)	(78 164)	-	(78 164)
Hyperinflationary restatement	-	-	-	155	327	-	35	517	-	517
Other items of comprehensive income/loss for the period (actuarial gains/losses)	-	-	-	-	-	5	-	5	-	5
Other comprehensive income, net	-	-	-	-	(4 008)	-	60	(3 948)	(6)	(3 954)
Balance at 31 December 2022	**140**	**740**	**166**	**1 003**	**(9 890)**	**5**	**(42 855)**	**(50 691)**	**68**	**(50 623)**

A minority interest is attributable to a 10% share in ESET Japan Inc. (a subsidiary); the share is held by Canon Marketing Japan Inc.

Hyperinflationary restatement is recognised in accordance with the requirements of IFRS as regards the subsidiary, ESET LATINOAMERICA S.R.L., for individual items of assets, liabilities, equity, expenses and revenues that are measured at ARS due to the hyperinflation in Argentina.

The Group recognises share premium in relation to the acquisition of a subsidiary, ESET, LLC.

Other capital funds comprise cumulative profits/losses of a subsidiary, ESET LATINOAMERICA S.R.L., which are transferred from Retained earnings in compliance with local legislation.

The Group recognises negative equity due to differences between Slovak accounting regulations and IFRS and the fact that historically, the Parent Company paid out dividends based on the comprehensive income recognised in the separate financial statements of the Parent Company.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands EUR, if not stipulated otherwise)

	2022	**2021**
Cash flows from operating activities		
Profit before tax	91 784	90 274
Non-cash transactions affecting profit/loss from ordinary activities before income tax:		
Interest charged to expenses	737	740
Interest charged to income	(866)	(111)
Profit from the sale of assets	(55)	5
Depreciation	11 873	11 832
Provisions for assets	2 488	2 531
Change in expense accruals	(637)	1 393
Change in provisions for liabilities	354	5 721
Foreign exchange differences	(2 637)	(1 611)
Other non-cash items	373	1 922
	103 414	112 696
Effect of changes in working capital		
(Increase)/decrease in inventories	102	38
(Increase)/decrease in trade and other receivables	(5 988)	(11 131)
(Increase)/decrease in capitalised costs of obtaining a contract	(18 200)	(9 825)
Increase/(decrease) in trade and other payables	4 540	5 029
Increase/(decrease) in deferred income*	43 139	22 942
	127 007	119 749
Cash flows from operating activities		
Income tax paid	(6 988)	(21 605)
Interest received	870	108
Interest paid	(741)	(737)
Net cash flows from operating activities	**120 148**	**97 515**
Cash flows from investing activities		
Acquisition of non-current assets	(10 602)	(11 268)
Proceeds from the sale of assets	66	16
Term deposits other than cash and cash equivalents	(5 000)	-
Net cash flows from investing activities	**(15 536)**	**(11 252)**
Cash flows from financing activities		
Expenditures for finance lease	(7 280)	(6 807)
Dividends paid**	(78 164)	(100 161)
Net cash flows from financing activities	**(85 444)**	**(106 968)**
Net increase/(decrease) in cash and cash equivalents	**19 168**	**(20 705)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	96 650	115 555
EFFECT OF FOREIGN EXCHANGE DIFFERENCES	2 582	1 800
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	**118 400**	**96 650**

** Deferred income from contracts with customers comprises contract liabilities.*
*** Paid dividends also include a portion of the dividends approved for payment by the decision of the Management Board of 16 December 2020 in the amount of EUR 23 385 thousand, which were paid on 18 January 2021.*

(in thousands EUR, if not stipulated otherwise)

1. COMPANY'S DESCRIPTION

1.1. General Information

The consolidated financial statements for the year ended 31 December 2022 were prepared by ESET, spol. s r. o. (hereinafter the "Parent Company") and its subsidiaries (together the "Group") in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). The reporting currency of the Group is the euro (EUR). The consolidated financial statements were prepared under the going-concern assumption.

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

The Parent Company was incorporated on 17 September 1992 by registration in the Commercial Register (Commercial Register of the District Court Bratislava I, Section: Sro, Insert No.: 3586/B).

Seat of the Parent Company:

Einsteinova 24
Bratislava
851 01
Identification number (IČO): 31333532
Tax identification number (DIČ): 2020317068
VAT identification number (IČ DPH): SK2020317068

At present, the owners of the Parent Company are the individuals stated below:

Structure of the Registered Capital by the Partners of the Reporting Parent Company

Owners	*Share in Registered Capital*		*Voting Rights*
	EUR ´000	*%*	*%*
Rudolf Hrubý	31	22.000	22.000
Peter Paško	31	22.000	22.000
Miroslav Trnka	32	22.750	22.750
Richard Marko	17	12.125	12.125
Maroš Grund	17	12.125	12.125
Anton Zajac	12	9.000	9.000

Registered capital registered in the Commercial Register: EUR 140 thousand
Registered capital not registered in the Commercial Register: -

Supervisory Board of the Parent Company

On 1 January 2022, the Parent Company fulfilled the conditions stipulated in Article 2 (15) (f) of Act No. 423/2015 Coll. on Statutory Audit and became an entity subject to oversight (large corporation).

Given the fulfilment of the above conditions, the Parent Company became obliged to set up either a supervisory board or an audit committee pursuant to Article 34 (1) of Act No. 423/2015 Coll. on Statutory Audit. The Parent Company fulfilled its obligation and established a supervisory board as of 1 January 2022 composed of the following members:

First Name and Surname	*Position*	*Date of Appointment*
Ing. Matej Bošňák	Chairman of the Supervisory Board	1 January 2022
Ing. Maroš Grund	Member of the Supervisory Board	1 January 2022
RNDr. Anton Zajac	Member of the Supervisory Board	1 January 2022

1.2. Scope of Activities

The Group develops software solutions providing immediate and comprehensive protection against constantly-evolving computer security threats. The Group deals with the development of innovative security solutions focusing on the proactive detection of malware and the protection against computer crime and software piracy. The key products for households are ESET Internet Security, ESET NOD32 Antivirus and ESET Smart Security Premium. The Group offers a range of products in the ESET Protect line to its corporate customers, which are continuously improved to enable customers to utilise their full potential and technology capabilities in a secure digital world. The Group develops security solutions for end-user devices, servers, mobile devices, cloud applications, disk encryption, mail security, and endpoint detection and response to attacks with the ability to control them remotely. The Group operates in the following geographic regions: North and South America; Europe, the Middle East and Africa (hereinafter "EMEA"), Australia and Asia.

1.3. Employees

The number of the Group's employees for the year ended 31 December 2022 was 2 181, of which executive management: 32 (for the year ended 31 December 2021: 1 930, of which executive management: 33).

The Group's full-time equivalent was 2 058 as at 31 December 2022 (for the year ended 31 December 2021: 1 875).

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

2.1. Application of New and Revised International Financial Reporting Standards

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

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

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to various standards due to "Annual Improvements to IFRS Standards (2018 - 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 only relate to an illustrative example, so no effective date is stated.).

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

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by the International Accounting Standards Board (IASB) and adopted by the EU and are not yet effective:

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

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

- **IFRS 17 "Insurance Contracts"** issued by the IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while it is applied. Amendments to IFRS 17 "Insurance Contracts" issued by the IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments introduce simplifications and clarifications of some requirements in the standard and provide additional reliefs when applying IFRS 17 for the first time. The standard was adopted by the EU on 19 November 2021.

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the date of publication of these financial statements:

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current issued by the IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place as at the reporting date. Amendments to IAS 1 issued by the IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies issued by the IASB on 12 February 2021. The amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers when deciding which accounting policies to disclose in their financial statements.

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by the IASB on 6 May 2021. According to the amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and other amendments (the effective date deferred indefinitely until the research project on the equity method has been concluded),

- **IFRS 14 "Regulatory Deferral Accounts"** issued by the IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 issued by the IASB on 25 June 2020. The amendments change the fixed expiry date for the temporary exemption from applying IFRS 9 "Financial Instruments" stated in IFRS 4 "Insurance Contracts" so that entities will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of Accounting

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union (hereinafter the "EU").

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

a) Principles of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and entities controlled by the Parent Company (by its subsidiaries) prepared as at 31 December on an annual basis. Control is achieved when the Parent Company:
- Has power over its investee;
- Has exposure to, or has rights to, variable returns from its participation in the investee; and
- Has the ability to use the power over the investee to affect the amount of investor's returns.

The Parent Company reassesses whether or not it has control over an investee if facts and circumstances indicate that there have been changes to one or more of the three elements of control listed above.

If the Parent Company has less than a majority of the voting rights of an investee, this is considered to be control over the investee if the voting rights are sufficient to acquire the practical ability to unilaterally direct the relevant activities of the investee. When assessing whether the Parent Company's voting rights in an investee are sufficient to gain control, the Parent Company considers all relevant facts and circumstances, including:
- The extent of the voting rights of the Parent Company in relation to the extent and scope of holdings of other holders of voting rights;
- Potential voting rights of the Parent Company, other holders of voting rights or other parties;
- Rights resulting from other contractual arrangements and any other facts and circumstances indicating whether or not the Parent Company has the current ability to direct the relevant activities at the time a decision has to be made or not.

Consolidation of a subsidiary begins as of the moment the Parent Company obtains control over the subsidiary and ceases as of the moment the Parent Company loses control over the subsidiary. In particular, the results of subsidiaries generated during the year are included in profit or loss from the date on which the Parent Company gains control until the date on which the Parent Company ceases to control the subsidiary.

Adjustments to the financial statements of subsidiaries are made, if necessary, so that the accounting principles used are in line with the Group's accounting principles.

All intragroup assets and liabilities, equity, revenues, expenses and cash flows relating to transactions among the Group's members are eliminated upon consolidation.

The Parent Company presents non-controlling interests in the consolidated statement of financial position in equity, separately from the equity of the Parent Company's owners. Interests of non-controlling shareholders, which are present ownership interests and entitle their holders to a proportionate share of net assets of the subsidiary upon liquidation, may initially be measured at fair value or at the current proportionate share of ownership instruments recognised in the amounts of identifiable net assets of an acquiree. The choice of measurement method is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequently, non-controlling interests are adjusted for the non-controlling interests' share of subsequent changes in the equity of the subsidiary.

Profit or loss and all components of other comprehensive income are attributed to the owners of the Parent Company and to non-controlling interests. The total comprehensive income of the subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a negative balance.

Changes in the Parent Company's interests in subsidiaries that do not result in a loss of control are accounted for by the Parent Company as equity transactions. The carrying amount of the Parent Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the company's owners.

If the Parent Company loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to such a subsidiary are derecognised as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date of loss of control is regarded as the fair value upon initial recognition for subsequent recognition under IFRS 9 when applicable, or as the cost upon initial recognition of an investment in an associate or a joint venture.

b) Business Combinations

Subsidiaries

Those business undertakings in which ESET spol. s r.o., directly or indirectly, has an ownership interest of usually higher than one half of the voting rights or otherwise controls the operations are considered subsidiary undertakings (subsidiaries) and have been fully consolidated. Subsidiaries are consolidated as of the date on which ESET spol. s r.o. acquires control and are no longer consolidated as of the date when such control ceases.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

If the consideration transferred by the Group in a business combination includes contingent considerations, the contingent considerations are measured at their fair value at the acquisition date and are included as part of the consideration transferred in the business combination. Changes to the fair value of a contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that arise due to additional information obtained during the measurement period (which may not be longer than one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. A contingent consideration classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent considerations are remeasured to fair value at subsequent reporting dates and changes in fair value are recognised in profit or loss.

c) Goodwill

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

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

The Group assesses indicators of an impairment of goodwill annually, or more frequently when there is an indication that the goodwill may be impaired. When assessing impairment of goodwill, the Group assesses the following indicators:

- Negative development in the industry;
- Decrease in the market value; and
- Growth of sales slower than estimated.

For the purpose of impairment testing, goodwill is allocated to all cash-generating units ("CGU") expected to benefit from the synergies of the business combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently if there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is initially allocated to reduce the carrying amount of any goodwill allocated to the CGU and subsequently to the other assets of the CGU pro-rata on the basis of the carrying amount of such assets.

Any impairment loss for goodwill is recognised directly in comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods. Upon disposal of a CGU, the amount of goodwill is included in the determination of the profit or loss on disposal.

d) Financial Instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group as a contractual party is subject to the provisions concerning the given financial instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not include a significant financing component and are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value with changes recognised through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Compensation of financial assets and financial liabilities

Licenses are sold both directly and indirectly. Direct sales are mainly made via the ESET website to end customers. Indirect sales are mainly made via independent distributors and resellers, who make the majority of total sales. For indirect sales, receivables from the fulfilment of contracts with customers and payables to distributors and sellers are recognised on a net basis as receivables from or payables to distributors and sellers where this has been contractually agreed. The settlement of receivables and payables on a net basis is agreed with selected distributors and sellers in distribution contracts.

If the Group satisfies its obligation of contract performance by transferring the software use rights during the specified period to a customer before the maturity of the receivable, the contract claim for a consideration is recognised by the Group as a contract asset. In accordance with IAS 32, the Group offsets contract assets against liabilities to distributors and sellers (liabilities representing compensation for activities performed by distributors and sellers). Even though contract assets constitute a contractual claim against end customers and liabilities represent a performance obligation towards distributors and sellers, their settlement on a net basis is contractually agreed upon in distribution contracts with distributors and sellers.

The Group only undertakes compensation if it currently has the legally enforceable right to compensate the recognised amounts and the intention to either settle the asset and the liability on a net basis, or realise the asset and settle the liability simultaneously.

During the current and immediately preceding reporting periods, the Group primarily recognised the following financial instruments:

- Trade receivables (see Note 3.1 (e))
- Cash and cash equivalents (see Note 3.1 (i))
- Foreign exchange gains and losses (see Note 3.1 (q))

e) Trade Receivables

Trade receivables (which do not comprise a significant financing component) are measured at the transaction price upon the initial recognition and subsequently at amortised costs, less a provision for debtors in bankruptcy or restructuring proceedings and less a provision for doubtful and uncollectible overdue receivables where there is a risk that the debtor will not pay them fully or partially.

The Group only recognises receivables which represent an unconditional right to a consideration. Receivables are recognised when an unconditional amount of the consideration is enforceable or falls due. Consideration is deemed enforceable before the maturity of the receivable if the Group satisfied its contractual performance obligation by transferring the software use rights during a part of the contract period to a customer. In such a case, the contract claim to a consideration is recognised as a contract asset. Subsequently, when the maturity date is reached, the contract asset is reclassified as a receivable, unless a consideration was paid by the customer.

The Group applies an expected credit loss model when assessing provisions for financial assets. The simplified approach is based on the use of a matrix for the calculation of provisions that determines the extent of impairment for groups of receivables based on the number of days until their settlement. The historical loss rate applied in the calculation of provisions also reflects forward looking information.

When assessing the provision for expected credit loss on financial assets in line with IFRS 9 Financial Instruments, the Group classified the respective portion of trade and other receivables recognised as current assets into three levels. The Group defines the individual levels in line with IFRS 9 Financial Instruments as follows:

- Level 1: Other receivables for which the Group takes into account expected credit losses over the next 12 months and does not record higher credit risk

- Level 2: Other receivables for which the Group records significantly higher credit risk and all trade receivables for which it takes into account life time expected credit losses

- Level 3: Trade and other receivables where there is objective proof of their impairment

When categorising financial assets into individual levels, the Group primarily monitors the status of overdue trade and other receivables and the solvency of its business partners in default (creation of a general provision for assets). The Group also takes into account extraordinary events which are significant for the classification of trade and other receivables into individual levels (creation of a specific provision for assets). For the Group, extraordinary events include, e.g. court decisions in pending legal disputes, significant events in international politics and other unforeseen events which have a material impact on the maturity or recoverability of the Group's trade and other receivables.

Additional information on the applied expected credit loss model (ECL model) are presented in Note 18.2 Expected Credit Losses.

f) Property, Plant and Equipment and Non-current Intangible Assets

Property, plant and equipment and non-current intangible assets (hereinafter "Non-current Assets") are recognised at cost less accumulated depreciation and amortisation, and accumulated impairment losses. Cost includes all expenses directly attributable to placing the Non-current Assets into service for their intended purpose.

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at fair value as at the acquisition date. Subsequently, they are recognised at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets acquired separately.

Items of non-current tangible and intangible assets that are worn out or disposed of for another reason are derecognised from the statement of financial position at the net book value. Any gain or loss resulting from such wear and tear or disposal is recognised in the statement of comprehensive income.

All items of property, plant and equipment are depreciated using the straight-line method based on the asset's estimated useful life. Land is not depreciated. The depreciation of assets begins when the assets are ready for their intended use. Depreciation charges are recognised in the income statement so that non-current assets are depreciated over the remaining useful life up to the amount of the estimated residual value. The useful lives of non-current assets applied in 2022 can be summarised as follows:

	Estimated Useful Lives in Years	***Depreciation Method***
Software	1.01 – 10	Straight-line
Structures and technical improvements of premises	The shorter of the useful life and the expiration of the lease contract	Straight-line
Fixtures and fittings	5 – 15	Straight-line
Plant and machinery	2 – 8	Straight-line
Transportation means	6	Straight-line

During the reporting period, the Group reassessed the estimated useful lives of non-current assets and concluded that the depreciation/amortisation rate as stated in the table above was more appropriate for these asset groups. As a result of the transition to a new asset records module and the transition of the Parent Company to bookkeeping under IFRS from 1 January 2022, the Group also unified the depreciation/amortisation period and capitalisation limits for non-current tangible and intangible assets.

The estimated useful lives, net book values and the depreciation method are reviewed at the end of each reporting period, and the effect of changes, if any, in estimates is recognised on a prospective basis.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the right-of-use assets.

Non-current intangible assets with a cost of EUR 2 400 or less are recognised in expenses in the reporting period in which they are placed into service. Such assets are kept in sub-ledger records.

Non-current tangible assets (except for IT assets – see paragraph below) with a cost of EUR 1 700 or less are expensed when placed into service.

IT assets with a cost of EUR 500 or less are expensed when placed into service. Computers, laptops, mobile phones and monitors are capitalised by the Group regardless of their cost.

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

Expenditures relating to an item of non-current assets after being placed into service increase the carrying amount of the asset when the Group may expect future economic benefits, in excess of the original assessed standard of performance. All other expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

g) Research and Development

Research costs are recognised directly in expenses in the reporting period in which they were incurred. Development expenses for software products are recognised in expenses (Services) in the actual amount, unless they meet the capitalisation criteria under IAS 38. R&D expenses include salaries and benefits of researchers, supplies and other expenses incurred in connection with R&D work. The Group undertakes R&D continuously. R&D results tend to have a short useful life without further development and continuous improvement. When R&D expenses are incurred, it is generally not possible to determine the possibility of the technical completion of the development for its use and sale. For a portion of development expenses for minor or major upgrades or other changes to software functions, the criteria are not met as the product's design or functionalities are not substantially new. Such expenses are therefore recognised as an expense in the consolidated statement of comprehensive income when incurred.

Based on criteria under IAS 38, the Group did not capitalise any development costs incurred in the current or immediately preceding reporting periods.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials and other inventories includes the acquisition price and the related incidental costs, and the cost of inventories developed internally includes raw materials, other direct costs and production overheads.

i) Cash, Cash Equivalents and Term Deposits

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

The Group presents term deposits with a maturity of 6 months as current financial assets, separately from cash and cash equivalents.

Cash, cash equivalents and term deposits are subject to the assessment of input parameters for the expected credit losses (ECL model) under IFRS 9 Financial Instruments (see Note 20).

j) Provisions for Liabilities

A provision is recognised when the Group has a present obligation (legal or constructive non-contractual) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are re-assessed at each reporting date and are adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation; these expenditures are determined using the estimated risk-free interest rate as a discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

k) Revenues from Contracts with Customers

The Group recognises revenue from the provision of software resulting mainly from licence fees and support services under contractual arrangements with end users.

The Parent Company provides end customers and partners in Slovakia, and partners in the EMEA region, APAC, Brazil and South Africa with the right to use the antivirus software. Eset Software spol. s r.o. (subsidiary) has concluded an agreement with the Parent Company on the distribution of products in the Czech Republic. ESET, LLC. (subsidiary) distributes ESET products primarily in the USA and the LATAM region (except for Brazil). ESET Deutschland GmbH (subsidiary) distributes products on the German, Austrian, Swiss and Croatian markets. ESET Software Australia, PTY, Ltd. (subsidiary) undertakes distribution activities in Australia and ESET ASIA primarily in the APAC region. ESET Software UK Limited (subsidiary) distributes products in the UK and Malta. ESET Canada Inc. (subsidiary) undertakes distribution activities on the Canadian market. ESET ITALIA S.r.l. (subsidiary) undertakes distribution activities on the Italian market.

Sales are made directly or indirectly. The direct sales are mainly represented by Internet sales via the ESET website to end customers. Indirect sales are mainly made through independent distributors and resellers who contribute to total sales in the greatest extent.

The Group sells its product through intermediaries such as distributors, resellers and others. The top ten distributors accounted for 40% of total sales in 2022 and 41% of sales in 2021.

Based on a detailed analysis of contractual arrangements, rights and obligations of all members of the distribution chain, the Group applies the gross revenue recognition method. During the contract period, the Group recognises revenues in the amount paid by end users for ESET products and services carried out by Group distributors and resellers or directly the Group via direct channels. Compensation for activities performed by distributors and resellers is a distribution network margin, which is initially capitalised as the cost of contract acquisition and amortised in costs over the term of the licence in proportion to the amount of recognised licencing revenues.

The cost of contract acquisition is related to the commissions paid to distributors and resellers for the acquisition of licence agreements with end customers. Distribution commissions are expenses that the Group would not incur if the contract were not acquired. The Group also incurs other costs necessary to make sales, but these costs would be incurred even if the customer chose not to conclude the contract and would therefore not be capitalised.

The Group as a member of the ESET Technology Alliance also sells products of other companies. In this case, the Group acts as an agent and recognises revenues in the amount of the portion of the consideration received from the end customer which belongs to the Group for its services as an agent. Compensation for the activities performed by distributors and resellers when selling products of other companies is recognised in expenses.

The Group **recognises revenues from the provision of licences to use the antivirus software and associated support services** as follows: each customer is required to pay a fee for the right to use the software during a specified period. Revenue is recognized on accruals basis over the licence term from the moment of licence activation by the end customer. In addition to revenues from the sale of antivirus software, the Group also recognises revenues from the sale of encryption software. When analysing such revenues, the Group identified two primary contractual performance obligations which were measured by the Group separately using the five-step model under IFRS 15. The first performance obligation represents delivery of an encryption key used by a customer to secure their end-user devices. The Group recognises this portion of revenue as a lump sum at the moment of the sale to the end customer. The second performance obligation of the contract includes support and maintenance provided to the end customer over a specified period. The revenue from such performance is recognised on accruals basis over the specified period. Revenues from the sale of third-party products - members of the ESET Technology Alliance are recognised as a lump-sum at the moment of a sale to an end customer or business partner. In the current year, the corresponding amount of revenue is recognised as "revenue from the provision of end user licences and services" in the consolidated statement of comprehensive income.

If the customer pays the consideration or the receivable is due before the Group grants the customer the right to use the software for a specified period, the Group presents the contract as a contract liability. Initial recognition takes place when the payment is made or the receivable is due, whichever occurs first. A contract liability is the Group's obligation to transfer to the customer the right to use the software for a specified period, for which the Group has received consideration from the customer, or such consideration is due. The Group recognises contract liabilities in the line Deferred income in the consolidated statement of financial position.

The Group also distributes license products in the form of registration keys and a series of registration keys - batches, in case of which a time mismatch occurs between the distributor's billing and activation by the end-user. At the moment of receipt of consideration from the distributor, or at the moment the distributor's invoice becomes due (whichever occurs first), the Group incurs a contract liability, which it recognises in deferred income. At the moment of licence activation by the end user, the Group recognises revenue which is deferred over the licence validity term.

If a prepaid batch of registration keys is not refundable, the Group proceeds as follows: The generated revenue attributable to the sold and non-activated registration keys is estimated by the Group based on the historical development of the activation of licenses from the respective batch. Such revenue is recognised by the Group over the term of a contractual liability in individual reporting periods. Significant differences may arise in the amount and timing of revenues for a certain period if management applies different judgments or different estimates. Such estimates impact the "Deferred income" in the consolidated statement of financial position and the "Revenues from the provision of end user licences and services" in the consolidated statement of comprehensive income. The Group individually assesses the recognition of revenues for refundable batches. The Group continuously estimates revenues from unactivated licence keys, which are adjusted on a monthly basis by the actual amount of activated or refunded licence keys.

Primarily in the NORAM region, the Group uses another type of prepaid batch of registration keys for sale via a consignment warehouse. Supplied licence keys are invoiced when sold by the distributor to the end customer. Given the high level of activations by end customers shortly after the distributor's invoicing, revenues from non-activated registration keys are recognised at the end of the contractual liability.

End users may return ESET products, subject to limitations, via distributors and resellers or may ask the ESET Group directly for a refund within a reasonably short period from the date of purchase. The Group estimates the amount of a refund liability based on historical experience. The Group considers the amount of a refund liability to be immaterial, and as a result, it did not recognise this liability as at 31 December 2022 and 31 December 2021.

The Group has identified the main types of contract modifications and recognises revenues in accordance with IFRS 15 requirements. The main types of contract modifications over the contract term include the extension of the license validity term, addition or reduction of requirements, products and services, when the Group accounts for a contract modification on a prospective basis. In the event of a price change or product return by an agreed time limit, the Group cumulatively adjusts recognised revenues. If a contract modification is made after the termination of a contract's validity, the Group recognises such contract modification as a separate contract.

l) Mandatory Social Insurance and Pension Security

The Group is required to make contributions to various mandatory government insurance schemes, together with contributions by employees. Social security expenses are charged to the consolidated statement of comprehensive income in the same period as the related wages and salaries.

m) Short-term and Long-term Employee Benefits

The Group recognises all forms of consideration provided by the Group in exchange for services rendered by employees, or for termination of employment, as employee benefit obligations. These liabilities are recognised in the period in which the Group received the services provided by the employees.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Estimated employee benefit obligations are included in the line Provisions for liabilities in the consolidated statement of financial position.

With effect from 1 August 2022, the Group created a new long-term employee benefit scheme in the US. The scheme complies with the definition of Other long-term employee benefits under IAS 19. The scheme is defined as a non-qualified deferred compensation plan, which allows a selected group of management and highly compensated employees to defer compensation payments on a pre-tax basis and accumulate payments to be taxed in future periods. The Group has a contractual obligation to employees registered in the scheme and has established a separate investment plan to match the obligation, which includes life insurance and other investments.

Responsibility for scheme governance – including investment decisions and contribution schedule – lies jointly with the Group and the Board of trustees. The Board of trustees must be composed of Group representatives and scheme participants in line with the scheme rules.

As at 31 December 2022, 8 employees were registered in the scheme.

n) Leases

The Group applies the IFRS 16 when assessing leases. The Group assesses whether a contract contains a lease at the inception of the contract. The Group acts as a lessee for all existing lease contracts. In respect of leases, the lessee recognises a right-of-use asset (lease asset) and the related lease liability. Each lease payment is divided into the payment of a lease liability and the accrued financial interest expense. Finance costs are recognised directly through profit or loss over the lease term. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the assets, or the lease term.

Payments for short-term lease contracts, lease contracts for low-value assets and lease contracts for other assets excluded from the scope of IFRS 16 due to materiality are recognised on a straight-line basis over the lease term as an expense of the current year included in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise leases of assets with a value of up to EUR 5 thousand, such as printers, coffee machines and water dispenser stands.

Upon the initial application of IFRS 16, the Group applied the following practical expedients which continue to affect the measurement of lease liabilities as recognised in the consolidated statement of financial position:

- Application of a single discount rate for the entire portfolio of leases with similar characteristics;
- Measurement of a lease asset in the amount of a lease liability adjusted for prepaid or accrued lease payments and incentives from the lessor;
- Recognition of operating leases with a residual lease term of less than 12 months as at 1 January 2019 as short-term;
- Exclusion of the initial direct costs for the measurement of right-of-use assets (lease asset) at the date of initial application;

- Use of an initial assessment of the lease term applied as at 1 January 2019 if the contract contains options to extend or to terminate the lease. The initial assessment of the lease term was applied if there was no change in the assessment (significant event within the control of the lessee affecting the initial assessment), revision of the assessment (exercise of an initially unconsidered option or non-exercise of an initially considered option) or a contract modification.

Practical expedients applied at the initial application of IFRS 16 have an impact on the reported financial results and financial position also in 2022.

Lease assets and lease liabilities are primarily measured at their present values. The present value of lease liabilities comprises:
- Fixed payments less any lease incentives receivable;
- Variable lease payments (based on an index);
- The exercise price of an option to extend the lease (if reasonably certain);
- Penalties for early termination (if reasonably certain);
- Amounts payable under residual value guarantees.

Variable lease payments that do not depend on an index or rate are not included in the measurement of a lease liability and right-of-use assets. The related payments are recognised as an expense in the relevant period on an accrual basis and are included in the line "Services" in the consolidated statement of comprehensive income.

As a practical expedient, IFRS 16 permits a lessee to not separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group applied the above practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group includes fixed payments and variable payments (based on an index) in additional lease or non-lease components when measuring a lease liability.

Lease payments are discounted using a weighted average interest rate, which is the interest rate that the lessee would have to pay if it had to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment under similar conditions.

Lease liabilities are presented by the Group as Non-current lease liabilities and Current lease liabilities in the consolidated statement of financial position. Subsequently, lease liabilities are measured by increasing the carrying amount by interest expense (reflecting the effective interest rate) and reducing the carrying amount by lease payments made.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) if:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change to the assessment of the exercise of a purchase option. In such a case, the lease liability is measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or changes to expected payments under a guaranteed residual value. In such a case, the lease liability is measured by discounting the revised lease payments using an unchanged discount rate (unless the change to the lease payments is due to a change in a floating interest rate, in which case a revised discount rate is applied).
- A lease contract is modified and the lease modification is not accounted for as a separate lease. In such a case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If the Group assesses in line with IFRS 16 that a lease contract modification represents a separate lease, the existing lease liability is not remeasured, instead a lease liability and right-of-use assets arising from such a modification are measured in the same manner as a new contract comprising a lease.

During 2022, the Group presented modifications of lease contracts in line with the above procedure.

Right-of-use assets are initially measured at cost, which comprises:
- The amount of the initial measurement of a lease liability;
- Initial direct costs;
- Lease payments less lease incentives before the commencement date of a lease;
- An estimate of disposal costs/restoration costs.

(in thousands EUR, if not stipulated otherwise)

o) Income Tax

Income taxes of the Parent Company are calculated on accounting profit as determined under Slovak accounting procedures after adjustments for certain items for taxation purposes using the income tax rate of 21%. Subsidiaries' income taxes are calculated on accounting profit as determined under accounting procedures effective in the subsidiary's country of domicile using the income tax rate valid in the respective country.

When calculating its tax base, as of 1 January 2022, the Parent Company changed the method of including revenues from the provision of user licences and services ("Revenues") and costs of contract acquisition ("Costs") into the tax base.

The Parent Company began accruing its revenues from the provision of licences to its customers to calculate the tax base under SAS over the licence provision term. Deferred income (under SAS) documentably taxed in the previous periods will not be included in the tax base in current/future taxation periods to prevent double taxation of the same income in breach of Act No. 595/2003 Coll. on Income Tax.

By analogy, deferred expenses (under SAS) which relate to contract acquisition and were a tax expense in the previous periods are not repeatedly included in the tax base (to prevent double deduction of expenses).

In line with a change to the taxation of revenues and costs, the Parent Company also changed the taxation of impacts resulting from the evening up of foreign related distributors (transfer pricing).

The Group recognises an estimated income tax liability where the determination of a tax liability is uncertain, but it is likely that there will be an outflow of funds to the tax office in the future. Provisions for liabilities are measured at the best estimate of the amount that the Group expects will be payable to the tax office. Such an assessment is based on the judgment of the Group's tax experts and on previous experience with such activities, and in some cases on the advice of an independent specialist tax advisor.

p) Deferred Tax

Deferred income tax is recognised, using the liability method, for all temporary differences arising between the net tax value and the net book value of assets and liabilities. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is expected to be realised or the liability settled. Deferred tax is recognised in the consolidated statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recognised in equity.

The valid income tax rates are as follows:

Country	***2023***	***2022***	***2021***
Slovakia	21%	21%	21%
USA – federal tax	21%	21%	21%
– California state tax (effective tax rate – **0.95%** in FY22, **0.86%** in FY21)	8.84%	8.84%	8.84%
Czech Republic	19%	19%	19%
Argentina	30%	30%	30%
Singapore	17%	17%	17%
Poland	19%	19%	19%
Germany	31.58%	31.58%	31.58%
UK*	19% / 25% *	19%	19%
Canada	26.5%	26.5%	26.5%
Australia	25%	25%	26% **
Brazil***	24%	24%	24%
Romania	16%	16%	16%
Mexico	30%	30%	30%
Italy****	27.9%	27.9%	27.9%
Japan	23.2%	23.2%	23.2%

** For the taxation period until 31 March 2023, the applicable tax rate is 19%. For the taxation period from 1 April 2023, the applicable tax rate is 25%.*
*** Tax rate applicable to the taxation period from 1 July 2020 to 30 June 2021. For the taxation period from 1 July 2021 to 30 June 2022, the applicable tax rate is 25%.*
**** In addition to the statutory corporate income tax rate of 15%, a 10% tax is applied to annual income exceeding BRL 240 000 and 9% social security income tax applied on adjusted net income (20% for financial institutions).*
***** Italian legal entities are subject to corporate income tax of 24% and a regional production tax of 3.9%.*

Major temporary differences arise as a result of differences between the carrying amount and tax value of deferred income and capitalised costs of obtaining a contract. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising on financial investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be realised in the foreseeable future.

The Group offsets deferred tax assets and deferred tax liabilities if there is a legal right to offset current tax assets against current tax liabilities and these deferred tax assets and deferred tax liabilities are related to income taxes collected by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

q) Transactions in Foreign Currencies

Assets and liabilities denominated in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank (hereinafter the "ECB") on the date preceding the transaction date and also on the reporting date. Advances received and made in a foreign currency are not translated as at the reporting date. For foreign currency purchases and sales in euros, and upon transfers of funds from the account established in a foreign currency to the account established in euros and from the account established in euros to the account established in a foreign currency, the exchange rates at which these amounts were purchased or sold were applied. If the sale or purchase is not performed with a commercial bank, the reference exchange rate determined and announced by the ECB on the date preceding the transaction settlement date is used.

Foreign exchange gains and losses are presented on a net basis and recognised as profit or loss in the consolidated statement of comprehensive income, except for foreign exchange gains and losses from financial instruments which are measured at fair value through profit or loss in line with IFRS 9 Financial Instruments.

On consolidation, the assets and liabilities of foreign subsidiaries are translated at the ECB exchange rates prevailing on the reporting date. Revenues and expenses are translated at the average exchange rates for the relevant period. Goodwill and fair value adjustments resulting from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are also translated at the ECB's exchange rate valid at the reporting date. Foreign exchange differences, if any, are included in equity classified as foreign exchange translation reserve. Such reserve is dissolved in the consolidated statement of comprehensive income as at the moment the financial investment in a subsidiary is disposed of.

Expenses and revenues, items of assets, liabilities and equity of foreign subsidiaries in a functional currency which is hyperinflationary are translated using the ECB's rate prevailing as at the reporting date. Resulting differences from the consolidation of capital are included in equity as retained earnings or accumulated loss from previous years.

4. CHANGES IN ACCOUNTING PRINCIPLES AND METHODS

There were no changes to the Group's accounting principles and methods during the reporting period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- The Group regularly reviews the collectability and creditworthiness of its distributors and resellers to determine an appropriate provision for receivables. The uncollectible accounts could exceed the current or future provisions. Receivables are written off on a case by case basis, considering the probability whether and to what extent the amounts can be collected. As at 31 December 2022, the provision for receivables and the provision for contract assets amounted to EUR 6 882 thousand and EUR 920 thousand, respectively. As at 31 December 2021, the provision for receivables and the provision for contract assets amounted to EUR 5 227 thousand and EUR 0, respectively.

- The Group applies accounting policy relating to deferred income over the licence validity period in accordance with IFRS. Given the comprehensiveness of the portfolio and the number of active licences, the Group determines some revenues from licences related to non-refundable prepaid batches of registration keys (as described in Note 3.1 k), which are deferred using estimates. A change in judgments used to calculate these estimates could have a material impact on the financial statements. Other information related to revenue recognition in the Group is stated in Note 3.1 k) Revenue from contracts with customers.

- The Group determines the lease term as a non-terminable lease term together with the periods covered by the option to extend the lease when it is reasonably likely that they will be exercised, or periods to which the option to terminate the lease applies, when it is reasonably certain that the Group will not exercise this option. The Group has a number of lease contracts that include an option to extend or terminate contracts. The Group exercises judgment when assessing whether it is reasonably certain that the Group will or will not exercise an option to extend or terminate a lease. This means that the Group takes into account all relevant economic incentives when assessing the possibility of exercising an option to extend or terminate a lease. After the inception date of a lease, the Group reassesses the lease term when a significant event or change in circumstances occurs that is under its control and that will impact its ability to exercise or not exercise an option to extend or terminate a lease.

- Under IFRS 16, lease liabilities are measured at the present value of future lease payments discounted using the weighted average of the lessee's incremental borrowing rate. Given that the implicit interest rate of a lease cannot be readily determined, the Group applied the incremental borrowing rate to the entire lease contract portfolio based on their lease term. The incremental borrowing rate is the rate the Group would pay if it borrowed the funds necessary to acquire right-of-use assets with a similar value as right-of-use assets recognised at 31 December 2022 in a similar economic environment, under similar conditions, with similar collateral. Based on the above, the Group applied the estimate when determining the incremental borrowing rate, as it takes into account the interest rate the Group would have applied and would have to pay if it had to obtain funds necessary to acquire right-of-use assets.

- The reported goodwill is tested for impairment annually by the Group. An impairment exists when the carrying amount of assets, or of a cash generated unit (CGU), exceeds their recoverable amount, which is the higher of their fair value reduced by costs of sale, and value in use. Fair value reduced by costs of sale is calculated from available data on binding sale transactions undertaken under standard market conditions for similar assets, or observable market prices reduced by additional costs of sale of an asset. The calculation of value in use is based on a model of the present value of future cash flows ("DCF model"). Cash flows are derived from the budget for the next three years and do not include major future investments which increase the output of assets of the tested CGU. The recoverable amount is sensitive to the discount rate used for the DCF model and to expected future cash inflows and the growth rate used for extrapolation purposes.

  The Group allocates goodwill recognised from the acquisition of a subsidiary, ESET SOFTWARE UK Limited, and goodwill recognised by a subsidiary, ESET Deutschland GmbH, to CGUs, which represent the business activities of these subsidiaries. As at 31 December 2022, the Group determined the recoverable amount of CGUs using an EBITDA multiplier. The EBITDA multiplier was determined by an expert in Economics and Management and Industrial Property based on the adjusted industrial average of companies whose nature of activities and service portfolio were very similar to the business activities of the subsidiaries defined as CGUs. As the EBITDA multiplier value has a significant impact on the determination of the recoverable amount of the respective CGUs and the result of impairment testing, the Group performed a sensitivity analysis of the recoverable amount to a change in the EBITDA multiplier (see Note 16 Intangible Assets).

- The costs of long-term employee benefits are measured at their present value using actuarial estimates. Actuarial estimates include various assumptions which may differ from the actual future development. These assumptions include determining the discount rate, future increases of salaries, employee turnover and the estimated time of retirement. Given the complexity of the measurement and its long-term nature, the amount of the employee benefit obligation is very sensitive to changes in such assumptions. All assumptions are reassessed at each reporting date.

  The discount rate is the parameter that is most subject to change. When determining the appropriate discount rate, management takes into account interest rates on corporate bonds in the currencies corresponding to the currencies of the employee benefit obligations. In countries with no active market for corporate bonds, bank bond rates are taken into account. Discount rates correspond to the estimated time for the settlement of employee benefit obligations.

(in thousands EUR, if not stipulated otherwise)

6. GROUP STRUCTURE

Consolidated Subsidiaries

The consolidated subsidiaries as at 31 December 2022:

Name	***Seat***	***Ownership Share %***		***Principal activity***
Subsidiaries		***2022***	***2021***	
ESET, LLC	610 West Ash Street, Suite 1700, San Diego, CA 92101, USA	100%	100%	Antivirus software distributor
ESET Canada Recherche Inc.	473, Rue Sainte-Catherine Quest, Bureau 300, Montreal QC, H3B 1B1, Canada	100%	100%	Research and development
ESET Canada Inc.	44 Chipman Hill Suite 1000, Saint John NB, E2L 2A9, Canada	100%	100%	Antivirus software distributor
ESET Deutschland GmbH	Spitzweidenweg 32, 07743 Jena, Germany	100%	100%	Antivirus software distributor
ESET software spol. s r.o.	Praha 7 - Classic 7 Business Park, Jankovcova 1037/49, 170 00 Prague 7, Czech Republic	100%	100%	Antivirus software distributor
ESET Research Czech Republic s.r.o.	Palachovo náměstí 799/5, Starý Lískovec, 625 00 Brno, Czech Republic	100%	100%	Research and development
ESET Polska Sp. z o.o.	Jasnogórska 9, 31 – 358 Kraków, Poland	100%	100%	Research and development
ESET SOFTWARE UK Limited	3th Floor Ocean 80, Holdenhurst Road, Bournemouth, BH8 8AQ, United Kingdom	100%	100%	Antivirus software distributor
PGNB Limited (1)	3th Floor Ocean 80, Holdenhurst Road, Bournemouth, BH8 8AQ, United Kingdom	-	100%	(2)
ESET RESEARCH UK Limited	3 Heron Gate Office Park, Hankridge Way, Taunton, Somerset, TA1 2LR, United Kingdom	100%	100%	Research and development
ESET Romania S.R.L. (3)	Strada Palas Nr. 7D-7E, Cladirea United Business Center 3 (Corp C2), Etaj 2, Spatiul C2S9, Municipiul Iași, Judet Iași, Romania	100%	100%	Research and development
ESET ITALIA S.r.l.	Via Campo Lodigiano 3, 20122 Milan, Italy	100%	100%	Antivirus software distributor
Nadácia ESET	Einsteinova 24, 851 01 Bratislava, Slovak Republic	100%	100%	Foundation
ESET ASIA PTE. LTD.	3 Anson Road, Springleaf Tower #12-01/02, Singapore 079909, Singapore	100%	100%	Service provider + Antivirus software distributor
ESET Software Australia, PTY, LTD.	Level 20, 111 Pacific Highway, North Sydney NSW 2060, Sydney, Australia	100%	100%	Antivirus software distributor
ESET Japan Inc. (4)	2-16-4 Konan, Minato-ku, Tokyo 108-0075, Japan	90%	90%	Service provider
ESET LATINOAMERICA S.R.L. (5)	1270 Juan Diaz de Solis, 2nd Floor, Vicente Lopez, Buenos Aires CP: B1638BHF, Argentina	100%	100%	Service provider
ESET DO BRASIL MARKETING LTDA (6)	Rua Verbo Divino, 2.001, Cjts 1407/1410, Chácara Santo Antônio, São Paulo / SP – Brazil, Zip 04.719-002	100%	100%	Service provider
ESET MÉXICO S. de R.L. de C.V. (7)	Av. Paseo de la Reforma 250 – Office 981 A-B-C-D-, Colonia Juárez, Delegación Cuauhtémoc, Ciudad de México, Mexiko	100%	100%	Service provider

(1) In November 2021, an application was filed for a voluntary deletion of PGNB Limited from the Companies Register. PGNB Limited was deleted from the Companies Register on 19 April 2022.
(2) PGNB Limited carried out no business activities in 2022.
(3) 99.9963% of the shares are held by ESET, spol. s r.o. and 0.0037% are held by ESET Research Czech Republic s.r.o.
(4) 90% of the shares are held by the Parent Company and the remaining 10% are held by Canon Marketing Japan Inc.
(5) 90% of the shares are held by ESET, LLC and the remaining 10% are held by the Parent Company.

(in thousands EUR, if not stipulated otherwise)

(6) 90% of the shares are held by the Parent Company and the remaining 10% are held by ESET, LLC.
(7) 90% of the shares are held by the Parent Company and the remaining 10% are held by ESET, LLC.

PGNB Limited carried out no business activities in 2021. In 2021, the Group began the liquidation of PGNB Limited. PGNB Limited was deleted from the Companies Register in the United Kingdom on 19 April 2022.

7. ACQUISITION OF A BUSINESS

The Group acquired no investments in subsidiaries in 2022 and 2021.

8. REVENUES FROM THE PROVISION OF END-USER LICENCES AND SERVICES

	2022	2021
Revenues from the provision of end user licenses and services	600 745	547 513
Total	**600 745**	**547 513**

Additional information on the remaining expected contract performance is stated in Note 25 Deferred Income and Note 19 Contract Assets and Offsetting of Financial Assets and Liabilities. The majority of non-current deferred income will be released to revenues in 2024 and 2025. In addition to the above factors, the future amount of actual revenues from the provision of end-user licences and services will be affected by future sales.

Revenues from the provision of end-user licenses and services by sales region:

	2022	2021
EMEA(1)	328 577	303 589
APAC(2)	124 331	114 129
NORAM(3)	98 024	87 803
LATAM(4)	43 431	36 700
Global sales	6 382	5 292
Total	**600 745**	**547 513**

(1) EMEA region represents the countries of Europe and South Africa
(2) APAC region represents the countries of Asia-Pacific
(3) NORAM region represents the countries of North America
(4) LATAM region represents the countries of South America

9. SERVICES

	2022	2021
Costs of obtaining a contract	286 049	262 116
Advertising and promotion expenses	27 702	26 441
Rent	4 325	3 395
Internet, data services, IT services	16 256	14 631
Accounting, economic, legal and audit services	5 620	5 440
Travel expenses	2 180	441
Other	7 394	5 295
Total	**349 526**	**317 759**

10. PERSONNEL EXPENSES

	2022	2021
Wages and salaries	110 257	97 274
Health and social security insurance payments	28 901	27 185
Other personnel and social expenses	7 478	3 416
Total	**146 636**	**127 875**

The increase in wages and salaries is due an increased headcount (2022: 2 181; 2021: 1 930) and employee salary increases due to higher inflation in 2022.

(in thousands EUR, if not stipulated otherwise)

11. PROFIT/LOSS FROM LIQUIDATION OF A SUBSIDIARY

Net book value of financial investment	(1)
Net book value of an intercompany receivable/payable	1
Foreign exchange differences upon translating foreign operations into the reporting currency reclassified to profit or loss on liquidation of a subsidiary	16
Retained earnings reclassified to profit or loss on liquidation of the subsidiary	(17)
Loss from liquidation of the subsidiary	**(1)**

In 2022, the Group disposed of its subsidiary, PGNB Limited, by liquidation. PGNB Limited was deleted from the Companies Register in the UK on 19 April 2022.

12. FINANCE INCOME

	2022	*2021*
Foreign exchange gains, net	3 969	4 660
Interest income	866	108
Other	44	27
Total	**4 879**	**4 795**

13. FINANCE COSTS

	2022	*2021*
Bank fees	158	142
Interest expense	737	740
Other	360	127
Total	**1 255**	**1 009**

The total amount of interest expense amounted to EUR 737 thousand (2021: EUR 740 thousand), out of which interest expense from lease liabilities stated in Note 23 Leases represents amount of EUR 695 thousand (2021: EUR 726 thousand).

14. INCOME TAX

14.1. Income tax recognised in the statement of comprehensive income

	2022	*2021*
Current income tax	5 464	26 622
Deferred income tax	18 103	(5 669)
Total income tax for the year	**23 567**	**20 953**

14.2. Reconciliation of the effective income tax rate recognised in the statement of comprehensive income

	2022	*2021*
Profit before income tax	91 784	90 274
Income tax at statutory tax rate of 21% (2021: 21%)	19 275	18 958
Tax effect of permanent differences	3 127	1 300
Impact of different tax rates of the subsidiaries in other jurisdictions	2 077	(452)
Effect of an unrecognised deferred tax asset	18	1
Effect of change of deferred tax rate	(902)	199
Inflationary restatement	(1)	-
Adjustments recognised in relation to the current tax for the preceding reporting periods	(37)	948
Other	10	(1)
Total income tax for the year	**23 567**	**20 953**

(in thousands EUR, if not stipulated otherwise)

15. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings, Structures – Construction Modifications	*Plant, Machinery & Equipment*	*Other Tangible Assets*	*Total*
Cost				
At 1 January 2021	21 709	28 146	20 486	70 341
Additions	2 799	3 557	3 951	10 307
Disposals	(569)	(1 352)	(142)	(2 063)
Transfers	360	34	(394)	-
Effects of exchange rate	499	666	27	1 192
At 31 December 2021	**24 798**	**31 051**	**23 928**	**79 777**
At 1 January 2022	24 798	31 051	23 928	79 777
Additions	1 421	4 757	4 341	10 518
Disposals	(33)	(1 285)	(5)	(1 323)
Transfers	460	341	(810)	(9)
Effects of exchange rate	181	169	6	357
At 31 December 2022	**26 826**	**35 034**	**27 459**	**89 319**
Accumulated Depreciation and Impairment				
At 1 January 2021	9 323	20 886	142	30 351
Additions	1 505	3 739	-	5 244
Disposals	(534)	(1 345)	(142)	(2 021)
Transfers	106	(106)	-	-
Effects of exchange rate	339	562	-	901
At 31 December 2021	**10 739**	**23 736**	**-**	**34 475**
At 1 January 2022	10 739	23 736	-	34 475
Additions	1 797	2 695	-	4 492
Disposals	(31)	(1 288)	-	(1 319)
Transfers	(8)	-	-	(8)
Effects of exchange rate	158	161	-	319
At 31 December 2022	**12 656**	**25 303**	**-**	**37 959**
Net Book Value				
At 31 December 2021	14 059	7 315	23 928	45 302
At 31 December 2022	**14 170**	**9 731**	**27 459**	**51 360**

The Group recognises acquisitions of property, plant and equipment placed into service in the same financial year as additions in 2022. The acquisitions of property, plant and equipment from preceding periods, which were placed into service in 2022, are classified as transfers.

In 2022, the Group performed a review of non-current assets with respect to the recoverability of amounts. No indicators of impairment were identified. Also, a review of the useful lives of depreciated assets was performed.

As at 31 December 2022, the insurance of property, plant and equipment and non-current intangible assets within the Group totals EUR 57 822 thousand (31 December 2021: EUR 43 045 thousand). Through insurance, the Group also covers other business-related risks, including damage liability insurance. The insurance of other insured risks within the Group totals EUR 54 261 thousand as at 31 December 2022 (31 December 2021: EUR 59 378 thousand).

Land and buildings, structures – construction modifications mainly include land and technical improvement of leased office premises. Movements in this category of assets relate to construction modifications of leased office premises.

Machinery, equipment and other items mainly include IT equipment, such as disk arrays, servers and other IT equipment and office equipment. The Group is continually replacing and expanding its technical and office equipment to ensure the continuity of its business activities.

Other tangible assets mainly include real estate for the planned project of the new headquarters and campus of the Group.

The Group has no assets under lien. The Group has no assets with restricted handling.

(in thousands EUR, if not stipulated otherwise)

16. INTANGIBLE ASSETS

	Software	*Valuable Rights*	*Goodwill*	*Other*	*Non-current Intangible Assets in Acquisition*	*Total*
Cost						
At 1 January 2021	6 172	785	1 588	14 605	412	23 562
Additions	1 396	8	-	-	115	1 519
Disposals	(1 179)	(23)	-	(3 215)	(359)	(4 776)
Transfers	4 118	-	-	(4 110)	(8)	-
Exchange differences	119	10	72	3	(6)	198
At 31 December 2021	**10 626**	**780**	**1 660**	**7 283**	**154**	**20 503**
At 1 January 2022	10 626	780	1 660	7 283	154	20 503
Additions	899	-	-	-	43	942
Disposals	(1 613)	(199)	(13)	-	-	(1 825)
Transfers	120	-	-	(15)	(96)	9
Exchange differences	(48)	2	(58)	101	(23)	(25)
At 31 December 2022	**9 984**	**583**	**1 590**	**7 368**	**78**	**19 603**
Accumulated Depreciation and Impairment						
At 1 January 2021	6 108	765	-	11 999	-	18 872
Additions	692	17	-	1 339	-	2 048
Disposals	(1 179)	(23)	-	(3 215)	-	(4 417)
Transfers	2 846	-	-	(2 846)	-	-
Exchange differences	122	10	-	4	-	136
At 31 December 2021	**8 589**	**769**	**-**	**7 281**	**-**	**16 639**
At 1 January 2022	8 589	769	-	7 281	-	16 639
Additions	797	3	-	3	-	803
Disposals	(1 268)	(193)	-	(13)	-	(1 474)
Transfers	24	-	-	(16)	-	8
Exchange differences	(35)	2	-	101	-	68
At 31 December 2022	**8 107**	**582**	**-**	**7 356**	**-**	**16 044**
Net Book Value						
At 31 December 2021	2 037	11	1 660	2	154	3 864
At 31 December 2022	**1 877**	**1**	**1 590**	**13**	**78**	**3 559**

The Group recognises acquisitions of non-current intangible assets placed into service in the same financial year as additions in 2022. The acquisitions of non-current intangible assets from preceding periods, which were placed into service in 2022, are classified as transfers.

Software includes purchased software licences used in the Group's business and encryption software obtained by the acquisition of subsidiaries. Other items of intangible assets primarily include a customer list obtained by the acquisition of subsidiaries.

The Group acquired goodwill that is annually subject to impairment testing under IAS 36 by the acquisition of Datsec in Germany and a subsidiary, ESET SOFTWARE UK in the UK.

When assessing the impairment of goodwill, the Group analyses the following indicators:
- Negative development in the industry;
- Decrease in the market value; and
- Growth of sales slower than estimated.

The Group allocates the goodwill arising upon acquisition of the subsidiary, ESET SOFTWARE UK Limited, and the goodwill recognised by the subsidiary, ESET Deutschland GmbH, to CGUs which represent the business of these subsidiaries. The recoverable amount of goodwill calculated using the EBITDA multiplier is higher than its carrying amount, therefore the Group concluded that the above goodwill is not impaired as at 31 December 2022.

The EBITDA multiplier value has a substantial impact on the calculation of the recoverable amount of the CGU and on the result of an impairment test, therefore the Group carried out a sensitivity analysis of the recoverable amount to a change in the EBITDA multiplier as follows:

(in thousands EUR, if not stipulated otherwise)

CGU ESET SOFTWARE UK Limited		***10% decrease in EBITDA***	***25% decrease in EBITDA***
Carrying amount of CGU including goodwill	1 949		
Recoverable amount of CGU	20 375	18 524	15 747
EBITDA	17.1	15.39	12.83

CGU ESET Deutschland GmbH		***10% decrease in EBITDA***	***25% decrease in EBITDA***
Carrying amount of CGU including goodwill	1 790		
Recoverable amount of CGU	35 192	32 013	27 245
EBITDA	17.1	15.39	12.83

17. CAPITALISED COSTS OF OBTAINING A CONTRACT

	2022	***2021***
Balance as at 1 Jan	231 638	216 830
Capitalised costs of obtaining a contract	298 752	268 637*
Amortised in expenses of the current year	(280 55)	(258 812)*
Effect of FX differences	3 313	4 984
Balance as at 31 Dec	**253 151**	**231 638**
Of which:		
Current capitalised costs of obtaining a contract	169 239	159 132
Non-current capitalised costs of obtaining a contract	83 912	72 506

** In 2022, the Group changed the method of presentation of changes to capitalised costs of obtaining a contract to the gross method, ie the total amount of the consideration provided is first presented as capitalised costs of obtaining a contract and then an aliquot part of costs attributable to the current reporting period is amortised in expenses of the current year.*

The costs of obtaining a contract are related to the commissions paid to distributors and resellers for the acquisition of licence agreements with end customers and are amortised in expenses over the licence term in proportion to the amount of recognised revenues from the provision of end-user licences.

There was no impairment loss in connection with the capitalised costs of obtaining a contract.

18. TRADE AND OTHER RECEIVABLES

18.1. Trade and Other Receivables

	2022	***2021***
Trade receivables	10 136	10 082
Other receivables and other assets	12 119	10 002
Contract assets	1 098	22
Less: provision for contract assets	(920)	-
Less: provision for doubtful receivables	(6 882)	(5 227)
Trade and other receivables, net	**15 551**	**14 879**

The Group only recognises receivables which represent an unconditional right to a consideration. Receivables are recognised when an unconditional amount of the consideration is enforceable or falls due. Contingent receivables are disclosed in Note 26 Contingent Assets and Liabilities.

A summary of the ageing structure of the Group's trade and other receivables:

	2022	***2021***
Overdue trade and other receivables	**11 616**	**9 651**
of which:		
Overdue by up to 30 days	*2 419*	*2 501*
Overdue between 30 – 90 days	*2 009*	*1 545*
Overdue by more than 90 days	*7 188*	*5 605*

(in thousands EUR, if not stipulated otherwise)

A summary of the ageing structure of the Group's trade and other receivables, for which provisions were recorded:

	2022	**2021**
Trade and other receivables, for which provisions were recorded	**9 701**	**8 700**
of which:		
Due	*1 149*	*2 237*
Overdue by up to 30 days	*549*	*234*
Overdue between 30 - 90 days	*870*	*733*
Overdue by more than 90 days	*7 133*	*5 496*

	2022	**2021**
Provisions for trade and other receivables	**(7 802)**	**(5 227)**
Of which:		
Due	*(1 029)*	*(1 542)*
Overdue by up to 30 days	*(5)*	*(8)*
Overdue between 30-90 days	*(23)*	*(17)*
Overdue by more than 90 days	*(6 745)*	*(3 660)*

The Group has developed a system that is uniformly used to assess the creditworthiness of customers. When determining the recoverability of trade receivables, the Group considers their creditworthiness as at the reporting date. The creditworthiness of customers is also assessed when deciding on a new customer. The Group performs the assessment of doubtful receivables based on historical experience and on management analysis.

The Group regularly assesses credit risk associated with its customers based on their financial position. In the case of default, the customer's access to the updated software version can be in certain cases restricted or cancelled, which makes the software unusable.

The average maturity period of receivables from the sale of software is 30 days. The Group recorded a provision mainly for doubtful trade and other receivables of ESET spol. s r.o. and ESET ASIA PTE. LTD in the amount of EUR 7 802 thousand (2021: EUR 5 227 thousand).

In addition to a provision for trade receivables, the Group also created a provision for other overdue receivables in the amount of EUR 1 507 thousand (2021: EUR 1 507 thousand) and a provision for contract assets amounting to EUR 920 thousand (2021: EUR 0).

Detailed information on the provision for contract assets in the amount of EUR 920 thousand is provided in Note 19 Contract Assets and Offsetting Financial Assets and Liabilities.

A summary of the ageing structure of the Group's overdue trade and other receivables, for which no provisions were recorded:

	2022	**2021**
Trade and other receivables overdue, for which no provisions were recorded:	**3 064**	**3 188**
Of which:		
Overdue by up to 30 days	*1 870*	*2 267*
Overdue by between 30 and 90 days	*1 139*	*812*
Overdue by more than 90 days	*55*	*109*

The carrying amount of receivables approximates their fair value.

(in thousands EUR, if not stipulated otherwise)

18.2. Expected Credit Losses

The categorisation of financial instruments into levels in accordance with IFRS 9 "Financial Instruments" is presented in the table below:

		2022		
	Level 1	***Level 2***	***Level 2***	***Level 3***
Trade and other receivables*	1 894	6 485	1 130	5 841
Expected credit losses		***General provision***	***Specific provision***	***Specific provision***
Within maturity	-	2%	25%	100%
Overdue by up to 30 days	-	0%	100%	0%
Overdue between 30 - 90 days	-	0%	100%	0%
Overdue by more than 90 days	-	67%	100%	100%

** Amounts in the table represent the relevant portion of trade and other receivables before provisions.*

		2021		
	Level 1	***Level 2***	***Level 2***	***Level 3***
Trade and other receivables*	602	6 454	5 805	-
Expected credit losses		***General provision***	***Specific provision***	***Specific provision***
Within maturity	-	3%	69%	0%
Overdue by up to 30 days	-	0%	100%	0%
Overdue between 30 - 90 days	-	0%	100%	0%
Overdue by more than 90 days	-	44%	78%	0%

** Amounts in the table represent the relevant portion of trade and other receivables before provisions.*

The Group assesses input parameters for expected credit losses (ECL model) from trade and other receivables, which primarily include the historical credit loss rate and a forecast of future economic conditions. For trade receivables and contract assets, the Group considers lifetime expected credit losses. For other receivables classified as Level 1, the following 12-month period is considered. As regards other receivables classified as Level 2 and Level 3, the Group considers lifetime expected credit losses. When determining the historical credit loss rate in 2022, the Group took into account a 3-year period (2019 – 2021), for which the amount of written-off trade and other receivables was immaterial. In addition to expected credit losses (ECL model) from trade and other receivables, the Group also monitors the legislative requirements of the countries where individual ESET branches are domiciled. Based on an assessment, the Group did not identify a need to create a general provision for trade and other receivables classified as Level 2 overdue by up to 90 days.

Level 1

The Group considered expected credit losses from other receivables to be immaterial in the current and immediately preceding reporting periods and thus no expected credit losses were recognised.

Level 2

The Group primarily classifies trade and other receivables overdue by more than 90 days for which a provision was created as Level 2. In 2022, the Court of Arbitration of the Slovak Chamber of Commerce and Industry ruled in litigation with Future Times S.r.l. and acknowledged the Group's counterclaim. Due to the above court ruling, the Group decided to classify the receivable from Future Time S.r.l. as at 31 December 2021 as Level 2.

This Level also includes trade receivables for which the Group considers lifetime expected credit losses. A significant portion of financial assets classified as Level 2 primarily includes trade and other receivables from Valueline Systems & Solutions Corp and Version 2 companies.

Level 3

Despite the ruling issued by the Court of Arbitration of the Slovak Chamber of Commerce and Industry, Future Time S.r.l. did not settle any of the Group's counterclaims and, therefore, as at 31 December 2022, the Group classified trade and other receivables from Future Time S.r.l. as Level 3 (initially classified as Level 2 in 2021).

(in thousands EUR, if not stipulated otherwise)

19. CONTRACT ASSETS AND OFFSETTING FINANCIAL ASSETS AND LIABILITIES

When the Group satisfies its obligation of contract performance by transferring software use rights during the specified period to a customer before the maturity of the receivable, a contract claim for a consideration is recognised by the Group as a contract asset.

	2022	2021
Balance as at 1 Jan	11 457	8 725
Additions of contract assets	15 007	11 457
Disposals of contract assets*	(11 457)	(8 725)
Balance as at 31 Dec	**15 007**	**11 457**

** Disposals of contract assets by reclassification to receivables at the maturity date, or when payment is received.*

In accordance with IAS 32, the Group offsets receivables and contract assets with payables to distributors and resellers. See Note 3 for additional information about the applied accounting principle.

Offset financial assets and financial liabilities are presented in the table below:

	2022	2021
Contract assets	13 909	11 435
Trade receivables	1 797	1 361
Trade payables	15 706	12 796

Details regarding financial assets not subject to offsetting are presented below:

	2022	2021
Contract assets, gross	15 007	11 457
Offsetting of contract assets	(13 909)	(11 435)
Contract assets not offset	**1 098**	**22**
Provision for contract assets not offset	(920)	-
Contract assets, net	**178**	**22**

The Group created a provision in the amount of EUR 920 thousand for the portion of not offset contract assets in the amount of EUR 1 098 thousand. Contract assets in the amount of EUR 920 thousand represent a contractual entitlement to a consideration by the Group from the business partner, I-SET Software LLC, for the transfer of the right to use software during a certain period before the maturity date of the receivable. As at 31 December 2022, the Group evaluated the likelihood of recoverability of these contract assets as low and created a 100% provision.

20. CASH, CASH EQUIVALENTS AND TERM DEPOSITS

20.1. Cash and cash equivalents

	2022	2021
Cash on hand	9	9
Bank accounts	65 295	82 547
Bank deposits and other cash equivalents	53 096	14 094
Total	**118 400**	**96 650**

The Group invests free cash in bank term deposits (overnights, money market funds). The carrying amounts of these financial assets approximate their fair value. The Group classifies bank deposits as cash and cash equivalents, provided their maturity period does not exceed 3 months.

20.2. Term Deposits

The Group presents term deposits with a maturity of 6 months as current financial assets, separately from cash and cash equivalents:

	2022	2021
Term deposits	5 000	-
Total	**5 000**	**-**

(in thousands EUR, if not stipulated otherwise)

The Group evaluated expected credit losses on cash, cash equivalents and term deposits as immaterial in the current and immediately preceding reporting periods and did not record these losses.

21. DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY

21.1. Deferred Tax Balances

	2022	*2021*
Deferred tax asset	45 508	62 710
Deferred tax liability	(35)	(44)
Total	**45 473**	**62 666**

Deferred tax assets/(liabilities) broken down by temporary differences:

	Balance at 1 Jan 2022	*Charged Through Equity*	*Charged to Profits/ Losses*	*Recognised in Other Comprehensive Income*	*Balance at 31 Dec 2022*
Deferred income	106 598	-	(36 367)	1 529	71 760
Capitalised costs of obtaining a contract	(50 022)	-	9 716	(664)	(40 970)
Right-of-use assets	(4 763)		(506)	4	(5 265)
Lease liabilities	4 855		696	(2)	5 549
Tax loss	-		6 351	-	6 351
Deduction of R&D expenses	252		1 013	(5)	1 260
Other	6 090	-	993	49	6 788
Total	**62 666**	**-**	**(18 104)**	**911**	**45 473**

	Balance at 1 Jan 2021	*Charged Through Equity*	*Charged to Profits/ Losses*	*Recognised in Other Comprehensive Income*	*Balance at 31 Dec 2021*
Deferred income	98 855	-	4 991	2 752	106 598
Capitalised costs of obtaining a contract	(47 062)	-	(1 932)	(1 028)	(50 022)
Right-of-use assets	(5 913)	-	1 185	(35)	(4 763)
Lease liabilities	6 343	-	(1 501)	13	4 855
Deduction of R&D expenses	406	-	(152)	(2)	252
Other	2 588	-	3 078	80	5 746
Total	**55 217**	**-**	**5 669**	**1 780**	**62 666**

Deferred tax assets/(liabilities) in Other primarily include deferred tax on temporary differences arising from the difference between the tax value and carrying amount of non-current tangible and intangible assets, provisions for liabilities, trade and other receivables and other payables.

As at 31 December 2022, the Group did not recognise a deferred tax asset in the amount of EUR 6 123 thousand (2021: EUR 5 746 thousand) relating mainly to temporary differences from the possibility of carrying forward tax paid abroad by the subsidiary, ESET LLC. The Group does not anticipate that it will be able to carry forward tax paid abroad by tax deduction.

22. TRADE AND OTHER PAYABLES

	2022	*2021*
Trade payables	8 039	8 964
Distribution liabilities	24 859	24 043
Employee benefits liabilities	13 172	10 221
Social security liabilities	3 751	3 057
Other tax liabilities	3 792	3 726
Other payables	7 154	6 351
Total	**60 767**	**56 362**
Of which:		
Liabilities within maturity	*60 338*	*55 380*
Overdue liabilities	*429*	*982*

(in thousands EUR, if not stipulated otherwise)

	2022	**2021**
Overdue liabilities	**429**	**982**
Of which:		
Overdue by up to 30 days	*237*	*682*
Overdue between 30 – 90 days	*47*	*155*
Overdue by more than 90 days	*145*	*145*

The Group has rules under which liabilities must be paid by their maturity. Other payables are primarily related to accrued expenses.

23. LEASES

The Group leases various office premises and contracts are usually concluded for a definite period with the option to extend or shorten the lease term based on individually agreed contractual terms. Lease contracts are negotiated separately and comprise various contractual terms. Lease contracts do not impose an obligation to meet covenants and leased assets may not be used as collateral.

Right-of-use assets in EUR '000

	2022	**2021**
At 1 January	26 531	27 858
Additions	4 735	4 569
Disposals	(2)	(22)
Depreciation	(6 865)	(6 349)
Exchange rate effects	65	475
At 31 December	**24 464**	**26 531**

Recognised right-of-use assets apply to the following types of assets:

	2022	**2021**
Buildings	24 422	26 463
Equipment	5	-
Motor vehicles	37	68
	24 464	**26 531**

Lease liabilities in EUR '000

	2022	**2021**
At 1 Jan 2022	27 922	29 867
Additions	4 552	4 415
Disposals	-	(21)
Accrued interest expense*	693	726
Lease payments	(7 811)	(7 532)
Exchange rate effects	94	467
At 31 Dec 2022	**25 450**	**27 922**
Of which:		
Current lease liabilities	*6 550*	*6 994*
Non-current lease liabilities	*18 900*	*20 928*
Of which:		
Non-current lease liabilities falling due in 1-5 years	*17 704*	*19 124*
Non-current lease liabilities falling due in over 5 years	*1 196*	*1 804*

** Interest expense from lease liabilities recognised in the consolidated statement of comprehensive income for 2022 is higher by EUR 2 thousand due to the recognition of an inflation adjustment without an impact on the amount of the lease liability.*

The total outflow of cash for leases is presented in a separate line in the consolidated statement of cash flows, page 8.

Under IFRS 16, lease liabilities are measured at the present value of future lease payments discounted using the weighted average of the lessee's incremental borrowing rate. The weighted average interest rate used to recalculate the present value of future lease payments is as follows:

- At 1 January 2021: 2.679%
- At 31 December 2021: 2.588%
- At 31 December 2022: 2.630%

(in thousands EUR, if not stipulated otherwise)

Lease liabilities under IFRS 16 in EUR '000 and discount

	31 Dec 2022	*31 Dec 2021*
Lease liabilities net of discount	27 258	32 037
Discount	(1 808)	(4 115)
Lease liabilities after discounting	**25 450**	**27 922**
Weighted average interest rate	**2.63%**	**2.59%**

The Group leases office and operation premises under an operating lease. In several contracts, the Group has the possibility to exercise an option to extend a lease contract, an option of one-off termination of the contract by the lessee, or is entitled to terminate a lease contract for any reason or for convenience within a specified notice period. Upon termination of some contracts, the Group is also required to remove any modifications made and remedy any damage. Compensations and contractual penalties arising from such provisions of the contracts have no significant effect on the amount of the finance lease liability.

Contingent future lease liabilities from unused options stated in lease contracts, which may be exercised by the Group in the future, amount to EUR 28 562 thousand (2021: EUR 25 559 thousand) and contingent liabilities due to future variable payments related to such options amount to EUR 4 741 thousand (2021: EUR 3 211 thousand).

Estimated future variable lease payments arising from lease contracts capitalised under IFRS 16 total EUR 7 419 thousand and have the following maturity structure:

	31 Dec 2022
Falling due in up to 1 year	1 756
Falling due in 1-5 years	5 342
Falling due in over 5 years	321
	7 419

Profit/(loss) as at 31 December 2022 in respect of IFRS 16 in EUR '000

	31 Dec 2022	*31 Dec 2021*
Depreciation of right-of-use assets	(6 865)	(6 349)
Of which:		
Buildings	*(6 821)*	*(6 318)*
Equipment	*(12)*	-
Motor vehicles	*(13)*	*(31)*
Interest expense from lease liabilities	*(695)*	*(726)*
Expenses relating to low-value assets	*(29)*	*(3)*
Expenses relating to short-term leases	*(564)*	*(811)*
Expenses relating to other assets excluded from the scope of IFRS 16	*(448)*	-
Expenses relating to variable lease payments	*(1 880)*	*(1 090)*

The breakdown of the total amount of variable lease payments recognised in the consolidated statement of comprehensive income for the year ended 31 December 2022 is as follows:

	2022	*2021*
Rent	1 851	1 055
Other operating expenses	37	35

The amount of COVID-19-related rent concessions in the form of reduced rent for which all the conditions above were met is recognised as part of variable lease payments in the amount of EUR 0 (2021: EUR 72 thousand).

The Group identified lease contracts to which an exemption under IFRS 16 is applied: Total future minimum lease liabilities from the lease of low-value assets as at 31 January 2022 amount to EUR 19 thousand, total lease liabilities from short-term leases amount to EUR 91 thousand. The total amount of other assets excluded from the scope of IFRS 16 due to materiality is EUR 604 thousand. Low-value assets include leases of assets with a value of up to EUR 5 thousand (printers, coffee machines, water dispenser stands). Short-term leases are leases of up to 1 year, and other assets excluded from the scope of IFRS 16 due to materiality mainly comprise leases of cars and data storage. Lease liabilities from the lease of other assets excluded from the scope of IFRS 16 due to materiality comprise future minimum lease payments to the lessor of such assets in the amount of the basic rent and the related fixed expenses.

(in thousands EUR, if not stipulated otherwise)

A summary of future lease payments to which IFRS 16 was not applied (leased low-value assets, short-term leases, other assets):

	31 Dec 2022
Falling due in up to 1 year	433
Falling due in 1 to 5 years	281
Falling due in over 5 years	-
	714

24. PROVISIONS FOR LIABILITIES

	2022	*2021*
Short-term provisions for liabilities	1 747	2 235
Long-term provisions for liabilities	8 561	7 717
of which:		
Maturity up to 5 years	3 058	3 023
Maturity over 5 years	5 503	4 694

Provisions for liabilities categorised by type are presented below:

	2022	*2021*
Provision for restoration of leased assets to their original condition	67	66
Provision for management and key personnel bonuses	2 565	2 786
Provision for retirement payments	216	-
Provision for loyalty bonus	3 141	3 070
Provision for loyalty vacation days	4 318	4 030
Total	**10 308**	**9 952**

The provisions for liabilities include a provision for employee benefits that was created in connection with employee loyalty benefits and employee loyalty vacation days, a provision for bonuses to the Group's management key personnel and a provision for restoration of leased assets to the original condition. In 2021, the Group extended the employee benefit scheme to include additional loyalty benefits and loyalty vacation days.

Provisions for liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. The final amount of the provision for liabilities reflects key parameters, primarily turnover and the expected increase in wages and salaries. The discount rate used to calculate the present value of the liability is derived from the yield curve of high-quality bonds with a maturity approximating the terms of the Group's liabilities at the reporting date.

The following actuarial assumptions were used when calculating provisions for long-term employee benefits:

Number of employees as at 31 December	2 181
Weighted average turnover rate	9.35% p.a.
Weighted average increase in wages and salaries	8.74% p.a.
Weighted average discount rate	3.91% p.a.

The sensitivity analysis of the provisions for employee benefits to a change in material assumptions is presented below:

	Present value of the provision	***Sensitivity to change in discount rate***		***Sensitivity to change in average wage***		***Sensitivity to change in turnover***	
	31 Dec 2022	***+100 basis points***	***-100 basis points***	***+100 basis points***	***-100 basis points***	***+10%***	***-10%***
Loyalty vacation days	4 318	4 015	4 664	4 656	4 009	4 020	4 651
Retirement payments	216	188	251	251	187	189	248
Loyalty bonus	3 141	2 785	3 276	-	-	2 818	3 234
Management and key personnel bonuses	2 565	2 507	2 626	-	-	-	-

(in thousands EUR, if not stipulated otherwise)

As at 31 December 2022 and 31 December 2021, the Group carried out a sensitivity analysis of the actuarial assumptions which were used in the calculation of the present value of a liability related to different types of provisions for liabilities and also had a material impact on the amount of these liabilities.

25. DEFERRED INCOME

	2022	***2021***
Balance as at 1 Jan	425 866	397 617
Consideration for services to be provided in the future	635 771	562 620*
Released to revenues for the current year	(595 860)	(547 518)*
Effect of FX differences	7 856	13 147
Balance as at 31 Dec	**473 633**	**425 866**
Of which:		
Current deferred income	320 374	295 586
Non-current deferred income	153 259	130 280

** In 2022, the Group changed the method of presentation of changes in deferred income to the gross method, ie the total amount of the consideration received is first presented as deferred income and then an aliquot part of revenues attributable to the current reporting period is released to revenues for the current year.*

"Deferred income" in the consolidated statement of financial position includes deferred income of the Group from the sale of ESET products and services, also referred to as "contract liabilities".

26. CONTINGENT ASSETS AND LIABILITIES

26.1 Contingent Assets

The Group only recognises receivables which represent an unconditional right to a consideration. Receivables are recognised when an unconditional amount of the consideration is enforceable or falls due.

As at 31 December 2022, the Group records contingent receivables amounting to EUR 60 962 thousand (31 December 2021: EUR 57 737 thousand). These receivables are not recoverable and due at the end of the reporting period, but the Group expects them to fall due on average within 30 days after the end of the reporting period. A portion of receivables from distributors and resellers will be settled on a net basis upon maturity, as contractually agreed in the distribution agreements with distributors and resellers.

26.2 Contingent Liabilities

Tax returns of the Parent Company remain open and may be subject to review over a five-year period. The fact that a certain period or tax return related to this period has been subject to review does not eliminate the possibility of this period being subject to a further review during the five-year period. Accordingly, as at 31 December 2022, the Parent Company's tax returns for 2018 to 2022 remain open and may be subject to review.

The Group identified contingent future lease liabilities from unused options stated in lease contracts, which may be exercised in the future, in the total amount of EUR 28 562 thousand and contingent liabilities due to future variable payments related to such options in the amount of EUR 4 741 thousand.

27. LITIGATION

FINJAN Inc.

The Parent Company and its subsidiaries are currently a party to three legal disputes with FINJAN as at 31 December 2022.

1. In litigation in which Eset, spol. s r.o. and its subsidiary, Eset LLC, are the defendant, FINJAN Inc. took legal action against both companies due to an alleged breach of six patents registered in the US by FINJAN Inc.
2. In litigation in which Eset, spol. s r.o. and its subsidiary, Eset Deutschland GmbH, are the defendant, FINJAN Inc. took legal action against both companies due to an alleged breach of a patent registered by FINJAN Inc.

New litigation for patent invalidity (the original litigation ended in 2022) involving ESET spol. s r.o. as the plaintiff and FINJAN Inc. as the defendant. FINJAN Inc. took legal action with regard to an alleged breach of this patent in the above litigation.

(in thousands EUR, if not stipulated otherwise)

As at 31 December 2022, proceedings continue under paragraph 2, which were suspended in 2018 pending a ruling on the invalidity of the patent of FINJAN Inc. The proceedings under paragraph 3 commenced when the Group filed a new action on the invalidity of the patent of FINJAN Inc in November 2022.

In 2022, the litigation conducted in the USA (paragraph 1) continued with appellate proceedings before the Federal Court of Appeals on the appeal of FINJAN Inc against the ruling on the invalidity of five patents. The Federal Court of Appeals granted the appeal and annulled the ruling on the invalidity of patents due to the incorrect definition of certain patent terms. The Federal Court of Appeals subsequently refused the application of the Parent Company for an *en banc* ruling review. The proceedings were remanded to the District Court. In 2023, the Parent Company filed an application for a review of this ruling of the Federal Court of Appeals by the US Supreme Court, but the court did not accept it and will not rule on the filing. Nevertheless, the District Court scheduled dates for the preparatory stages and hearing dates from 28 August – 14 September 2023, and the court will hear all 6 patents, including the '305 patent.

As none of these litigations meet the conditions for creating a provision under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Group did not record a provision for potential losses as at 31 December 2022.

Future Time S.r.l.

In February 2022, the Arbitration Court of the Slovak Chamber of Commerce and Industry issued an award dismissing the action of Future Time S.r.l. in its entirety, partially acknowledged the Company's counterclaims, and ordered both parties to pay certain costs of the proceedings. However, Future Time S.r.l. has failed to make a payment to date.

Future Time S.r.l. entered into liquidation on 11 November 2022. In April 2023, an Italian court recognised the arbitral award of the Slovak Chamber of Commerce and Industry and it thus became automatically enforceable. The Group evaluates the likelihood of the recoverability of receivables as very low and thus created provisions for the receivables in question (see Note 18 Trade and Other Receivables).

28. COMMITMENTS

As at 31 December 2022, the Group had concluded no significant contracts for the purchase of non-current tangible and intangible assets.

29. COSTS OF AUDIT SERVICES

	2022	***2021***
Costs of auditing financial statements	395	367
Other assurance audit services	-	6
Tax services	177	143
Other non-audit services	52	-

30. RELATED PARTIES

Identification of Related Parties

As stated in the following overview, in accordance with IAS 24 Related Party Disclosures, the Group identified that it is a related party to the following entities:

1. Members of Senior Management of the Parent Company and subsidiaries, shareholders of the Parent Company (Note 1.1) and members of the Supervisory Board.
2. Other related parties in terms of capital or personnel.

The Group's management considers related party transactions to be performed on an arm's length basis.

Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(in thousands EUR, if not stipulated otherwise)

30.1. Trading Transactions

Transactions with related parties under point 2 are presented below:

	2022	*2021*
Borrowing received from a minority owner	20	32

30.2. Transactions with Parent Company Shareholders, Members of Senior Management and the Supervisory Board

	2022	*2021*
Short-term employee benefits	8 496	6 737
Other long-term employee benefits	1 586	2 115
Employment termination benefits	47	-
Total	**10 129**	**8 852**

31. FINANCIAL RISK MANAGEMENT

The difference between the net book value and fair value of cash and cash equivalents, trade receivables and payables and other current receivables and payables is not material.

31.1. Risk Management

The Group is exposed to various financial risks such as market risk (mainly, foreign exchange risk), liquidity risk and credit risk. As the Group did not draw any loans, it is not exposed to interest rate risk or credit risk. The Group recognises lease liabilities under IFRS 16, which are discounted using the weighted average incremental borrowing rate of the lessee, which is in essence a fixed rate. A potential change to this rate upon the modification of a lease contract will not affect the agreed future cash flows, but rather will impact the measurement of the lease liabilities in the consolidated statement of financial position. The Group has set rules to manage these exposures; risk management is performed by the Parent Company's finance department and the subsidiaries' finance departments.

The Group maintains cash balances and short-term investments with a number of financial institutions. The Group invests with highly-rated financial institutions. The Group has no significant interest-bearing assets with a floating interest rate, other than cash balances in bank accounts.

31.2. Foreign Exchange Risk

The Group operates on international markets and is exposed to foreign exchange risk inherent in foreign currency transactions when translating them into the functional currency. The risks arise from future transactions, recognised assets and liabilities. The euro is the functional currency of the Parent Company. The Parent Company has subsidiaries, which report in twelve different currencies (Czech koruna, British pound, Polish zloty, Romanian leu, US dollar, Canadian dollar, Singapore dollar, Brazilian real, Argentine peso, Australian dollar, Mexican peso and Japanese yen). The Group does not use any special financial instruments to hedge against foreign exchange risk. The Group relies on natural hedging through adjusting purchases and sales. The exposures are further mitigated through the use of short-term placements in banks.

(in thousands EUR, if not stipulated otherwise)

The following items of assets and liabilities are denominated in a currency other than the functional currency that is material to the Group (in EUR '000):

	2022							
	USD	SGD	CZK	PLN	CAD	GBP	JPY	AUD
Other non-current assets	194	112	109	160	22	-	-	115
Trade and other receivables	4 219	3	104	6	202	777	246	69
Cash and cash equivalents	16 610	116	7 928	1 898	2 686	4 488	3 355	589
Non-current lease liabilities	226	-	832	-	262	450	-	1 930
Long-term provisions for liabilities	7	-	617	160	-	-	-	16
Trade and other payables	16 007	70	2 026	864	607	1 156	2 170	385
Current lease liabilities	1 566	-	224	-	88	237	100	164

	2021							
	USD	SGD	CZK	PLN	CAD	GBP	JPY	AUD
Other non-current assets	265	110	105	142	22	-	261	145
Trade and other receivables	3 624	5	272	7	464	599	3	58
Cash and cash equivalents	22 654	471	7 650	1 916	4 965	10 375	4 399	489
Non-current lease liabilities	1 468	32	1 002	-	351	692	108	2 107
Long-term provisions for liabilities	-	-	607	238	-	-	1	7
Trade and other payables	11 213	125	1 712	570	716	1 073	465	347
Current lease liabilities	3 584	1 969	203	247	275	80	207	-
Short-term provisions for liabilities	1 969	203	247	275	80	207	257	154

The Group also has assets and liabilities denominated in the Argentinian peso, Brazilian real, Canadian dollar, Romanian leu, Mexican peso, Singapore dollar and Swiss franc, which are immaterial to the Group. The Parent Company has assets and liabilities denominated primarily in the functional currency – euro, and also in USD, UK pound, Canadian dollar, Japanese yen, CZK and Polish zloty.

The sensitivity analysis is based on the same assumptions as used internally by the management for financial risk management planning and strategy. This is based on past movements, and on knowledge of and experience in financial markets. These are the movements that are considered to be reasonably possible in the next twelve months.

Movements in EUR/foreign currency exchange rates by 10% would represent the following amounts:

	Exchange Rate at 31 Dec 2022	***Exchange Rate Appreciation by 10%***	***Exchange Rate Depreciation by 10%***
EUR / USD	1.0666	1.1733	0.9599
EUR / CZK	24.1160	26.5276	21.7044
EUR / JPY	140.6600	154.7260	126.5940
EUR / GBP	0.8869	0.9756	0.7982
EUR / PLN	4.6808	5.1489	4.2127
EUR / AUD	1.5693	1.7262	1.4124
EUR / BRL	5.6386	6.2025	5.0747
EUR / SGD	1.4300	1.5730	1.2870
EUR / CAD	1.4440	1.5884	1.2996
EUR / ARS*	188.3940	207.2334	169.5546
EUR / RON	4.9495	5.4445	4.4546
EUR / MXN	20.8560	22.9416	18.7704
EUR / CHF	0.9847	1.0832	0.8862

**As regards the foreign subsidiary in Argentina, whose functional currency is hyperinflationary, all items (assets, liabilities, equity, revenues and expenses) were translated using the ECB's exchange rate valid as at the reporting date. Comparable items presented as data of the previous period were translated into a non-hyperinflationary currency and thus were not adjusted for subsequent changes in price, or subsequent movements in exchange rates.*

(in thousands EUR, if not stipulated otherwise)

Based on the sensitivity analysis, if the EUR exchange rate increased/decreased by 10% against these foreign currencies and other variables remained unchanged, the impact on the profit/loss from the translation would be as follows:

	Depreciation of the Exchange Rate by 10%	*Appreciation of the Exchange Rate by 10%*
EUR / USD	(292)	357
EUR / CZK	(391)	478
EUR / JPY	(121)	148
EUR / GBP	(311)	380
EUR / PLN	(90)	110
EUR / AUD	157	(191)
EUR / BRL	60	(73)
EUR / SGD	(15)	18
EUR / CAD	(178)	217
EUR / ARS*	4	(5)
EUR / RON	(6)	7
EUR / MXN	11	(14)
EUR / CHF	(12)	14

**As regards the foreign subsidiary in Argentina, whose functional currency is hyperinflationary, all items (assets, liabilities, equity, revenues and expenses) were translated using the ECB's exchange rate valid as at the reporting date. Comparable items presented as data of the previous period were translated into a non-hyperinflationary currency and thus were not adjusted for subsequent changes in price, or subsequent movements in exchange rates.*

A 10% movement in the exchange rate was used in the analysis since at this level the management is informed about the currency risk and makes decisions.

The Group is also exposed to foreign exchange differences when converting items of the balance sheets and income statements of foreign subsidiaries to the Group's presentation currency, ie EUR. The resulting exchange rate differences are included in equity as a foreign exchange translation reserve.

31.3. Exchange Rates

Currency	*Average Exchange Rate for 2022*	*Exchange Rate as at 31 Dec 2022*	*Average Exchange Rate for 2021*	*Exchange Rate as at 31 Dec 2021*
EUR / USD	1.0530	1.0666	1.1830	1.1326
EUR / CZK	24.5659	24.1160	25.6400	24.8580
EUR / JPY	138.0274	140.6600	129.8770	130.3800
EUR / GBP	0.8528	0.88693	0.8600	0.84028
EUR / PLN	4.6861	4.6808	4.5650	4.5969
EUR / AUD	1.5167	1.5693	1.5750	1.5615
EUR / BRL	5.4399	5.6386	6.3780	6.3101
EUR / SGD	1.4512	1.4300	1.5890	1.5279
EUR / CAD	1.3695	1.4440	1.4830	1.4393
EUR / ARS*	139.6450	188.3940	112.9810	116.1930
EUR / RON	4.9313	4.9495	4.9210	4.9490
EUR / MXN	21.1869	20.8560	23.9850	23.1438
EUR / CHF	1.0047	0.9847	1.0810	1.0331

**As regards the foreign subsidiary in Argentina, whose functional currency is hyperinflationary, all items (assets, liabilities, equity, revenues and expenses) were translated using the ECB's exchange rate valid as at the reporting date. Comparable items presented as data of the previous period were translated into a non-hyperinflationary currency and thus were not adjusted for subsequent changes in price, or subsequent movements in exchange rates.*

31.4. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle its financial liabilities when due. The Group manages the liquidity risk by ensuring sufficient liquidity to settle its liabilities when due.

The Group keeps a sufficient volume of cash primarily from its own resources. At the Group level, the management monitors the sufficiency of liquid reserves based on the forecasted cash flows. At the end of the reporting period, the Group had demand deposits in the amount of EUR 118 400 thousand (2021: EUR 96 650 thousand) and 6-month term deposits in the amount of EUR 5 000 thousand (2021: EUR 0), which are expected to rapidly generate cash flows to manage the liquidity risk.

The majority of trade receivables within the Group arise from sales to customers outside of Slovakia. The Group performs a continuous assessment of the customers' creditworthiness and financial standing while no guarantees are required in general. The Group delivers its products in a manner that enables it to limit upgrades of versions and these become less usable.

(in thousands EUR, if not stipulated otherwise)

The Group's deposits are not covered by any special insurance. In the USA, the insurance is provided by US Federal Deposit Insurance Corporation (FDIC). The management believes that the non-insured portion is placed in financial institutions where no concern regarding their insolvency exists at present.

The following table presents the maturity of financial liabilities based on contractual non-discounted payments:

2022

Financial liabilities	*Net Book Value*	*Expected Cash Flows*				
		Total	*On Demand**	*Up to 1 year*	*Up to 5 years*	*More than 5 Years*
Trade and other payables	56 975	56 975	429	56 546	-	-
Lease liabilities**	25 450	27 257	-	7 234	18 784	1 239
Other non-current liabilities	518	518	-	-	518	-

**Liabilities payable on demand represent overdue liabilities.*
***The difference between the net book value of lease liabilities and the related expected cash flows represents a future interest expense included in lease instalments.*

2021

Financial liabilities	*Net Book Value*	*Expected Cash Flows*				
		Total	*On Demand**	*Up to 1 year*	*Up to 5 years*	*More than 5 Years*
Trade and other payables	52 636	52 636	982	51 654	-	-
Lease liabilities**	27 922	32 037	-	7 719	21 536	2 782
Other non-current liabilities	438	438	-	-	438	-

**Liabilities payable on demand represent overdue liabilities.*
***The difference between the net book value of lease liabilities and the related expected cash flows represents a future interest expense included in lease instalments.*

31.5. Credit Risk

Credit risk is a risk arising from the possible inability or unwillingness of a debtor to settle its payables. The Group manages credit risk appropriately, primarily by applying an individual approach to its major business partners. The Group regularly monitors the payment discipline of its business partners.

Most of the Group's revenues are generated from cooperation with long-term foreign partners that have an excellent record as regards long-term payment discipline. As regards credit risk, the Group categorises its customers as follows:

1. Business partners – their payment discipline is monitored on a weekly basis. To date, the payment discipline of this group of partners has been excellent, except for partners with whom cooperation has been terminated.

2. End customers – credit risk is mitigated automatically. If a customer fails to pay an issued invoice within 14 days of purchasing a licence, a credit note is automatically issued and the licence is deactivated.

3. Resellers – credit risk is managed using a short maturity period of issued invoices. If an invoice is unpaid when due, a reminder is sent automatically and non-cooperating partners are suspended from ordering licences. The access of such a partner is restored after documenting the settlement of all overdue invoices.

The expected percentage of credit losses and the provision for receivables are described in Note 18 Trade and Other Receivables.

32. CAPITAL MANAGEMENT

The Group manages capital to ensure that it is able to continue as a going concern. To achieve this, the Company uses its equity. The amount of the Company's own funds is optimised in relation to the distribution thereof. The Group takes into consideration future investment needs when managing its own capital.

(in thousands EUR, if not stipulated otherwise)

33. MILITARY CONFLICT IN UKRAINE

During 2022, the Group responded to the ongoing military conflict in Ukraine and ended the sale of products to new customers in Russia and Belarus from 8 March 2022 to make clear its position and support for Ukraine and its people.

This issue had an impact on the carrying amount of the Group's receivables as at 31 December 2022. In the light of the above situation and sanctions against the Russian Federation, the Group created a provision for contract assets to I-SET Software LLC in the amount of EUR 920 thousand.

The Group provided humanitarian aid from the beginning of the conflict via its ESET Foundation. In 2022, the Parent Company provided EUR 735 thousand to the fund for aid to Ukraine and those affected by the military conflict. These funds were used as direct financial aid for Ukrainian refugees in Slovakia, Czech Republic, Romania and Poland and to establish a large-scale assistance centre on Bottova street in Bratislava, which was operated by Bratislava City Council.

34. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

In 2023, Group shareholders approved a plan for creating two new companies which will not be part of the Group:

- ESET Science Campus company;
- A holding company via which shareholders will hold their shares in the newly-created ESET Science Campus company.

Both newly-created companies will be linked with the Parent Company in terms of personnel (via the shareholders of the Parent Company). The future transactions between the Group and the newly-created companies above will represent transactions with related parties.

After creating the above companies, the Group plans to transfer the ESET Science Campus project in the amount of EUR 33 898 thousand to the new ESET Science Campus company.

In March 2023, Parent Company shareholders also approved a change to the legal form of the Parent Company from a limited liability company to a joint-stock company.

Based on an evaluation of the current status and development of analyses and preparation work for the project, the Group concluded that the plan for transferring the ESET Science Campus project to a new company did not meet the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations for presentation as a separate line item in the consolidated statement of financial position.

The details of the current status of the Group's ongoing litigations are provided in Note 27 Litigations.

In addition to the above, no other events occurred after 31 December 2022 that would have a material impact on the Group's financial position or operations.

35. OTHER SUPPLEMENTARY INFORMATION REQUIRED PURSUANT TO SLOVAK LEGISLATION

These disclosures are required by the Slovak legislation beyond the scope of IFRS disclosures – consolidated financial statements. Other required disclosures are included in the previous notes.

Reporting Entity

ESET, spol. s r. o. prepared these consolidated financial statements in line with IFRS, as adopted in the EU, as annual consolidated financial statements pursuant to the Slovak Act on Accounting.

Business name of the consolidating entity:	ESET, spol. s r.o.
Registered office:	Einsteinova 24, 851 01 Bratislava
Date of establishment:	26 June 1992
Date of incorporation:	17 September 1992
Company ID (IČO):	31 333 532
Tax ID (DIČO):	2020317068
Number of employees in the consolidation group:	2 181

Consolidated entities

Business name:	ESET, spol. s r.o.
Registered office:	Slovak Republic
	Parent company
Business name:	ESET software spol. s r.o.
Registered office:	Czech Republic
	Subsidiary
Business name:	ESET, LLC,
Registered office:	California, USA
	Subsidiary
Business name:	ESET LATINOAMERICA, SRL
Registered office:	Argentina
	Subsidiary
Business name:	ESET ASIA PTE. LTD.
Registered office:	Singapore
	Subsidiary
Business name:	ESET DO BRASIL MARKETING LTDA
Registered office:	Brazil
	Subsidiary
Business name:	ESET POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNÓSCIA
Registered office:	Poland
	Subsidiary
Business name:	ESET CANADA Recherche Inc.
Registered office:	Canada
	Subsidiary
Business name:	ESET Canada Inc.
Registered office:	Canada
	Subsidiary
Business name:	ESET Research Czech Republic s.r.o.
Registered office:	Czech Republic
	Subsidiary
Business name:	ESET DEUTSCHLAND GmbH
Registered office:	Germany
	Subsidiary
Business name:	ESET SOFTWARE AUSTRALIA PTY, LTD.
Registered office:	Australia
	Subsidiary
Business name:	ESET RESEARCH UK Limited
Registered office:	UK
	Subsidiary
Business name:	PGNB LIMITED*
Registered office:	UK
	Subsidiary
Business name:	ESET SOFTWARE UK Limited
Registered office :	UK
	Subsidiary
Business name:	ESET Romania S.R.L.
Registered office:	Romania
	Subsidiary
Business name:	Nadácia ESET
Registered office:	Slovak Republic

	Subsidiary
Business name:	ESET Japan Inc.
Registered office:	Japan
	Subsidiary
Business name:	ESET MÉXICO S. de R.L. de C.V.
Registered office:	Mexico
	Subsidiary
Business name:	ESET ITALIA S.r.l.
Registered office:	Italy
	Subsidiary

**PGNB Limited undertook no business activities in 2021. In 2021, the Group began the liquidation of PGNB Limited. PGNB Limited was deleted from the Companies Register in the United Kingdom on 19 April 2022.*

Ultimate consolidating company

Business name:	ESET, spol. s r.o.
Registered office:	Bratislava, Slovak Republic

Consolidating companies where the consolidated financial statements are kept

Business name:	ESET, spol. s r.o.
Registered office:	Bratislava, Slovak Republic
Address of the Court of Record:	Commercial Register of the District Court Bratislava I., section: Sro, file No.: 3586/B

The reporting entity is not an unlimited liability partner in any company.

Executives of the consolidating company as at 31 December 2022:

Rudolf Hrubý;
Peter Paško; and
Miroslav Trnka.

There was no change up to the preparation date of these consolidated financial statements.

(in thousands EUR, if not stipulated otherwise)

Other data for the Group:

- The Parent Company and subsidiaries have their tangible assets covered by insurance;
- Non-current immovable assets that are not registered in the land register as at the date of authorisation of the financial statements for issue (and is used) – none;
- Assets acquired in privatisation with the specification of their cost – none; and
- Social fund payables, opening balance, creation, drawing, balance at the end of the reporting period for the Company:

	2022	***2021***
Balance at 1 January	235	178
+ Creation debited to expenses	747	379
- Drawing	(731)	322
- Transfer to funds from profit	-	-
Balance at 31 December	**252**	**235**

Prepared on:	***Signature of a Member of the Statutory Body of the Reporting Entity or a Natural Person Acting as a Reporting Entity:***	***Signature of the Person Responsible for the Preparation of the Consolidated Financial Statements:***	***Signature of the Person Responsible for Bookkeeping:***
28 April 2023			
Approved on:			
28 April 2023			

ANNEX 2: SEPARATE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT AS OF 31 DECEMBER 2022

ESET, spol. s r.o.

INDEPENDENT AUDITOR'S REPORT AND SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

For the year ended 31 December 2022

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.

CONTENTS

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

ESET, spol. s r.o.

INDEPENDENT AUDITOR'S REPORT

To the Partners, Supervisory Board and Executives of ESET, spol. s r.o.:

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of ESET, spol. s r.o. (the "Company"), which comprise the separate statement of financial position as at 31 December 2022, and 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 2022, 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 Matter

We draw attention to Note 1.1 and Note 6 to the separate financial statements which state that the Company prepared its separate financial statements for the year ended 31 December 2022 for the first time in accordance with International Financial Reporting Standards as adopted by the EU and describe the initial application of IFRS. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for Separate the 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.

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.

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.

As at the issuance date of the auditor's report on the audit of separate financial statements, the annual report was not available to us.

When we obtain the annual report, we will assess whether the Company's annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the separate financial statements, we will express an opinion on whether:

- Information disclosed in the annual report prepared for 2022 is consistent with the separate financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its position, obtained in the audit of the separate financial statements.

Bratislava, 28 April 2023

Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands EUR)

	Note	*2022*	*2021*
Revenues from the provision of end-user licences and services	8	589 070	548 860
Services	9	(425 773)	(394 550)
Personnel expenses	10	(75 170)	(66 319)
Depreciation		(6 696)	(6 710)
Other operating (expenses)/income, net		141	469
Impairment losses on trade receivables and contract assets	20	(2 554)	(2 490)
Profit from the liquidation of a subsidiary	11	-	758
Finance income	12	9 657	11 612
Finance costs	13	(652)	(506)
Profit before tax		88 024	91 124
Income tax	14	(18 052)	(17 684)
PROFIT FOR THE YEAR		**69 973**	**73 440**
OTHER COMPREHENSIVE INCOME			
Items that may not be reclassified subsequently to profit or loss:			
Gains (+)/losses (-) on the revaluation of defined benefit schemes, net of tax	26	5	-
TOTAL COMPREHENSIVE INCOME		**69 978**	**73 440**
Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)	**15**	**85 167**	**85 636**

SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands EUR)

	Note	31 December 2022	31 December 2021	1 January 2021
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	16	44 825	38 481	33 073
Right-of-use assets	25	14 448	14 566	17 082
Intangible assets	17	2 192	2 833	3 102
Financial investments in subsidiaries	18	20 537	20 445	32 989
Other assets		2 298	2 114	1 981
Capitalised costs of obtaining a contract	19	107 469	92 268	92 709
Deferred tax asset	23	23 932	41 333	36 631
Total non-current assets		**215 701**	**212 039**	**217 568**
CURRENT ASSETS				
Cash and cash equivalents	22	93 160	73 423	92 274
Term deposits	22	5 000	-	-
Trade and other receivables	20,21	8 367	10 155	6 631
Income tax assets		-	-	2 883
Capitalised costs of obtaining a contract	19	223 038	206 865	197 464
Inventories		126	245	227
Total current assets		**329 691**	**290 688**	**299 479**
TOTAL ASSETS		**545 392**	**502 727**	**517 046**
EQUITY AND LIABILITIES				
EQUITY				
Registered capital		140	140	140
Legal reserve fund		14	14	14
Revaluation reserve – actuarial gains and losses	26	5	-	-
Retained earnings		11 075	19 266	23 657
Total equity		**11 234**	**19 420**	**23 811**
NON-CURRENT LIABILITIES				
Deferred income	27,21	143 623	121 123	123 122
Non-current lease liabilities	25	11 868	12 153	14 745
Other non-current liabilities		494	438	178
Provisions for liabilities	26	7 250	6 351	2 763
Total non-current liabilities		**163 235**	**140 065**	**140 807**
CURRENT LIABILITIES				
Trade and other payables	21,24	63 211	62 788	86 001
Deferred income	27,21	303 050	274 271	262 161
Current lease liabilities	25	3 155	2 787	2 728
Provisions for liabilities	26	1 506	2 037	1 504
Current income tax	14	-	1 358	34
Total current liabilities		**370 923**	**343 241**	**352 429**
TOTAL EQUITY AND LIABILITIES		**545 392**	**502 727**	**517 046**

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands EUR)

	Registered Capital	*Legal Reserve Fund*	*Revaluation Reserve – Actuarial Gains/Losses*	*Retained Earnings*	*Total*
Balance at 31 December 2021	140	14	-	23 657	**23 811**
Net profit for the year	-	-	-	73 440	**73 440**
Other comprehensive income, net	-	-	-	-	**-**
Correction of previous years	-	-	-	-	**-**
Allocation to reserves from profit	-	-	-	-	**-**
Dividends paid	-	-	-	(77 830)	**(77 830)**
Balance at 31 December 2021	**140**	**14**	**-**	**19 266**	**19 420**
Net profit for the year	-	-	-	69 973	**69 973**
Other items of comprehensive income/loss for the period (actuarial gains/losses)	-	-	5	-	**5**
Allocation to reserve funds from profit	-	-	-	-	**-**
Dividends paid	-	-	-	(78 164)	**(78 164)**
Balance at 31 December 2022	**140**	**14**	**5**	**11 075**	**11 234**

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands EUR, if not stipulated otherwise)

	2022	2021
Cash flows from operating activities		
Profit before tax	88 024	91 124
Non-cash transactions affecting profit/loss from ordinary activities before income tax:		
Interest charged to expenses	459	470
Interest charged to income	(581)	(60)
Profit from the sale of assets	6	(2)
Dividends and other shares of profit charged to income	(5 275)	(21 347)
Depreciation	6 696	6 709
Change in provisions for assets	2 554	15 034
Change in expense accruals	(1 678)	(843)
Change in provisions for liabilities	374	5 148
Foreign exchange differences	(2 621)	(1 873)
Other non-cash items	(29)	(28)
	87 929	**94 367**
Effect of changes in working capital		-
(Increase)/decrease in inventories	119	(18)
(Increase)/decrease in trade and other receivables	(3 195)	(11 700)
(Increase)/decrease in capitalised costs of obtaining a contract	(31 374)	(8 960)
Increase/(decrease) in trade and other payables	(1 482)	7 990
Increase/(decrease) in deferred income*	56 901	21 915
	108 896	**103 595**
Cash flows from operating activities		
Income tax paid	(2 058)	(19 099)
Interest received	581	60
Interest paid	(459)	(470)
Net cash flows from operating activities	**106 961**	**84 050**
Cash flows from investing activities		
Acquisition of non-current assets	(9 412)	(9 149)
Dividend income	5 275	8 055
Term deposits other than cash and cash equivalents	(5 000)	-
Proceeds from borrowings provided to a group entity	213	224
Net cash flows from investing activities	**(8 923)**	**(869)**
Cash flows from financing activities		
Expenditures for finance lease	(2 774)	(2 714)
Dividends paid**	(78 164)	(101 213)
Proceeds from borrowings received	18	21
Net cash flows from financing activities	**(80 921)**	**(103 906)**
Net increase/(decrease) in cash and cash equivalents	**17 117**	**(20 724)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	73 423	92 274
EFFECT OF FOREIGN EXCHANGE DIFFERENCES	2 621	1 873
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	**93 160**	**73 423**

** Deferred income from contracts with customers comprises contract liabilities.*
*** Dividends paid for 2021 also include a portion of the dividends approved for payment by the decision of the Management Board of 16 December 2020 in the amount of EUR 23 385 thousand, which were paid on 18 January 2021.*

(in thousands EUR, if not stipulated otherwise)

1. COMPANY'S DESCRIPTION

1.1. General Information

The separate financial statements for the year ended 31 December 2022 were prepared by ESET, spol. s r. o. (hereinafter the "Company") in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). The reporting currency of the Company is the euro (EUR). The separate financial statements were prepared under the going-concern assumption.

The separate financial statements for the period from 1 January 2022 to 31 December 2022 were prepared under International Financial Reporting Standards ("IFRS") as adopted by the EU, in accordance with Article 17a (2) of Act No. 431/2002 Coll. on Accounting ("Act on Accounting").

These financial statements prepared as at 31 December 2022 are the first financial statements prepared by the Company in accordance with IFRS. During the previous reporting periods until and including 31 December 2021, the Company's financial statements were prepared in accordance with Slovak accounting standards (SAS). Other information on the first-time adoption of IFRS is provided in Note 6 First-time Adoption of IFRS.

Under Act No. 431/2002 Coll. on Accounting, as amended, the Company is obliged to prepare consolidated financial statements, as the requirements of Article 22 of the Act are met. The Company prepared its consolidated financial statements as at 31 December 2021 and has the same obligation for the reporting period from 1 January 2022 to 31 December 2022. The consolidated financial statements are available at the parent company's registered office - ESET, spol. s r.o., Einsteinova 24, 851 01 Bratislava, Slovak Republic.

The Company was incorporated on 17 September 1992 by registration in the Commercial Register (Commercial Register of the District Court Bratislava I, Section: Sro, Insert No.: 3586/B).

Seat of the Company:

Einsteinova 24
Bratislava
851 01
Identification number (IČO): 31333532
Tax identification number (DIČ): 2020317068
VAT identification number (IČ DPH): SK2020317068

As at 31 December 2022, the owners of the Company are the individuals stated below:

Structure of the Registered Capital by Partners

Owners	***Share in Registered Capital***		***Voting Rights***
	EUR ´000	***%***	***%***
Rudolf Hrubý	31	22.000	22.000
Peter Paško	31	22.000	22.000
Miroslav Trnka	32	22.750	22.750
Richard Marko	17	12.125	12.125
Maroš Grund	17	12.125	12.125
Anton Zajac	12	9.000	9.000

Registered capital registered in the Commercial Register:	EUR 140 thousand
Registered capital not registered in the Commercial Register:	-

Supervisory Board of the Company

On 1 January 2022, the Company fulfilled the conditions stipulated in Article 2 (15) (f) of Act No. 423/2015 Coll. on Statutory Audit and became an entity subject to oversight (large corporation).

Given the fulfilment of the above conditions, the Company became obliged to set up either a supervisory board or an audit committee pursuant to Article 34 (1) of Act No. 423/2015 Coll. on Statutory Audit. The Company fulfilled its obligation and established a supervisory board as of 1 January 2022 composed of the following members:

First Name and Surname	***Position***	***Date of Appointment***
Ing. Matej Bošňák	Chairman of the Supervisory Board	1 January 2022
Ing. Maroš Grund	Member of the Supervisory Board	1 January 2022
RNDr. Anton Zajac	Member of the Supervisory Board	1 January 2022

1.2. Scope of Activities

The Company develops software solutions providing immediate and comprehensive protection against constantly-evolving computer security threats. The Company deals with the development of innovative security solutions focusing on the proactive detection of malware and the protection against computer crime and software piracy. The key products for households are ESET Internet Security, ESET NOD32 Antivirus and ESET Smart Security Premium. The Company offers a range of products in the ESET Protect line to its corporate customers, which are continuously improved to enable customers to utilise their full potential and technology capabilities in a secure digital world. The Company develops security solutions for end-user devices, servers, mobile devices, cloud applications, disk encryption, mail security, and endpoint detection and response to attacks with the ability to control them remotely. The Company operates in the following geographic regions: North and South America; Europe, the Middle East and Africa (hereinafter "EMEA"), Australia and Asia.

1.3. Employees

The number of the Company's employees for the year ended 31 December 2022 was 1 277, of which executive management: 12 (for the year ended 31 December 2021: 1 100, of which executive management: 11).

The Company's full-time equivalent was 1 231 as at 31 December 2022 (for the year ended 31 December 2021: 1 088).

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

2.1. Application of New and Revised International Financial Reporting Standards

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

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

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to various standards due to "Annual Improvements to IFRS Standards (2018 - 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 only relate to an illustrative example, so no effective date is stated.).

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

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by the International Accounting Standards Board (IASB) and adopted by the EU and are not yet effective:

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

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

- **IFRS 17 "Insurance Contracts"** issued by the IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while it is applied. Amendments to IFRS 17 "Insurance Contracts" issued by the IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments introduce simplifications and clarifications of some requirements in the standard and provide additional reliefs when applying IFRS 17 for the first time. The standard was adopted by the EU on 19 November 2021.

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the date of publication of these financial statements:

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current issued by the IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place as at the reporting date. Amendments to IAS 1 issued by the IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies issued by the IASB on 12 February 2021. The amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers when deciding which accounting policies to disclose in their financial statements.

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by the IASB on 6 May 2021. According to the amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

- **Amendments to IFRS 10 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and other amendments (the effective date deferred indefinitely until the research project on the equity method has been concluded),

- **IFRS 14 "Regulatory Deferral Accounts"** issued by the IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 issued by the IASB on 25 June 2020. The amendments change the fixed expiry date for the temporary exemption from applying IFRS 9 "Financial Instruments" stated in IFRS 4 "Insurance Contracts" so that entities will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of Accounting

The separate financial statements have been prepared in accordance with IFRS as adopted by the European Union.

The separate financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies adopted are detailed below.

a) Financial Investments in Subsidiaries

Subsidiaries are entities that are controlled by the Company. Control exists when the Company has the power over an investment and the Company also is exposed, or has rights, to variable returns from its involvement with an investment, and has the ability to use its power to affect its returns. Investments in subsidiaries are measured at cost.

The Company acts in compliance with IAS 36 Impairment of Assets and regularly reassesses the existence of internal and external indicators of financial investment impairment for investments in subsidiaries. If the Company identifies internal or external indicators of impairment, financial investments are tested for impairment.

As at 31 December 2022, the Company identified external indicators of impairment of financial investments and performed an impairment test for selected financial investments (see Note 18 Financial Investments in Subsidiaries).

b) Financial Instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company as a contractual party is subject to the provisions concerning the given financial instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not include a significant financing component and are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value with changes recognised through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Compensation of financial assets and financial liabilities

Licenses are sold both directly and indirectly. Direct sales are mainly made via the ESET website to end customers. Indirect sales are mainly made via independent distributors and resellers, who make the majority of total sales. For indirect sales, receivables from the fulfilment of contracts with customers and payables to distributors and sellers are recognised on a net basis as receivables from or payables to distributors and sellers where this has been contractually agreed. The settlement of receivables and payables on a net basis is agreed with selected distributors and sellers in distribution contracts.

If the Company satisfies its obligation of contract performance by transferring the software use rights during the specified period to a customer before the maturity of the receivable, the contract claim for a consideration is recognised by the Company as a contract asset. In accordance with IAS 32, the Company offsets contract assets against liabilities to distributors and sellers (liabilities representing compensation for activities performed by distributors and sellers). Even though contract assets constitute a contractual claim against end customers and liabilities represent a performance obligation towards distributors and sellers, their settlement on a net basis is contractually agreed upon in distribution contracts with distributors and sellers.

The Company only undertakes compensation if it currently has the legally enforceable right to compensate the recognised amounts and the intention to either settle the asset and the liability on a net basis, or realise the asset and settle the liability simultaneously.

During the current and immediately preceding reporting periods, the Company primarily recognised the following financial instruments:

- Trade receivables (see Note 3.1 (c))
- Cash and cash equivalents (see Note 3.1 (g))
- Foreign exchange gains and losses (see Note 3.1 (o))

c) Trade Receivables

Trade receivables (which do not comprise a significant financing component) are measured at the transaction price upon the initial recognition and subsequently at amortised costs, less a provision for debtors in bankruptcy or restructuring proceedings and less a provision for doubtful and uncollectible overdue receivables where there is a risk that the debtor will not pay them fully or partially.

The Company only recognises receivables which represent an unconditional right to a consideration. Receivables are recognised when an unconditional amount of the consideration is enforceable or falls due. Consideration is deemed enforceable before the maturity of the receivable if the Company satisfied its contractual performance obligation by transferring the software use rights during a part of the contract period to a customer. In such a case, the contract claim to a consideration is recognised as a contract asset. Subsequently, when the maturity date is reached, the contract asset is reclassified as a receivable, unless a consideration was paid by the customer.

The Company applies an expected credit loss model when assessing provisions for financial assets. The simplified approach is based on the use of a matrix for the calculation of provisions that determines the extent of impairment for groups of receivables based on the number of days until their settlement. The historical loss rate applied in the calculation of provisions also reflects forward looking information.

When assessing the provision for an expected credit loss on financial assets in line with IFRS 9 Financial Instruments, the Company classified the respective portion of trade and other receivables recognised as current assets into three levels. The Company defines the individual levels in line with IFRS 9 Financial Instruments as follows:

- Level 1: Other receivables for which the Company takes into account expected credit losses over the next 12 months and does not record higher credit risk

- Level 2: Other receivables for which the Company records significantly higher credit risk or trade receivables for which it takes into account life time expected credit losses

- Level 3: Trade and other receivables where there is objective proof of their impairment

When categorising financial assets into individual levels, the Company primarily monitors the status of overdue trade and other receivables and the solvency of its business partners in default (creation of a general provision for assets). The Company also takes into account extraordinary events which are significant for the classification of trade and other receivables into individual levels (creation of a specific provision for assets). For the Company, extraordinary events include, e.g. court decisions in pending legal disputes, significant events in international politics and other unforeseen events which have a material impact on the maturity or recoverability of the Company's trade and other receivables.

Additional information on the applied expected credit loss model (ECL model) are presented in Note 20.2 Expected Credit Losses.

d) Property, Plant and Equipment and Non-current Intangible Assets

Property, plant and equipment and non-current intangible assets (hereinafter "Non-current Assets") are recognised at cost less accumulated depreciation and amortisation, and accumulated impairment losses. Cost includes all expenses directly attributable to placing the Non-current Assets into service for their intended purpose.

Items of non-current tangible and intangible assets that are worn out or disposed of for another reason are derecognised from the statement of financial position at the net book value. Any gain or loss resulting from such wear and tear or disposal is recognised in the statement of comprehensive income.

All items of property, plant and equipment are depreciated using the straight-line method based on the asset's estimated useful life. Land is not depreciated. The depreciation of assets begins when the assets are ready for their intended use. Depreciation charges are recognised in the income statement so that non-current assets are depreciated over the remaining useful life up to the amount of the estimated residual value. The useful lives of non-current assets can be summarised as follows:

	Estimated Useful Lives in Years	***Depreciation Method***
Software	2 – 10	Straight-line
Right-of-use assets	Up to the termination of a lease contract	Straight-line
Technical improvements of premises to right-of-use assets	2 – 10	Straight-line
Fixtures and fittings	5 – 15	Straight-line
Plant and machinery	2 – 8	Straight-line
Transportation means	6	Straight-line

The estimated useful lives, net book values and the depreciation method are reviewed at the end of each reporting period, and the effect of changes, if any, in estimates is recognised on a prospective basis.

The Company depreciates right-of-use assets up to the termination of the contract.

Non-current intangible assets with a cost of EUR 2 400 or less are recognised in expenses in the reporting period in which they are placed into service. Such assets are kept in sub-ledger records.

Non-current tangible assets (except for IT assets – see paragraph below) with a cost of EUR 1 700 or less are expensed when placed into service.

IT assets with a cost of EUR 500 or less are expensed when placed into service. Computers, laptops, mobile phones and monitors are capitalised by the Company regardless of their cost.

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

Expenditures relating to an item of non-current assets after being placed into service increase the carrying amount of the asset when the Company may expect future economic benefits, in excess of the original assessed standard of performance. All other expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

e) Research and Development

Research costs are recognised directly in expenses in the reporting period in which they were incurred. Development expenses for software products are recognised in expenses (Services) in the actual amount, unless they meet the capitalisation criteria under IAS 38. R&D expenses include salaries and benefits of researchers, supplies and other expenses incurred in connection with R&D work. The Company undertakes R&D continuously. R&D results tend to have a short useful life without further development and continuous improvement. When R&D expenses are incurred, it is generally not possible to determine the possibility of the technical completion of the development for its use and sale. For a portion of development expenses for minor or major upgrades or other changes to software functions, the criteria are not met as the product's design or functionalities are not substantially new. Such expenses are therefore recognised as an expense in the separate statement of comprehensive income when incurred.

Based on criteria under IAS 38, the Company did not capitalise any development costs incurred in the current or immediately-preceding reporting periods.

f) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials and other inventories includes the acquisition price and the related incidental costs, and the cost of inventories developed internally includes raw materials, other direct costs and production overheads.

g) Cash, Cash Equivalents and Term Deposits

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

The Company presents term deposits with a maturity of 6 months as current financial assets, separately from cash and cash equivalents.

Cash, cash equivalents and term deposits are subject to the assessment of input parameters for the expected credit losses (ECL model) under IFRS 9 Financial Instruments (see Note 22).

h) Provisions for Liabilities

A provision is recognised when the Company has a present obligation (legal or constructive non-contractual) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are re-assessed at each reporting date and are adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation; these expenditures are determined using the estimated risk-free interest rate as a discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

i) Revenues from Contracts with Customers

The Company recognises revenue from the provision of software resulting mainly from licence fees and support services under contractual arrangements with end users.

Sales are made directly or indirectly. Direct sales primarily comprise internet sales to end customers via the ESET website. Indirect sales are made via independent distributors and resellers (distributors/resellers who are not Group members) and related-party distributors and resellers (subsidiaries).

The Company provides end customers and partners in Slovakia, and partners in the EMEA region, APAC, Brazil and South Africa with the right to use the antivirus software. Eset Software spol. s r.o. (subsidiary) has concluded an agreement with the Company on the distribution of products in the Czech Republic. ESET, LLC. (subsidiary) distributes ESET products primarily in the USA and the LATAM region (except for Brazil). ESET Deutschland GmbH (subsidiary) distributes products on the German, Austrian, Swiss and Croatian markets. ESET Software Australia, PTY, Ltd. (subsidiary) undertakes distribution activities in Australia and ESET ASIA primarily in the APAC region. ESET Software UK Limited (subsidiary) distributes products in the UK and Malta. ESET Canada Inc. (subsidiary) undertakes distribution activities on the Canadian market. ESET ITALIA S.r.l. (subsidiary) undertakes distribution activities on the Italian market.

The Company sells its product via intermediaries, ie distributors, resellers, etc. Company sales within the Group (see Note 7 Information on Financial Investments in Subsidiaries) accounted for 51% of total sales of the Company (2021: 48% of total sales). The top ten external distributors accounted for 38% of total sales in 2022 and 40% of sales in 2021.

Based on a detailed analysis of contractual arrangements, rights and obligations of all members of the distribution chain, the Company applies the gross revenue recognition method. During the contract period, the Company recognises revenues in the amount paid by end users for ESET products and services carried out by Company distributors and resellers or directly the Company via direct channels. Compensation for activities performed by distributors and resellers is a distribution network margin, which is initially capitalised as the cost of contract acquisition and amortised in costs over the term of the licence in proportion to the amount of recognised licencing revenues.

The cost of contract acquisition is related to the commissions paid to distributors and resellers for the acquisition of licence agreements with end customers. Distribution commissions are expenses that the Company would not incur if the contract were not acquired. The Company also incurs other costs necessary to make sales, but these costs would be incurred even if the customer chose not to conclude the contract and would therefore not be capitalised.

The Company as a member of the ESET Technology Alliance also sells products of other companies that are not the Company's subsidiaries. In this case, the Company acts as an agent and recognises revenues in the amount of the portion of the consideration received from the end customer which belongs to the Company for its services as an agent. Compensation for the activities performed by distributors and resellers when selling products of other companies is recognised in expenses.

The Company recognises **revenues from the provision of licences to use the antivirus software and associated support services** as follows: each customer is required to pay a fee for the right to use the software during a specified period. Revenue is recognized on accruals basis over the licence term from the moment of licence activation by the end customer. In addition to revenues from the sale of antivirus software, the Company also recognises revenues from the sale of encryption software. When analysing such revenues, the Company identified two primary contractual performance obligations which were measured by the Company separately using the five-step model under IFRS 15. The first performance obligation represents delivery of an encryption key used by a customer to secure their end-user devices. The Company recognises this portion of revenue as a lump sum at the moment of the sale to the end customer. The second performance obligation of the contract includes support and maintenance provided to the end customer over a specified period. The revenue from such performance is recognised on accruals basis over the specified period. Revenues from the sale of third-party products - members of the ESET Technology Alliance are recognised as a lump-sum at the moment of a sale to an end customer or business partner. In the current year, the corresponding amount of revenue is recognised as "revenue from the provision of end user licences and services" in the separate statement of comprehensive income.

If the customer pays the consideration or the receivable is due before the Company grants the customer the right to use the software for a specified period, the Company presents the contract as a contract liability. Initial recognition takes place when the payment is made or the receivable is due, whichever occurs first. A contract liability is the Company's obligation to transfer to the customer the right to use the software for a specified period, for which the Company has received consideration from the customer, or such consideration is due. The Company recognises contract liabilities in the line Deferred income in the separate statement of financial position.

The Company also distributes license products in the form of registration keys and a series of registration keys - batches, in case of which a time mismatch occurs between the distributor's billing and activation by the end-user. At the moment of receipt of consideration from the distributor, or at the moment the distributor's invoice becomes due (whichever occurs first), the Company incurs a contract liability, which it recognises in deferred income. At the moment of licence activation by the end user, the Company recognises revenue which is deferred over the licence validity term.

If a prepaid batch of registration keys is not refundable, the Company proceeds as follows: The generated revenue attributable to the sold and non-activated registration keys is estimated by the Company based on the historical development of the activation of licenses from the respective batch. Such revenue is recognised by the Company over the term of a contractual liability in individual reporting periods. Significant differences may arise in the amount and timing of revenues for a certain period if management applies different judgments or different estimates. Such estimates impact the "Deferred income" in the separate statement of financial position and the "Revenues from the provision of end user licences and services" in the separate statement of comprehensive income. The Company individually assesses the recognition of revenues for refundable batches. The Company continuously estimates revenues from unactivated licence keys, which are adjusted on a monthly basis by the actual amount of activated or refunded licence keys.

Primarily in the NORAM region, the Company uses another type of prepaid batch of registration keys for sale via a consignment warehouse. Supplied licence keys are invoiced when sold by the distributor to the end customer. Given the high level of activations by end customers shortly after the distributor's invoicing, revenues from non-activated registration keys are recognised at the end of the contractual liability.

End users may return ESET products, subject to limitations, via distributors and resellers or may ask the Company directly for a refund within a reasonably short period from the date of purchase. The Company considers the amount of a refund liability to be immaterial, and as a result, it did not recognise this liability as at 31 December 2022 and 31 December 2021.

The Company has identified the main types of contract modifications and recognises revenues in accordance with IFRS 15 requirements. The main types of contract modifications over the contract term include the extension of the license validity term, addition or reduction of requirements, products and services, when the Company accounts for a contract modification on a prospective basis. In the event of a price change or product return by an agreed time limit, the Company cumulatively adjusts recognised revenues. If a contract modification is made after the termination of a contract's validity, the Company recognises such contract modification as a separate contract.

j) Mandatory Social Insurance and Pension Security

The Company is required to make contributions to various mandatory government insurance schemes, together with contributions by employees. Social security expenses are charged to the separate statement of comprehensive income in the same period as the related wages and salaries.

k) Short-term and Long-term Employee Benefits

The Company recognises all forms of consideration provided by the Company in exchange for services rendered by employees, or for termination of employment, as employee benefit obligations. These liabilities are recognised in the period in which the Company received the services provided by the employees.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Where discounting is used, an increase in the provision due to the time factor is recognised as finance costs in the separate statement of comprehensive income.

Estimated employee benefit obligations are included in the line Provisions for liabilities in the separate statement of financial position.

l) Leases

The Company applies the IFRS 16 when assessing leases. The Company assesses whether a contract contains a lease at the inception of the contract. The Company acts as a lessee for all existing lease contracts. In respect of leases, the lessee recognises a right-of-use asset (lease asset) and the related lease liability. Each lease payment is divided into the payment of a lease liability and the accrued financial interest expense. Finance costs are recognised directly through profit or loss over the lease term. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the assets, or the lease term.

Payments for short-term lease contracts, lease contracts for low-value assets and lease contracts for other assets excluded from the scope of IFRS 16 due to materiality are recognised on a straight-line basis over the lease term as an expense of the current year included in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise leases of assets with a value of up to EUR 5 thousand, such as printers, coffee machines and water dispenser stands.

Upon the initial application of IFRS 16, the Company applied the following practical expedients:

- Application of a single discount rate for the entire portfolio of leases with similar characteristics;
- Measurement of a lease asset in the amount of a lease liability adjusted for prepaid or accrued lease payments and incentives from the lessor;
- Recognition of operating leases with a residual lease term of less than 12 months as at 1 January 2019 as short-term;
- Exclusion of the initial direct costs for the measurement of right-of-use assets (lease asset) at the date of initial application;
- Use of an initial assessment of the lease term applied as at 1 January 2019 if the contract contains options to extend or to terminate the lease. The initial assessment of the lease term was applied if there was no change in the assessment (significant event within the control of the lessee affecting the initial assessment), revision of the assessment (exercise of an initially unconsidered option or non-exercise of an initially considered option) or a contract modification.

Practical expedients applied at the initial application of IFRS 16 have an impact on the reported financial results and financial position also in 2022 as, based on the application of an exemption in IFRS 1 Appendix D, the Company recognised assets and liabilities related to the lease in the same amounts as in the consolidated financial statements as at the date of transition to IFRSs (1 January 2021).

Lease assets and lease liabilities are primarily measured at their present values. The present value of lease liabilities comprises:

- Fixed payments less any lease incentives receivable;
- Variable lease payments (based on an index);
- The exercise price of an option to extend the lease (if reasonably certain);
- Penalties for early termination (if reasonably certain);
- Amounts payable under residual value guarantees.

Variable lease payments that do not depend on an index or rate are not included in the measurement of a lease liability and right-of-use assets. The related payments are recognised as an expense in the relevant period on an accrual basis and are included in the line "Services" in the separate statement of comprehensive income.

As a practical expedient, IFRS 16 permits a lessee to not separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company applied the above practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company includes fixed payments and variable payments (based on an index) in additional lease or non-lease components when measuring a lease liability.

Lease payments are discounted using a weighted average interest rate[1], which is the interest rate that the lessee would have to pay if it had to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment under similar conditions.

Lease liabilities are presented by the Company as Non-current lease liabilities and Current lease liabilities in the separate statement of financial position. Subsequently, lease liabilities are measured by increasing the carrying amount by interest expense (reflecting the effective interest rate) and reducing the carrying amount by lease payments made.

The Company remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) if:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change to the assessment of the exercise of a purchase option. In such a case, the lease liability is measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or changes to expected payments under a guaranteed residual value. In such a case, the lease liability is measured by discounting the revised lease payments using an unchanged discount rate (unless the change to the lease payments is due to a change in a floating interest rate, in which case a revised discount rate is applied).
- A lease contract is modified and the lease modification is not accounted for as a separate lease. In such a case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If the Company assesses in line with IFRS 16 that a lease contract modification represents a separate lease, the existing lease liability is not remeasured, instead a lease liability and right-of-use assets arising from such a modification are measured in the same manner as a new contract comprising a lease.

During 2022, the Company presented modifications of lease contracts in line with the above procedure.

Right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of a lease liability;
- Initial direct costs;
- Lease payments less lease incentives before the commencement date of a lease;
- An estimate of disposal costs/restoration costs.

[1] *The Company uses a weighted average interest rate to discount lease payments, as the interest rates indicated by selected contract banks are not set for the Company but for the ESET Group as a whole (see Note 7).*

m) Income Tax (Current)

Income taxes of the Company are calculated on accounting profit as determined under Slovak accounting procedures after adjustments for certain items for taxation purposes using the income tax rate of 21%.

When calculating its tax base, as of 1 January 2022, the Company changed the accounting method of including revenues from the provision of user licences and services ("Revenues") and costs of contract acquisition ("Costs") into the tax base.

The Company began accruing its revenues from the provision of licences to its customers to calculate the tax base under SAS over the licence provision term. Deferred income (under SAS) documentably taxed in the previous periods will not be included in the tax base in current/future taxation periods to prevent double multiple of the same income in breach of Act No. 595/2003 Coll. on Income Tax.

By analogy, deferred expenses (under SAS) which relate to contract acquisition and were a tax expense in the previous periods are not repeatedly included in the tax base (to prevent double deduction of expenses).

In line with a change to the taxation of revenues and costs, the Company also changed the taxation of impacts resulting from the evening up of foreign related distributors (transfer pricing).

n) Deferred Tax

Deferred income tax is recognised, using the liability method, for all temporary differences arising between the net tax value and the net book value of assets and liabilities. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is expected to be realised or the liability settled. Deferred tax is recognised in the separate statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recognised in equity.

To determine the amount of deferred income tax, the tax rate applicable in the subsequent reporting period was applied, ie 21%.

Major temporary differences arise as a result of differences between the carrying amount and tax value of deferred income and capitalised costs of obtaining a contract. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The Company offsets deferred tax assets and deferred tax liabilities if there is a legal right to offset current tax assets against current tax liabilities and these deferred tax assets and deferred tax liabilities are related to income taxes collected by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

o) Transactions in Foreign Currencies

Assets and liabilities denominated in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank (hereinafter the "ECB") on the date preceding the transaction date and also on the reporting date. Advances received and made in a foreign currency are not translated as at the reporting date. For foreign currency purchases and sales in euros, and upon transfers of funds from the account established in a foreign currency to the account established in euros and from the account established in euros to the account established in a foreign currency, the exchange rates at which these amounts were purchased or sold were applied. If the sale or purchase is not performed with a commercial bank, the reference exchange rate determined and announced by the ECB on the date preceding the transaction settlement date is used.

Foreign exchange gains and losses are presented on a net basis and recognised as profit or loss in the separate statement of comprehensive income, except for foreign exchange gains and losses from financial instruments which are measured at fair value through profit or loss in line with IFRS 9 Financial Instruments.

4. CHANGES IN ACCOUNTING PRINCIPLES AND METHODS

There were no changes to the Company's accounting principles and methods during the reporting period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- The Company regularly reviews the collectability and creditworthiness of its distributors and resellers to determine an appropriate provision for receivables. The uncollectible accounts could exceed the current or future provisions. Receivables are written off on a case by case basis, considering the probability whether and to what extent the amounts can be collected. As at 31 December 2022, the provision for receivables and the provision for contract assets amounted to EUR 5 007 thousand and EUR 920 thousand, respectively. As at 31 December 2021, the provision for receivables and the provision for contract assets amounted to EUR 3 395 thousand and EUR 0, respectively.

- The Company applies accounting policy relating to deferred income over the licence validity period in accordance with IFRS. Given the comprehensiveness of the portfolio and the number of active licences, the Company determines some revenues from licences related to non-refundable prepaid batches of registration keys (as described in Note 3.1 (i)), which are deferred using estimates. A change in judgments used to calculate these estimates could have a material impact on the financial statements. Other information related to revenue recognition in the Company is stated in Note 3.1 (i) Revenue from contracts with customers.

- The Company determines the lease term as a non-terminable lease term together with the periods covered by the option to extend the lease when it is reasonably likely that they will be exercised, or periods to which the option to terminate the lease applies, when it is reasonably certain that the Company will not exercise this option. The Company also records lease contracts that include an option to extend or terminate a contract. The Company exercises judgment when assessing whether it is reasonably certain that the Company will or will not exercise an option to extend or terminate a lease. This means that the Company takes into account all relevant economic incentives when assessing the possibility of exercising an option to extend or terminate a lease. After the inception date of a lease, the Company reassesses the lease term when a significant event or change in circumstances occurs that is under its control and that will impact its ability to exercise or not exercise an option to extend or terminate a lease.

- Under IFRS 16, lease liabilities are measured at the present value of future lease payments discounted using the weighted average of the lessee's incremental borrowing rate. Given that the implicit interest rate of a lease cannot be readily determined, the Company applied the incremental borrowing rate to the entire lease contract portfolio based on their lease term. The incremental borrowing rate is the rate the Company would pay if it borrowed the funds necessary to acquire right-of-use assets with a similar value as right-of-use assets recognised at 31 December 2022 in a similar economic environment, under similar conditions, with similar collateral. Based on the above, the Company applied the estimate when determining the incremental borrowing rate, as it takes into account the interest rate the Company would have applied and would have to pay if it had to obtain funds necessary to acquire right-of-use assets.

- The costs of long-term employee benefits are measured at their present value using actuarial estimates. Actuarial estimates include various assumptions which may differ from the actual future development. These assumptions include determining the discount rate, future increases of salaries, employee turnover and the estimated time of retirement. Given the complexity of the measurement and its long-term nature, the amount of the employee benefit obligation is very sensitive to changes in such assumptions. All assumptions are reassessed at each reporting date.

  The discount rate is the parameter that is most subject to change. When determining the appropriate discount rate, management takes into account interest rates on corporate bonds in the currencies corresponding to the currencies of the employee benefit obligations. In countries with no active market for corporate bonds, bank bond rates are taken into account. Discount rates correspond to the estimated time for the settlement of employee benefit obligations.

- As at 31 December 2022, the Company performed an impairment test of financial investments in ESET SOFTWARE UK Limited and ESET Deutschland GmbH (subsidiaries). The Company determined the recoverable amount of both financial investments using an EBITDA multiplier. The EBITDA multiplier was determined by an expert in Economics and Management and Industrial Property based on the adjusted industrial average of companies whose nature of activities and service portfolio were very similar to the business activities of the Company. As the EBITDA multiplier value has a significant impact on the determination of the recoverable amount of the respective financial investments and the result of impairment tests, the Company performed a sensitivity analysis for the recoverable amount to a change in the EBITDA multiplier (see Note 18 Financial Investments in Subsidiaries).

6. FIRST-TIME ADOPTION OF IFRS

The Company prepared financial statements in accordance with IFRS effective for the period ended 31 December 2022, together with comparable information for the reporting period ended 31 December 2021 (first comparable period), as stated in Note Significant Accounting Policies. As at 1 January 2021 (date of transition to IFRSs), the Company prepared its opening separate statement of financial position.

In accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards, the Company presents as a part of these financial statements the following reconciliations explaining the effect of the transition to IFRS on the separate statement of financial position and on the separate statement of comprehensive income:

- Reconciliation of the separate statement of financial position as at 1 January 2021 prepared in accordance with SAS and IFRS
- Reconciliation of the separate statement of financial position as at 31 December 2021 prepared in accordance with SAS and IFRS
- Reconciliation of the separate statement of comprehensive income for the period ended 31 December 2021 prepared in accordance with SAS and IFRS

The Company applied the following mandatory exceptions from the retrospective application of IFRS in accordance with IFRS 1:

Estimates

Estimates used by the Company when preparing the financial statements as at 1 January 2021 and 31 December 2021 are the same as those used when preparing the financial statements at the same date under SAS (after taking into account changes in the accounting policy).

The Company applied the following optional exemptions from the retrospective application of IFRS in accordance with IFRS 1:

Business Combinations

The application of the exemption permitted by IFRS 1, Appendix C means that the Company is not required to apply IFRS 3 Business Combinations retrospectively to past business combinations that occurred before the date of transition to IFRSs. IFRS 1, Appendix C1 permits an entity to select any business combination within the scope of IFRS 3 (or IFRS 10) and to reassess and recognise all subsequent combinations in accordance with these standards.

The Company elected not to apply IFRS 3 Business Combinations (or IFRS 10) to the acquisition of subsidiaries that occurred before 1 January 2021.

Investments in Subsidiaries, Joint Ventures and Associates

The Company elected to apply the exemption stated in IFRS 1, Appendix D and to measure ownership interests in subsidiaries based on the carrying amounts of such interests under SAS as at 1 January 2021, ie to apply "deemed cost".

Assets and Liabilities in Subsidiaries, Joint Ventures and Associates

If the parent company begins to apply IFRS in its separate financial statements later than in its consolidated financial statements, it must measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments (IFRS 1, Appendix D).
The Company elected to apply the above exemption in the following cases:

- Leases in accordance with IFRS 16 Leases
- Provisions for receivables in accordance with IFRS 9 Financial Instruments

(in thousands EUR, if not stipulated otherwise)

Reconciliation of the separate statement of financial position as at 1 January 2021 prepared in accordance with SAS and IFRS

	Note	SAS at 1 Jan 2021	IFRS Adjustments	IFRS at 1 Jan 2021
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		33 073	-	33 073
Right-of-use assets	A	-	17 082	17 082
Intangible assets	B	4 491	(1 388)	3 102
Financial investments in subsidiaries		32 989	-	32 989
Other assets		2 194	(213)	1 981
Capitalised costs of obtaining a contract	C	-	92 709	92 709
Deferred tax asset	F	1 453	35 178	36 631
Total non-current assets		**74 200**	**143 368**	**217 568**
CURRENT ASSETS				
Cash and cash equivalents		92 274	-	92 274
Trade and other receivables	D	42 736	(36 105)	6 631
Income tax assets		2 883	-	2 883
Capitalised costs of obtaining a contract	C	-	197 464	197 464
Inventories		227	-	227
Total current assets		**138 120**	**161 359**	**299 479**
TOTAL ASSETS		**212 319**	**304 727**	**517 046**
EQUITY AND LIABILITIES				
EQUITY				
Registered capital		140	-	140
Capital and reserve funds	E	2 346	(2 332)	14
Retained earnings		155 867	(132 210)	23 657
Total equity		**158 353**	**(134 542)**	**23 811**
NON-CURRENT LIABILITIES				
Deferred income	C	259	122 863	123 122
Non-current lease liabilities	A	-	14 745	14 745
Other non-current liabilities		178	-	178
Provisions for liabilities	C, D	1 156	1 607	2 763
Deferred tax liability		-	-	-
Total non-current liabilities		**1 592**	**139 214**	**140 807**
CURRENT LIABILITIES				
Trade and other payables	D	51 737	34 264	86 001
Deferred income	C, D	510	261 652	262 161
Current lease liabilities	A	-	2 728	2 728
Provisions for liabilities	E	128	1 377	1 504
Current income tax		-	34	34
Total current liabilities		**52 374**	**300 055**	**352 429**
TOTAL EQUITY AND LIABILITIES		**212 319**	**304 727**	**517 046**

(in thousands EUR, if not stipulated otherwise)

Reconciliation of the separate statement of financial position as at 31 December 2021 prepared in accordance with SAS and IFRS

	Note	SAS at 31 Dec 2021	IFRS Adjustments	IFRS at 31 Dec 2021
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		38 481	-	38 481
Right-of-use assets	A	-	14 566	14 566
Intangible assets	B	6 472	(3 640)	2 833
Financial investments in subsidiaries		20 541	(97)	20 445
Other assets		2 275	(161)	2 114
Capitalised costs of obtaining a contract	Ca, Cb	-	92 268	92 268
Deferred tax asset	F	3 157	38 176	41 333
Total non-current assets		**70 927**	**141 112**	**212 039**
CURRENT ASSETS				
Cash and cash equivalents	G	73 423	-	73 423
Trade and other receivables	D	50 333	(40 178)	10 155
Capitalised costs of obtaining a contract	Ca, Cb	-	206 865	206 865
Inventories		245	-	245
Total current assets		**124 001**	**166 687**	**290 688**
TOTAL ASSETS		**194 928**	**307 799**	**502 727**
EQUITY AND LIABILITIES				
EQUITY				
Registered capital		140	-	140
Capital and reserve funds	E	1 319	(1 305)	14
Retained earnings		163 010	(143 743)	19 266
Total equity		**164 469**	**(145 048)**	**19 420**
NON-CURRENT LIABILITIES				
Deferred income	Ca, Cb, D	153	120 969	121 123
Non-current lease liabilities	A	-	12 153	12 153
Other non-current liabilities		438	-	438
Provisions for liabilities		6 371	(19)	6 351
Total non-current liabilities		**6 962**	**133 103**	**140 065**
CURRENT LIABILITIES				
Trade and other payables	D	20 299	42 489	62 788
Deferred income	Ca, Cb, D	936	273 336	274 271
Current lease liabilities	A	-	2 787	2 787
Provisions for liabilities	E	905	1 132	2 037
Current income tax		1 358	-	1 358
Total current liabilities		**23 497**	**319 744**	**343 241**
TOTAL EQUITY AND LIABILITIES		**194 928**	**307 799**	**502 727**

(in thousands EUR, if not stipulated otherwise)

Reconciliation of the separate statement of comprehensive income prepared in accordance with SAS and IFRS for the period ended 31 December 2021

	Note	*SAS at 31 Dec 2021*	*IFRS Adjustments*	*IFRS at 31 Dec 2021*
Revenues from the provision of end-user licenses and services	Ca	564 482	(15 622)	548 860
Services	A, B, Ca, Cb	(398 038)	3 488	(394 550)
Personnel expenses		(67 173)	854	(66 319)
Depreciation	A	(4 591)	(2 118)	(6 710)
Other operating (expenses)/income, net		(1 551)	(470)	(2 021)
Profit from the liquidation of a subsidiary		758	-	758
Finance income		13 016	(966)	12 051
Finance costs		(1 376)	431	(944)
Profit before tax		105 527	(14 403)	91 124
Income tax	F	(20 682)	2 998	(17 684)
PROFIT FOR THE YEAR		**84 845**	**(11 405)**	**73 440**
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified subsequently to profit or loss:				
Gains (+)/losses (-) on the revaluation of defined benefit schemes, net of tax		-		-
TOTAL COMPREHENSIVE INCOME		**84 845**		**73 440**

Notes to reconciliation of the separate statement of financial position as at 1 January 2021 and 31 December 2021 and the separate statement of comprehensive income for the period ended 31 December 2021

A Leases

Under SAS, the Company classified leases as finance or operating leases. The Company recognised operating lease payments under SAS as operating expenses in the income statement on a straight-line basis over the lease term.

Under IFRS 16, the Company applies a consistent approach to recognition and measurement for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities for lease payments and right-of-use assets representing the right to use underlying assets. As at the date of transition to IFRSs, the Company measured right-of-use assets and lease liabilities in the amounts recognised in the Group's consolidated financial statements based on applying the optional exemption stated in IFRS 1, Appendix D. During the first comparative period, the Company recognised depreciation of right-of-use assets in the amount of EUR 2 697 605 and finance costs in the amount of EUR 455 975 in accordance with IFRS 16.

B Intangible Assets

In the SAS financial statements, the Company recognised as intangible assets marketing items which did not qualify for recognition under IAS 38 Intangible Assets. The Company derecognised these items from intangible assets as at 1 January 2021 (date of transition to IFRSs), with an impact on Retained earnings. Marketing items that represented additions to intangible assets for the reporting period ended 31 December 2021 were derecognised from intangible assets, with an impact on other operating expenses in the separate statement of comprehensive income in the amount of EUR 2 755 152.

Ca Revenues from the Provision of End-user Licenses and Services and Costs of Obtaining a Contract

Under SAS, at the moment the Company provides end-user licences and services to an end customer or business partner (distributor, reseller), revenues are recognised as a lump-sum after software delivery, regardless of whether the software was installed by the end customer. The Company accrued no portion of the amount.

In accordance with IFRS 15 Revenue from Contracts with Customers, revenue is accrued over the licence term from the moment of licence activation by the end customer.

Based on a detailed analysis of contractual arrangements, and rights and obligations of all members of the distribution chain, the Company applies the gross revenue recognition method in accordance with IFRS 15. Compensation for activities performed by distributors and resellers is initially capitalised as the costs of obtaining a contract and amortised in costs over the licence term in proportion to the amount of recognised revenues from the provision of licenses. For the sale of products to other companies (ESET Technology Alliance), the Company acts as an agent and recognises revenues in the amount of the portion of the consideration received from the end customer which is attributable to the Company for its services as an agent.

(in thousands EUR, if not stipulated otherwise)

Opening balances of deferred income and capitalised costs of obtaining a contract as at 1 January 2021 were recognised with an impact on Retained earnings from previous years in the following amounts:

Item	*Non-current Deferred Income (+Increase/ (-Decrease))*	*Current Deferred Income (+Increase/ (-Decrease))*	*Non-current Capitalised Costs of Obtaining a Contract (+Increase/ (-Decrease))*	*Current Capitalised Costs of Obtaining a Contract (+Increase/ (-Decrease))*
Opening balance of revenue and expense accruals/deferrals	+ 144 675 425	+ 312 297 327	+ 89 645 941	+ 192 608 156

Details of adjustments of deferred income and capitalised costs of obtaining a contract recognised in the period ended 31 December 2021 are presented in the table below. All adjustments stated below were recognised with an impact on the separate statement of comprehensive income.

Item	*Revenues from the Provision of End-user Licenses and Services (+Increase/(-Decrease))*	*Services – Distribution Activities (+Increase/ (-Decrease))*
Impact of recognition of revenue accruals	-20 556 231	-11 407 113
Impact of recognition of revenues and expenses on a gross basis	+6 731 320	+6 731 320
Impact of recognition of revenues and expenses on a net basis (the Company is identified as an agent)	-1 842 249	-1 842 249

Cb Adjustment Related to Transfer Pricing (TP Adjustment)

In the SAS financial statements, the Company recognised TP adjustments from the evening up of foreign related-party distributors on a non-recurring basis with an impact on the separate statement of comprehensive income.
In accordance with the change to the accounting treatment of Revenues from the provision of end-user licenses and services and Costs of obtaining a contract under IFRS as described in Note Ca above, as at 1 January 2021 (date of transition to IFRSs) the Company began accruing transfer pricing adjustment over the license term of the products sold.

At 1 January 2021, the Company recognised accrued TP adjustment with an impact on Retained earnings from previous years as follows:

Item	*Non-current Capitalised Costs of Obtaining a Contract*	*Current Capitalised Costs of Obtaining a Contract*
Impact of recognition of accrued TP adjustment	+3 066 199	+5 776 830

During the first comparative period ended 31 December 2021, the Company recognised a TP adjustment in the amount of EUR 3 051 378 as an increase in distribution expenses with a counter-entry as a decrease in capitalised costs of obtaining a contract.

D Recognition of Trade Receivables and Other Receivables and Payables

In accordance with IFRS, the Company only recognises receivables which represent an unconditional right to a consideration (see significant accounting policies above). Under SAS, the Company also recognised billed receivables before their maturity date (conditional right to a consideration) as trade and other receivables.

(in thousands EUR, if not stipulated otherwise)

Therefore, as at 1 January 2021 and 31 December 2021, the Company reclassified trade receivables deemed contingent as follows:

- Receivables deemed enforceable but not due are presented as a contractual entitlement to a consideration – contract asset. A consideration is deemed enforceable before the maturity of a receivable if the Company satisfied its obligation of contract performance by transferring the software use rights during a part of the contract period to a customer.
- Receivables not deemed enforceable or due are presented as contingent receivables – the adjustment was recognised as a decrease in non-current and current deferred income.

When restating contingent receivables, in accordance with IFRS, the Company separated trade and other receivables from the related distribution liability arising from distribution expenses, as the liability is deemed non-contingent.

In accordance with IAS 32, the Company offsets receivables and contract assets against payables to distributors and resellers. See Note 3 for additional information on the applied accounting principle.

As at the date of transition to IFRSs (1 January 2021), the above adjustments had the following impact on the Company's assets and liabilities:

Item	***Assets (+Increase/-Decrease)***	***Liabilities (+Increase/-Decrease)***
Trade and other receivables	-33 830 100	-
Current deferred income	-	-48 748 513
Non-current deferred income	-	-21 807 021
Trade and other payables	-	+36 725 434

As at 31 December 2021, the above adjustments had the following impact on the Company's assets and liabilities:

Item	***Assets (+Increase/-Decrease)***	***Liabilities (+Increase/-Decrease)***
Trade and other receivables		
Current deferred income	-40 029 334	-
Non-current deferred income	-	-56 808 804
Trade and other payables	-	-25 550 618
Trade and other receivables	-	+42 330 088

E Reclassification of Provisions for Management and Key Personnel Bonuses

As at 1 January 2021 and 31 December 2021, in compliance with IFRS, the Company reclassified provisions for management and key personnel bonuses from equity (where they were recognised under SAS) to provisions for liabilities.

F Deferred Tax

All the above adjustments resulted in the creation of temporary differences between the carrying amount and the tax value of assets and liabilities. In line with its accounting policy, the Company recognises the tax effect of the above temporary differences via deferred tax. As at 1 January 2021 (date of transition to IFRSs), deferred tax adjustments are recognised as part of Retained earnings of previous years. Deferred tax adjustments for the reporting period ended 31 December 2021 are recognised in the separate statement of comprehensive income.

G Statement of Cash Flows

The adjustments detailed above had the following impact on the statement of cash flows prepared for the first comparable period (reporting period ended 31 December 2021):

<u>Leases</u>

In the statement of cash flows prepared under SAS, the Company presented lease payments under operating activities as a change in payables from operating activities.

In accordance with IAS 7 Statement of Cash Flows, the Company presents in the statement of cash flows the principal repayments of a lease liability in the amount of EUR 2 713 997 in financing activities. The Company presents lease-related interest expense in the amount of EUR 455 975 in the part of operating activities of the statement of cash flows.

(in thousands EUR, if not stipulated otherwise)

Intangible assets in EUR

In the reporting period ended 31 December 2021, the Company acquired marketing items totalling EUR 2 830 866 which do not meet the criteria for the recognition of such intangible assets in accordance with IAS 38 Intangible Assets. In the statement of cash flows prepared under IFRS, the Company presents expenditures for the acquisition of these items as part of operating activities.

In the statement of cash flows prepared under SAS, the Company presented these expenditures as part of expenditures for the acquisition of non-current intangible assets in investing activities.

Revenues from the Provision of End-user Licences and Services and Costs of Contract Acquisition

In the statement of cash flows prepared under IFRS, the Company presents the change in expense and revenue accruals in separate lines in the part of operating activities of the statement of cash flows as (Increase)/decrease in capitalised costs of obtaining a contract and (Increase)/decrease in deferred income.

Due to the change to the recognition of revenues from contracts with customers and related expenses (see Notes Ca and Cb above) in the IFRS financial statements, the changes in deferred income and costs of obtaining a contract represent material items, which the Company opted to present in separate lines in the statement of cash flows.

7. INFORMATION ON FINANCIAL INVESTMENTS IN SUBSIDIARIES

The Group consists of the parent company, ESET, spol. s r.o., and its subsidiaries included in the consolidated financial statements.

As at 31 December 2022 and 31 December 2021, the Company recorded the following financial investments in subsidiaries.

Name	***Seat***	***Ownership Share %***		***Principal Activity***
Subsidiaries		***2022***	***2021***	
ESET, LLC	610 West Ash Street, Suite 1700, San Diego, CA 92101, USA	100%	100%	Antivirus software distributor
ESET Canada Recherche Inc.	473, Rue Sainte-Catherine Quest, Bureau 300, Montreal QC, H3B 1B1, Canada	100%	100%	Research and development
ESET Canada Inc.	44 Chipman Hill Suite 1000, Saint John NB, E2L 2A9, Canada	100%	100%	Antivirus software distributor
ESET Deutschland GmbH	Spitzweidenweg 32, 07743 Jena, Germany	100%	100%	Antivirus software distributor
ESET software spol. s r.o.	Praha 7 - Classic 7 Business Park, Jankovcova 1037/49, 170 00 Prague 7, Czech Republic	100%	100%	Antivirus software distributor
ESET Research Czech Republic s.r.o.	Palachovo náměstí 799/5, Starý Lískovec, 625 00 Brno, Czech Republic	100%	100%	Research and development
ESET Polska Sp. z o.o.	Jasnogórska 9, 31 – 358 Kraków, Poland	100%	100%	Research and development
ESET SOFTWARE UK Limited	3th Floor Ocean 80, Holdenhurst Road, Bournemouth, BH8 8AQ, United Kingdom	100%	100%	Antivirus software distributor
PGNB Limited (1)	3th Floor Ocean 80, Holdenhurst Road, Bournemouth, BH8 8AQ, United Kingdom	-	100%	(2)
ESET RESEARCH UK Limited	3 Heron Gate Office Park, Hankridge Way, Taunton, Somerset, TA1 2LR, United Kingdom	100%	100%	Research and development

(in thousands EUR, if not stipulated otherwise)

Name	***Seat***	***Ownership Share %***		***Principal Activity***
Subsidiaries		***2022***	***2021***	
ESET Romania S.R.L. (3)	Strada Palas Nr. 7D-7E, Cladirea United Business Center 3 (Corp C2), Etaj 2, Spatiul C2S9, Municipiul Iaşi, Judet Iaşi, Romania	100%	100%	Research and development
ESET ITALIA S.r.l.	Via Campo Lodigiano 3, 20122 Milan, Italy	100%	100%	Antivirus software distributor
Nadácia ESET	Einsteinova 24, 851 01 Bratislava, Slovak Republic	100%	100%	Foundation
ESET ASIA PTE. LTD.	3 Anson Road, Springleaf Tower #12-01/02, Singapore 079909, Singapore	100%	100%	Service provider + Antivirus software distributor
ESET Software Australia, PTY, LTD.	Level 20, 111 Pacific Highway, North Sydney NSW 2060, Sydney, Australia	100%	100%	Antivirus software distributor
ESET Japan Inc. (4)	2-16-4 Konan, Minato-ku, Tokyo 108-0075, Japan	90%	90%	Service provider
ESET LATINOAMERICA S.R.L. (5)	1270 Juan Diaz de Solis, 2nd Floor, Vicente Lopez, Buenos Aires CP: B1638BHF, Argentina	100%	100%	Service provider
ESET DO BRASIL MARKETING LTDA (6)	Rua Verbo Divino, 2.001, Cjts 1407/1410, Chácara Santo Antônio, São Paulo / SP - Brazil, Zip 04.719-002	100%	100%	Service provider
ESET MÉXICO S. de R.L. de C.V. (7)	Av. Paseo de la Reforma 250 – Office 981 A-B-C-D-, Colonia Juárez, Delegación Cuauhtémoc, Ciudad de México, Mexiko	100%	100%	Service provider

(1) In November 2021, an application was filed for a voluntary deletion of PGNB Limited from the Companies Register. PGNB Limited was deleted from the Companies Register on 19 April 2022.
(2) PGNB Limited carried out no business activities in 2022.
(3) 99.9963% of the shares are held by ESET, spol. s r.o. and 0.0037% are held by ESET Research Czech Republic s.r.o.
(4) 90% of the shares are held by the Parent Company and the remaining 10% are held by Canon Marketing Japan Inc.
(5) 90% of the shares are held by ESET, LLC and the remaining 10% are held by the Parent Company.
(6) 90% of the shares are held by the Parent Company and the remaining 10% are held by ESET, LLC.
(7) 90% of the shares are held by the Parent Company and the remaining 10% are held by ESET, LLC.

(in thousands EUR, if not stipulated otherwise)

8. REVENUES FROM THE PROVISION OF END-USER LICENCES AND SERVICES

	2022	2021
Revenues from the provision of end-user licenses and services	589 070	548 860
Total	**589 070**	**548 860**

Additional information on the remaining expected contract performance is stated in Note 27 Deferred Income and Note 21 Contract Assets and Offsetting of Financial Assets and Liabilities. The majority of non-current deferred income will be released to revenues in 2024 and 2025. In addition to the above factors, the future amount of actual revenues from the provision of end-user licences and services will be affected by future sales.

Revenues from the provision of end-user licenses and services by sales region:

	2022	2021
EMEA(1)	328 122	304 589
APAC(2)	122 512	113 135
NORAM(3)	92 002	89 209
LATAM(4)	40 930	36 822
Global sales	5 504	5 104
Total	**589 070**	**548 860**

(1) EMEA region represents the countries of Europe and South Africa
(2) APAC region represents the countries of Asia-Pacific
(3) NORAM region represents the countries of North America
(4) LATAM region represents the countries of South America

9. SERVICES

	2022	2021
Costs of obtaining a contract	367 098	343 833
Advertising and promotion expenses	6 610	7 977
Rent	2 337	1 707
Internet, data services, IT services	12 272	10 151
Accounting, economic, legal and audit services	1 963	1 737
Travel expenses	650	68
Purchased intragroup services	29 048	24 541
Other	5 794	4 536
Total	**425 773**	**394 550**

10. PERSONNEL EXPENSES

	2022	2021
Wages and salaries	52 234	47 203
Health and social security insurance payments	20 442	18 219
Other personnel and social expenses	2 494	896
Total	**75 170**	**66 319**

The increase in wages and salaries is due an increased headcount (2022: 1 328; 2021: 1 100) and employee salary increases due to higher inflation in 2022.

11. PROFIT FROM LIQUIDATION OF A SUBSIDIARY

	2021
Dividends received from PGNB Limited (subsidiary)	13 302
Provision for a financial investment in PGNB Limited	(12 545)
Profit from liquidation of the subsidiary	**758**

(in thousands EUR, if not stipulated otherwise)

In 2021, the Company began the liquidation of PGNB Limited. The Company created a provision for an interest in PGNB Limited (a subsidiary) in the amount of EUR 12 545 thousand (100% of the carrying amount of the interest as at 31 December 2021), as the recoverable amount from the financial investment was lower than its carrying amount.

PGNB Limited was deleted from the UK Companies Register on 19 April 2022. Following the deletion of PGNB Limited from the UK Companies Register, the financial investment in the subsidiary was derecognised.

12. FINANCE INCOME

	2022	*2021*
Foreign exchange gains	3 771	3 481
Interest income, net	581	60
Dividends received from subsidiaries	5 275	8 045
Other	29	26
Total	**9 657**	**11 612**

13. FINANCE COSTS

	2022	*2021*
Bank fees	37	36
Interest expense	459	470
Other	156	-
Total	**652**	**506**

The total amount of interest expense amounted to EUR 459 thousand (2021: EUR 470 thousand), out of which interest expense from lease liabilities stated in Note 25 Leases represents amount of EUR 417 thousand (2021: EUR 456 thousand).

14. INCOME TAX

14.1. Income Tax Recognised in the Statement of Comprehensive Income

	2022	*2021*
Current income tax	651	22 386
Deferred income tax	17 401	(4 701)
Total income tax for the year	**18 052**	**17 684**

14.2. Reconciliation of the Effective Income Tax Rate Recognised in the Statement of Comprehensive Income

	2022	*2021*
Profit before income tax	88 024	91 124
Income tax at statutory tax rate of 21% (2021: 21%)	18 485	19 136
Tax effect of permanent differences	(433)	(2 384)
Tax for the previous period recognised in profit or loss	-	932
Total income tax for the year	**18 052**	**17 684**

15. ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (ADJUSTED EBITDA)

Adjusted EBITDA represents profit from recurring operations before taxes, interest, amortisation and depreciation adjusted for other income and expenses as disclosed in the reconciliation below, primarily dividend income, income/(expenses) from financing operations representing foreign exchange gains/losses and provisions for financial investments. Company management uses such adjusted EBITDA to manage Company performance.

(in thousands EUR, if not stipulated otherwise)

The adjusted EBITDA represents an alternative performance measure that is not defined under IFRS.

	2022	*2021*
Profit for the Year	**69 973**	**73 440**
Depreciation of right-of-use assets	2 993	2 698
Amortisation and depreciation of non-current tangible and non-current intangible assets	3 703	4 012
Other operating (expenses)/income, net	(355)	(297)
Income tax	18 052	17 684
Profit on liquidation of a subsidiary	-	(758)
Interest expense and foreign exchange losses	3 311	908
Finance income	(12 508)	(12 051)
Adjusted EBITDA	**85 167**	**85 636**

16. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings, Structures – Construction Modifications	*Plant, Machinery & Equipment*	*Acquisition of Property, Plant & Equipment*	*Total*
Cost				
At 1 January 2021	12 890	16 011	20 095	48 996
Additions	2 227	2 522	3 447	8 196
Disposals	-	(709)	(20)	(730)
Transfers	72	9	(81)	-
At 31 December 2021	**15 188**	**17 832**	**23 442**	**56 462**
At 1 January 2022	15 188	17 832	23 442	56 462
Additions	848	3 525	4 245	8 618
Disposals	-	(191)	(5)	(196)
Transfers	67	253	(320)	-
At 31 December 2022	**16 103**	**21 419**	**27 361**	**64 884**
Accumulated Depreciation and Impairment				
At 1 January 2021	4 434	11 490	-	15 924
Additions	535	2 231	-	2 767
Disposals	-	(709)	-	(709)
Transfers	-	-	-	-
At 31 December 2021	**4 969**	**13 012**	**-**	**17 981**
At 1 January 2022	4 969	13 012	-	17 981
Additions	632	1 637	-	2 269
Disposals	-	(191)	-	(191)
Transfers	-	-	-	-
At 31 December 2022	**5 601**	**14 458**	**-**	**20 059**
Net Book Value				
At 31 December 2021	10 219	4 821	23 442	38 481
At 31 December 2022	**10 502**	**6 962**	**27 361**	**44 825**

The Company recognises acquisitions of property, plant and equipment placed into service in the same financial year as additions in 2022. The acquisitions of property, plant and equipment from preceding periods, which were placed into service in 2022, are classified as transfers.

In 2022, the Company performed a review of non-current assets with respect to the recoverability of amounts. No indicators of impairment were identified. Also, a review of the useful lives of depreciated assets was performed. Compared with 2021, the depreciation period remains unchanged.

As at 31 December 2022, the insurance of property, plant and equipment and non-current intangible assets within the Company totals EUR 30 089 thousand (31 December 2021: EUR 15 046 thousand). Through insurance, the Company also covers other business-related risks, including damage liability insurance. The insurance of other insured risks within the Company totals EUR 42 789 thousand as at 31 December 2022 (31 December 2021: EUR 25 246 thousand).

Land and buildings, structures – construction modifications mainly include land and technical improvement of leased office premises. Movements in this category of assets relate to construction modifications of leased office premises.

(in thousands EUR, if not stipulated otherwise)

Machinery, equipment and other items mainly include IT equipment, such as disk arrays, servers and other IT equipment and office equipment. The Company is continually replacing and expanding its technical and office equipment to ensure the continuity of its business activities.

The Company has no assets under lien. The Company has no assets with restricted handling.

17. INTANGIBLE ASSETS

	Software	*Valuable Rights*	*Goodwill*	*Other*	*Non-current Intangible Assets in Acquisition*	*Total*
Cost						
At 1 January 2021	4 021	41	338	2 704	-	7 103
Additions	135	-	-	820	96	1 051
Disposals	-	-	-	(6)	-	(6)
Transfers	3 518	-	-	(3 518)	-	-
At 31 December 2021	7 674	41	338	-	96	8 148
At 1 January 2022	7 674	41	338	-	96	7 963
Additions	798	-	-	-	5	803
Disposals	(941)	(6)	-	-	-	(948)
Transfers	96	-	-	-	(96)	-
At 31 December 2022	**7 626**	**35**	**338**	**-**	**5**	**8 004**
Accumulated Depreciation and Impairment						
At 1 January 2021	2 512	33	-	1 456	-	4 001
Additions	878	4	-	438	-	1 321
Disposals	-	-	-	(6)	-	(6)
Transfers	1 889	-	-	(1 889)	-	-
At 31 December 2021	**5 278**	**37**	**-**	**-**	**-**	**5 315**
At 1 January 2022	5 278	37	-	-	-	5 315
Additions	1 411	3	-	-	-	1 414
Disposals	(912)	(6)	-	-	-	(918)
Transfers	-	-	-	-	-	-
At 31 December 2022	**5 777**	**34**	**-**	**-**	**-**	**5 812**
Net Book Value						
At 31 December 2021	2 395	4	338	-	96	2 833
At 31 December 2022	**1 849**	**-**	**338**	**-**	**5**	**2 192**

The Company recognises acquisitions of non-current intangible assets placed into service in the same financial year as additions in 2022. The acquisitions of non-current intangible assets from preceding periods, which were placed into service in 2022, are classified as transfers.

Software primarily comprises the Global E-Store tool for selling products to end customers, and encryption software.

In 2021, as a result of the planned transition to a new asset recording module and preparation of the Company for transition to IFRS from 1 January 2022, the Company reassessed its method for recording intangible assets. Opening balances of assets recorded as at 1 January 2021 as Other totalling EUR 2 704 thousand were transferred to Software. Opening balances of accumulated amortisation totalling EUR 1 456 thousand were also transferred from Other to Software.

(in thousands EUR, if not stipulated otherwise)

18. FINANCIAL INVESTMENTS IN SUBSIDIARIES

18.1. Financial Investments in Subsidiaries

Subsidiary	*Ownership Interest in %*	*31 Dec 2022*	*31 Dec 2021*
Eset software spol. s r.o.	100	8	8
ESET, LLC	100	27	27
ESET ASIA PTE. LTD	100	76	76
ESET Canada Recherche Inc.	100	384	384
ESET Polska Sp. z o.o.	100	1 488	1 488
ESET DO BRASIL MARKETING LTDA	100	2	2
ESET LATINOAMERICA, Sociedad de Responsabilidad Limitada	100	93	-
ESET Research Czech Republic s.r.o.	100	1 300	1 300
Nadácia ESET	100	7	7
ESET Deutschland GmbH	100	1 950	1 950
ESET SOFTWARE Australia PTY	100	1	1
Eset Canada Inc.	100	64	64
ESET RESEARCH UK Limited	100	1 348	1 348
PGNB Limited	100	-	1
ESET SOFTWARE UK Limited	100	13 292	13 292
ESET Romania S.R.L.	100	60	60
ESET Japan Inc.	90	320	320
ESET MÉXICO S. de R.L. de C.V.	100	18	18
ESET ITALIA S.r.l.	100	100	100
Total		**20 537**	**20 445**

In 2021, the Company began the liquidation of PGNB Limited, a subsidiary, and created a 100% provision for this financial investment.

PGNB Limited was deleted from the UK Companies Register on 19 April 2022. Following the deletion of PGNB Limited from the UK Companies Register, the financial investment in the subsidiary was derecognised.

18.2. Financial Investment Impairment Test

As at 31 December 2022, the Company reassessed the existence of impairment indicators for financial investments and identified an external impairment indicator, primarily in the form of an increase in interest rates in Slovakia and abroad.

Due to the existence of impairment indicators, the Company tested material financial investments (ESET SOFTWARE UK Limited and ESET Deutschland GmbH) for impairment. As the recoverable amount of both financial investments calculated using the EBITDA multiplier is higher than their carrying amount, the Company concluded that the above financial investments were not impaired as at 31 December 2022.

The EBITDA multiplier value has a substantial impact on the calculation of the recoverable amount of the given financial investments and on the result of an impairment test; therefore, the Company carried out a sensitivity analysis for the recoverable amount to a change in the EBITDA multiplier as follows:

EBITDA multiplier	*Change*	*Recoverable Amount ESET SOFTWARE UK Limited*	*Recoverable Amount ESET Deutschland GmbH*
12.83x	-25%	11 361	21 087
13.68x	-20%	11 995	22 266
14.54x	-15%	12 630	23 445
15.39x	-10%	13 265	24 623
16.25x	-5%	13 899	25 802
17.10x	0%	14 534	26 981
17.96x	5%	15 168	28 159
18.81x	10%	15 803	29 338
19.67x	15%	16 438	30 517
20.52x	20%	17 072	31 695
21.38x	25%	17 706	32 874

(in thousands EUR, if not stipulated otherwise)

19. CAPITALISED COSTS OF OBTAINING A CONTRACT

	2022	*2021*
Balance as at 1 Jan	299 133	290 173
Capitalised costs of obtaining a contract	397 688	351 365
Amortised in expenses of the current year	(366 313)	(342 405)
Balance as at 31 Dec	**330 507**	**299 133**
Of which:		
Current capitalised costs of obtaining a contract	*223 038*	*206 865*
Non-current capitalised costs of obtaining a contract	*107 469*	*92 268*

The costs of obtaining a contract are related to the commissions paid to distributors and resellers for the acquisition of licence agreements with end customers and are amortised in expenses over the licence term in proportion to the amount of recognised revenues from the provision of end-user licences.

There was no impairment loss in connection with the capitalised costs of obtaining a contract.

20. TRADE AND OTHER RECEIVABLES

20.1. Trade and Other Receivables

	2022	*2021*
Trade receivables	4 279	6 132
Other receivables and other assets	9 095	7 419
Contract assets	920	-
Less: provision for contract assets	(920)	-
Less: provision for doubtful receivables	(5 007)	(3 395)
Trade and other receivables, net	**8 367**	**10 155**

The Company only recognises receivables which represent an unconditional right to a consideration. Receivables are recognised when an unconditional amount of the consideration is enforceable or falls due. Contingent receivables are disclosed in Note 28 Contingent Assets and Liabilities.

A summary of the ageing structure of the Company's trade and other receivables:

	2022	*2021*
Overdue trade and other receivables	**6 519**	**5 879**
of which:		
Overdue by up to 30 days	*365*	*2 823*
Overdue between 30 – 90 days	*334*	*42*
Overdue by more than 90 days	*5 820*	*3 014*

A summary of the ageing structure of the Company's trade and other receivables, for which provisions were recorded:

	2022	*2021*
Trade and other receivables, for which provisions were recorded	**5 983**	**4 849**
of which:		
Due	*989*	*2 153*
Overdue by up to 30 days	-	-
Overdue between 30 – 90 days	-	-
Overdue by more than 90 days	*4 994*	*2 696*

(in thousands EUR, if not stipulated otherwise)

	2022	2021
Provisions for trade and other receivables	**(5 926)**	**(3 395)**
Of which:		
Due	*(989)*	*(1 507)*
Overdue by up to 30 days	-	-
Overdue between 30-90 days	-	-
Overdue by more than 90 days	*(4 937)*	*(1 888)*

The Company has developed a system that is uniformly used to assess the creditworthiness of customers. When determining the recoverability of trade receivables, the Company considers their creditworthiness as at the reporting date. The creditworthiness of customers is also assessed when deciding on a new customer. The Company performs the assessment of doubtful receivables based on historical experience and on management analysis.

The Company regularly assesses credit risk associated with its customers based on their financial position. In the case of default, the customer's access to the updated software version can be in certain cases restricted or cancelled, which makes the software unusable.

The average maturity period of receivables from the sale of software is 30 days. In 2022, the Company primarily records a provision for a receivable from Future Time S.r.l. in the amount of EUR 4 852 thousand (2021: EUR 3 396 thousand).

Detailed information on the provision for contract assets in the amount of EUR 920 thousand is provided in Note 21 Contract Assets and Offsetting Financial Assets and Liabilities.

A summary of the ageing structure of overdue trade and other receivables, for which no provisions were recorded:

	2022	2021
Trade and other receivables overdue, for which no provisions were recorded:	**1 526**	**3 183**
Of which:		
Overdue by up to 30 days	*365*	*2 823*
Overdue by between 30 and 90 days	*334*	*42*
Overdue by more than 90 days	*827*	*318*

The carrying amount of receivables approximates their fair value.

20.2. Expected Credit Losses

The categorisation of financial instruments into levels in accordance with IFRS 9 "Financial Instruments" is presented in the table below:

		2022	
	Level 1	***Level 2***	***Level 3***
Trade and other receivables*	2 085	1 580	5 841
		General Provision	***Specific Provision***
Expected credit losses			
Within maturity		0%	100%
Overdue by up to 30 days		0%	0%
Overdue between 30 - 90 days		0%	0%
Overdue by more than 90 days		17%	100%

		2021		
	Level 1	***Level 2***	***Level 2***	***Level 3***
Trade and other receivables*	1 156	3 456	4 829	-
		General Provision	***Specific Provision***	
Expected credit losses				
Within maturity		0%	70%	
Overdue by up to 30 days		0%	0%	
Overdue between 30 - 90 days		0%	0%	
Overdue by more than 90 days		4%	70%	

** Amounts in the table represent the relevant portion of trade and other receivables before provisions.*

(in thousands EUR, if not stipulated otherwise)

The Company assesses input parameters for expected credit losses (ECL model) from trade and other receivables, which primarily include the historical credit loss rate and a forecast of future economic conditions. For trade receivables and contract assets, the Company considers lifetime expected credit losses. For other receivables classified as Level 1, the following 12-month period is considered. As regards other receivables classified as Level 2 and Level 3, the Company considers lifetime expected credit losses. When determining the historical credit loss rate in 2022, the Company took into account a 3-year period (2019 - 2021), for which the amount of written-off trade and other receivables was immaterial. Based on an assessment, the Company did not identify a need to create a general provision for trade and other receivables classified as Level 2 overdue by up to 90 days.

Level 1

The Company considered expected credit losses from other receivables to be immaterial in the current and immediately preceding reporting periods and thus no expected credit losses were recognised.

Level 2

The Company primarily classifies trade and other receivables overdue by more than 90 days for which a provision was created as Level 2. In 2022, the Court of Arbitration of the Slovak Chamber of Commerce and Industry ruled in litigation with Future Times S.r.l. and acknowledged the Company's counterclaim. Due to the above court ruling, the Company decided to classify the receivable from Future Time S.r.l. as at 31 December 2021 as Level 2.

In this category, the Company also classifies trade receivables for which the Company takes into consideration lifetime expected credit losses.

Level 3

Despite the ruling issued by the Court of Arbitration of the Slovak Chamber of Commerce and Industry, Future Time S.r.l. did not settle any of the Company's counterclaims and, therefore, as at 31 December 2022, the Company classified trade and other receivables from Future Time S.r.l. as Level 3 (initially classified as Level 2 in 2021).

21. CONTRACT ASSETS AND OFFSETTING FINANCIAL ASSETS AND LIABILITIES

When the Company satisfies its obligation of contract performance by transferring software use rights during the specified period to a customer before the maturity of the receivable, a contract claim for a consideration is recognised by the Group as a contract asset.

	2022	***2021***
Balance as at 1 Jan	18 625	15 051
Additions of contract assets	22 752	18 625
Disposals of contract assets*	(18 625)	(15 051)
Balance as at 31 Dec	**22 752**	**18 625**

** Disposals of contract assets by reclassification to receivables at the maturity date, or when payment is received.*

In accordance with IAS 32, the Company offsets receivables and contract assets with payables to distributors and resellers. See Note 3 for additional information about the applied accounting principle.

Offset financial assets and financial liabilities are presented in the table below:

	2022	***2021***
Contract assets	21 833	18 625
Trade receivables	310	316
Trade payables	22 143	18 941

(in thousands EUR, if not stipulated otherwise)

Details regarding financial assets not subject to offsetting are presented below:

	2022	2021
Contract assets, gross	22 752	18 625
Offsetting of contract assets	(21 833)	(18 625)
Contract assets not offset	**920**	**-**
Provision for contract assets not offset	(920)	-
Contract assets, net	**-**	**-**

The Company created a 100% provision in the amount of EUR 920 thousand for the portion of not offset contract assets in the amount of EUR 920 thousand. Contract assets in the amount of EUR 920 thousand represent a contractual entitlement to a consideration by the Company from the business partner, I-SET Software LLC, for the transfer of the right to use software during a certain period before the maturity date of the receivable. As at 31 December 2022, the Company evaluated the likelihood of recoverability of these contract assets as low and created a 100% provision.

22. CASH, CASH EQUIVALENTS AND TERM DEPOSITS

22.1. Cash and Cash Equivalents

	2022	2021
Cash on hand	-	-
Bank accounts	46 472	73 423
Bank deposits and other cash equivalents	46 688	-
Total	**93 160**	**73 423**

The Company invests free cash in bank term deposits (overnights, money market funds). The carrying amounts of these financial assets approximate their fair value. The Company classifies term deposits as cash and cash equivalents, provided their maturity period does not exceed 3 months.

22.2. Term Deposits

The Company presents term deposits with a maturity of 6 months as current financial assets, separately from cash and cash equivalents:

	2022	2021
Term deposits	5 000	-
Total	**5 000**	**-**

The Company evaluated expected credit losses on cash, cash equivalents and term deposits as immaterial in the current and immediately preceding reporting periods and did not record these losses.

23. DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY

23.1. Deferred Tax Balances

	2022	2021
Deferred tax asset, gross	45 450	105 918
Deferred tax liability, gross	(21 518)	(64 585)
Deferred tax asset, net	**23 932**	**41 333**

(in thousands EUR, if not stipulated otherwise)

Deferred tax assets/(liabilities) broken down by temporary differences:

	Deferred Tax Asset (+)/Deferred Tax Liability (-) as at 1 Jan 2022	***Charged Through Equity***	***Charged to Profits/ Losses***	***Recognised in Other Comprehensive Income***	***Deferred Tax Asset (+)/Deferred Tax Liability (-) as at 31 Dec 2022***
Deferred income	98 824	-	(68 663)	-	30 162
Capitalised costs of obtaining a contract	(61 526)	-	43 039	-	(18 487)
Right-of-use assets	(3 059)	-	28	-	(3 031)
Lease liabilities	3 171	-	(17)	-	3 154
Non-current tangible and intangible assets	1 257	-	(274)	-	982
Provisions for liabilities	1 845	-	419	-	2 264
Tax loss	-	-	6 351	-	6 351
Deduction of R&D expenses	-	-	879	-	879
Other	821	-	837	-	1 657
Total	**41 333**	**-**	**(17 401)**	**-**	**23 932**

	Deferred Tax Asset (+)/Deferred Tax Liability (-) as at 1 Jan 2021	***Charged Through Equity***	***Charged to Profits/ Losses***	***Recognised in Other Comprehensive Income***	***Deferred Tax Asset (+)/Deferred Tax Liability (-) as at 31 Dec 2021***
Deferred income	95 590	-	3 234	-	98 824
Capitalised costs of obtaining a contract	(60 936)	-	(590)	-	(61 526)
Right-of-use assets	(3 587)	-	528	-	(3 059)
Lease liabilities	3 641	-	(470)	-	3 171
Non-current tangible and intangible assets	772	-	485	-	1 257
Provisions for liabilities	487	-	1 358	-	1 845
Other	664	-	157	-	821
Total	**36 631**	**-**	**4 701**	**-**	**41 333**

As at 31 December 2022 and 31 December 2021, the Company did not record unrecognised deferred tax assets.

24. TRADE AND OTHER PAYABLES

	2022	***2021***
Trade payables	8 295	11 183
Distribution liabilities	43 426	42 330
Employee benefits liabilities	4 486	3 580
Social security liabilities	2 428	2 035
Other tax liabilities	919	861
Other payables	3 657	2 799
Total	**63 211**	**62 788**
Of which:		
Liabilities within maturity	63 017	62 398
Overdue liabilities	194	391

	2022	***2021***
Overdue liabilities	**194**	**391**
Of which:		
Overdue by up to 30 days	*80*	*237*
Overdue between 30 – 90 days	*6*	*61*
Overdue by more than 90 days	*108*	*93*

The Company has rules under which liabilities must be paid by their maturity. Other payables are primarily related to accrued expenses.

(in thousands EUR, if not stipulated otherwise)

25. LEASES

The Company leases various office premises and contracts are usually concluded for a definite period with the option to extend or shorten the lease term based on individually agreed contractual terms. Lease contracts are negotiated separately and comprise various contractual terms. Lease contracts do not impose an obligation to meet covenants and leased assets may not be used as collateral.

Right-of-use assets in EUR '000

	2022	*2021*
At 1 January	14 566	17 082
Additions	2 875	182
Disposals	-	-
Depreciation	(2 993)	(2 698)
At 31 December	**14 448**	**14 566**

Recognised right-of-use assets apply to the buildings in which the Company operates.

Lease liabilities in EUR '000

	2022	*2021*
At 1 Jan	14 941	17 473
Additions	2 857	182
Disposals	-	-
Accrued interest expense	417	456
Lease payments	(3 191)	(3 170)
At 31 Dec	**15 024**	**14 941**
Of which:		
Current lease liabilities	*3 155*	*2 787*
Non-current lease liabilities	*11 868*	*12 153*
Of which:		
Non-current lease liabilities falling due in 1-5 years	*11 868*	*10 787*
Non-current lease liabilities falling due in over 5 years	-	*1 366*

The total outflow of cash for leases is presented in a separate line in the separate statement of cash flows.

Under IFRS 16, lease liabilities are measured at the present value of future lease payments discounted using the weighted average of the lessee's incremental borrowing rate. The weighted average interest rate used to recalculate the present value of future lease payments is as follows:

- At 31 December 2021: 2.83%
- At 31 December 2022: 2.77%

Lease liabilities under IFRS 16 in EUR '000 and discount

	2022	*2021*
Lease liabilities net of discount	15 985	16 116
Discount	(961)	(1 175)
Lease liabilities after discounting	15 024	14 941
Weighted average interest rate	2.59%	2.68%

The Company leases primarily business premises and data centres under an operating lease. The Company has the option to exercise an expansion option to expand the leased premises, an option of one-off termination of the contract by the lessee, or is entitled to terminate a lease contract for any reason or for convenience within a specified notice period. Upon termination of some contracts, the Company is also required to remove any modifications made and remedy any damage. Compensations and contractual penalties arising from such provisions of the contracts have no significant effect on the amount of the finance lease liability.

(in thousands EUR, if not stipulated otherwise)

Contingent future lease liabilities from unused options stated in lease contracts, which may be exercised by the Company in the future, amount to EUR 1 141 thousand (2021: EUR 671 thousand) and contingent liabilities due to future variable payments related to such options amount to EUR 385 thousand (2021: EUR 128 thousand).

Estimated future variable lease payments arising from lease contracts capitalised under IFRS 16 total EUR 4 239 thousand and have the following maturity structure:

	2022	2021
Falling due in up to 1 year	953	530
Falling due in 1-5 years	3 286	2 134
Falling due in over 5 years	-	265
	4 239	**2 929**

Profit/(loss) as at 31 December 2022 in respect of IFRS 16 in EUR '000

	2022	2021
Depreciation of right-of-use buildings	2 993	2 698
Interest expense from lease liabilities	417	456
Expenses relating to low-value assets	9	8
Expenses relating to short-term leases	370	380
Expenses relating to variable lease payments	967	561

The breakdown of the total amount of variable lease payments recognised in the separate statement of comprehensive income for the year ended 31 December 2022 is as follows:

	2022	2021
Rent	967	561

The Company identified lease contracts to which an exemption under IFRS 16 is applied: Total future minimum lease liabilities from the lease of low-value assets as at 31 January 2022 amount to EUR 2 thousand (2021: EUR 2 thousand), total lease liabilities from short-term leases amount to EUR 55 thousand (2021: EUR 154 thousand). Low-value assets include leases of assets with a value of up to EUR 5 thousand (printers, coffee machines, water dispenser stands). Short-term leases are leases of up to 1 year. Lease liabilities from the lease of other assets excluded from the scope of IFRS 16 due to materiality comprise future minimum lease payments to the lessor of such assets in the amount of the basic rent and the related fixed expenses.

A summary of future lease payments to which IFRS 16 was not applied (leased low-value assets, short-term leases, other assets):

	2022	2021
Falling due in up to 1 year	57	156
Falling due in 1 to 5 years	-	-
Falling due in over 5 years	-	-
	57	**156**

26. PROVISIONS FOR LIABILITIES

Employee benefits are recognised in the statement of financial position as follows:

	2022	2021
Short-term provisions for liabilities	1 506	2 037
Long-term provisions for liabilities	7 250	6 351
of which:		
Maturity up to 5 years	*2 479*	*2 468*
Maturity over 5 years	*4 772*	*3 884*
Total	**8 757**	**8 388**

(in thousands EUR, if not stipulated otherwise)

	2022	2021
Provision for management and key personnel bonuses	2 565	2 786
Of which:		
Short-term provisions for liabilities	*1 036*	*1 615*
Long-term provisions for liabilities	*1 529*	*1 171*
Provision for retirement payments	216	-
Of which:		
Short-term provisions for liabilities	*38*	-
Long-term provisions for liabilities	*178*	-
Provision for loyalty bonus	2 220	2 208
Of which:		
Short-term provisions for liabilities	*130*	*164*
Long-term provisions for liabilities	*2 090*	*2 044*
Provision for loyalty vacation days	3 755	3 394
Of which:		
Short-term provisions for liabilities	*302*	*258*
Long-term provisions for liabilities	*3 453*	*3 137*
Total	**8 757**	**8 388**

The provisions for liabilities include a provision for employee benefits that was created in connection with employee loyalty benefits and employee loyalty vacation days, a provision for bonuses to the Company's management key personnel and a provision for retirement payments. In 2021, the Company extended the employee benefit scheme to include additional loyalty benefits and loyalty vacation days.

The change in the present value of the employee benefit obligation is presented in the table below:

	Post-employment Benefits		Other Long-term Benefits	
	2022	2021	2022	2021
Present value of obligations as at 1 January	**-**	**-**	**8 388**	**2 332**
Changes in provided benefits	-	-	-	651
Current service cost	214	-	3 001	7 537
Interest expense	8	-	78	14
Benefit scheme contributions – employees	-	-	-	-
Actuarial (gains) losses due to other changes	5	-	88	-
Actuarial (gains) losses due to changes in assumptions	(11)	-	(38)	-
Of which:	-	-	-	-
Actuarial (gains) losses due to changes in demographic assumptions	*19*	-	*142*	-
Actuarial (gains) losses due to changes in financial assumptions	*(30)*	-	*(170)*	-
Benefits paid	-	-	(2 978)	(2 146)
Income on benefit scheme assets	-	-	-	-
Past service cost	-	-	-	-
Other	-	-	-	-
Amounts recognised in the statement of profit or loss	**222**	**-**	**152**	**6 056**
Amounts recognised in other comprehensive income	**(5)**	**-**	**-**	**-**
Present value of obligations as at 31 December	**216**	**-**	**8 540**	**8 388**

Provisions for liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date. The final amount of the provision for liabilities reflects key parameters, primarily turnover and the expected increase in wages and salaries. The discount rate used to calculate the present value of the liability is derived from the yield curve of high-quality bonds with a maturity approximating the terms of the Company's liabilities at the reporting date.

(in thousands EUR, if not stipulated otherwise)

The following actuarial assumptions were used when calculating provisions for long-term employee benefits:

	2022	2021
Weighted average turnover rate	8.13%	8.80%
Weighted average increase in wages and salaries	9.00%	3.00%
Weighted average discount rate	3.38% - 3.62%	0.54% - 1.67%

The sensitivity analysis of the provisions for liabilities to a change in material assumptions is presented below:

	Present Value of the Provision	Sensitivity to Change in Discount Rate		Sensitivity to Change in Average Wage		Sensitivity to Change in Turnover	
	31 Dec 2022	+100 Basis Points	-100 Basis Points	+100 Basis Points	-100 Basis Points	+10%	-10%
Work anniversary - Loyalty vacation days	3 755	3 485	4 063	4 062	3 482	3 504	4 035
Retirement payments	216	188	251	251	187	189	248
Loyalty bonus	2 220	2 041	2 424	x	x	2 079	2 377
Management and key personnel bonuses	2 565	2 507	2 626	x	x	x	x

	Present Value of the Provision	Sensitivity to Change in Discount Rate		Sensitivity to Change in Average Wage		Sensitivity to Change in Turnover	
	31 Dec 2021	+100 Basis Points	-100 Basis Points	+100 Basis Points	-100 Basis Points	+10%	-10%
Work anniversary - Loyalty vacation days	3 394	3 130	3 691	3 707	3 118	3 132	3 691
Loyalty bonus	2 208	2 015	2 431	x	x	2 048	2 388
Management and key personnel bonuses	2 786	2 730	2 818	x	x	x	x

As at 31 December 2022 and 31 December 2021, the Company carried out a sensitivity analysis of the actuarial assumptions which were used in the calculation of the present value of a liability related to different types of provisions for liabilities and also had a material impact on the amount of these liabilities.

27. DEFERRED INCOME

	2022	2021
Balance as at 1 Jan	395 394	385 283
Consideration for services to be provided in the future	643 576	566 238
Released to revenues for the current year	(592 296)	(556 127)
Balance as at 31 Dec	**446 673**	**395 394**
Of which:		
Current deferred income	*303 050*	*274 271*
Non-current deferred income	*143 623*	*121 123*

"Deferred income" in the separate statement of financial position includes deferred income of the Company from the sale of ESET products and services, also referred to as "contract liabilities".

28. CONTINGENT ASSETS AND LIABILITIES

28.1. Contingent Assets

The Company only recognises as assets on the balance sheet receivables which represent an unconditional right to a consideration. Receivables are recognised when an unconditional amount of the consideration is enforceable or falls due.

As at 31 December 2022, the Company records contingent receivables from the sale of licences and services amounting to EUR 86 392 thousand (31 December 2021: EUR 82 359 thousand). These receivables are not recoverable and due at the end of the reporting period, but the Company expects them to fall due on average within 30 days after the end of the reporting period. A portion of receivables from distributors and resellers will be settled on a net basis upon maturity, as contractually agreed in the distribution agreements with distributors and resellers.

28.2. Contingent Liabilities

Tax returns of the Company remain open and may be subject to review over a five-year period. The fact that a certain period or tax return related to this period has been subject to review does not eliminate the possibility of this period being subject to a further review during the five-year period. Accordingly, as at 31 December 2022, the Parent Company's tax returns for 2018 to 2022 remain open and may be subject to review.

The Company identified contingent future lease liabilities from unused options stated in lease contracts, which may be exercised in the future, in the total amount of EUR 1 141 thousand and contingent liabilities due to future variable payments related to such options in the amount of EUR 385 thousand.

29. LITIGATION

FINJAN Inc.

The Company and its subsidiaries are currently a party to three legal disputes with FINJAN Inc. as at 31 December 2022.

1. In litigation in which Eset, spol. s r.o. and its subsidiary, Eset LLC, are the defendant, FINJAN Inc. took legal action against both companies due to an alleged breach of six patents registered in the US by FINJAN Inc.
2. In litigation in which Eset, spol. s r.o. and its subsidiary, Eset Deutschland GmbH, are the defendant, FINJAN Inc. took legal action against both companies due to an alleged breach of a patent registered by FINJAN Inc.
3. New litigation for patent invalidity (the original litigation ended in 2022) involving ESET spol. s r.o. as the plaintiff and FINJAN Inc. as the defendant. FINJAN Inc. took legal action with regard to an alleged breach of this patent in the above litigation.

As at 31 December 2022, proceedings continue under paragraph 2, which were suspended in 2018 pending a ruling on the invalidity of the patent of FINJAN Inc. The proceedings under paragraph 3 commenced when the Company filed a new action on the invalidity of the patent of FINJAN Inc in November 2022.

In 2022, the litigation conducted in the USA (paragraph 1) continued with appellate proceedings before the Federal Court of Appeals on the appeal of FINJAN Inc against the ruling on the invalidity of five patents. The Federal Court of Appeals granted the appeal and annulled the ruling on the invalidity of patents due to the incorrect definition of certain patent terms. The Federal Court of Appeals subsequently refused the application of the Company for an *en banc* ruling review. The proceedings were remanded to the District Court. In 2023, the Company filed an application for a review of this ruling of the Federal Court of Appeals by the US Supreme Court, but the court did not accept it and will not rule on the filing. Nevertheless, the District Court scheduled dates for the preparatory stages and hearing dates from 28 August – 14 September 2023, and the court will hear all 6 patents, including the '305 patent.

As none of these litigations meet the conditions for creating a provision under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company did not record a provision for potential losses as at 31 December 2022.

(in thousands EUR, if not stipulated otherwise)

Future Time S.r.l.

In February 2022, the Arbitration Court of the Slovak Chamber of Commerce and Industry issued an award dismissing the action of Future Time S.r.l. in its entirety, partially acknowledged the Company's counterclaims, and ordered both parties to pay certain costs of the proceedings. However, Future Time S.r.l. has failed to make a payment to date.

Future Time S.r.l. entered into liquidation on 11 November 2022. In April 2023, an Italian court recognised the arbitral award of the Slovak Chamber of Commerce and Industry and it thus became automatically enforceable. The Company evaluates the likelihood of the recoverability of receivables as very low and thus created provisions for the receivables in question (see Note 20 Trade and Other Receivables).

30. COMMITMENTS

As at 31 December 2022, the Company had concluded no significant contracts for the purchase of non-current tangible and intangible assets.

31. COSTS OF AUDIT SERVICES

	2022	*2021*
Costs of auditing financial statements	236	207
Tax services	16	5
Other non-audit services	3	-

32. RELATED PARTIES

Identification of Related Parties

As stated in the following overview, in accordance with IAS 24 Related Party Disclosures, the Company identified that it is a related party to the following entities:

1. Members of Senior Management of the Company, shareholders of the Company and members of the Supervisory Board (Note 1.1);
2. Subsidiaries (a list of subsidiaries is presented in Note 7);
3. Other related parties in terms of personnel.

Company management considers related party transactions to be performed on an arm's length basis.

32.1. Transactions with Company Shareholders, Members of Senior Management and Supervisory Board

Transactions with natural persons under point 1 above are presented below:

	2022	*2021*
Short-term employee benefits	2 896	2 343
Other long-term employee benefits	1 460	543
Employment termination benefits	34	-
Total	**4 390**	**2 886**

(in thousands EUR, if not stipulated otherwise)

32.2. Transactions with Other Related Parties

Transactions with related parties under points 2 and 3 above applicable to the separate statement of comprehensive income are presented below:

Company Name	***Revenues from the Provision of End-user Licences and Services*****		***Costs of Contract Acquisition***		***Other Income***		***Other Expenses***		***Dividends Received***	
	2022	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***
ESET SOFTWARE UK Limited (QNH)	25 945	23 662	15 529	14 158	200	183	1 059	512	762	1 347
ESET Deutschland GmbH	51 135	43 402	33 806	30 384	1 919	2 034	63	3	1 263	585
ESET POLSKA Sp.z o.o.	-	-	-	-	434	214	5 714	6 325	409	499
ESET Research Czech Republic s.r.o.	-	-	-	-	196	149	9 694	8 016	810	-
ESET RESEARCH UK Limited (DESlock)	-	-	-	-	58	46	1 548	1 574	225	816
ESET Canada Recherche Inc.	-	-	-	-	48	33	1 507	1 208	71	151
ESET Japan Inc.	2	1	-	-	45	34	2 348	2 133	-	-
ESET ITALIA S.r.l.	19 940	15 368	10 865	8 144	130	102	-	-	263	166
ESET ASIA PTE. LTD.	29 404	27 414	20 681	19 405	129	109	1 261	1 210	465	618
ESET Canada Inc.	13 349	12 469	7 840	7 271	102	5	-	-	435	137
ESET Romania S.R.L.	-	-	-	-	59	42	962	716	58	45
ESET, LLC	123 035	116 316	84 409	80 695	751	1 120	2 494	1 842	-	3 252
ESET MÉXICO S. de R.L. de C.V.	5	4	-	-	46	21	-	-	-	46
ESET software spol. s r.o.	24 802	22 666	12 045	7 414	90	-	317	-	400	382
Nadácia ESET	-	-	-	-	48	42	1 235	658	-	-
ESET DO BRASIL MARKETING LTDA	1	3	-	-	34	22	1 558	1 153	65	-
ESET SOFTWARE UK Limited (PGNB)*	-	-	-	-	-	-	-	12 545	-	13 302
ESET Software Australia, PTY, LTD.	6 374	5 136	5 030	7 882	91	82	-	3	51	-
ESET LATINOAMERICA, S.R.L.	16	12	-	1 405	106	81	-	-	-	-
Other related parties	-	-	-	-	-	-	1 000	1 002	-	-
Total	**294 009**	**266 453**	**190 207**	**176 757**	**4 488**	**4 318**	**30 759**	**38 898**	**5 275**	**21 347**

**A provision for the financial investment in and dividends received from PGNB Limited are recognised in the separate statement of comprehensive income on a net basis (see Note 11 Profit/Loss from Liquidation of a Subsidiary).*
***Revenues from the provision of end-user licences and services from the sales made via subsidiaries.*

(in thousands EUR, if not stipulated otherwise)

Transactions with related parties under points 2 and 3 above applicable to the separate statement of financial position are presented below:

Company Name	***Receivables***		***Payables***		***Current Deferred Income****		***Non-current Deferred Income****		***Current Capitalised Costs of Obtaining a Contract***		***Non-current Capitalised Costs of Obtaining a Contract***	
	2022	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***
ESET SOFTWARE UK Limited (QNH)	-	2	2 234	1 517	10 086	10 193	3 168	3 693	7 655	7 220	2 868	2 795
ESET Deutschland GmbH	725	710	2 869	2 240	29 602	24 086	17 568	12 363	21 337	18 580	12 481	9 449
ESET POLSKA Sp.z o.o.	-	-	1 406	1 657	-	-	-	-	-	-	-	-
ESET Research Czech republic s.r.o.	-	-	397	1 877	(1)	-	(1)	-	-	-	-	-
ESET RESEARCH UK Limited (DESlock)	-	-	311	143	-	-	-	-	-	-	-	-
ESET Canada Recherche Inc.	-	93	-	-	-	-	-	-	-	-	-	-
ESET Japan Inc.	-	290	213	198	-	-	-	-	-	-	-	-
ESET ITALIA S.r.l.	9	-	4 046	4 386	7 595	4 338	3 032	1 031	6 806	5 085	3 255	1 978
ESET ASIA PTE. LTD.	12	2	3 253	2 890	16 246	15 046	9 159	8 054	14 025	13 093	7 989	6 920
ESET Canada Inc.	9	351	1 969	2 583	6 134	5 162	2 705	2 133	5 006	4 793	2 458	2 151
ESET Romania S.R.L.	-	-	109	70	-	-	-	-	-	-	-	-
ESET, LLC	-	2 212	7 343	8 473	63 022	55 338	25 211	20 852	51 654	47 153	22 066	18 785
ESET MÉXICO S. de R.L. de C.V.	188	255	(2)	-	(1)	-	-	-	-	-	-	-
ESET software spol. s r.o.	-	3	3 939	2 389	13 257	13 085	7 770	5 969	8 663	5 110	5 087	2 186
Nadácia ESET	-	3	-	-	-	-	-	-	-	-	-	-
ESET DO BRASIL MARKETING LTDA	16	(2)	102	217	1	-	-	-	-	-	-	-
ESET SOFTWARE UK Limited (PGNB)	-	-	-	-	-	-	-	-	-	-	-	-
ESET Software Australia, PTY, LTD.	9	74	505	559	2 772	3 009	917	813	2 530	5 922	960	2 473
ESET LATINOAMERICA, S.R.L.	278	251	7	-	-	-	(12)	-	-	-	-	-
Other related parties	-	-	600	600	-	-	-	-	-	-	-	-
Total	**1 247**	**4 243**	**29 298**	**29 799**	**148 712**	**130 258**	**69 518**	**54 910**	**117 677**	**106 956**	**57 164**	**46 738**

**Deferred income from the provision of end-user licences and services from sales made via subsidiaries.*

(in thousands EUR, if not stipulated otherwise)

33. FINANCIAL RISK MANAGEMENT

The difference between the net book value and fair value of cash and cash equivalents, trade receivables and payables and other current receivables and payables is not material.

33.1. Risk Management

The Company is exposed to various financial risks such as market risk (mainly, foreign exchange risk), liquidity risk and credit risk. As the Company did not draw any loans, it is not exposed to interest rate risk or credit risk. The Company recognises lease liabilities under IFRS 16, which are discounted using the weighted average incremental borrowing rate of the lessee, which is in essence a fixed rate. A potential change to this rate upon the modification of a lease contract will not affect the agreed future cash flows, but rather will impact the measurement of the lease liabilities in the separate statement of financial position. The Company has set rules to manage these exposures; risk management is performed by the Company's finance department.

The Company maintains cash balances and short-term investments with a number of financial institutions. The Company invests with highly-rated financial institutions. The Company has no significant interest-bearing assets with a floating interest rate, other than cash balances in bank accounts.

33.2. Foreign Exchange Risk

The Company operates on international markets and is exposed to foreign exchange risk inherent in foreign currency transactions when translating them into the functional currency. The risks arise from future transactions, recognised assets and liabilities. The euro is the functional currency of the Company. The Company does not use any special financial instruments to hedge against foreign exchange risk. The Company relies on natural hedging through adjusting purchases and sales. The exposures are further mitigated through the use of short-term placements in banks.

The following items of assets and liabilities are denominated in a currency other than the functional currency that is material to the Company (in EUR '000):

			2022			
	USD	***CZK***	***PLN***	***CAD***	***GBP***	***JPY***
Cash and cash equivalents	8 392	3 724	848	824	1 581	3 073
Trade and other payables	14 692	4 803	2 811	642	2 912	2 507
			2021			
	USD	***CZK***	***PLN***	***CAD***	***GBP***	***JPY***
Cash and cash equivalents	14 235	5 756	1 635	2 147	7 703	4 085
Trade and other payables	13 093	4 355	1 657	2 490	1 741	3 259

The Company also has assets and liabilities denominated in the Brazilian real, Romanian leu, Argentinian peso and Australian dollar, which are immaterial to the Company.

The sensitivity analysis is based on the same assumptions as used internally by the management for financial risk management planning and strategy. This is based on past movements, and on knowledge of and experience in financial markets. These are the movements that are considered to be reasonably possible in the next twelve months.

Movements in EUR/foreign currency exchange rates by 10% would represent the following amounts:

Currency	***Average Exchange Rate for 2022***	***Exchange Rate as at 31 Dec 2022***	***Average Exchange Rate for 2021***	***Exchange Rate as at 31 Dec 2021***
EUR/USD	1.0530	1.0666	1.1830	1.1326
EUR/CZK	24.5659	24.1160	25.6400	24.8580
EUR/JPY	138.0274	140.6600	129.8770	130.3800
EUR/GBP	0.8528	0.8869	0.8600	0.84028
EUR/PLN	4.6861	4.6808	4.5650	4.5969
EUR/AUD	1.5167	1.5693	1.5750	1.5615
EUR/BRL	5.4399	5.6386	6.3780	6.3101
EUR/CAD	1.3695	1.4440	1.4830	1.4393
EUR/RON	4.9313	4.9495	4.9210	4.9490

(in thousands EUR, if not stipulated otherwise)

Based on the sensitivity analysis, if the EUR exchange rate increased/decreased by 10% against these foreign currencies and other variables remained unchanged, the impact on the translation gains/losses recognised in the separate statement of comprehensive income would be as follows:

31 Dec 2022	*Exchange Rate Appreciation by 10%*	*Exchange Rate Depreciation by 10%*
EUR/USD	558	(683)
EUR/CZK	98	(120)
EUR/PLN	178	(218)
EUR/CAD	117	(143)
EUR/GBP	124	(152)
EUR/JPY	(51)	63
EUR/ARS	(1)	1
EUR/AUD	46	(56)
EUR/RON	42	(52)
EUR/BRL	39	(47)

31 Dec 2021	*Exchange Rate Appreciation by 10%*	*Exchange Rate Depreciation by 10%*
EUR/USD	(294)	359
EUR/CZK	(128)	156
EUR/PLN	2	(2)
EUR/CAD	(1)	1
EUR/GBP	(542)	663
EUR/JPY	(102)	124
EUR/ARS	(1)	1
EUR/AUD	44	(54)
EUR/RON	29	(35)
EUR/BRL	15	(18)

A 10% movement in the exchange rate was used in the analysis since at this level the management is informed about the currency risk and makes decisions.

33.3. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle its financial liabilities when due. The Company manages the liquidity risk by ensuring sufficient liquidity to settle its liabilities when due.

The Company keeps a sufficient volume of cash primarily from its own resources. The management monitors the sufficiency of liquid reserves based on the forecasted cash flows.

The majority of trade receivables within the Company arise from sales to customers outside of Slovakia. The Company performs a continuous assessment of the customers' creditworthiness and financial standing while no guarantees are required in general. The Company delivers its products in a manner that enables it to limit upgrades of versions and these become less usable.

The Company's deposits are not covered by any special insurance. The management believes that the non-insured portion is placed in financial institutions where no concern regarding their insolvency exists at present.

The following tables present the maturity of financial liabilities and assets based on contractual non-discounted payments:

2022

Financial Assets	*Net Book Value*	*Expected Cash Flows*				
		Total	*On Demand*	*Up to 1 Year*	*Up to 5 Years*	*Over 5 Years*
Cash and cash equivalents	93 160	93 160	93 160	-	-	-
Term deposits	5 000	5 000	-	5 000	-	-
Trade and other receivables*	3 736	3 736	1 581	2 154	-	-
Other non-current assets**	1 543	1 677	-	-	1 677	-

**Other receivables only include receivables that are part of financial assets. The On Demand category represents overdue receivables.*

***The difference between the net book value of other non-current assets and the related expected cash flows represents non-current receivables discounted to their present value. The Company only includes other non-current assets that are part of financial assets in other non-current assets.*

(in thousands EUR, if not stipulated otherwise)

2021

Financial Assets	***Net Book Value***	***Expected Cash Flows***				
		Total	***On Demand***	***Up to 1 Year***	***Up to 5 Years***	***Over 5 Years***
Cash and cash equivalents	73 423	73 423	73 423	-	-	-
Trade and other receivables*	7 593	7 593	3 991	3 601	-	-
Other non-current assets**	1 561	1 709	-	-	1 709	-

**Other receivables only include receivables that are part of financial assets. The On Demand category represents overdue receivables.*
***The difference between the net book value of other non-current assets and the related expected cash flows represents non-current receivables discounted to their present value. The Company only includes other non-current assets that are part of financial assets in other non-current assets.*

2022

Financial liabilities	***Net Book Value***	***Expected Cash Flows***				
		Total	***On Demand****	***Up to 1 year***	***Up to 5 years***	***More than 5 Years***
Trade and other payables	63 211	63 211	194	63 017	-	-
Lease liabilities**	15 024	15 985	-	3 530	12 454	-
Other non-current liabilities	494	494	-	-	494	-

**Liabilities payable on demand represent overdue liabilities.*
***The difference between the net book value of lease liabilities and the related expected cash flows represents a future interest expense included in lease instalments.*

2021

Financial liabilities	***Net Book Value***	***Expected Cash Flows***				
		Total	***On Demand****	***Up to 1 year***	***Up to 5 years***	***More than 5 Years***
Trade and other payables	62 788	62 788	391	62 398	-	-
Lease liabilities**	14 941	16 116	-	3 173	11 567	1 375
Other non-current liabilities	438	438	-	-	438	-

**Liabilities payable on demand represent overdue liabilities.*
***The difference between the net book value of lease liabilities and the related expected cash flows represents a future interest expense included in lease instalments.*

33.4. Credit Risk

Credit risk is a risk arising from the possible inability or unwillingness of a debtor to settle its payables. The Company manages credit risk appropriately, primarily by applying an individual approach to its major business partners. The Company regularly monitors the payment discipline of its business partners.

Most of the Company's revenues are generated from cooperation with long-term foreign partners that have an excellent record as regards long-term payment discipline. As regards credit risk, the Company categorises its customers as follows:

1. Foreign business partners – their payment discipline is monitored on a weekly basis. To date, the payment discipline of this group of partners has been excellent, except for partners with whom cooperation has been terminated.

2. Subsidiaries – at the level of subsidiaries, management monitors their relationships with business partners and regularly evaluates induced insolvency of the subsidiaries.

3. Slovak end customers – credit risk is mitigated automatically. If a customer fails to pay an issued invoice within 14 days of purchasing a licence, a credit note is automatically issued and the licence is deactivated.

4. Slovak resellers – credit risk is managed using a short maturity period of issued invoices. If an invoice is unpaid when due, a reminder is sent automatically and non-cooperating partners are suspended from ordering licences. The access of such a partner is restored after documenting the settlement of all overdue invoices.

The expected percentage of credit losses and the provision for receivables are described in Note 20 Trade and Other Receivables.

34. CAPITAL MANAGEMENT

The Company manages capital to ensure that it is able to continue as a going concern. To achieve this, the Company uses its equity. The amount of the Company's own funds is optimised in relation to the distribution thereof. The Company takes into consideration future investment needs when managing its own capital.

35. MILITARY CONFLICT IN UKRAINE

During 2022, the Company responded to the ongoing military conflict in Ukraine and ended the sale of products to new customers in Russia and Belarus from 8 March 2022 to make clear its position and support for Ukraine and its people.

This issue had an impact on the carrying amount of the Company's receivables as at 31 December 2022. In the light of this situation and sanctions against the Russian Federation, the Company created a provision for contract assets to I-SET Software LLC in the amount of EUR 920 thousand.

The Company provided humanitarian aid from the beginning of the conflict via its ESET Foundation. In 2022, ESET provided EUR 735 thousand to the fund for aid to Ukraine and those affected by the military conflict. These funds were used as direct financial aid for Ukrainian refugees in Slovakia, Czech Republic, Romania and Poland and to establish a large-scale assistance centre on Bottova street in Bratislava, which was operated by Bratislava City Council.

36. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

In 2023, Company shareholders approved a plan for creating two new companies which will not be part of the Group:

- ESET Science Campus company;
- A holding company via which shareholders will hold their shares in the newly-created ESET Science Campus company.

Both newly-created companies will be linked with the Company in terms of personnel (via the shareholders of the Company). The future transactions between the Company and the newly-created companies above will represent transactions with related parties.

After creating the above companies, the Company plans to transfer the ESET Science Campus project in the amount of EUR 33 898 thousand to the new ESET Science Campus company.

Based on an evaluation of the current status and development of analyses and preparation work for the project, the Company concluded that the plan for transferring the ESET Science Campus project to a new company did not meet the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations for presentation as a separate line item in the separate statement of financial position.

In March 2023, Company shareholders also approved a change to the legal form of the Company from a limited liability company to a joint-stock company.

The details of the current status of the Company's ongoing litigations are provided in Note 29 Litigations.

In addition to the above, no other events occurred after 31 December 2022 that would have a material impact on the Company's financial position or operations.

(in thousands EUR, if not stipulated otherwise)

37. OTHER SUPPLEMENTARY INFORMATION REQUIRED PURSUANT TO SLOVAK LEGISLATION

These disclosures are required by the Slovak legislation beyond the scope of IFRS disclosures. Other required disclosures are included in the previous notes.

R&D expenses

In 2022, the Company recognised R&D expenses and applied tax relief pursuant to the Income Tax Act to be realised in future periods. Information on the amount of expenses eligible for tax relief is presented in the table below:

	2022	*2021*
R&D Expenses	4 194	7 012

Social fund payables, opening balance, creation, drawing, balance at the end of the reporting period for the Company

	2022	*2021*
Balance at 1 January	235	178
+ Creation debited to expenses	747	379
- Drawing	(731)	(322)
- Transfer to funds from profit	-	-
Balance at 31 December	**252**	**235**

Prepared on:	***Signature of a Member of the Statutory Body of the Reporting Entity or a Natural Person Acting as a Reporting Entity:***	***Signature of the Person Responsible for the Preparation of the Separate Financial Statements:***	***Signature of the Person Responsible for Bookkeeping:***
28 April 2023			
Approved on:			
28 April 2023			

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