# Stredoslovenská energetika, a.s.

## Independent Auditor's Report and Consolidated Financial Statements for the year ended 31 December 2014

## Prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

Translation note:
This version of the accompanying consolidated financial statements is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the consolidated financial statements takes precedence over this translation.

## Index to the Consolidated Financial Statements

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Translation of the statutory Auditor's Report originally prepared in Slovak language

# Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Stredoslovenská energetika, a.s.:

We have audited the accompanying consolidated financial statements of Stredoslovenská energetika, a.s. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management as represented by the statutory body is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

18 March 2015
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Branislav Prokop
License UDVA No. 1024

## Stredoslovenská energetika, a.s.

Consolidated Financial Statements as at 31 December 2014 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union were prepared and authorised for issue on 16 January 2015.

.....................................................
Ing. Jan Špringl
Chairman of the Board of Directors

.....................................................
Mgr. Ing. Márius Hričovský, Dr. oec.
Vice chairman of the Board of Directors

*(All amounts are in thousand EUR unless stated otherwise)*

## Consolidated Statement of Financial Position

| | | As at 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 465 854 | 491 963 |
| Intangible assets | 6 | 20 685 | 23 109 |
| Investments in joint venture | 8 | 1 488 | 558 |
| | | **488 027** | **515 630** |
| **Current assets** | | | |
| Inventories | 9 | 2 209 | 2 309 |
| Trade and other receivables | 10 | 72 829 | 63 086 |
| Accrued income | 11 | 41 528 | - |
| Current financial assets | 8 | 32 | 41 |
| Cash and cash equivalents | 12 | 34 204 | 68 218 |
| Assets held for sale | 13 | 25 711 | - |
| | | **176 513** | **133 654** |
| **Total assets** | | **664 540** | **649 284** |
| **EQUITY** | | | |
| **Equity** | | | |
| Share capital | 14 | 116 754 | 116 754 |
| Legal reserve fund | 14 | 26 493 | 24 990 |
| Other reserves | 14 | 2 323 | 2 316 |
| Actuarial gain from long-term employee benefits | 14 | 875 | 1 127 |
| Retained earnings | 14 | 286 810 | 252 078 |
| **Total equity** | | **433 255** | **397 265** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Non-current bank loans | 17 | 33 323 | 58 293 |
| Non-current provisions | 19 | 8 352 | 11 400 |
| Non-current part of deferred income | 15 | 34 528 | 32 717 |
| Defferred tax liability | 18 | 17 596 | 15 948 |
| | | **93 799** | **118 358** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 105 957 | 115 122 |
| Income tax payable | | 3 430 | 3 902 |
| Current bank loans | 17 | 10 569 | 12 969 |
| Current provisions | 19 | 1 303 | 1 668 |
| Liabilities related to the assets held for sale | 13 | 16 227 | - |
| | | **137 486** | **133 661** |
| **Total liabilities** | | **231 285** | **252 019** |
| **Total equity and liabilities** | | **664 540** | **649 284** |

*(All amounts are in thousand EUR unless stated otherwise)*

## Consolidated Income Statement

| | Note | Year ended 31 december 2014 | 2013 |
|---|---|---|---|
| Revenues | 20 | 871 390 | 795 727 |
| Purchases of electricity and related fees, distribution fees | 21 | -665 807 | -591 136 |
| Personnel expenses | 22 | -36 321 | -39 884 |
| Depreciation, amortization and impairment provision | 5, 6 | -31 659 | -31 196 |
| Material and consumables used | | -6 256 | -6 031 |
| Other operating income | 24 | 6 779 | 6 888 |
| Other operating expense | 23 | -22 111 | -26 438 |
| **Operating profit** | | **116 015** | **107 930** |
| | | | |
| Interest income | 25 | 111 | 1 278 |
| Interest expense | 25 | -2 006 | -2 530 |
| Other finance income/(expense), net | 25 | 125 | 1 651 |
| **Finance (expense)/income, net** | | **-1 770** | **399** |
| | | | |
| Share of profit of joint ventures | 8 | 930 | - |
| | | | |
| **Profit before taxation** | | **115 175** | **108 329** |
| Income tax expense | 26 | -26 934 | -26 445 |
| **Profit for the year** | | **88 241** | **81 884** |

## Consolidated Statement of Comprehensive Income

| | Note | Year ended 31 December 2014 | 2013 |
|---|---|---|---|
| **Profit for the year** | | **88 241** | **81 884** |
| Items of comprehensive income: | | | |
| Actuarial loss from long-term employee benefits | | -324 | -714 |
| Deffered tax | | 72 | 153 |
| Total items of comprehensive income | | -252 | -561 |
| **Comprehensive income for the year** | | **87 989** | **81 323** |

*(All amounts are in thousand EUR unless stated otherwise)*

## Consolidated Statement of Changes in Equity

| | Share capital | Legal reserve fund | Other reserves | Retained earnings | Actuarial gain from long-term employee benefits | Total equity |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | **116 754** | **24 990** | **2 316** | **252 078** | **1 127** | **397 265** |
| Profit for the year 2014 | - | - | - | 88 241 | - | 88 241 |
| Items of comprehensive income | - | - | - | - | -252 | -252 |
| Dividends declared | - | - | - | -52 000 | - | -52 000 |
| Allocation of profit to legal reserve fund | - | 1 503 | - | -1 503 | - | - |
| Other | - | - | 7 | -6 | - | 1 |
| **Balance at 31 December 2014** | **116 754** | **26 493** | **2 323** | **286 810** | **875** | **433 255** |
| **Balance at 1 January 2013** | **116 754** | **24 990** | **2 325** | **251 148** | **1 688** | **396 905** |
| Profit for the year 2013 | - | - | - | 81 884 | - | 81 884 |
| Items of comprehensive income | - | - | - | - | -561 | -561 |
| Dividends declared | - | - | - | -80 986 | - | -80 986 |
| Other | - | - | -9 | 32 | - | 23 |
| **Balance at 31 December 2013** | **116 754** | **24 990** | **2 316** | **252 078** | **1 127** | **397 265** |

*(All amounts are in thousand EUR unless stated otherwise)*

## Consolidated Statement of Cash Flows

| | Note | Year ended 31 December 2014 | 2013 |
|---|---|---|---|
| Profit before income tax | | 115 175 | 108 329 |
| Adjustments for: | | | |
| Depreciation and amortization | 5, 6 | 31 673 | 30 456 |
| Changes in impairment provision for property, plant and equipment | 5 | -14 | 740 |
| Gain on disposal of property, plant and equipment | 24 | -372 | -426 |
| Interest expense (net) | 25 | 1 895 | 1 252 |
| Share of profit of joint ventures | 8 | -930 | - |
| Change in impairment provision for receivables | 10 | 2 334 | 1 789 |
| Change in provisions | 19 | -2 604 | 1 855 |
| Other non-cash movements | | 66 | 18 |
| **Profit from operations before changes in working capital** | | **147 223** | **144 013** |
| Changes in working capital: | | | |
| Increase in trade and other receivables | | -51 750 | -12 000 |
| Decrease in inventories | | 52 | 121 |
| (Decrease)/increase in trade and other payables and deferred revenues | | -5 560 | 5 023 |
| **Cash generated from operations** | | **89 965** | **137 157** |

*(All amounts are in thousand EUR unless stated otherwise)* 5

| | Note | Year ended 31 December 2014 | 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | 89 965 | 137 157 |
| Income tax paid | | -26 363 | -10 397 |
| **Net cash generated from operating activities** | | **63 602** | **126 760** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | | -33 967 | -54 680 |
| Dividends received | 25 | 235 | 253 |
| Proceeds from sale of property, plant and equipment | | 3 380 | 791 |
| Proceeds from financial assets | | 9 | 26 132 |
| Interest received | 25 | 111 | 1 278 |
| **Net cash used in investing activities** | | **-30 232** | **-26 226** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | 25 000 |
| Repayments of borrowings | | -12 976 | -14 469 |
| Interest paid | 25 | -2 408 | -2 530 |
| Dividends paid | 14 | -52 000 | -100 986 |
| **Net cash used in financing activities** | | **-67 384** | **-92 985** |
| **Net (decrease)/ increase in cash and cash equivalents** | | **-34 014** | **7 549** |
| **Cash and cash equivalents at the beginning of the year** | 12 | **68 218** | **60 669** |
| **Cash and cash equivalents at the end of the year** | 12 | **34 204** | **68 218** |

*(All amounts are in thousand EUR unless stated otherwise)*

## 1 General Information

### Trade name and registered address of the Company

The registered address of the Company is:

Pri Rajčianke 8591/4B
010 47 Žilina
Slovak Republic

Identification number (IČO) of the Company is: 36403008.
Tax identification number (DPH) of the Company is: SK2020106682
Identification number for VAT (IČ DPH) of the Company is: SK2020106682

Stredoslovenská energetika a.s. (hereinafter referred to as "the Company", "the SSE"), in its current legal form as a joint stock company was established on 17 December 2001 and incorporated in the Commercial Register on 1 January 2002 (Commercial Register of the District Court Žilina in Žilina Section Sa, Insert No. 10328/L).

Throughout these consolidated financial statements SSE together with its subsidiaries is referred to as "Group".

Following subsidiaries are part of the SSE Group as at 31 December 2014:

| Name | Country of incorporation | Percentage of shareholding in the ordinary share capital |
|---|---|---|
| Stredoslovenská energetika – Distribúcia a.s. | Slovakia | 100% |
| Elektroenergetické montáže a.s. | Slovakia | 100% |
| Stredoslovenská energetika - Metrológia s.r.o. | Slovakia | 100% |
| Stredoslovenská energetika – Project Development spol. s r.o. | Slovakia | 100% |
| SSE – Solar, s.r.o. | Slovakia | 100% |
| SSE - CZ spol. s r.o. | Czech Republic | 100% |

Certain group's operations are governed by the terms of its license granted under the Energy Law ("the Energy License"). The Regulatory Office of Network Industries of the Slovak Republic ("URSO") regulates certain aspects of the Group's relationships with its customers including the pricing of electricity and services provided to certain customers of the Group.

**Following are the principal activities of the Group:**

- Purchase and supply of electricity primarily in Central Slovakia;
- Distribution of electricity in Central Slovakia;
- Purchase and supply of gas in Slovakia
- Construction and maintenance of distribution network and related assets;
- Production of electricity;
- Meters calibration;
- Provision of power engineering services.

### (i) Additional information about the Company as the entity preparing the consolidated financial statements

The Company is one of the successors of Stredoslovenské energetické závody, a state owned entity. At 31 December 2001, this state enterprise was wound up without liquidation based on the resolution No. 686/2001 of the Slovak government. The following day, its assets and liabilities were transferred to the National Property Fund ("NPF") of the Slovak Republic in accordance with the privatization project.

The assets and liabilities were valued at historic carrying amounts as reported by Stredoslovenské energetické závody as at 31 December 2001.

On 31 October 2002, the National Property Fund of the Slovak Republic sold 49% of the total share capital of SSE to E.D.F. INTERNATIONAL ("EDFI"), France.

On 1 July 2007, the Company carved out a part of its business that conducted principal distribution activities and contributed it to the subsidiary Stredoslovenská energetika – Distribúcia, a.s. („SSE-D") in accordance with the Slovak and European legislation ("unbundling of part of the company").

On 27 November 2013, EDFI and Energetický a průmyslový holding, a. s. ("EPH") completed a transaction, subject of which was a transfer of the 49% minority shareholding and managerial control in the Company from EDFI to EPH Financing II, a.s.

On 26 May 2014, the companies EPH Financing II a.s. (dissolved company) and EP Energy a.s. (successor company) agreed on a project of a merger based on which the share capital of the dissolved company was transferred to the successor company. Decisive date of the transaction was 1 January 2014. The company EPH Financing II a.s. was deleted from the Commercial register on 25 August 2014.

On 1 August 2014, according to the Act No. 197/2014 the shareholding held by the National Property Fund of the Slovak Republic (51%) was transferred to the Ministry of Economy of the Slovak Republic.

Activities of the Company are governed by the terms of its license granted under the Energy Law ("the Energy License"). The Regulatory Office of Network Industries of the Slovak Republic ("URSO") regulates certain aspects of the Company's relationships with its customers including the pricing of electricity and services provided to certain customers of the Company. Price of the electricity (the commodity) is regulated for households and small businesses with the annual consumption of up to 30 MWh. The price of electricity for the wholesale customers is not regulated. Distribution fees are fully regulated for all customers. The Company provides also purchase and distribution of gas. A detailed breakdown of revenues is disclosed in the Note 20.

The structure of the Company's shareholders at 31 December 2014 was as follows:

| | **Absolute amount in thousand of EUR** | **Ownership interest %** | **Voting rights %** |
|---|---|---|---|
| Ministry of Economy of the Slovak Republic | 59 545 | 51 % | 51 % |
| EP Energy, a.s. | 57 209 | 49 % | 49 % |
| **Total** | **116 754** | **100 %** | **100 %** |

The structure of the Company's shareholders at 31 December 2013 was as follows:

| | Absolute amount in thousand of EUR | Ownership interest % | Voting rights % |
|---|---|---|---|
| National Property Fund (NPF) | 59 545 | 51 % | 51 % |
| EPH Financing II, a. s. | 57 209 | 49 % | 49 % |
| **Total** | **116 754** | **100 %** | **100 %** |

Ministry of Economy of the Slovak Republic, based in Mierová 19, 827 15 Bratislava owns 51 % shareholding in the registered capital of the Company since 1 August 2014.

**EP Energy, a.s.** („investor", „EPE") based in Příkop 843/4, Zábrdovice, 602 00 Brno, Česká republika, IČO: 29 259 428, incorporated in the Commercial Rregister of the Regional Court in Brno, Husova 353/15, 602 00 Brno – střed, Česká republika owns a 49 % shareholding in the registered capital of the Company. EP Energy, a. s. is a fully owned subsidiary of EPH based in Příkop 843/4, Zábrdovice, 602 00 Brno, Česká republika, IČO: 28 356 250.

**NPF of the Slovak Republic** based in Trnavská cesta 100, 821 01 Bratislava, IČO: 17 333 768 incorporated in the Commercial Register of the District Court Bratislava I, Section Po, file 30/B, owned 51 % shareholding in the registered capital of the Company until 1 August 2014.

**EPH Financing II, a.s.** ("investor"), based in Praha 8, Pobřežní 297/14, PSČ 186 00, Czech republic, IČO: 24 788 376, incorporated in the Commercial Register of the City Court in Prague, Section B, Insert No. 16812 owned a 49% shareholding in the registered capital of the Company. EPH Financing II, a.s., was a fully owned subsidiary of EP Energy, a.s., („EPE"), based in Brno, Příkop 843/4, PSČ 602 00, Czech republic, IČO: 29 259 428.

During the period from 1 January 2013 until 27 November 2013, the Company was included in the consolidated financial statements of EDF. These financial statements are available at the registered office of EDF on 22-30 avenue de Wagram, Paris.

During the period from 27 November 2013 until 31 December 2014, the Company as well as the Group is included in the consolidated financial statements of EPE which are included in the consolidated financial statements of EPH holding. EPH holding's consolidated financial statements are prepared by EPH with its seat noted above. These consolidated financial statements are available at the registered office of EPH Pařížská 26, 110 00 Praha 1, Czech Republic. The address of the registration court maintaining the Commercial Register in which these consolidated financial statements are deposited is District court in Brno, Husova 353/15, 602 00 Brno, Czech Republic.

As part of the sale of 49% of shares to EPH Financing II, a.s., the National Property Fund of the Slovak Republic, Ministry of Economy, EPH Financing II, a. s. and EPH have entered into a shareholders' agreement which sets out the areas of responsibility and decision making for the Board of Directors and for the Supervisory Board of the Company.

The Chairman and two members of the Board of Directors are nominated by the investor. The Ministry of Economy of the Slovak Republic (NPF of the Slovak Republic until 31 July 2014) is represented by the Vice Chairman and one member of the Board of Directors. One Vice Chairman of the Supervisory Board is nominated by the investor. Ministry of Economy of the Slovak Republic (NPF until 31 July 2014) is represented by the Chairman and four members of the Supervisory Board. The employees of the Company are represented by three members of the Supervisory Board.

Competencies of the Board of Directors (BoD) in addition to legally defined competencies include the following:

- The BoD manages the Company on a daily basis and can approve and commit the Company to transactions other than those that are within the competency of the Supervisory Board as described below;
- The BoD submits to the General Meeting for its approval the ordinary and extraordinary separate financial statements and the consolidated financial statements and proposal for the profit distribution or loss settlement;
- The BoD produces "Related Parties Agreements Report" and provides the copy of this report to Supervisory Board within 180 days from the end of accounting period;
- The BoD submits the Strategic Business Plan – further development of SSE Group and significant projects of SSE Group for period of the next 3 financial years to the Supervisory Board and General Meeting for approval;
- The BoD submits to the Supervisory Board the Annual budget, business plan of SSE Group and Individual annual budget and business plan of the Company for the review and comments.
- The BoD submits proposals of decisions concerning the subsidiaries, that are subject to prior consent of the General Meeting, to the General Meeting of SSE for approval;
- The BoD submits to General Meeting proposals for appointment, removal or replacement of the auditors of SSE.

Competencies of the Supervisory Board:

- The Supervisory Board is the supreme controlling body of the Company;
- The Supervisory Board reviews and may submit to General Meeting reports concerning:
    - proposals of Board of Directors regarding to Annual budget and business plan;
    - proposals of Board of Directors regarding the Individual annual budget and business plan of the Company;
    - announcements of financial transactions, which the Company made with related parties of companies in the Group (except SSE-D).

- The Supervisory Board makes decisions about:
    - reducing the number of employees of the Company, which would lead to redundancies equal to or higher than five percent (5 %) of all employees of the Company;
    - the Strategic Business Plan for a three year period of further development and significant projects;
    - any use of property, plant and equipment (except for assets of SSE-D), if the value of transaction or total value of related transactions exceeds five percent (5 %) of net assets stated in last audited financial statements of the Company (except for establishing of pledge for the purpose of financing);
    - investment projects of the Company in the case the value of one investing project exceeds EUR 4 million (€ 4 000 000) (even if the capital expenditures arises during more than one year);

According to the Articles of Association of the Company the management prepares on a yearly basis the Strategic Business Plan. The Strategic Business Plan is presented for a three-year period that sets the further development and significant projects of the SSE Group. The Strategic Business plan is submitted to the Supervisory Board for an approval and subsequently is submitted to the General Meeting for an approval.

**Information on unlimited liability**

The Company is not a shareholder with unlimited liability in other entities.

**Date of the approval of the consolidated financial statements for the previous accounting period**

The Company's General Meeting approved the Group's consolidated financial statements for the previous accounting period ended 31 December 2013 on 16 June 2014.

*(All amounts are in thousand EUR unless stated otherwise)*

**Publication of the consolidated financial statements for the previous accounting period**

The Group's consolidated financial statements including the auditor's report on the financial statements as at 31 December 2013 were filed and published in the Register of Financial Statements on 27 June 2014. The Group's consolidated annual report with the supplement to the auditor's report on the audit of consistency as at 31 December 2013 was filed in the Register of Financial Statements 20 June 2014.

**Appointment of the auditor**

The Company's General Meeting approved KPMG Slovensko spol. r. o. as an auditor of the financial statements for the year ended 31 December 2014 on 16 June 2014.

**Information about the Group's bodies**

The members of the statutory bodies of the Company during the year ended 31 December 2014 were as follows:

| | Board of Directors | Supervisory board |
|---|---|---|
| **Chairman:** | Ing. Jan Špringl (since 17 June 2014)<br>Mgr. Martin Fedor (until 16 June 2014) | Ing. Ján Voštenák |
| **Vice Chairman** | Mgr. Ing. Márius Hričovský, Dr. oec. | Ing. Jozef Antošík (since 1 April 2014)<br>Mgr. Marek Spurný (until 31 March 2014) |
| **Members:** | Ing. Pavol Mertus<br>Mgr. Martin Fedor (since 17 June 2014)<br>Mgr. Petr Sekanina (until 16 June 2014)<br>Ing. Jiří Feist | Ing. Igor Pištík<br>Ing. Dušan Majer<br>Ing. Miroslav Martoník<br>Ing. Pavol Čerňan (since 17 June 2014)<br>JUDr. Marián Cesnek (until 16 June 2014)<br>JUDr. Vladimír Urblík<br>Ing. Tibor Lehotský<br>Ing. Eduard Rada |

The Group employed on average 1 608 employees during 2014 (2013: 1 649), 228 of which were management (2013: 224).

**(ii) Additional information about the subsidiaries**

Stredoslovenská energetika - Metrológia s.r.o. was established on 3 April 2003 and incorporated in the Commercial Register on 17 April 2003 as a limited liability company fully owned by the Company. On 1 January 2004, SSE transferred to Stredoslovenská energetika – Metrológia, s.r.o. part of its business relating to calibration of electricity metering equipment.

Elektroenergetické montáže a.s. was established on 2 July 2003 and incorporated in the Commercial Register on 12 August 2003 as a company fully owned by the Company. On 1 September 2004, SSE transferred to Elektroenergetické montáže a.s. part of its business relating to the construction of electricity distribution structures.

SSE - CZ spol. s r.o. was established on 13 October 2005 and incorporated in the Commercial Register of the Czech republic on 12 December 2005 as a limited liability company fully owned by the Company. SSE - CZ trades with electricity and provides purchase and sale of electricity between the Company and foreign partners.

Stredoslovenská energetika - Distribúcia a.s. was established on 22 March 2006 and incorporated in the Commercial Register on 8 April 2006 as a joint-stock company fully owned by the Company. The company engages in distribution of electricity in the region of Central Slovakia since 1 July 2007 when it was unbundled from the Company. The requirement to legally unbundle the distribution business from other commercial activities of integrated electricity companies has been established by the European directive 2003/54 on common rules for internal market with electricity. The directive has been transposed into Slovak legislation by the Act on Energy No. 656/2004 issued in 2004.

Stredoslovenská energetika – Project Development spol. s r.o. was established on 3 June 2008 and incorporated in the Commercial Register on 11 June 2008 as a company fully owned by the Company. The company was established with purpose to build and operate a power plant in central Slovakia.

SSE – Solar s.r.o.- was established on 29 March 2010 and incorporated in the Commercial Register on 2 April 2010. The company was established with purpose to build and operate photovoltaic power stations.

Stredoslovenská energetika – Výroba a.s. was established on 12 March 2008 and incorporated in the Commercial Register on 15 April 2008 as a company partially owned by other parties. The Company owned 51% share. The company did not perform significant operations, on 4 June 2013, it was liquidated and on 12 October 2013 it was deleted from the Commercial Register.

Tatrapower, a.s. – was established on 13 January 2009 by the company E.D.F INTERNATIONAL and incorporated in the Commercial Register on 5 February 2009. The company was established with the purpose to build a power plant. On 18 March 2010, SSE, a.s. purchased 49% of share capital. The remaining 51% of share was purchased on 17 July 2012, which resulted in SSE, a.s. becoming a 100% owner of the company. Tatrapower was liquidated on 20 August 2013 and on 24 October 2013 deleted from the Commercial Register.

Subsidiaries mentioned above do not have subsidiaries of their own.

Neither Stredoslovenská energetika a.s., nor its subsidiaries are shareholders with unlimited liability in other accounting entities.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

### 2.1. Basis for preparation

Legal reason for preparing the financial statements:
The Group's consolidated financial statements at 31 December 2014 have been prepared as ordinary consolidated financial statements under § 17 Sec. 6 of the Slovak Act No. 431/ 2002 Coll. ("Act on Accounting") for the accounting period from 1 January 2014 to 31 December 2014.

The Act on Accounting requires the Company to prepare consolidated financial statements for the year ended 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

These consolidated financial statements have been prepared in accordance with IFRS EU. The Group applies all IFRSs and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as amended by the EU which were in force as at 31 December 2014.

The consolidated financial statements have been prepared under the historical cost measurement basis except for the equity method applied to interests in joint ventures.

The consolidated financial statements were prepared on accrual basis and under the going concern principle.

The Board of Directors may propose to the Company's shareholders to amend the consolidated financial statements until their approval by the General Shareholders Meeting. If, after the consolidated financial statements are approved, management identifies that comparative information would not be consistent with the current period information, the IFRS EU allows entities to restate comparative information in the accounting period in which the relevant facts are identified.

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies on complex transactions. The areas involving higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

These consolidated financial statements are prepared in thousand of euro ("EUR") unless stated otherwise.

**New standards and interpretations not yet adopted**

Standards, interpretations and amendments to published standards that are not yet effective for the financial year ended 31 December 2014 and have not been applied in preparing of these financial statements.

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions, that is effective for annual periods beginning on or after 1 February 2015. Amendments are applied retrospectively. The amendments are relevant only to defined benefit plans* that involve contributions from employees or third parties meeting certain criteria. Namely that they are: set out in the formal terms of the plan, linked to service, and independent of the number of years of service. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

  The Group does not expect the Amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

- IFRIC 21 Levies (Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.). The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognizing a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognized when this event occurs. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognized when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

  The Group expects that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not results in a change in the Group's accounting policy regarding levies imposed by government authorities.

- Annual improvements
  Improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. The most cycle of amendments are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

  The Company does not expect that these amendments will have a material impact on the financial statements.

* Post-employment defined benefit plans or other long-term employee benefit plans

## 2.2. Subsidiaries and joint ventures

### (i) Subsidiaries

Subsidiaries are all entities including structured entities over which the Group has the power to govern because (i) has a right to control relevant activities of the entity that have significant influence on its profitability and revenues, (ii) is exposed or has the right to variable returns of the entity and (iii) has the ability to use its powers to affect the return on investment in the entity. The existence and effect of substantive rights, including potential voting rights should be considered when assessing whether the Group has power over another entity. For a right to be substantive the holder of a right needs to have a practical ability to exercise the right in time when relevant decisions on entity's activities are made. The Group may have right over the entity even though it owns less than half of the voting rights. In such a case, the Group assesses the size of the voting rights of other investors in comparison with its own rights. The Group also assesses the structure of ownership of the other investor's voting rights in order to determine whether the Group has de-facto decision-making power over the entity. Protecting rights of other investors, such as those that relate to substantive changes in the activities of the entity, or those which are applicable only in exceptional circumstances, shall not prevent the Group to control another entity.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and its settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intercompany transactions, balances and unrealised gains from transactions among the companies within the Group are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting methods of subsidiaries were changed only if necessary to ensure the consistency with the Group.

**(ii) Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.
Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

**Scope of consolidation**

As at 31 December 2014, 9 entities were included into the consolidation (2013: 9 entities), out of it 7 entities (2013: 7 entities) were consolidated using full consolidation method and 2 entities (2013: 2 entities) using equity method. All entities prepared their financial statements as at 31 December 2014. These entities are presented in Note 1 (Subsidiaries) and Note 8 (Joint ventures).

## 2.3. Foreign currency transactions and translation

### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are presented in EUR using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousand of Euro (EUR) which is the functional and presentation currency of each group entity except for SSE-CZ, whose functional currency is Czech Koruna (CZK).

### (ii) Transactions and balances in the Statement of financial position

Transactions denominated in foreign currency are translated to Euro as at the date of the accounting transaction by the reference exchange rate determined and declared by the European Central Bank or the National Bank of Slovakia ("NBS") as at the date preceding the date of the accounting transaction.

Financial assets and liabilities denominated in a foreign currency are translated to Euro at the reporting date according to the reference exchange rate determined and declared by the ECB or the NBS as at the reporting date, and are recorded with an impact on profit or loss.

Non-financial assets and liabilities, advance payments made and advance payments received denominated in foreign currencies are translated to Euro as at the date of the accounting transaction by the reference exchange rate determined and declared by the ECB or the NBS as at the date preceding the date of accounting transaction.

*(All amounts are in thousand EUR unless stated otherwise)*

## 2.4. Property plant and equipment

All property, plant and equipment is measured at cost less accumulated depreciation less accumulated impairment losses.

### (i) Acquisition cost

Cost includes expenditures that are directly attributable to the acquisition of assets. Borrowing costs are capitalized if they meet criteria of IAS 23 as a part of acquisition cost, in the other case borrowing costs are expensed as incurred.

Self-constructed non-current assets are valued at their conversion cost. Conversion cost includes all direct costs incurred during production or other activities and indirect costs related to production or other activities.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Consolidated Income Statement during the financial period in which they are incurred.

The most significant part of property plant and equipment is represented by the distribution network. The network includes mainly power lines, pylons and switching stations.

### (ii) Depreciation

The depreciation of property, plant and equipment starts in the month when it is available for use. Property plant and equipment is depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge of an asset is determined as the difference between its acquisition cost and residual value divided by its estimated useful life.

The estimated useful lives of individual groups of assets were in 2014 individually reassessed and compared to 2013 is following:

| | 2014 | 2013 |
|---|---|---|
| Buildings, halls and constructions | 10 – 100 years | 10 – 60 years |
| Distribution network, equipment and vehicles | 4 – 45 years | 4 – 45 years |
| Other non-current assets | 5 – 15 years | 5 – 15 years |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Buildings, halls, constructions and network include mainly distribution network, administrative offices, sales offices, warehouses and garages.

Machines, equipment and vehicles include mainly switching stations, hardware, servers, telephone exchanges, remote control equipment system, failure detectors air conditions, construction and personal vehicles and others.

Land and assets under construction are not depreciated.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the conditions expected at the end of its useful life. The residual value of an asset is null or its scrap value if the Group expects to use the asset until the end of its physical life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Assets that are retired or otherwise disposed of are derecognized from the Statement of Financial Position along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit or loss.

## 2.5. Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. After initial recognition the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Borrowing costs are capitalized as a part of acquisition cost, if they meet criteria of IAS 23, in the other case borrowing costs are expensed as incurred. The Group does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight-line basis over their useful lives not exceeding a period of 10 years.

The amortization of an intangible asset starts in the month when the intangible asset is put in use. Intangible assets are amortized in line with the approved amortization plan using the straight-line method. Monthly amortization charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the intangible assets.

The residual value of intangible assets is assumed to be zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life or;
- there is an active market for the asset and residual value cannot be determined by the reference to that market and it is not probable that such a market will exist at the end of the asset's useful life.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Costs, which enhance or extend the performance of computer software programs beyond their original specifications and meets criteria for recognizing it as an intangible asset according to IAS 38 is recognized as a capital improvement and are added to the original cost of the software. Each part of an item of an intangible asset which value is in comparison to the total value of the asset material, is amortized separately. The Company divides the value originally allocated to the intangible assets item to significant parts proportionally to every part and amortize the parts separately.

## 2.6. Impairment of non-financial assets

Assets that have an indefinite useful life and intangible assets not yet in use are not subject to amortization and are tested for impairment annually. Non-financial assets, except for deferred tax asset and inventory are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount is higher than recoverable amount. If an indicator of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized in the Income statement for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, depending on which one is higher.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows. Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at each reporting date.

## 2.7. Financial assets

The Group initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through consolidated profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies its financial assets in the following categories: at fair value through consolidated profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired whether they are quoted in an active market and on management intentions.

The Company holds the following financial assets:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade receivables, receivables from cash-pooling and other receivables.

Cash and cash equivalents are defined in the Note 2.13.

## 2.8. Financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. During initial recognition, the Group measures it at its fair value net of transaction costs that are directly attributable to the origination of the financial liability. After initial recognition, the Group measures all financial liabilities at amortized cost using the effective interest method.

Financial liability (or a part of a financial liability) is derecognized from the Group's Statement of Financial Position when and only when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

## 2.9. Leases

IAS 17 defines a lease as an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use the asset for an agreed period of time.

Leases of property, plant and equipment in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

The Group has no financial leases.

## 2.10. Inventories

Inventories are stated at the lower of their acquisition cost and net realizable value. The inventories are recognized at acquisition cost that is determined using the weighted average cost method. The acquisition costs include all costs associated with the acquisition of the inventories such as customs duties or transportation costs, net of discounts and rebates. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling costs.

## 2.11. Construction contracts

Contract costs are recognized when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total expected revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that have been agreed with the customer and under assumption that can be reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract separately.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

## 2.12. Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method net of any impairment provision. Revenue recognition policy is described in the Note 2.21.

Impairment provision to trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor probability that the debtor will enter into bankruptcy or financial reorganization, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of the estimated future cash flow discounted by the effective interest rate.

Impairment of trade receivables is recognized through an allowance account. Impairment losses and their reversals are recognized in the Consolidated Income Statement within Other operating expenses. Trade receivables that cannot be collected are written off. Trade receivables that were written off and are subsequently repaid by the debtors are recognized in the Consolidated Income Statement within Other operating income.

### 2.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of six months or less.

Bank overdrafts that are payable on demand are part of the cash management of the Group and are included in cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

### 2.14. Share capital

Ordinary shares are classified as share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.15. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is calculated using the balance sheet liability method based on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction that is not a business combination if at the time of the transaction, neither accounting nor taxable profit or loss is affected.

Current and deferred tax is recognized in the Consolidated Income Statement except when it relates to items recognized directly in equity or in Consolidated Statement of Comprehensive Income.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is calculated on temporary differences arising on investments in subsidiaries and joint ventures except for cases where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Dividend income is not subject to income taxes in the Slovak Republic.

The Group offsets deferred tax assets and deferred tax liabilities where the Group has a legally enforceable right to off-set tax assets against tax liabilities and these relate to income taxes collected by the same tax authority.

## 2.16. Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## 2.17. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood, that an outflow will be required in the settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax-rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognized as interest expense.

## 2.18. Contingent liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements, if an outflow of resources embodying the economic benefits is not probable. They are not disclosed in the notes to the financial statements if the possibility of an outflow of resources embodying the economic benefits is remote.

## 2.19. Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

## 2.20. Employee benefits

The Group has both defined benefit and defined contribution plans.

### Pension plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement usually dependent on one or more factors such as age years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity or to the Government and will have no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

*(All amounts are in thousand EUR unless stated otherwise)*

**Unfunded defined benefit pension plan**

According to the Corporate Collective Agreement for the years 2015-2016, the Company is obliged, based on the number of years in service, to pay its employees on retirement or disability the following multiples of their average monthly salary:

| | Multiple of average monthly salary |
|---|---|
| Up to 10 years | 2 |
| 11 - 15 | 4 |
| 16 - 20 | 5 |
| 21 - 25 | 6 |
| Over 25 years | 7 |

According to the Corporate Collective Agreement for the years 2011-2013, which was in December 2013 extended for the period from 1 January 2014 until 31 December 2014, the Company was obliged, based on the number of years in service, to pay its employees on retirement or disability the following multiples of their average monthly salary:

| | Multiple of average monthly salary |
|---|---|
| Up to 5 years | 4 |
| 6 - 10 | 5 |
| 11 - 15 | 6 |
| 16 - 20 | 7 |
| 21 - 25 | 9 |
| Over 25 years | 11 |

The minimum requirement of the Labour Code of one-month average salary payment on retirement and disability is included in the above multiples.

Effect of the decrease in multiples of the average monthly salary according to the Corporate Collective Agreement for the years 2015 - 2016 is recognized in full amount in the Income Statement for the accounting period ended 31 December 2014 as decrease of cost of past-service.

**Other defined benefits**

The Group also pays the following life and work jubilee benefits:

- one additional monthly salary on 25th annual work anniversary;
- a single payment of 40% to 110% of employee's monthly salary depending on the number of years worked for the Group when the employee reaches the age of 50 years.

The Group had created expectations on the part of its employees that it will continue to provide the benefits and it is management's judgement that it is not probable that the Group will cease to provide them.

The liability recognised in the Consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by (a) discounting the estimated future cash outflows using interest rates of high quality government or corporate bonds which have terms to maturity approximating the terms of the related pension liability and (b) then attributing the calculated present value to the periods of service based on the plan.

Actuarial gain and loss arising from experience adjustments and changes in actuarial assumptions are immediately recognized in the period when incurred. Pension liabilities are recognized in the Consolidated Statement of Comprehensive Income and life and work jubilee benefits in the Consolidated Income Statement. Past-service costs are recognised immediately in the Consolidated Income Statement.

**Defined contribution pension plans**

The Group makes contributions to government and private contribution pension plans.

The Group makes contributions to the health, sickness, retirement, accidental and guarantee insurance and unemployment schemes at the statutory rates in force during the year based on gross salary payments.

Throughout the year, the Group made contributions amounting to 35.2% (2013: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law to maximum of EUR 4 025 depending on the type of scheme (2013: max. to EUR 3 930), together with contributions made by employees of a further 13.4% (2013: 13.4%). The cost of these payments is charged to the Consolidated Income Statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Group makes contributions to the supplementary scheme, between 2% and 6% from the total of monthly tariff wages maximum to EUR 1 400 (2013: EUR 1 400).

**Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated by the employer before the normal retirement date upon agreement between the employer and the employee resulting from redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (a) terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or (b) provide termination benefits as a result of an offer made to encourage voluntary redundancy. Present value of termination benefit does not significantly differ from carrying amount as the impact of discounting is not significant.

**Profit sharing and bonus plans**

Liability for any employee benefits in the form of profit sharing and bonus plans is recognized as other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determinable before the financial statements are authorized for issue; or
- the past practice created a valid expectation of employees that they will receive a profit sharing or other bonus and the amount can be determined before the financial statements are authorized for issue.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### 2.21. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognized net of value-added tax, excise duties, estimated returns, rebates and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria as described below were met.

The amount of revenue is not considered to be reliably measurable until all conditions related to sale are met. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific conditions of each contract.

Revenue from sales of electricity and distribution service is recognized when the electricity is delivered and distribution service rendered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. Consumption of retail customers (households and small businesses with yearly consumption up to 30 MWh) is metered and billed on an annual basis.

Revenue from sale of gas is recognized when the gas is rendered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. Consumption of retail (households and small business with yearly consumption up to 100 MWh) is metered and billed on an annual basis.

Revenue from unbilled electricity is an accounting estimate which is based on the estimate of the electricity supply in technical units (GWh) at low voltage level and its price. The estimate of the electricity supply at this voltage level is mainly based on the estimate of yearly consumption at the offtake point and the value of relevant diagram offtake type for a rate to which the offtake point is included.

Sales of services are recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Dividend income is recognized when the right to receive the payment is established and inflow of economic benefits is probable.

Interest income is recognized in the period when it is earned on a time proportion basis using the effective interest method.

Revenues from connection fees from customers for connection to the distribution network and subsequent access to the delivery of distribution services are recorded as deferred income and are released to revenues over the useful life of connections.

Assets obtained by withholding (transformer stations) free of charge are recorded in accordance with existing legislation, initially recorded at fair value as deferred income. Subsequently, an amount equal to the annual accounting depreciation of these assets is recognised in the revenues of the current period.

Relocation of energy devices are treated similarly to transformer station fees, meaning the value of such fees is recorded as deferred revenues, while the amount equal to the annual accounting depreciation for these assets is in the revenues recognized in the current period.

## 2.22. Dividend distribution

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

## 2.23. Assets held for sale

Assets and group of assets held for sale (including non-current and current assets) are classified as assets held for sale in the Statement of Financial Position, if the Company plans on using their carrying value primarily for sale (including loss of control over the subsidiary, which owns the particular assets) within twelve months from periods end. The assets are classified as held for sale, if they meet all of the following requirements: (a) assets are available for immediate sale in their current condition; (b) management of the Company approved and actively began with searching of a buyer (c) assets are actively presented on the market in adequate values; (d) sale is expected to happen no later than in one year (e) it is improbable, that significant changes happen in sales plan or the plan will be cancelled.

Assets and group of assets for disposal classified as held for sale in the Statement of Financial Position for current accounting period do not influence classification and disclosure of these items in the Statement of Financial Position for preceding accounting period.

Assets and group of assets for disposal classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, assets are no longer amortised or depreciated.

Liabilities directly related to assets and group of assets for disposal classified as held for sale are classified and presented in the Statement of Financial Position separately.

## 3 Financial risk management

### 3.1. Financial risk factors

The Group's activities are exposing it to a variety of financial risks: market risk (including foreign exchange risk, price risk, interest rate risk), operational risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The central treasury department identifies, evaluates and hedges financial risks in cooperation with the Group's operating units. The Board of Directors provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments.

**(i) Market risk**

**(a) Foreign exchange risk**

The Group is not exposed to foreign exchange risk as expenses and revenues in foreign currency are not significant for the Group.

**(b) Price risk**

**Supply of electricity**

The Group secures against changes in purchase and sales price of electricity by entering into contracts with fixed purchase and selling price. The period for which the Group guarantees the selling prices, is usually identical with the period, for which the Group purchases electricity. The individual selling prices for customers are set based on the costs of already purchased electricity.

The Group segments its customers based on the supplied volume of electricity. The Group secures against price changes and customer loss by contractual conditions, which are set differently according to probability of customer loss for each customer group.

The sales price of electricity for households and small businesses is subject to price regulation by URSO.

The difference between the electricity already sold and purchased electricity ("open position") is regularly monitored and evaluated in order to minimize the risk resulting from changes in prices and the cost of variances. The Group purchases electricity for certain customers based on individual contracts defining a conditional sale to the specified customer (back-to-back) which helps the Group to minimize the risk resulting from the open positions in the segment. For regular customers, the Group purchases electricity continuously one or two years prior to the commencement of the delivery. Open positions have to comply with the Risk Management Policy. According to the Policy, the spread between the electricity already sold and purchased cannot exceed limit set for the open position (50 MWh for the wholesale customers).

**Distribution service**

Significant part of distribution services provided by the Group is subject to price regulation by URSO. URSO has set new regulatory framework for years 2012 – 2016. URSO sets price decrees for distribution services provided by the Group generally for the period of one calendar year ahead and these are mandatory for the Group is invoicing. The allowed return is derived from Regulated Asset Base ("RAB") and rate of return. Despite this, circumstances outside of the control of the Group might occur that will result into change of the price decree during a calendar year and therefore have a negative or a positive impact on the Group's results. It is not possible to quantify the level of such risk in advance. Management of the Group enters into the discussion with URSO in the case of change of the price decree with the aim to minimize the negative impact on the Group.

### (c) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to risk of cash flow fluctuation. Borrowings issued at fixed rates expose the Group to fair value changes. According to the set principles, the Group should keep the level of the fixed interest rate borrowings at least at the level of 50 % (2013: 50 %).

The Group regularly analyses its interest rate exposure. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios the Group calculates the impact of a defined interest rate changes on the Consolidated Income Statement. The scenarios are run only for liabilities that bear the most significant interest rates.

At 31 December 2014, if interest rates on EUR-denominated borrowings had been 50 basis points higher/lower (at 31 December 2013: 50 basis points) with all other variables held constant, post-tax profit for the year ended 31 December 2014 would have been lower/higher by EUR 8 thousand (EUR 10 thousand) mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2014 and 31 December 2013, all borrowings denominated in EUR are interest-bearing with fixed and floating interest rates and are recorded at amortized costs. For more details see Note 17.

### (ii) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit review are discussed with the senior management of the Group.

### (iii) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to wholesale and retail customers including outstanding receivables and future committed transactions. As for the banks and financial institutions, the

*(All amounts are in thousand EUR unless stated otherwise)*

Group has relationships only with those ones that have high independent rating assessment. If wholesale customers are independently rated these ratings are used. Otherwise, if there is no independent rating, assessment of credit quality of the customer is performed, taking into account its financial position, past experience and other factors.

The key commodity of the Group is electricity, which is invoiced to the customers usually together with distribution and other services related to electricity in form of an integrated contract.

The Group also invoices distribution and related services to the suppliers of electricity (traders) operating within the Group's distribution area, as well as to final customers who have signed an individual contract relating to the distribution of electricity and access to the distribution system.

The Group implemented an individual assessment of major customer's credit risk based on its own valuation model. The input information of the model are e.g. rating of external credit risk rating companies, payment discipline of the customer, performance indicators derived from their financial statements, available information on a customer's debt. This group of customers include those with highest purchases of electricity supply and distribution. Payment conditions are set-up according to the results of the model. In addition, prepayments are used to mitigate the risk.

The Group is managing risk of non-payment of industrial customers, small entrepreneurs and households via advance payments system. Customers with a higher risk of insolvency pay higher prepayments.

As far as the trade receivables are concerned, the Group does not have a significant concentration of credit risk mainly due to a large number of diverse customers. The Group uses a system of reminders, which may culminate in a supply restriction, disconnection from the distribution network, which is the most commonly used way to enforce compliance with payment discipline for all categories of customers.

The table below shows the balances of due from banks at the reporting date:

| | | As at 31 december | |
|---|---|---|---|
| **Counterparty** | **Rating **** | **2014** | **2013** |
| Banks * | | | |
| Všeobecná úverová banka, a.s | A3 | 18 800 | 34 075 |
| UniCredit Bank, a.s. | Baa2 | 4 760 | 240 |
| Tatra banka, a.s. | Baa1 | 397 | 825 |
| ČSOB, a.s., Bratislava | Baa2 | 8 365 | 31 152 |
| Slovenská sporiteľňa, a.s. | A | 1 226 | 1 432 |
| Komerční banka, a.s. | A2 | 641 | 434 |
| Other | n/a | 15 | 60 |
| **Total** | | **34 204** | **68 218** |

* The amount of cash and short-term deposits at banks as at 31 December 2014 is EUR 34 204 thousand (2013: EUR 68 218 thousand). As at 31 December 2014, the Group has an overdraft facility agreed with the banks on the current accounts in the amount of EUR 20 000 thousand (2013: EUR 0 thousand).

** The Group uses independent ratings Moody's, Standard & Poor's, Fitch.

As at 31 December 2014, the Group has credit lines on current accounts in the amount of EUR 0 thousand (2013: EUR 337 thousand) held as bank guarantee for auctions with electricity.

*(All amounts are in thousand EUR unless stated otherwise)*

Exposure to credit risk

The carrying amount of financial assets represents maximum credit exposure which as at 31 December 2014 and 2013 was as follows:

| | | Carrying amount | |
|---|---|---|---|
| **Financial assets** | **Note** | **2014** | **2013** |
| $CO_2$ emission quotas | 8 | 32 | 41 |
| Other investments | 8 | 1 488 | 558 |
| Trade and other receivables | 10 | 72 829 | 63 086 |
| Accrued income | 11 | 41 528 | - |
| Cash and cash equivalents | 12 | 32 204 | 68 218 |
| | | **150 081** | **131 903** |

### (iv) Liquidity risk

A prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping open credit lines.

The Group manages liquidity risk by utilizing bank overdrafts, which should cover an immediate shortage of cash. The Group regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Group also uses the advantages of commercial terms between the Group and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is on average between 14 to 90 days.

The Group monitors movements of financial resources on its bank accounts on a regular basis.

Expected cash flow is prepared as follows:

- expected future cash inflows from main operations of the Group;
- expected future cash outflows securing operations of the Group and leading to settlement of all liabilities of the Group including tax payables.

A cash flow forecast is prepared monthly. It identifies the immediate need for cash and, if funds are available, it enables the Group to make term deposits and other investments.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn credit line (Note 17) and cash and cash equivalents (Note 12) on the basis of expected cash flow.

*(All amounts are in thousand EUR unless stated otherwise)*

The table below analyses the Group's financial liabilities according to relevant maturity groups based on the remaining period to maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Carrying amount | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **As at 31 December 2014** | | | | | | |
| Bank loans (principal incl. future interest charges) | 43 892 | 11 969 | 9 839 | 15 910 | 10 455 | 48 173 |
| Liabilities related to assets held for sale * | 14 400 | 16 213 | - | - | - | 16 213 |
| Trade and other payables (excluding liabilities not in scope of IFRS 7) | 103 935 | 103 935 | - | - | - | 103 935 |
| **Total** | **162 227** | **132 117** | **9 839** | **15 910** | **10 455** | **168 321** |
| **As at 31 December 2013** | | | | | | |
| Bank loans (principal incl. future interest charges) | 71 262 | 15 379 | 14 890 | 29 881 | 19 617 | 79 767 |
| Trade and other payables (excluding liabilities not in scope of IFRS 7) | 113 345 | 113 345 | - | - | - | 113 345 |
| **Total** | **184 607** | **128 724** | **14 890** | **29 881** | **19 617** | **193 112** |

* Amount of liabilities related to assets held for sale in time bracket "Less than 1 year" represents principal and related interest. For more information see Note 13.

## 3.2. Capital risk management

Management considers equity being capital. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's management manages shareholders' capital reported under IFRS as adopted by the EU amounting to EUR 433 255 thousand as at 31 December 2014 (2013: EUR 397 265 thousand).

Consistent with other companies within the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total liabilities and equity. Total debt is calculated as total of bank loans and current liabilities as presented in the Consolidated Statement of Financial Position.

In 2014 as well as in 2013, the Group's strategy was to maintain the gearing ratio below 60% limit stated in the Group's loan agreements.

During 2014 and 2013, the Group complied with all externally imposed capital requirements (mainly bank covenants) on the level required by its creditors.

### 3.3. Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price and the spot ask price for the financial liabilities.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques such as expected discounted cash flows are used to determine fair value for the remaining financial instruments.

The carrying amount of trade receivables and payables, less any impairment provisions, approximates their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the actual results. Critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS EU requires management to make judgments estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on past experience and other miscellaneous factors deemed appropriate under circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are stated below.

### (i) Estimated useful life of network

Management estimates useful life of property, plant and equipment and intangible assets based on the cooperation with internal and external experts. If the revised estimated useful life of non-current assets was shorter by 10% than management's estimate at 31 December 2014, the Group would have recognized an additional depreciation of property and equipment consisting of distribution network charged to the Consolidated Income Statement of EUR 2 959 thousand (2013: EUR 1 984 thousand).

### (ii) Impairment provision for receivables

A specific impairment provision is calculated for individual receivables with indicators of impairment. Impairment provision is calculated in the amount of 100% of the value of individual receivables from companies in bankruptcy and receivables subject to court proceedings. A general provision is calculated based on overdue receivables for other receivables.

Impairment provision is released or reversed only when a receivable provided for is written-off, collected or if reasons for creation of impairment provision cease to exist.

### (iii) Estimate of unbilled electricity

Revenues generated from customers whose energy consumption is not metered at the reporting date, particularly customers supplied at a low-voltage electricity level, must be estimated for delivered but not billed electricity at the reporting date.

The Group developed a model allowing it to estimate revenue with a satisfactory level of accuracy. The model will also ensure that risk of a significant variance between the quantities sold and the estimated revenues can be considered as not material.

The historical differences between the estimates of unbilled electricity and the actual results are in average below 1% (2013: below 1%).

*(All amounts are in thousand EUR unless stated otherwise)*

## 5 Property, plant and equipment

| | Land | Buildings, halls, network and constructions | Machinery, equipment, vehicles and other assets | Capital work in progress (CIP) | Total |
|---|---|---|---|---|---|
| **At 1 January 2013** | | | | | |
| Cost | 8 234 | 434 297 | 375 793 | 51 001 | 869 325 |
| Accumulated depreciation and impairment charges | -76 | -196 645 | -191 997 | -2 000 | -390 718 |
| **Net book value** | **8 158** | **237 652** | **183 796** | **49 001** | **478 607** |
| **Year ended 31 December 2013** | | | | | |
| Opening net book value | 8 158 | 237 652 | 183 796 | 49 001 | 478 607 |
| Additions | 20 | 12 159 | 8 118 | 21 726 | 42 023 |
| Transfers | 59 | 15 474 | 3 412 | -18 945 | - |
| Disposals | -41 | -253 | -73 | -479 | -846 |
| Depreciation charge | - | -11 888 | -15 193 | - | -27 081 |
| Release/(creation) of impairment provisions | - | 331 | 366 | - 1 437 | -740 |
| **Closing net book value** | **8 196** | **253 475** | **180 426** | **49 866** | **491 963** |
| **At 31 December 2013** | | | | | |
| Cost | 8 272 | 461 075 | 382 625 | 52 834 | 904 806 |
| Accumulated depreciation and impairment charges | -76 | -207 600 | -202 199 | -2 968 | -412 843 |
| **Net book value** | **8 196** | **253 475** | **180 426** | **49 866** | **491 963** |
| **At 1 January 2014** | | | | | |
| Cost | 8 272 | 461 075 | 382 625 | 52 834 | 904 806 |
| Accumulated depreciation and impairment charges | -76 | -207 600 | -202 199 | -2 968 | -412 843 |
| **Net book value** | **8 196** | **253 475** | **180 426** | **49 866** | **491 963** |
| **Year ended 31 December 2014** | | | | | |
| Opening net book value | 8 196 | 253 475 | 180 426 | 49 866 | 491 963 |
| Additions | 291 | 10 629 | 4 713 | 14 876 | 30 509 |
| Transfers | 7 | 15 399 | 13 776 | -29 182 | - |
| Transfer to assets held for sale (Note 13) | -437 | -5 160 | -20 038 | - | -25 635 |
| Disposals | -142 | -2 527 | -351 | -151 | -3 171 |
| Depreciation charge | - | -12 905 | -14 921 | - | -27 826 |
| Release/(creation) of impairment provisions | - | -106 | 678 | -558 | 14 |
| **Closing net book value** | **7 915** | **258 805** | **164 283** | **34 851** | **465 854** |
| **At 31 December 2014** | | | | | |
| Cost | 7 991 | 472 391 | 364 580 | 36 246 | 881 208 |
| Accumulated depreciation and impairment charges | -76 | -213 586 | -200 297 | -1 395 | -415 354 |
| **Net book value** | **7 915** | **258 805** | **164 283** | **34 851** | **465 854** |

*(All amounts are in thousand EUR unless stated otherwise)*

Buildings, halls and constructions include mainly distribution network, administrative offices, sales offices, warehouses and garages.

Machines, equipment and vehicles include mainly switching stations, hardware, servers, telephone exchanges, remote control equipment, system failure detectors, air conditions, assembling and personal vehicles and others.

The additions are represented mainly by construction and technical enhancement of distribution networks and acquisition of IT technologies.

For information on property, plant and equipment acquired by free of charge (withheld assets, relocations of energy devices) and contributions for acquisition of property, plant and equipment refer to Note 15.

There are no restrictions of ownership relating to property, plant and equipment. No property, plant and equipment is pledged.

The created value adjustments represent an impairment loss due mainly to the idle gas power plant and idle buildings (recreation facilities, flats and other idle assets). As at 31 December 2014, the value adjustment to the gas power station was in the amount of EUR 18 914 thousand (2013: EUR 19 774 thousand) and to other assets in the amount of EUR 1 555 thousand (2013: EUR 4 491 thousand).

**Type and amount of insurance of property, plant and equipment**

The Group has insured its property, plant and equipment except for electric distribution networks against the following risks:

| | Insured amount as at 31 December 2014 | 2013 |
|---|---|---|
| **Insurance against natural disaster** | **1 076 399** | **1 079 010** |
| Buildings, halls and structures | 468 469 | 472 992 |
| Machines, devices and equipment | 600 331 | 598 695 |
| Other non-current movable assets | 2 195 | 2 139 |
| Other (damage liability) | 5 404 | 5 184 |
| **Insurance in case of robbery and burglary** | **1 628** | **2 467** |
| **Insurance of machinery** | **19 777** | **19 777** |

*(All amounts are in thousand EUR unless stated otherwise)*

## 6 Intangible assets

| | Computer software | Other intangible assets | Intangible assets not yet in use including advances | Total |
|---|---|---|---|---|
| **At 1 January 2013** | | | | |
| Cost | 44 132 | 900 | 5 047 | 50 079 |
| Accumulated depreciation and impairment charges | -27 814 | -896 | - | -28 710 |
| **Net book value** | **16 318** | **4** | **5 047** | **21 369** |
| **Year ended 31 December 2013** | | | | |
| Opening net book value | 16 318 | 4 | 5 047 | 21 369 |
| Additions | 4 795 | 7 | 313 | 5 115 |
| Transfers | 5 047 | - | -5 047 | - |
| Amortization charge | -3 375 | - | - | -3 375 |
| **Closing net book value** | **22 785** | **11** | **313** | **23 109** |
| **At 31 December 2013** | | | | |
| Cost | 48 537 | 472 | 313 | 49 322 |
| Accumulated depreciation and impairment charges | -25 752 | -461 | - | -26 213 |
| **Net book value** | **22 785** | **11** | **313** | **23 109** |
| **At January 2014** | | | | |
| Cost | 48 537 | 472 | 313 | 49 322 |
| Accumulated depreciation and impairment charges | -25 752 | -461 | - | -26 213 |
| **Net book value** | **22 785** | **11** | **313** | **23 109** |
| **Year ended 31 December 2014** | | | | |
| Opening net book value | 22 785 | 11 | 313 | 23 109 |
| Additions | 1 005 | 5 | 413 | 1 423 |
| Transfers | 172 | - | -172 | - |
| Amortization charge | -3 845 | -2 | - | -3 847 |
| **Closing net book value** | **20 117** | **14** | **554** | **20 685** |
| **At 31 December 2014** | | | | |
| Cost | 48 227 | 477 | 554 | 49 258 |
| Accumulated depreciation and impairment charges | -28 110 | -463 | - | -28 573 |
| **Net book value** | **20 117** | **14** | **554** | **20 685** |

The computer software consists mainly from SAP ERP, SAP ISU/CRM, ECM, trading software and a graphical information system.

The additions are represented mainly by implementation of a new system for managing customer relationships SAP ISU/CRM, upgrades of software (SAP, ERP, GIS ECM).
There are no restrictions of ownership relating to intangible assets and no intangible assets are pledged.

*(All amounts are in thousand EUR unless stated otherwise)*

## 7 Financial instruments according to the categories

The reconciliation of classes of financial instruments with measurement categories under IAS 39 is as follows:

| As at 31 December 2014 | Loans and receivables | Held-to-maturity | Total |
|---|---|---|---|
| **Assets as per the Statement of Financial Position** | | | |
| Emission quotas (Note 8) | - | 32 | 32 |
| Other investments (Note 8) | - | 1 488 | 1 488 |
| Trade receivables (before impairment provision) (Note 10) | 90 953 | - | 90 953 |
| Cash and cash equivalents (Note12) | 34 204 | - | 34 204 |
| Assets held for sale (Note 13) | 14 | - | 14 |
| **Total** | **125 171** | **1 520** | **126 691** |

| As at 31 December 2013 | Loans and receivables | Held-to-maturity | Total |
|---|---|---|---|
| **Assets as per Statement of Financial Position** | | | |
| Emission quotas (Note 8) | - | 41 | 41 |
| Other investments (Note 8) | - | 558 | 558 |
| Trade receivables (before impairment provision) (Note 10) | 82 158 | - | 82 158 |
| Cash and cash equivalents (Note 12) | 68 218 | - | 68 218 |
| **Total** | **150 376** | **599** | **150 975** |

| As at 31 December 2014 | Other financial liabilities - carying amount | Total |
|---|---|---|
| **Liabilities as per Statement of Financial Position** | | |
| Trade and other payables (Note 16) | 105 957 | 105 957 |
| Bank loans (Note 17) | 43 892 | 43 892 |
| Liabilities related to assets held for sale (Note 13) | 14 400 | 14 400 |
| | **164 249** | **164 249** |

| As at 31 December 2013 | Other financial liabilities - carrying amount | Total |
|---|---|---|
| **Liabilities as per Statement of Financial Position** | | |
| Trade and other payables (Note 16) | 115 122 | 115 122 |
| Bank loans (Note 17) | 71 262 | 71 262 |
| **Total** | **186 384** | **186 384** |

*(All amounts are in thousand EUR unless stated otherwise)*

## 8 Financial assets

### (i) Securities - government bonds

| | 2014 | 2013 |
|---|---|---|
| At the beginning of the year | - | 26 112 |
| Maturity of bonds | - | -5 169 |
| Sale of bonds | - | -20 943 |
| Change in accrued coupon and unamortized premium/discount | - | - |
| At the end of the year | - | - |
| Less non-current portion of held-to-maturity financial assets | - | - |
| Current portion of held-to-maturity financial assets | - | - |

During 2013, the Company sold government bonds (ŠD) 202 and ŠD 204 in the total amount of EUR 20 943 thousand before the maturity date. ŠD 188 and ŠD 199 in the amount of EUR 5 169 thousand were held to maturity and repaid in 2013.

### (ii) Emission quotas

| | 2014 | 2013 |
|---|---|---|
| At the beginning of the year | 41 | 61 |
| Additions | 11 | 50 |
| Disposals | -20 | -70 |
| At the end of the year | 32 | 41 |
| Less non-current portion of held-to-maturity financial assets | - | - |
| Current portion of held-to-maturity financial assets | 32 | 41 |

### (iii) Investments in joint ventures

| | 2014 | 2013 |
|---|---|---|
| At the beginning of the period | 558 | 558 |
| Additions | - | - |
| Share on profit of joint ventures | 930 | - |
| **At the end of the period** | **1 488** | **558** |

Increase of EUR 930 thousand in 2014 represents share on profit of joint ventures (revaluation by the equity method).

*(All amounts are in thousand EUR unless stated otherwise)*

SSE owns a shareholding in the registered capital of the following companies:

| Company name | Registration Country | Interest in % | Activities | 2014 | 2013 |
|---|---|---|---|---|---|
| Energotel, a.s. | Slovak Republic | 20,00% | Data and telecomunication activities | 1 448 | 525 |
| SPX, s.r.o. | Slovak Republic | 33,30% | Advisory in power engineering | 40 | 33 |
| **Investments in joint ventures** | | | | **1 488** | **558** |

The Group together with other investors has a joint control over financial and operating activities of these companies based on the shareholder's agreement.

Information on the financial performance of significant joint ventures is as follows:

| | Energotel, a.s. 2014 | 2013 |
|---|---|---|
| **Assets** | | |
| Non-current assets | 5 141 | 5 286 |
| Current assets | 7 673 | 7 668 |
| **Total** | **12 814** | **12 954** |
| **Liabilities** | | |
| Non-current liabilities | 260 | 315 |
| Current liabilities | 5 314 | 6 130 |
| **Total** | **5 574** | **6 445** |
| **Net Assets** | **7 240** | **6 509** |

| | Energotel, a.s. 2014 | 2013 |
|---|---|---|
| Operating revenues | 13 278 | 12 782 |
| Operating costs | 11 049 | 11 469 |
| Financial revenues / (costs), net | 5 | 3 |
| Profit before tax | **2 234** | **1 316** |
| Incom tax | 505 | 319 |
| Profit for the period | **1 729** | **997** |
| Other comprehensive income | - | - |
| **Comprehensive income for the period** | **1 729** | **997** |

*(All amounts are in thousand EUR unless stated otherwise)*

## 9 Inventories

| | As at 31 December 2014 | 2013 |
|---|---|---|
| Material and spare parts | 2 209 | 2 309 |
| | **2 209** | **2 309** |

There are no restrictions of ownership relating to inventories and no inventories are pledged.

The cost of inventories recognized as expense and included in Material and consumables used amounted to EUR 9 460 thousand (2013: EUR 3 208 thousand).

Inventories are insured against damages caused by natural disaster or floods up to EUR 3 570 thousand (2013: EUR 3 570 thousand).

## 10 Trade and other receivables

| | As at 31 December 2014 | 2013 |
|---|---|---|
| **Current receivables and prepayments:** | | |
| Neither past due nor impaired trade receivables | 66 105 | 56 219 |
| Past due but not impaired trade receivables | 1 300 | 2 190 |
| Individually impaired trade receivables | 23 548 | 23 749 |
| **Trade receivables (before impairment provision)** | **90 953** | **82 158** |
| Less: Impairment provision to receivables | -22 403 | -21 447 |
| **Trade receivables – net** | **68 550** | **60 711** |
| | | |
| Other receivables including accrued income | 4 279 | 2 375 |
| **Trade receivables and other receivables** | **72 829** | **63 086** |

The structure of trade receivables according to ageing is as follows:

| | As at 31 December 2014 | 2013 |
|---|---|---|
| Receivables due | 66 105 | 56 219 |
| Receivables overdue | 24 848 | 25 939 |
| **Total** | **90 953** | **82 158** |

*(All amounts are in thousand EUR unless stated otherwise)*

The structure of trade receivables that are neither past due nor impaired by their credit quality is as follows:

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Retail – households | 819 | 772 |
| Retail – small businesses | 13 721 | 15 743 |
| Wholesale – large businesses | 20 250 | 20 222 |
| Traders with electricity | 8 506 | 7 143 |
| SEPS, OKTE – regulator for energy industry | 14 589 | 3 597 |
| Electricity producers | 94 | 1 169 |
| Other customers | 8 126 | 7 573 |
| **Neither past due nor impaired trade receivables** | **66 105** | **56 219** |

As at 31 December 2014, trade receivables of EUR 1 300 thousand (2013: EUR 2 190 thousand) were past due but not impaired. These receivables represent mainly overdue trade receivables as at 31 December 2014 which were paid before these financial statements were prepared and receivables to regular customers of the Group and the risk of impairment is remote. The ageing structure of these receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| 1 to 90 days | 1 266 | 2 086 |
| 91 to 180 days | 12 | 27 |
| 181 to 360 days | 2 | 3 |
| Over 361 days | 20 | 74 |
| **Total past due but not impaired trade receivables** | **1 300** | **2 190** |

As at 31 December 2014, the Group had impaired trade receivables in a gross amount of EUR 23 548 thousand (2013: EUR 23 749 thousand). An impairment provision to these receivables was created as at 31 December 2014 in the total amount of EUR 22 403 thousand (2013: EUR 21 447 thousand). Impaired receivables relate to both wholesalers and retailers who came into unexpectedly difficult economic situation. It is expected that part of these receivables will be repaid. The ageing structure of these receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| 1 to 90 days | 1 856 | 2 408 |
| 91 to 180 days | 567 | 538 |
| 181 to 360 days | 894 | 819 |
| Over 361 days | 20 231 | 19 984 |
| **Total individually impaired receivables** | **23 548** | **23 749** |

*(All amounts are in thousand EUR unless stated otherwise)*

The movements in the impairment provision of trade receivables are recognized in the Consolidated Income Statement in Other operating expenses. Movements are presented below:

| | 2014 | 2013 |
|---|---|---|
| At the beginning of the year | 21 447 | 21 977 |
| Creation of impairment provision | 2 632 | 3 111 |
| Reversal of unused impairment provision | -298 | -1 322 |
| Use of impairment provision | -1 378 | -2 319 |
| **At end of the year** | **22 403** | **21 447** |

The reversal of impairment provision was caused by subsequent collection of certain receivables that were originally provided for or written-off. Impairment provision is calculated in the amount of 100% of the value of individual receivables from companies in bankruptcy and receivables subject to court proceedings. Impairment provision for other receivables is calculated based on an ageing analysis of individual receivables and the type of the customer.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | 2014 | 2013 |
| EUR | 70 609 | 63 068 |
| CZK | 2 220 | 18 |
| **Total** | **72 829** | **63 086** |

The carrying amounts of trade and other receivables as at 31 December 2014 and as at 31 December 2013 are not substantially different from their fair value. The maximum exposure to credit risk is equal to the carrying amount of receivables. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group does not hold any significant collateral as security of the receivables.

No receivables have been pledged as collateral. The Group's rights over the receivables are not restricted.

## 11 Accrued income

The Company has an obligation to connect renewable sources of electricity should they meet requirements set by ÚRSO and purchase electricity from them to cover losses and pay them an additional charge in the amount approved by ÚRSO. These expenses are covered in TPS. In 2013, the loss incurred by the Group was in the amount of EUR 51 902 thousand as a difference between expenses related to purchase of electricity from renewable resources and support of electricity produced from domestic coal and revenues from TPS. Based on a decision of ÚRSO from December 2014, the Group recorded accrued income in the Statement on Financial Position in the amount of ÚRSO approved compensation of a 2013 loss that enters the TPS for 2015 in the amount of EUR 41 528 thousand.

*(All amounts are in thousand EUR unless stated otherwise)*

## 12 Cash and cash equivalents

| | As at 31 December 2014 | 2013 |
|---|---|---|
| Cash at bank and in hand | 12 629 | 4 896 |
| Short-term bank deposits | 21 575 | 63 322 |
| | **34 204** | **68 218** |

The effective interest rate on short term bank deposits is 0.18% (2013: 0.27%) and these deposits had an average maturity of 2 days (in 2013: 6 days).

At 31 December 2014, cash and cash equivalents were fully available for the Group's use.

For the purposes of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprise of the following:

| | As at 31 December 2014 | 2013 |
|---|---|---|
| Cash and bank balances and deposits with original maturities of less than three months | 34 204 | 68 218 |
| Cash and bank balances and deposits with original maturities from three to six months | - | - |
| | **34 204** | **60 218** |

The carrying amounts of cash and cash equivalents as at 31 December 2014 and as at 31 December 2013 are not substantially different from their fair value. The maximum exposure to credit risk is equal to the carrying amount of cash and cash equivalents.

The analysis by credit quality is reported in Note 3.1. (iii).

*(All amounts are in thousand EUR unless stated otherwise)*

## 13 Assets held for sale and liabilities related to assets held for sale

| | **2014** | **2013** |
|---|---|---|
| **Assets held for sale** | | |
| Non-current assets | 25 635 | - |
| Trade receivables and other receivables | 14 | - |
| Inventories | 62 | - |
| **Total** | **25 711** | **-** |
| | | |
| **Liabilities related to assets held for sale** | | |
| Non-current bank loans | 12 000 | - |
| Deferred tax liability | 1 827 | - |
| Current bank loans | 2 400 | - |
| **Total** | **16 227** | **-** |

As at 31 December 2014, the following assets and categories of assets and liabilities were classified as assets held for sale and related liability:

- Personal vehicles designated for sale to the third party outside of the Group in the carrying amount of EUR 2 109 thousand. The transaction was carried out on 1 January 2015.
- Assets and liabilities of the subsidiary SSE-Solar, s.r.o. The carrying amount of assets and liabilities represents EUR 9 202 thousand (excluding deferred tax).
- Deferred tax related to these assets and liabilities in the amount of EUR 1 827 thousand.

Assets and related liabilities held for sale are recognized at their original carrying amount that is lower than their fair value less costs to sell.

*(All amounts are in thousand EUR unless stated otherwise)*

## 14 Equity

The total authorized number of ordinary shares of the Group as at 31 December 2014 is 3 516 682 (2013: 3 516 682) with a par value of EUR 33.2 per share. All authorized shares are issued and fully paid in.

No changes in share capital of the Company occurred during 2013 and 2014. The Company does not have any equity subscribed but not recorded in the Commercial Register.

As at 31 December 2014, the total number of 1 793 508 shares (51%) is owned by the Ministry of Economy of the Slovak Republic (2013: National Property Fund of the Slovak Republic) and 1 723 174 shares (49%) are owned by EP Energy, a.s., Czech Republic (2013: EPH Financing II, Czech Republic).

Legal reserve fund is mandatorily created from the Company's profit in accordance with the Slovak Commercial Code. The Commercial Code defines that a joint stock companies are obliged to create a legal reserve fund in the amount of 10% of their share capital at the time of the incorporation of the Company. This amount must be increased annually by at least 10% from net profit until the Legal reserve fund reaches 20% of the share capital. The use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. The legal reserve fund of the Company amounted to EUR 26 493 thousand (2013: EUR 24 990 thousand) and reached the required amount.

The General Meeting held on 16 June 2014 approved the consolidated financial statements of the Company for the previous period and at the same time decided to pay dividends to the shareholders for 2013 in the amount of EUR 52 000 thousand (2013: EUR 80 986 thousand). Dividend per share represents EUR 14.79.

During 2014, the Group paid dividends in the amount of EUR 52 000 thousand (2013: EUR 100 986 thousand). The extraordinary General Meeting held on 30 October 2012 decided on the payment of an extraordinary dividend in the amount of EUR 20 000 thousand due in 2013.

The difference between dividends paid and profit of 2013 was paid from retained earnings.

The retained earnings of the Group at 31 December 2014 amounted to EUR 286 810 thousand (2013: EUR 252 078 thousand).

The Board of Directors has not proposed the distribution of the 2014 profit as at the date of a preparation of the financial statements.

## 15 Deferred income

| | As at 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Capital expenditure grants (a) | 3 547 | 3 763 |
| Withheld transformer stations (b) | 4 644 | 3 347 |
| Connection fees (c) | 22 495 | 21 077 |
| Relocation of energy devices (d) | 3 836 | 4 516 |
| Asset surplus found during a physical count (e) | 6 | 14 |
| **Total** | **34 528** | **32 717** |

(a) Capital expenditure grants are paid primarily by customers for capital expenditures made in their interest as well as distribution network assets transferred to the Group by its customers free of charge. The grants are non-refundable and are recognized in other operating income based upon depreciable lives of related assets.

*(All amounts are in thousand EUR unless stated otherwise)*

(b) Assets obtained by withholding (transformer stations) free of charge are recorded in accordance with the existing legislation, initially recorded at fair value as deferred income. Subsequently, an amount equal to the annual accounting depreciation of these assets is recognized in the revenues of the current accounting period.

(c) Connection fees represent mainly fees from customers for connection to the existing distribution network and subsequent access to the delivery of distribution services. Revenues in the form of contributions are recorded as deferred income and released to revenues over the useful life of the related assets.

(d) Fees for energy device as relocation are accounted for similarly as withheld transformer stations as described in (b) so as collected fees for energy devices relocation are accounted for as deferred income and are released to revenues during the useful life of the related asset.

(e) Assets that were evidenced on the letter of ownership of the Group and were not recognized. The value of such assets is recorded similarly to withheld assets free of charge (described in note (b) above), i.e. their value is recorded in deferred income and released to revenues in the amount equal to annual accounting depreciation of these assets.

## 16 Trade and other payables

| | As at 31 December 2014 | 2013 |
|---|---|---|
| Trade payables - current | 84 398 | 97 251 |
| Current portion of deferred income (Note 13) | 2 022 | 1 777 |
| Payables to employees | 2 104 | 1 964 |
| Social security | 1 302 | 1 276 |
| Accrued personnel expenses | 5 963 | 4 026 |
| Social fund | 163 | 132 |
| VAT- related to state | 5 802 | 4 763 |
| Payment to the National nuclear fund | 2 886 | 2 864 |
| Other payables | 1 317 | 1 069 |
| **Total** | **105 957** | **115 122** |

The fair value of trade and other payables is not significantly different from their carrying amount.

No payables are secured by a lien or other collateral.

The structure of payables by the remaining period to maturity is as follows:

| | As at 31 December 2014 | 2013 |
|---|---|---|
| Payables not due | 104 983 | 114 871 |
| Overdue payables | 974 | 251 |
| **Total** | **105 957** | **115 122** |

*(All amounts are in thousand EUR unless stated otherwise)*

The carrying amount of payables is denominated in the following currencies:

| | As at 31 December 2014 | 2013 |
|---|---|---|
| EUR | 105 759 | 115 069 |
| CZK | 197 | 16 |
| USD | 1 | 37 |
| **Total** | **105 957** | **115 122** |

### Social fund

Contribution to and drawing of the social fund during the accounting period are shown in the following table:

| | As at 31 December 2014 | 2013 |
|---|---|---|
| Opening balance at 1 January | 132 | 202 |
| Contribution | 681 | 776 |
| Drawing | -650 | -846 |
| **Closing balance at 31 December** | **163** | **132** |

According to the Act on the Social Fund, part of the social fund must be created against expenses and part can be created from retained earnings. According to the Act on the Social Fund, the social fund is used to satisfy social, health, recreation, and other needs of employees.

## 17 Bank loans

| | As at 31 December 2014 | 2013 |
|---|---|---|
| **Non-current** | | |
| Long term portion of bank loans | 33 323 | 58 293 |
| | **33 323** | **58 293** |
| **Current** | | |
| Short term portion of bank loans | 10 569 | 12 969 |
| | **10 569** | **12 969** |

Fair value of loans as at 31 December 2014 is not significantly different from their carrying amount as the impact from discounting is not significant.

The maturity of bank loans is as follows:

| **Maturity** | As at 31 December 2014 | 2013 |
|---|---|---|
| Short term portion of bank loans | 10 569 | 12 969 |
| Long term portion of bank loans | | |
| 1-5 years | 23 323 | 39 693 |
| Over 5 years | 10 000 | 18 600 |
| **Total** | 43 892 | 71 262 |

*(All amounts are in thousand EUR unless stated otherwise)*

The Group has the following un-drawn credit facilities:

| | As at 31 December 2014 | 2013 |
|---|---|---|
| Floating rate | | |
| - Expiring within one year | 20 000 | - |
| **Total** | **20 000** | **-** |

As at 31 December 2014, the Company has an overdraft facility agreed with VÚB on its current accounts in the amount of EUR 20 000 thousand (2013: EUR 0 thousand).

Loan agreements with VÚB, Slovenská sporiteľňa, ČSOB and Komerční banka include specified financial covenants related to limits on indebtedness, liquidity, profitability, cash receipts, interest cover, and debt to operating profit ratios calculated on the basis of the consolidated financial statements of the Group. The Group complied with these covenants at the reporting date.

Structure of bank loans as at 31 December 2014 and 2013 is as follows:

| Bank/Creditor | Type | Currency | 2014 | 2013 | Interest rate % p. a. | Final Maturity | Due within 12 months in thousand EUR | Due after 12 months in thousand EUR |
|---|---|---|---|---|---|---|---|---|
| **Všeobecná úverová banka, a.s** | Investment | EUR | 2 165 | 2 600 | Fixed 3,88% + 0,3% | 30.6.2019 | 435 | 1 730 |
| **Všeobecná úverová banka, a.s** | Investment | EUR | 730 | 1 461 | Fixed 3,85 % | 1.12.2015 | 730 | - |
| **Všeobecná úverová banka, a.s** | Investment | EUR | 4 375 | 5 250 | Fixed 4,80 % | 1.12.2019 | 875 | 3 500 |
| **Tatra banka, a.s.** | Investment | EUR | 996 | 1 992 | Fixed 4,08 % | 31.12.2015 | 996 | - |
| **Tatra banka, a.s.** | Investment | EUR | 1 431 | 2 149 | 3M EURIBOR + 0,30 % | 31.12.2016 | 718 | 713 |
| **Tatra banka, a.s.** | Investment | EUR | 1 095 | 1 460 | Fixed 4,84 % | 29.12.2017 | 365 | 730 |
| **Tatra banka, a.s. *** | Investment | EUR | - | 16 800 | Fixed 3,55% | 31.12.2020 | - | - |
| **ČSOB, a.s.** | Investment | EUR | 2 500 | 3 750 | Fixed 4,06% | 14.9.2016 | 1 250 | 1 250 |
| **KBB, a.s.** | Investment | EUR | 8 100 | 10 800 | Fixed 5,16% | 29.12.2017 | 2 700 | 5 400 |
| **Slovenská sporiteľňa, a.s.** | Investment | EUR | 22 500 | 25 000 | Fixed 2,25% | 30.6.2013 | 2 500 | 20 000 |
| **Total** | X | X | **43 892** | **71 262** | X | X | **10 569** | **33 323** |

*(All amounts are in thousand of EUR unless stated otherwise)*

## 18 Deferred income tax

Deferred income taxes are calculated on temporary differences under the balance sheet liability method using the basic tax rate of 22% for the year ended 31 December 2014.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current asset against current liabilities and when the deferred income taxes relate to the same fiscal authority.

| | | As at 31 December |
|---|---|---|
| | **2014** | **2013** |
| **Deferred tax assets**: | | |
| - Deferred tax asset to be recovered after more than 12 months | 1 975 | 3 721 |
| - Deferred tax asset to be recovered within 12 months | 3 208 | 1 575 |
| | **5 183** | **5 296** |
| **Deferred tax liabilities**: | | |
| - Deferred tax liability to be paid after more than 12 months | -22 768 | -21 242 |
| - Deferred tax liability to be paid within 12 months | -11 | -2 |
| | **-22 779** | **-21 244** |
| **Net deferred tax liability** | **-17 596** | **-15 948** |

*(All amounts are in thousand of EUR unless stated otherwise)*

The movements in the deferred tax assets and liabilities were as follows:

| | At 1 January 2014 | (Charged) /credited to the Income Statement | Recorded to equity | Transfer to liabilities related to assets held for sale | At 31 December 2014 |
|---|---|---|---|---|---|
| Accelerated tax depreciation * | -21 159 | -3 428 | - | 1 827 | -22 760 |
| Pension liability and similar provisions | 3 101 | -639 | 72 | - | 2 534 |
| Impairment provisions to trade receivables | 1 214 | 70 | - | - | 1 284 |
| Trade provisions | 976 | -50 | - | - | 926 |
| Other provisions | 2 | - | - | - | 2 |
| Other | -82 | 500 | - | - | 418 |
| | **-15 948** | **-3 547** | **72** | **1 827** | **-17 596** |

| | At 1 January 2013 | (Charged) /credited to the Income Statement | Recorded to equity | Transfer to liabilties related to assets held for sale | At 31 December 2013 |
|---|---|---|---|---|---|
| Accelerated tax depreciation | -19 081 | -2 078 | - | - | -21 159 |
| Pension liability and similar provisions | 3 217 | -221 | 105 | - | 3 101 |
| Impairment provisions to trade receivables | 1 169 | 45 | - | - | 1 214 |
| Trade provisions | 5 | 971 | - | - | 976 |
| Other provisions | 2 | - | - | - | 2 |
| Other | 127 | -209 | - | - | -82 |
| | **-14 561** | **-1 492** | **105** | - | **-15 948** |

* Accelerated tax depreciation represents difference between carrying value and tax base of property, plant and equipment and intangible assets.

*(All amounts are in thousand of EUR unless stated otherwise)*

## 19 Provisions for liabilities

| | Pensions benefits (a) | Termination benefits (b) | Legal claims (c) | Onerous contract (d) | Other | Total |
|---|---|---|---|---|---|---|
| **At 1 January 2014** | **9 980** | **1 748** | **1 299** | **-** | **41** | **13 068** |
| Creation of provisions | 878 | - | - | 477 | 179 | 1 534 |
| Use of provisions | -519 | -257 | - | - | -33 | -809 |
| Reversals of unused provision | -2 806 | -126 | -1 200 | - | -6 | -4 138 |
| **At 31 December 2014** | **7 533** | **1 365** | **99** | **477** | **181** | **9 655** |

| | Pensions benefits (a) | Termination benefits (b) | Legal claims (c) | Onerous contract (d) | Other | Total |
|---|---|---|---|---|---|---|
| **At 1 January 2013** | **9 942** | **1 732** | **1 318** | **-** | **6** | **12 998** |
| Creation of provisions | 1 181 | 1 420 | - | - | 41 | 2 642 |
| Use of provisions | -1 143 | -631 | -6 | - | -5 | -1 785 |
| Reversals of unused provision | - | -773 | -13 | - | -1 | -787 |
| **At 31 December 2013** | **9 980** | **1 748** | **1 299** | **-** | **41** | **13 068** |

| **Analysis of total provisions** | **As at 31 December 2014** | **2013** |
|---|---|---|
| Non-current | 8 352 | 11 400 |
| Current | 1 303 | 1 668 |
| **Total** | **9 655** | **13 068** |

### (a) Pension and other long term benefits

The following amounts have been recognized with respect of the defined benefit pension plan and other long-term benefits:

### (i) Post employment benefits

| | **As at 31 December 2014** | **2013** |
|---|---|---|
| Present value of unfunded retirement obligations | 6 125 | 8 532 |
| **Liability in the Statement of Financial Position** | **6 125** | **8 532** |

*(All amounts are in thousand of EUR unless stated otherwise)*

The amounts recognised in the Consolidated Income Statement are as follows:

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Current service cost | 302 | 416 |
| Past service cost | -2 790 | - |
| Interest expense | 142 | 231 |
| **Total charge included in personnel expenses** | **-2 346** | **647** |

Movements in the present value of defined benefit obligation are:

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Present value of unfunded retirement obligations at beginning of the year | 8 532 | 8 530 |
| Current service cost | 302 | 416 |
| Interest expense | 142 | 231 |
| Paid | -385 | -998 |
| Past service cost | -2 790 | - |
| Actuarial loss | 324 | 353 |
| **Present value of unfunded retirement obligations at the end of the year** | **6 125** | **8 532** |

### (ii) Other long-term benefits (jubilees and loyalties)

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Present value of unfunded retirement obligations | 1 408 | 1 448 |
| **Liability in the Statement of Financial Position** | **1 408** | **1 448** |

The amounts recognised in the Consolidated Income Statement are as follows:

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Current service cost | 92 | 92 |
| Actuarial loss | -16 | 67 |
| Interest expense | 18 | 22 |
| **Total charge included in personnel expenses** | **94** | **181** |

Movements in the present value of defined benefit obligation are:

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Present value of unfunded obligations at beginning of the year | 1 448 | 1 412 |
| Current service cost | 92 | 92 |
| Interest expense | 18 | 22 |
| Paid | -134 | -145 |
| Actuarial (gain)/loss | -16 | 67 |
| **Present value of unfunded obligations at the end of the year** | **1 408** | **1 448** |

*(All amounts are in thousand of EUR unless stated otherwise)*

The principal actuarial assumptions to determine the pension liability were as follows:

| | |
|---|---|
| Average number of employees at 31 December 2014 | 1 608 |
| Percentage of employees who will terminate their employment with the Group prior to retirement (withdrawal rate) | Approximately 1.69 % p.a. for the Group differing with age and sex |
| Expected salary increases - long-term | 1.80% p. a. |
| - short-term | 0.50% p. a. |
| Discount rate | 0.15 – 3.09% p. a. (2015-2058) |

| | |
|---|---|
| Average number of employees at 31 December 2013 | 1 649 |
| Percentage of employees who will terminate their employment with the Group prior to retirement (withdrawal rate) | Approximately 2.01 % p.a. for the Group differing with age and sex |
| Expected salary increases - long-term | 1.80% p. a. |
| - short-term | 1.30% p. a. |
| Discount rate | 0.67 – 3.37% p. a. (2014-2057) |

If the actual discount rates differed by 1% from management's estimated discount rate, the carrying amount of pension obligations would be an estimated EUR 744 thousand lower or EUR 720 thousand higher (2013: EUR 1 018 thousand lower or EUR 1 199 thousand higher).

### (b) Termination benefits

The termination benefits represent an estimate of the payment to employees as a result of the approved and communicated restructuring process which is expected to be completed by 2017 (2013: to be completed by 2016). It is expected that the payments in accordance with relevant detailed plan accompanying the restructuring process will be made as follows:

| | **As at 31 December** | |
|---|---|---|
| **Termination benefits** | **2014** | **2013** |
| Expected payment in 2014 | - | 328 |
| Expected payment in 2015 | 546 | 351 |
| Expected payment in 2016 | 336 | 1 069 |
| Expected payment in 2017 | 483 | - |
| | **1 365** | **1 748** |

### (c) Provision for legal claims

The Group is a party to various legal proceedings, in which various parties claim a financial settlement in the amount of EUR 99 thousand (2013: EUR 1 299 thousand). Management has decided not to disclose details in respect of these claims as they are currently ongoing and disclosure may damage the Group.

### (d) Provision for onerous contracts

The Company has assessed its rights and obligations from contracts with suppliers and customers and has recorded a provision for unavoidable losses from its contractual liabilities as the costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it in the amount of EUR 477 thousand EUR (2013: EUR 0 thousand).

*(All amounts are in thousand of EUR unless stated otherwise)*

## 20 Revenues

Revenues include the following:

| | 2014 | 2013 |
|---|---|---|
| Revenues for electricity supply and distribution: | | |
| Large and small businesses | 421 872 | 483 737 |
| Households | 187 271 | 208 238 |
| Long-term contracts, spot contracts, intermediation, variances, cross-border profile | 60 025 | 29 334 |
| Compensation for green energy purchase * | 142 111 | 64 247 |
| TPS revenues - correction URSO (Note 11) | 41 528 | - |
| Other revenue: | | |
| Revenues for gas sale | 9 126 | 4 547 |
| Maintenance and operation of the transmission grid | 26 | 58 |
| Revenues for construction works | 5 334 | 1 390 |
| Other revenue | 4 097 | 4 176 |
| **Total** | **871 390** | **795 727** |

* Significant year-on-year change resulted from a change in the system of collection of compensation related to purchase of electricity from green energy producers and the combined production of electricity and heat („OZE/KVET“). In 2013, the Group compensated the purchase of electricity from OZE/KVET producers directly from customers. Based on the new regulations set by ÚRSO, the internal reinvoicing within the Group was eliminated during 2014 and the compensation of electricity purchase from OZE/KVET producers is invoiced to OKTE as a third party.

Revenues from the sale of electricity on the spot market and from settlement of variances in consumption represent especially revenues from the sale of surplus electricity purchased on the short-term market for standard customers. The surplus arises because of an unexpected short-term variance in their consumption diagrams. Moreover, they are represented by fees paid by long-term customers for variances from their planned consumption curve. These revenues are usually realized on the spot market or by the sale abroad. Revenues from the mediation represent fees for a transfer of electricity to customers who are not long-term customers of the Group. All these revenues are recognized when the electricity is delivered or in the moment of fulfilment of the contractual conditions.

USRO regulates certain aspects of the Group’s relationships with its customers including the pricing of electricity and services provided to certain of the Group’s customers.

Revenues from distribution of electricity are regulated by USRO throughout the mandatory decisions which define distribution fees during specified period and for specified groups of customers based on their tariffs.

Distribution fees are invoiced to all customers in the region of central Slovakia who use the distribution network of SSE-D regardless of the supplier of the electricity.

The Group receives the fees from customers for the connection to the electric distribution network. Revenues from these fees are recorded as deferred income and released to revenues during the useful life of related assets.

The Group records revenues from compensation for purchases of OZE/KVET. The compensation is invoiced to OKTE, a.s. (2013: to customers). Basis for these compensations are purchases of electricity, which the SSE-D is obliged to make under the current legislation. The amount of revenues directly depends on the amount of electricity purchased and regulated compensation fee approved by the URSO.

*(All amounts are in thousand of EUR unless stated otherwise)*

## 21 Purchase of electricity and related fees, distribution fees

The following items have been included in Purchase of electricity and related fees:

| | 2014 | 2013 |
|---|---|---|
| Purchases of electricity from: | | |
| Long-term contracts | 177 154 | 190 398 |
| Spot agreements and costs of variance settlement | 55 649 | 24 682 |
| Imports from abroad | 36 | 42 |
| Heating plants | 6 875 | 8 484 |
| Renewable resources costs | 236 373 | 220 901 |
| Other | 11 191 | 12 630 |
| Fees paid to the operator of the transmission network (system service fees, fees for network operation, fees for access to the distribution network and other fees) | 169 637 | 129 732 |
| Purchase of gas | 8 892 | 4 267 |
| **Total** | **665 807** | **591 136** |

## 22 Personnel expenses

| | 2014 | 2013 |
|---|---|---|
| Wages and salaries | 27 022 | 25 742 |
| Other staff costs | 2 619 | 4 570 |
| Social and health insurance costs – defined contribution plans | 8 932 | 8 744 |
| Pensions and other long-term employee benefits | -2 252 | 828 |
| **Total** | **36 321** | **39 884** |

## 23 Other operating expenses

| | 2014 | 2013 |
|---|---|---|
| IT services | 5 108 | 5 401 |
| Creation of provisions for doubtful receivables | 2 334 | 1 794 |
| Post and telecommunication costs | 2 276 | 2 331 |
| Repairs and maintains | 1 638 | 2 203 |
| Forrest cutting | 1 312 | 2 185 |
| Subcontracted construction work | 1 047 | 223 |
| Operating leasing | 1 002 | 1 400 |
| Audit and advisory fees | 943 | 1 228 |
| Taxes and other fees | 722 | 692 |
| Metering of consumed electricity | 575 | 778 |
| Insurance costs | 549 | 529 |
| Assigned receivable | 48 | - |
| Foreign exchange losses from operating transactions | 33 | 14 |
| Allowance to material | 12 | - |
| Reversal of provision for legal claims and assets lease | -1 200 | -13 |
| Other operating expense | 5 712 | 7 673 |
| **Total** | **22 111** | **26 438** |

*(All amounts are in thousand of EUR unless stated otherwise)*

Audit and advisory fees include costs related to audit of the financial statements of the Group and other services provided by auditing company.

| Audit and advisory fees | 2014 | 2013 |
|---|---|---|
| Audit of financial statements | 134 | 186 |
| Other assurance services | - | 105 |
| Related audit services | - | - |
| Other services not related to audit | 5 | - |
| **Total** | **139** | **291** |

## 24 Other operating income

| | 2014 | 2013 |
|---|---|---|
| Revenues from rent of property | 1 787 | 2 194 |
| Release of deferred income (Note 15) | 1 931 | 1 778 |
| Telecommunication services and IT | 849 | 837 |
| Gain from sale of property, plant and equipment | 372 | 426 |
| Foreign exchange gains from operating transactions | 24 | 15 |
| Other | 1 816 | 1 638 |
| **Total** | **6 779** | **6 888** |

## 25 Finance (expense)/income, net

| | 2014 | 2013 |
|---|---|---|
| Interest income | | |
| - Interest income – short-term bank deposits and current accounts | 111 | 228 |
| - Interest income – held-to-maturity investments | - | 1 050 |
| | | |
| Interest expense | | |
| - Interest expense – bank loans | -2 006 | -2 530 |
| | | |
| Foreign exchange (losses)/gains | -52 | -99 |
| Dividends income | 235 | 253 |
| Other financial income – sales of bonds | - | 2 012 |
| Other financial expense | -58 | -515 |
| **Finance (expense)/income net** | **-1 770** | **399** |

*(All amounts are in thousand of EUR unless stated otherwise)*

## 26 Income tax expense

Reconciliation from the theoretical to the reported income tax charge is presented in following table:

| | Year ended 31 December 2014 | 2013 |
|---|---|---|
| Profit before tax | 115 175 | 108 329 |
| Theoretical income tax related to current period at 22% (2013: 23%) | 25 339 | 24 916 |
| - Income not subject to tax | -2 068 | -562 |
| - Non-deductible expenses | 1 762 | 1 006 |
| - Income tax related to prior periods | 71 | -79 |
| - Special levy on business in the regulated sector | 2 936 | 2 870 |
| - Special levy tax impact | -646 | -660 |
| - Change in income tax rate from 23% in 2013 to 22% | - | -775 |
| - Other | -460 | -271 |
| **Income tax expense** | **26 934** | **26 445** |
| The tax charge for the period comprises: | | |
| - Deferred tax expense | 3 547 | 1 492 |
| - Current tax expense | 23 316 | 25 032 |
| - Income tax related to prior periods | 71 | -79 |
| | **26 934** | **26 455** |

The Slovak corporate tax rate valid for 2014 is 22% (2013: 23%). Effective income tax rate for 2014 is 23.39% (2013: 24.41%).

The Group has not recognized the deferred tax asset in the amount of EUR 4 161 thousand (2013: EUR 4 350 thousand) relating to impairment provision for the gas power plant as its future utilization is not probable.

In 2013, the National Council of the Slovak Republic approved the government's bill amending the Act on a Special Levy until December 2016. The Act regulates the obligation of a regulated entity to pay a levy on business activities in regulated sectors. The obligation to pay a special levy applies to a regulated entity that has an authorization to carry out activities in the areas such as energy industries, insurance, pharmaceutical industry, etc.

The basis for the levy is profit before tax for the accounting period less EUR 3 000 thousand. The rate of the levy is 0.00363 per calendar month, which accounts for 0.04356 (4.356%) per twelve months. The levy is calculated as the product of the levy rate and the amount of the levy basis. The levy shall be paid on a monthly basis, with the first period for the levy being September 2012 (based on the profit of 2011) and the last period being December 2016.

## 27 Contingent assets and liabilities

### Contingent asset from Tariff for system operation

The Company is legally bound to connect producers of OZE/KVET, if they comply with requirements set by URSO and purchase the generated electricity, which is used to cover network losses and pay them additional charge approved by URSO. These costs are covered by the TPS.

The costs related to purchase of electricity from OZE/KVET producers exceeded revenues from TPS. The Group recognized a contingent asset for compensation of the 2014 loss in the amount of EUR 53 139 thousand (2013: EUR 41 528 thousand). Based on the current Regulatory Framework, the loss incurred will be compensated in the period t + 2, which is in 2016 (2013: in 2015) through an increase of revenues from TPS. Based on the decision of ÚRSO from December 2014, the Group recognized accrued income in the

Statement of Financial Position (Note 11) in the amount of ÚRSO approved compensation of 2013 loss included in the TPS for 2015.

**Taxation**

Many parts of Slovak tax legislation remain untested and there is uncertainty about the interpretation that the tax authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available. Management is not aware of any circumstances that would cause any significant costs for the Group.

**Legal Dispute**

The Company faces a lawsuit for EUR 42 952 thousand plus legal charges. Based on the legal analysis of the case Management of the Group does not expect any impact on the Group and considers the risk of failure in this case as highly improbable. The Group did not record any provision related to this lawsuit.

*(All amounts are in thousand of EUR unless stated otherwise)*

## 28 Commitments

### (a) Capital commitments

Capital expenditure contracted at the reporting date but not yet incurred is as follows:

| | 2014 | 2013 |
|---|---|---|
| Property, plant and equipment | 10 936 | 13 297 |
| Intangible assets | 678 | 199 |
| **Total** | **11 614** | **13 496** |

### (b) Operating lease commitments – Group as lessee

The Group leases various machinery and equipment under cancellable operating lease agreements. The Group is required to give a 12 month notice for the termination of these agreements.

The lease expenditure charged to the Consolidated Income Statement during the year is disclosed in Note 23.

The future aggregate minimum lease payments under cancellable operating leases (i.e. annual charge of leases with annual notice for termination) are as follows:

| | 2014 | 2013 |
|---|---|---|
| No later than 1 year | 4 175 | 1 167 |
| **Total** | **4 175** | **1 167** |

### (c) Purchase contracts (electricity and gas)

Agreed purchases contracts on purchase of electricity and gas as at reporting date but not recognized in the financial statements are as follows:

| | 2014 | 2013 |
|---|---|---|
| Purchase contracts for year 2014 | - | 191 705 |
| Purchase contracts for year 2015 | 185 127 | 51 224 |
| Purchase contracts for year 2016 | 43 584 | 29 029 |
| Purchase contracts for year 2017 | 7 710 | 4 756 |
| **Total** | **236 421** | **276 714** |

## 29 Related party transactions

On 26 May 2014, the companies EPH Financing II a.s. (dissolved company) and EP Energy a.s. (successor company) agreed on a project of a merger based on which the share capital of the dissolved company was transferred to the successor company.

As at 27 November 2013 EDFI and EPH finished the transaction, subject of which was transfer of 49% share and management control in the company from EDFI to EPH Financing II.

Related party transactions as at 31 December 2014 are therefore reported as follows:

- Receivables and liabilities as at 31 December 2014 and 2013 are to related parties within the EPH Group,
- Expenses and revenues for the period from 1 January 2013 to 27 November 2013 are with related parties within the EDF Group,
- Expenses and revenues for the period from 27 November 2013 to 31 December 2014 are with related parties within the EPH Group,

Parties related to the Group from 1 January 2013 to 27 November 2013 include:

a. the parent and ultimate parent:
- EDF International
- Electricité de France

b. entities under common control of EDF Group, affiliated businesses and their branches
- EDF Trading Limited
- EDF International distribution
- EDF Serect
- EnBW Service GmbH
- Entrade Slovakia, s.r.o.
- D-Energia Kereskedelmi KFT
- Energie Baden Wurttemberg, branch
- Dalkia ČR, a.s.
- Everen SP.Z O.O.
- Démasz, AG. Szeged
- EDF Trading Limited London
- Atel Slovensko, s.r.o. Bratislava
- EDF Polska SP.Z O.O. Warszawa
- EDF – GDF DPRS-DSS-SMART
- EDF Centre Expertise Ré Seaux Sud Oue
- Emasz Miskolc
- Dalkia SR, a.s.
- EDF Hungaria
- Citelum Slovakia a.s.
- EDF R&D Institut de Transfert
- Elektrownia Rybnik
- Dalkia Industry

Parties related to the Group from 27 November 2013 to 31 December 2014 include:

a. the parent and ultimate parent:

- EP Energy, a. s. from 26 May 2014
- EPH Financing II, a. s. until 26 May 2014
- Energetický a průmyslový holding, a.s.

b. entities under common control of EPH Group, affiliated businesses and their branches

- EP ENERGY TRADING, a.s., branch
- EP Investment Advisors, s.r.o.
- Eustream, a.s.
- SPP - distribúcia,a.s.

Parties related to the Group from 1 January 2013 to 31 December 2014 include:

c. key management personnel of the entity or its parent:

- Members of the Board of Directors
- Members of the Supervisory Board
- Divisional directors

d. Slovak state-controlled entities:

- OKTE, a.s.
- Slovenská elektrizačná prenosová sústava, a.s.
- Železnice Slovenskej republiky
- Stredoslovenská vodárenská prevádzková spoločnosť, a.s.
- Ministerstvo vnútra Slovenskej republiky
- Západoslovenská distribučná, a.s.
- ZSE Energia, a.s.
- Východoslovenská distribučná, a.s.
- Martinská teplárenská, a.s.
- Others (municipalities, water utilities, public hospitals, etc.)

e. joint ventures:

- Energotel, a.s. Bratislava
- SPX, s.r.o. Žilina

Value of transactions with joint ventures in 2014 (as well as 2013) were not significant, therefore, are not disclosed.

*(All amounts are in thousand of EUR unless stated otherwise)*

**Transactions and balances with related parties**

The related party transactions for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2014 are detailed below.

The related party transactions were carried out under common market conditions.

At 31 December 2014, the outstanding balances with related parties were as follows:

| | **a** | **b** |
|---|---|---|
| Gross amount of trade receivables | - | 1 599 |
| Trade and other payables | -57 | -1 461 |

The income and expense items with related parties for the period ended 31 December 2014 were as follows:

| | **a** | **b** |
|---|---|---|
| Sales of electricity | - | 5 058 |
| Revenues from sale of services | - | - |
| Purchase of electricity, gas and related fees | - | -5 141 |
| Purchase of raw materials and consumables | - | - |
| Services | -57 | -13 |

At 31 December 2013, the outstanding balances with related parties were as follows:

| | **a** | **b** |
|---|---|---|
| Gross amount of trade receivables | - | 2 087 |
| Trade and other payables | - | -738 |

The income and expense items with related parties for the period ended 1 January to 27 November 2013 were as follows:

| | **a** | **b** |
|---|---|---|
| Sales of electricity | - | 2 004 |
| Purchase of electricity, gas and related fees | - | -6 528 |
| Purchase of raw materials and consumables | -9 | -20 |
| Services | -1 061 | -150 |

The income and expense items with related parties for the period from 27 November 2013 to 31 December 2013 were as follows:

| | **a** | **b** |
|---|---|---|
| Sales of electricity | - | 1 028 |
| Purchase of electricity, gas and related fees | - | -713 |

The Government of the Slovak Republic has a significant influence over the Group and is therefore related party to the Group. Currently, the Government of the Slovak Republic does not provide to the general public or entities under its influence a complete list of the entities which are owned or controlled directly or indirectly by the State. Under these circumstances, the Group disclosed only information that its current internal management accounting systems allow to present in relation to operations with state-controlled entities and where Management believes such entities could be considered as state-controlled based on its best knowledge.

*(All amounts are in thousand of EUR unless stated otherwise)*

Transactions with government bodies and state-controlled entities are entered into in the normal course of business and priced at market rates. At 31 December 2014 and 31 December 2013, the outstanding balances with state-controlled entities and government bodies were as follows:

| | Year ended 31 December 2014 | 2013 |
|---|---|---|
| Gross amount of trade receivables | | |
| - SEPS, OKTE | 19 461 | 8 385 |
| - other companies | 2 991 | 4 720 |
| Trade and other payables | | |
| - SEPS, OKTE | - 10 971 | -6 598 |
| - other companies | -2 691 | -4 148 |

The income and expense items with state-controlled entities and government bodies were as follows:

| | 2014 | 2013 |
|---|---|---|
| Sales of electricity and related fees | | |
| - SEPS / OKTE | 173 499 | 84 698 |
| - other companies | 57 206 | 88 626 |
| Purchase of electricity, gas and related fees | | |
| - SEPS / OKTE | -184 993 | -113 362 |
| - other companies | -25 405 | -40 872 |
| Interest income from state bonds | - | 1 050 |

Slovenská elektrizačná a prenosová sústava a.s. (SEPS) (the Slovak transit grid operator) is under control of the Slovak Republic represented by the Ministry of Finance.

OKTE a.s. (organizer of a short-term market with electricity) is a subsidiary of SEPS. OKTE organizes and evaluates short-term market with electricity and ensures the settlement of deviations in Slovakia. OKTE is subordinated to the regulations of URSO.

*(All amounts are in thousand of EUR unless stated otherwise)*

### Key management compensation

The structure of remuneration received by the directors and other members of statutory bodies in 2014 and in 2013:

| | Year ended 31 December | |
|---|---|---|
| **Members of Boards of Directors and other key management** | **2014** | **2013** |
| Salaries and short-term employee benefits | 1 501 | 1 268 |
| Other non-monetary income | 46 | 62 |
| **Total** | **1 547** | **1 330** |

| | Year ended 31 December | |
|---|---|---|
| **Members of Supervisory Boards** | **2014** | **2013** |
| Salaries and short-term employee benefits | 227 | 231 |
| Other non-financial income | 3 | - |
| **Total** | **230** | **231** |

## 30 Events after the reporting period

No events with a material impact on the true and fair presentation of facts subject to bookkeeping occurred after 31 December 2014.