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INDEPENDENT AUDITOR´S REPORT
(unofficial translation)

on the consolidated financial statements prepared as of December 31, 2019

in accordance with International Financial Reporting Standards as adopted by the European Union

of company

Slovenská elektrizačná prenosová sústava, a.s.

ID: 35 829 141

**Mlynské nivy 59/A
824 84 Bratislava**

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MANDAT AUDIT, s.r.o., spoločnosť zapísaná v Obchodnom registri Okresného súdu Bratislava I, Oddiel: Sro, vložka: 33134/B, IČO: 35900172, IČ DPH: SK2021877242

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Independent Auditor's report on the consolidated financial statements for the Shareholder, Board of Directors, Supervisory Board and Audit Committee of company Slovenská elektrizačná prenosová sústava, a.s.

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Slovenská elektrizačná prenosová sústava, a.s. and its subsidiary (the "Group"), which comprise the statement of consolidated financial position as of December 31, 2019, the consolidated income statement and consolidated statement of comprehension income for the year then ended, the consolidated statement of Changes in Equity for the year then ended and the consolidated statement of Cash Flows for the year then ended, and the notes, comprising a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2019, and its consolidated financial performance for the year then ended and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union as amended.

Basis for Opinion

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

Management's Responsibility for the consolidated Financial Statements and persons charged with governance for the consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements to give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union as amended and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those persons charged with governance are responsible for the supervising of the Company's financial reporting process and whole group.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We inform the persons charged with governance about, including, but not limited to, the planned scope and schedule of the audit and about any significant audit findings, including any significant deficiencies of internal controls weaknesses identified during the audit.

We also provide the persons charged with governance with a declaration that we have met the relevant requirements relating to independence, and we inform them about any relationships and other facts that can be reasonably believed to affect our independence, as well as on any related protective measures.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Consolidated Annual Report

The statutory body is responsible for information disclosed in the consolidated annual report prepared under the requirements of the Act on Accounting. Our opinion on the consolidated financial statements stated above does not apply to other information in the consolidated annual report.

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

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

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

- Information disclosed in the consolidated annual report prepared for 2019 is consistent with the consolidated financial statements for the relevant year,
- The consolidated annual report includes information pursuant to the Act on Accounting.

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

Bratislava, on March 3rd, 2020

MANDAT AUDIT, s.r.o.
Námestie SNP 15, 811 01 Bratislava
SKAU licence nr. 278

Ing. Martin Dubai
Responsible auditor
SKAU licence nr. 1090

Slovenská komora audítorov
SKAU
Č. licencie 278
MANDAT AUDIT, s.r.o.

Index to the Consolidated Financial Statements

(all amounts are in thousands of euro unless stated otherwise)

	Note	As at 31 December 2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	843 955	816 945
Intangible assets	6	16 092	12 999
Non-current financial assets	8	1 434	0
Other investments	7	631	631
Receivables	11	10 153	8 286
		872 265	**838 861**
Current assets			
Inventories	10	2 564	858
Trade and other receivables	11	42 660	53 284
Cash and cash equivalents	12	141 292	109 952
Current income tax receivable		0	8 460
		186 516	**172 554**
Non-current assets held for sale		0	0
Total assets		**1 058 781**	**1 011 415**
EQUITY			
Share capital and reserves attributable to equity			
Share capital	13	105 000	105 000
Legal reserve fund	13	21 395	21 320
Other reserves	13	178 103	162 294
Revaluation of financial investment		109	109
Actuarial gains/loss		-2 082	-1 089
Revaluation reserve	13	81 312	91 102
Retained earnings	13	267 696	254 476
Total equity		**651 533**	**633 212**
LIABILITIES			
Non-current liabilities			
Non-current bank loans	15	30 098	32 297
Non-current liabilities from leasing	16	1 031	0
Grants and other deferred revenues	17	102 074	94 691
Deferred tax liability	18	60 377	59 088
Other non-current liabilities	14	0	359
Non-current provisions for liabilities and charges	19	11 086	9 508
		204 666	**195 943**
Current liabilities			
Current bank loans	15	17 205	12 588
Current liabilities from leasing	16	460	0
Trade and other payables	14	165 316	151 361
Grants and other deferred revenue	17	15 611	18 239
Provisions for current liabilities and charges	19	69	72
Current income tax payable		3 921	0
		202 582	**182 260**
Total liabilities		**407 248**	**378 203**
Total equity and liabilities		**1 058 781**	**1 011 415**

The Consolidated Financial Statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were approved and authorized for issue on 3 March 2020 by the Board of Directors.

Slovenská elektrizačná
prenosová sústava, a.s.
Mlynské nivy 59/A
824 84 Bratislava 26
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....	....
Ing. Miroslav Obert	Ing. Martin Malaník
Chairman of the Board of Directors	Member of the Board of Directors

(all amounts are in thousands of euro unless stated otherwise)

	Note	Year ended 31 December 2019	2018
Revenues	20	461 582	543 793
Capitalized costs		1 168	1 065
Consumables and services	21	-281 540	-380 322
Personnel costs	22	-33 914	-31 887
Depreciation and amortisation	5,6	-53 075	-59 981
(Impairment)/Reversal of impairment of fixed assets	5	0	4
Other operating income	24	4 768	4 337
Other operating expense	23	-3 439	-3 360
Operating profit		**95 550**	**73 649**
Interest income	25	90	115
Interest expense	25	-566	-683
Other finance income/expense)	25	-35	-13
Finance cost, net		**-511**	**-581**
Profit before tax		**95 039**	**73 068**
Income tax expense	26	-25 737	-22 110
Profit for the year		**69 302**	**50 958**
Other comprehensive income			
Items that will not be reclassified			
Actuarial gains/loss		-993	-569
Impact IFRS 16 Lease		-76	0
Deferred tax from revaluation of property, plant and equipment		88	813
Total comprehensive income		**68 321**	**51 202**

	2019	2018
Profit attributable:		
Owners of the parent	69 302	50 958
Non-controlling interest	0	0
Profit for the year	**69 302**	**50 958**
Total comprehensive income attributable to:		
Owners of the parent	68 321	51 202
Non-controlling interest	0	0
Total comprehensive income for the period	**68 321**	**51 202**

(all amounts are in thousands of euro unless stated otherwise)

	Share capital	Legal reserve fund	Other funds	Revaluation of financial investment	Actuarial gains/loss	Revaluation of property, plant and equipment fund	Retained earnings	Total equity
Balance as at 1 January 2018	**105 000**	**21 263**	**161 891**	**109**	**-520**	**105 660**	**247 607**	**623 163**
Net profit for the year 2018	0	0	0	0	0	0	50 958	50 958
Other comprehensive income	0	0	0	0	-569	-14 558	15 371	244
Total comprehensive income for the year 2017	**0**	**0**	**0**	**0**	**-569**	**-14 558**	**66 329**	**51 202**
Dividens paid (Note 13)	0	0	0	0	0	0	-59 000	-59 000
Profit appropriation to Statutory Fund (Note 13)	0	0	403	0	0	0	-403	0
Profit appropriation to Legal Fund	0	57	0	0	0	0	-57	0
Balance as at 31 December 2018	**105 000**	**21 320**	**162 294**	**109**	**-1 089**	**91 102**	**254 476**	**633 212**
Balance at 1 January 2019	**105 000**	**21 320**	**162 294**	**109**	**-1 089**	**91 102**	**254 476**	**633 212**
Net profit for the year 2019	0	0	0	0	0	0	69 302	69 302
Other comprehensive income	0	0	0	0	-993	-9 790	9 802	-981
Total comprehensive income for the year 2019	**0**	**0**	**0**	**0**	**-993**	**-9 790**	**79 104**	**68 321**
Dividens paid (Note 13)							-50 000	-50 000
Profit appropriation to Statutory Fund (Note 13)	0	0	15 809	0	0	0	-15 809	0
Profit appropriation to Legal Fund	0	75	0	0	0	0	-75	0
Balance as at 31 December 2019	**105 000**	**21 395**	**178 103**	**109**	**-2 082**	**81 312**	**267 696**	**651 533**

(all amounts are in thousands of euro unless stated otherwise)

	Note	Year ended 31 December 2019	2018
Cash flows from operating activities			
Cash generated from operations	30	173 612	153 767
Income tax paid		-11 695	-32 306
Interest received		81	143
Net cash generated from operating activities		**161 998**	**121 604**
Cash flows from investing activities			
Purcase of property, plant and equipment and intangible assets		-83 728	-77 803
Proceeds from sale of property, plant and equipment	30	490	478
Purchase of financial assets		0	-431
Net cash used in financing activities		**-83 238**	**-77 756**
Cash flows from financing activities			
Proceeds/(repayments) of loans		3 124	-14 377
Interest paid		-544	-812
Dividends paid	13	-50 000	-59 000
Net cash used in financing activities		-47 420	-74 189
Net increase (+) / decrease (-) in cash and cash equivalents		**31 340**	**-30 341**
Cash and cash equivalents at the beginning of the year	12	**109 952**	**140 293**
Cash and cash equivalent at the end of the year	12	**141 292**	**109 952**

(All amounts are in thousands Euros unless stated otherwise)

1 General Information

Slovenská elektrizačná prenosová sústava, a.s., ("the parent company", "SEPS") is one of three joint stock companies established (pursuant to the Commercial Register) in the Slovak Republic on 21 January 2002 (date establishment: 13 December 2001) from the process of the division of its predecessor Slovenské elektrárne, a.s. ("SE").

Consolidated financial statements comprise of the financial statements of the Group and the sole subsidiary OKTE, a.s. (hereinafter "the subsidiary"), which has been controlled as at 31 December 2019 and during the year then ended 31 December 2019 (hereinafter "the Group"). OKTE, a.s. is 100% subsidiary SEPS. OKTE, a.s. was established on 20 July 2010 by separation of deviation settlement and short-term electricity market administrator in accordance with Act No. 656/2004 Coll. on Energy. OKTE, a.s. was included for the first time to be Consolidated Financial Statements as at 31 December 2011. Parent company SEPS prepares a Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

The principal activities of the Group comprise the transmission of electricity in the country of the Slovak Republic through 220 kV, 400 kV and, in a small part, through 110 kV lines and electric stations of the transmission grid, including electricity import, export and transit. The Group is also responsible for maintaining a balanced electricity grid in the Slovak Republic and balancing the production and usage of electricity during the time which is performed using the system services. The Group also performs deviation settlement and organizes short-term electricity market.

The Bohunice International Decommissioning Support Fund ("BIDSF") was established in relation to the shut-down of a power plant in Jaslovské Bohunice. The main purpose of this Fund is to finance or to co-finance the preparation and implementation of selected projects ("authorized projects") related to providing the technical assistance and/or goods, work and services with respect to support the shut-down of power plant in Jaslovské Bohunice as a result of a decision of the Slovak republic to do so. The Fund supports the reconstruction, improvement and modernization of the energy production, transmission and distribution sectors and increases their efficiency.

The Group operates in accordance with the Act of Energy and the relevant legislation. Office of Network Industries of the Slovak Republic (hereinafter "URSO") controls particular aspects of the relationship of the parent company and subsidiary and with its customers, including rates of the services provided.

The structure of the parent company´s shareholders as at 31 December 2019 was as follows:

	Absolute amount thousands EUR	Ownership interest and voting rights %
Slovak Republic represented by Ministry of Finance	105 000	100%
Total	**105 000**	**100%**

According to the Decree of Slovak government Nr. 481 dated 19 September 2012, The National Property Fund of the Slovak Republic transferred the shares of the parent company without compensation to the Slovak Republic, on behalf of which acts the Ministry of Finance of the Slovak Republic. As a result of this, effective 2 October 2012, the Slovak Republic, on behalf of which acts the Ministry of Finance of the Slovak Republic, became the sole shareholder, who owns 100% of shares of the parent company as well as 100% of voting rights.

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

(All amounts are in thousands Euros unless stated otherwise)

The members of the parent company´s statutory bodies during the year ended 31 December 2019 were as follows:

Body	Function	Name
Board of Directors	Chairman	Ing. Miroslav Obert
	Vice Charimen	Ing. Miroslav Kolník from 9 December 2019
	Vice-Chairman	Ing. Miroslav Stejskal till 6 December 2019
	Member	Ing. Martin Malaník
	Member	Ing. Michal Pokorný
	Member	Ing. Martin Golis
	Member	Ing. Emil Krondiak, PhD.
	Member	Ing. Vladimír Palko
Supervisory Board	Chairman	Ing. Vladimír Burdan
	Vice-Chairman	JUDr. Peter Pandy
	Vice Chairman	Michal Sokoli from 22 August 2019
	Vice-Chairman	Ing. Jaroslav Mikla till 30 June 2019
	Member	Michal Sokoli till 22 August 2019
	Member	Ing. Ján Oráč
	Member	Ing. Vladimír Beňo
	Member	Ing. Dušan Chvíľa
	Member	Ing. Peter Matejíček
	Member	Ing. Rastislav Januščák
	Member	JUDr. Ondrej Urban, MBA
	Member	Mgr. Ján Buocik till 21 March 2019
	Member	Ing. Mikuláš Koščo
	Member	Ing. Juraj Kovács, MBA – from 22 March 2019 till 6 December 2019
	Member	JUDr. Pavol Kollár – from 1 July 2019
	Member	Ing. Kristián Jecko – from 9 December 2019
Executive management	General Director	Ing. Miroslav Obert
	Managing Director of Support for Operating	Mgr. Igor Gallo
	Managing Director of Operating	Ing. Emil Krondiak, PhD.
	Managing Director of SED and Commerce	Ing. Michal Pokorný
	Managing Director of Economics	Ing. Martin Malaník
	Managing Director of Development and Capital Investment	Ing. Miroslav Kolník from 11 December 2019 till 31 December 2019
	Managing Director of Development, Capital Investment and Procurement	Ing. Miroslav Kolník from 1 January 2020
	Managing Director of Development and Capital Investment	Ing. Miroslav Stejskal till 10 December 2019
	Managing Director of Information and Communication Technologies	Ing. Martin Golis
	Managing Director of Strategy and International Cooperation	Ing. Vladimír Palko

The Group employed 581 personnel on average during 2019 (2018: 573), 12 of which were management (2018: 12).

Registered address and identification number of the parent company

Mlynské nivy 59/A
824 84 Bratislava
Slovak Republic

Identification number (IČO) of the parent company is: 358 291 41

Tax identification number (IČ DPH) of the parent company is: SK 2020261342

Registered address of the subsidiary company

OKTE, a. s.
Mlynské nivy 48
821 09 Bratislava
Slovak Republic

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 applies to all the years presented unless otherwise stated.

2.1. Basis for preparation of the Consolidated Financial Statements

Legal reason for preparing the Consolidated Financial Statements:

The Group´s Financial Statements at 31 December 2019 have been prepared as Consolidated Financial Statements under § 22 (2) of the Slovak Act No. 431/2002 Coll. ("Accounting Act") for the accounting period from 1 January 2019 to 31 December 2019.

The Accounting Act requires the Group to prepare Consolidated Financial Statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU")

The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union. The Group applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as amended by the European Union, which were in force as of 31 December 2019.

These Consolidated Financial Statements have been prepared on the historical cost basis, except for the valuation of property, plant and equipment, which were revalued using the revaluation model under IAS 16 and except for derivate financial instruments that are valued at fair value as at the reporting date.

The Consolidated Financial Statements were prepared on accrual basis and under going concern principle.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires in 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. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 4.

These Consolidated Financial Statements are prepared in thousands Euros ("EUR thousand").

2.2. Changes in accounting policies

During the year ended 31 December 2019, the Group applied the following new and revised IFRS and IFRIC interpretations:

IFRS 16 Lease

IFRS 16 replaces the IAS 17 Leases and related interpretations. The Group applied the new standard from 1 January 2019 using the modified retrospective method. The cumulative effect of the adoption of IFRS 16 was therefore reported as a change in the opening balance of equity as of 1 January 2019, without modifying any comparable data.

The new standard has also introduced several exceptions for the lessee, which include:

- Leases with a lease term of 12 months or less, which do not include a purchase option
- Leases where the subject of the lease is of low value (the so-called small-ticket leases)

Introduction of the new standard has primarily affected the operating lease reported earlier. The standard has removed the dual accounting model at the lessee according to IAS 17, eliminating the distinction between operating and financial lease. Under IFRS 16, a contract is a lease or contains lease if it transfers the right to control the use of an identified asset for a certain period for consideration. Under such contracts, the new model requires the lessee to recognize the asset with the right of use and the liability from the lease. Asset with the right of use is amortized and the liability is subject to interest. To perform valuation of liabilities from the lease (determination of the current value of leasing payments), that had been previously recognized as operating lease, an average weighted discounted rate (determined as an incremental rate of the lessee) of 1,9% was used by the Group as of 1 January 2019.

As of 1 January 2019, changes due to IFRS 16 affected:
- Initial value of undistributed profits of EUR 76 thousand
- Initial value of liabilities of EUR 1 636 thousand
- Initial value of deferred tax receivable of EUR 19 thousand
- Initial value of the right of use of the asset of EUR 1 541 thousand

Following the initial application of IFRS 16, the Group applied the following practical derogations (in compliance with IFRS 16):

- A unified discount rate was used for sets of leasing contracts.
- Costs of leases with residual lease periods under 12 months from the day of the initial application (i.e. from 1 January 2019) were reported similarly to short-term leases as part of operational costs, evenly over the lease period.

Amendments to IFRS 9: Financial Instruments Prepayment Features with Negative Compensation

Effective for accounting periods beginning on or after 1 January 2019; they should be applied retrospectively. Delayed application is permitted. If a company applies additions in an earlier period, the respective information must be disclosed.

These amendments allow companies to measure certain financial assets that allow for early repayment with negative compensation at amortized cost. These assets, which represent some loans and debt securities, would otherwise be measured at fair value through profit or loss.

The negative compensation arises, when the contractual terms allow a repayment of the instrument by the borrower before the contractual maturity date, where such early payment might be lower than the unpaid value of the principal and interest. In order for the company to use the valuation at amortized cost, negative compensation must be a "reasonable compensation for the early contract termination".

IFRIC 23 Uncertainty over Income Tax Treatments

Effective for accounting periods beginning on or after 1 January 2019.
This interpretation should be applied when determining a taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates in cases where there is an uncertainty about the approach to taxation under IAS 12. When determining whether each tax approach should be considered independently or whether certain tax approaches should be considered together, a company should use its judgement.

A company must assess whether it is likely that the relevant authorities will accept any tax approach or a set of tax approaches that have been applied or are planned to be applied in the company's tax returns.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

Effective for accounting periods beginning on or after 1 January 2019; they should be applied prospectively. Delayed application is permitted.

These amendments clarify that the Company applies IFRS 9 Financial Instruments for Long-term Investments in Affiliates and Joint Ventures which, in essence, form a part of net investments in affiliates or joint ventures to which the equity method does not apply. The Company applies IFRS 9 in relation to these long-term investments before the application of IAS 28. When the Company applies IFRS 9, it does not take into account any adjustments to the carrying amount of the long-term investment that arise from the application of IAS 28.

The Group does not expect that these supplements, when they are first applied, will have a significant impact on the presentation of its financial statements.

Improvements to IFRS – cycle 2015 – 2017

The improvements introduce additions to four standards and resulting amendments to other standards and interpretations that result in accounting changes accounting related to presentation, recognition, or measurement. Most of these improvements should be applied to accounting periods beginning on or after 1 January 2019; they should be applied retrospectively.

The Group does not expect these amendments to have a material impact on its financial statements.

Amendments to IAS 19 – Change, limitation or settlement of a plan

The amendment sets out how companies should determine costs of retirement benefits if any changes in the defined benefit plan are made. The additions require the company to use the updated assumptions from this revaluation to determine the current service costs and net interest for the remainder of the period after the plan change. Previously, IAS 19 did not specify how these costs should be determined at the time after the plan change. Effective for accounting periods beginning on or after 1 January 2019.

2.3. Consolidation principles

Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than 50% in the voting rights or otherwise has power to exercise control over their operations; and are included in the Consolidated Financial Statements. Subsidiaries are consolidated as of the date when the Group gained control. All receivables and payables, disposals and purchases, as well as expenses, revenues, profits and losses on transactions within the Group are eliminated.
All acquisitions of subsidiaries are accounted at cost. The cost of the business combination is measured as the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. If the cost of the business

combination exceeds the Group´s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized, the difference is disclosed as goodwill.

2.4. Investments

Investments are carried at historical cost in the Consolidated Financial Statements. The historical cost comprise the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the investment at the time of their acquisition.

2.5. Foreign currency transaction and translation

(i) Functional and presentation currency of the Consolidated Financial Statements

Items included in these Consolidated Financial Statement are presented in thousands of euro, which is the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in thousands of euro.

(ii) Transaction and balances

Transactions in foreign currency are translated into the functional currency using the reference exchange rated determined and declared by the European Central Bank or National Bank of Slovakia as at the date preceding the date of the accounting transaction or at any other day if required by special regulation. At the reporting date preceding the date, the assets and liabilities (except advance payments made and advance payments received) are translated into the functional currency using the reference exchange rates determined and declared by the European Central Bank or National Bank of Slovakia as at the reporting date. The transaction in foreign currency are retranslated into the functional currency using the exchange rate valid at the date of the accounting transaction. Foreign Exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Income Statement.

2.6. Property, plant and equipment

The property, plant and equipment is carried at cost less accumulated depreciation out accumulated impairment losses, with expception to the revaluation model adopted for certain classes of property, plant and equipment.

(i) Cost

Cost includes expenditure that is directly attributable to the acquisition of the items, Borrowing costs related to the loans received, which are directly attributable to the acquisition or production of an asset, are included in the cost of the asset.

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 Group and the cost 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 Income Statement during the financial period in which they are incurred.

Property, plant and equipment as the date of establishment of the Group comprise assets that were acquired as a result of the separation of Slovenské elektrárne, a.s., into three legal entities. These assets were transferred at their original cost with related accumulated depreciation.

The most significant part of property, plant and equipment is represented by the network. The network mainly includes power lines, pylons and switching stations. Useful life of networks assets varies between 5 and 60 years (2018: between 5 and 60 years).

(ii) Revaluation

Property, plant and equipment – initially, property, plant and equipment are evaluated at acquisition costs. Acquisition cost includes all costs directly incurred in putting the respective fixed asset to its intended use.

Subsequently, the land, buildings, halls, lines and structures, machinery and equipment and other revalued assets reported in the balance sheet at revalued amount, which represents the fair value at the date of revaluation after deducting any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other classes of property, plant and equipment are subsequently evaluated at historical acquisition costs less accumulated depreciation and accumulated impairment losses.

Revaluation is carried out by an independent expert. Revaluations are performed regularly in sufficient intervals (at least every five years), so that the carrying amount does not differ materially from the value, which would have been reported as at the balance sheet date using fair values.

Any increase in value on the revaluation of such property, plant and equipment shall be credited to other comprehensive income and shall be accumulated in assets in equity revaluation surplus, taking into account the amount that will possibly cancel the impairment of the same asset item reported previously in the income statement. In such a case, the increase in value shall be credited to the income statement in the amount of the impairment previously reported in the income statement. Any impairment on the revaluation of such property, plant and equipment shall be debited to the income statement in the amount that exceeds the balance on the account of the surplus from the revaluation of assets in relation to the previous revaluation of that asset item. Depreciation of revalued property items are reported as an expense in the income statement. The revaluation surplus shall be gradually transferred to retained earnings over the period when the asset is used. In such a case, the amount of the transferred surplus equals to the difference between the depreciation calculated from the revalued carrying amount of the asset and the depreciation calculated from the asset's original acquisition cost. In the event of a sale or removal of the asset from accounting, the balance of the related revaluation surplus shall be transferred to retained earnings.

(iii) Depreciation and impairment of fixed assets

The depreciation of property, plant and equipment starts in the month when the property, plant and equipment 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 is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment. The estimated useful lives of individual groups of assets are as follows:

	2019	2018
Buildings, halls, networks and constructions	10 – 60 years	10 – 60 years
Machines, equipment and vehicles	2 - 50 years	4 - 50 years
Other property, plant and equipment	4 years	4 years

Buildings, halls and constructions include mainly switching stations, administrative buildings, transmission lines, halls, transformers and control rooms, pylons, towers, tanks, communications, elevated power lines.

Machines, equipment and vehicles include mainly hardware machines, tools and equipment, vehicles, radio relay point and cables.

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 assets were already of the age and in the conditions expected at the end of their useful life. The residual value of an asset is nil or its

scrap value if the Group expects to use the assets until the end of its useful life. The assets´ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Expenditures to acquire the property, plant and equipment subsequent to initial recognition are recognized as an item of property, plant and equipment only if it is probable that they will enhance the future economic benefits beyond its original performance. All other expenses are recognized as repair and maintenance costs in the period to which it is incurred.
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 recognizes 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 to its recoverable amount if the asset´s carrying amount is greater than its estimated recoverable amount (Note 2.8).

Items that are retired or otherwise disposed of are eliminated from the Consolidated 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 recognized in operating profit.

In accordance with IAS 36, as at the date of preparation of financial statements, an assessment of impairment indicators is made that would indicate the recoverable amount of property, plant and equipment would be less than its carrying value. In case any indicator exists at the balance sheet date, the recoverable amount of property, plant and equipment is estimated which is a higher of the fair value less cost to sell and value in use (i.e. the present value of future cash flows). Any impairment loss on property, plant and equipment is recognized in the income statements in the period in which the impairment occurs. The discount rates used in calculating the present value of future cash flows comes from the position of the Group as well as from economic environment of the Slovak Republic as at the balance sheet date. In case the Group decides to stop the investment project or significantly delay its scheduled termination, it considers any reduction of its value and, where appropriate, record the impairment loss.

2.7. 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 and included in the cost of an asset. The Group does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight- line basis over their useful lives.

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

Residual value of intangible assets is assumed to be zero unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market and it is 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. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for;

- management intends to complete the software product and use or sell it;
- here is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed 4 years. Intangible assets are depreciated over 4 years, easement of access according to the conditions stated in the Contract on easement of access.

2.8. 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. Land, construction in progress and assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be higher as a recoverable amount. An impairment loss is recognized for the amount by which the asset´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.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at each reporting date, i.e. release of respective value adjustment.

2.9. Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

a) represents either a separate major line of business or a geographical area of operations
b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
c) is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

2.10. Financial assets

The Group classifies financial assets into three valuation categories: assets subsequently measured at amortized cost, assets subsequently measured at fair value through other comprehensive income (FVOCI) and assets subsequently measured at fair value through profit or loss (FVPL).

A financial asset is valued at amortized cost when the following two conditions are met:
a) financial asset is held in a business model where there is intention to hold the financial asset in order to collect contractual cash flows; and

b) financial asset's contractual terms and conditions result, on specified dates, in cash flows that represent payments of principal and interest on the outstanding principal only.

A financial asset is valued at fair value through other comprehensive income when the following two conditions are met:
a) financial asset is held in a business model, where there is intention both to collect contractual cash flows and to sell the financial asset; and
b) financial asset's contractual terms and conditions result, on specified dates, in cash flows that represent payments of principal and interest on the outstanding principal only.

A financial asset is valued at fair value through profit or loss, unless it is valued at amortized cost or fair value through other comprehensive income. For certain investments in equity instruments that would otherwise be valued at fair value through profit or loss, an entity may, however, when initially recognizing them, irrevocably decide to present any subsequent changes in fair value through other comprehensive income.

Initial valuation:
Apart from trade receivables that do not include a significant financing component, a financial asset or financial liability is initially recognized by a company at its fair value plus or minus (if the financial asset or financial liability is not valued at fair value through profit or loss) transaction costs attributable to acquisition of the financial asset or issuance of the financial liability.
If, however, the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an accounting entity applies the fair-value method and recognizes the difference between the fair value and the transaction price as a profit or loss.
If an accounting entity uses trade date accounting in relation to the asset that is subsequently valued at amortized cost, such an asset shall be initially recognized at its fair value at the date of the transaction.

Subsequent valuation:
After its initial recognition, an accounting entity recognizes a financial asset at: (a) amortized cost; (b) fair value through other comprehensive income; or (c) fair value through profit or loss.

An accounting entity applies impairment requirements to financial assets that are valued at amortized cost and to financial assets that are valued at fair value through other comprehensive income.

Regular purchases and sales of financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset.

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.

Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through income statement. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term or to mitigate risks. This category includes derivative financial Instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Financial assets in this category are classified as current.

Realized and unrealized gains or losses arising from changes in the fair value of the „financial assets at fair value through profit or loss" are recognized in income statement in which the fair value changed.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets.

Loans and receivables are disclosed as part of non-current and current financial assets, trade receivables and cash and cash equivalents on the Consolidated Statement of Financial Position.

Loans and receivables represent trade receivables and cash and cash equivalents.

2.11. Leases

a) Leases – IFRS 16

When concluding a contract, the Company assesses whether or not the contract includes a lease. A contract is a lease contract or contains lease if it transfers the right to control the use of an identified asset for a certain period for consideration. A contract is considered as a lease by the Company if it meets all the following requirements:

- There is certain identified asset, either explicitly or implicitly; and
- The lessee basically gets all the economic benefits resulting from the use of the identified asset; and
- The lessee is entitled to control the use of the identified asset.

The Group applied the new IFRS 16 standard to all contracts concluded before 1 January 2019.

For the initial reporting and subsequent revaluation of a leasing contract containing a leasing component, the Company shall assign the agreed consideration to each leasing component proportionally on the basis of its value, if agreed separately.

i. Leased asset (Company as a lessee)

The Group shall report the right to use the asset and the liability from the lease in the beginning of the lease. The initial value of the right of use of the asset shall be set out as the sum of the initial value of the liability from the lease, lease payments carried out before or on the day of commencement of the lease, initial direct costs of the lessee minus any leasing stimuli received.

When determining the period of lease, the duration of the agreed lease and the option of early termination and/or prolongation is primarily evaluated. When assessing the probability of application of the option of prolongation and/or early termination of the lease period, the Company shall consider all relevant facts and circumstances providing economic stimuli for the application (non-application) of these options. The period, for which the contract can be prolonged (or the period following the option to early terminate the contract), shall be included in the lease period only if the Company is sufficiently certain that the prolongation shall be applied.

The right of use of the asset shall be amortized on a straight-line basis over the lease period, from the commencement of the lease until its termination. If the lease includes a transfer of title or purchase option, the right of use of the asset shall be amortized on a straight-line basis over the period of use of the asset. Amortization commences on the day of commencement of the lease. Assessment of any potential impairment of the right of use of the asset shall be carried out in a manner similar to the assessment of an impairment of a real property, machinery or equipment.

Liability from the lease shall be first valued on the day when the leased asset is made accessible to the lessee (day of commencement of the lease). Liabilities from the lease are initially valued in the current value of the lease payments over the lease period not paid as at the date of the initial valuation, using the discount rate, which is the incremental borrowing rate of the lessee. The incremental borrowing rate of the lessee has been determined on the basis of available financial information related to the Company. If contract conditions change (e.g. the lease period is modified on the basis of the prolongation or early termination of the contract, lease payment amount changes due to a change in index or rate used to determine the payment amount, assessment of probability of application of purchase option changes), a revaluation of the lease liability shall be subsequently carried out. Any subsequent revaluation of a liability from lease shall affect, among other things, the valuation of the right of use of the asset. If it results in a negative value of the right of use of the asset, the residual impact shall be reported in relation to profit/loss (the value of the resulting right of use of the asset shall be reported as zero).

The Group has applied an optional derogation and reports neither the right of use of asset nor the liability from lease for all types of lease contracts with the lease period up to 12 months. Costs related to these leases are reported in financial accounts as operating costs evenly over lease periods.

The Group has also applied an optional derogation and reports neither the right of use of asset nor the liability from lease in relation to lease contracts where the value of the leased asset is clearly lower than EUR 5,000. When determining the estimated value of an asset, the Company assumes that it is a new asset. If the asset value cannot be determined reliably, the optional derogation shall not be applied.

In its statement of financial position, the right of use of asset is reported by the Company in relation to fixed assets and liabilities from lease are reported by the Company in relation to short-term and long-term liabilities. Furthermore, the Company has reported transactions related to lease in its cash flow statement as follows:

- Principal payments related to liability from lease are reported as part of the cash flow related to financial activities;
- Interest payments related to liability from lease are reported as part of the cash flow related to operating activities;
- Payments of short-term lease, lease of minor assets and payments of variable parts of lease not included in the valuation of liabilities from lease are reported as part of the cash flow related to operating activities.

b) Leases – IAS 17 (comparable period)

i. Leased asset (Company as a lessee)

Any lease, where the Company assumes all significant risks and benefits characteristic for the ownership of the asset in question, is classified as financial lease. For the initial recognition, leased assets are valued using the amount equal to their fair value or the current value of the minimum lease payments, whichever is the lower. After the initial recognition, assets are accounted for in accordance with accounting procedures applicable to the given asset type.
Other lease type is classified as operating lease and the leased assets are not reported by the Group in the statement of financial position.

ii. Lease payments

Payment on the basis of the operating lease are reported in the profit and loss statement on the straight-line basis over the agreed lease period. Stimuli related to the lease are accounted for as a non-separable part of the total costs of the lease throughout the lease period.

For the financial lease, minimum lease payments are divided between financial costs and decrease in the outstanding liability. Financial costs are allocated to each period over the duration of the lease, so that a constant interest rate is ensured for the residual amount of the liability.

2.12. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using 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 realizable value is the estimated selling price in the ordinary course of business, less applicable selling costs.

2.13. 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 provision for impairment. The Group revenue recognition policy is described in the Note 2.23.

The Group manages the risk of customers´ insolvency by financial guarantees received from customers which can be used in case the customers ´debts are not settled when became due.

Value adjustment of trade receivables is established when there is objective evidence that the Group will be not able to collect all the amount 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 are trade receivable is impaired. The amount of the value adjustment is the difference between the asset´s carrying amount and the present values of the estimated future cash flow discounted by the original effective interest rate.

IFRS 9 sets out a three-level model of impairment of financial assets, based on credit quality changes since their initial recognition. This model requires that a financial instrument that was not initially recognized with credit-based impairment is classified at level 1 and that its credit risk is continually monitored. If any significant increase in credit risk is detected after the initial recognition, the financial instrument is moved to level 2 but no credit-based impairment is introduced yet. If a financial instrument is affected by credit-based impairment, it is moved to level 3.

In case of level 1 receivables, an allowance is created in the amount equal to the portion of expected credit losses over the lifetime of the receivable resulting from possible defaults in the following 12 months. In case of level 2 or 3 receivables, an allowance is created on the basis of expected credit losses over the lifetime of the receivable. According to IFRS 9, future-oriented information have to be taken into account when creating an allowance. Purchased or incurred financial assets affected by a credit-based impairment are those financial assets that are impaired already at their initial recognition. In those cases, allowance is always created based on their lifetime (level 3).

Value adjustment of trade receivables is recognized through an allowance account. Impairment losses and their reversals, if any, are recognized in the Consolidated Statement of Comprehensive Income within other operating expenses or income. 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 Statement of Comprehensive Income within other operating income.

2.14. 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 three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method.

2.15. 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.

2.16. 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 taken 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 tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (an laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred 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 tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except 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 set off tax assets against tax liabilities and these relate to income taxes levied by the same taxation authority.

According to act No. 235/2012 Coll. the Group is obliged to pay special levy from business activities in regulated sectors. The levy is calculated from the profit realized according to the Slovak Act on Accounting. Total amount of this levy is included in the item „Income tax expense".

2.17. Grants and contributions related to acquisition of property and equipment

Grants and contributions are recognized at their nominal value where there is a reasonable certainty that the grant or contribution would be received and the Group would comply with all attached conditions. Grants and contributions relating to acquisition of property and equipment were accounted for by setting up the grant as deferred income, which was recognized as other income over the life of related depreciable asset in connection with the grant approved by EBRD for the Reconstruction – Structure 2, Part 2 an Structure 3 in Križovany, with the grant approved by EBRD for Lemešany – Košice – Moldava- Structure 4. The Group also has a grant approved by EBRD in the amount of EUR 76 million for Reconstruction of switching station 400/110 kV in Bystričany. This grant has been drawn partially in 2019.

2.18. Borrowings

Borrowings are recognized initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortized cost. The difference between the proceeds (net of transaction cost) and the redemption value is recognized in the Consolidated Statement of Comprehensive Income 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 month after the reporting date.

2.19. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, 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 provisions to be reimbursed, for example under an insurance contract, the reimbursement is recognized as an asset but only when the reimbursement is virtually certain.

If there is a onerous contract presented at the Group, the present obligation according to this contract is recognized and valued as a provision.

Where there are number of similar obligations, the likelihood that an outflow will be required in 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 in a low value.

The amount recognized as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date, i.e. the amount that the Group would rationally pay to settle the obligation. The estimate is determined by the judgement of the management and the Group´s lawyers. The provision represents the individual most likely outcome as the best estimate of the liability.

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 assessment of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognizes as interest expense.

2.20. Contingent liabilities

Contingent liabilities are not recognized in the Consolidated Financial Statements. They are disclosed in the Notes to the Consolidated Financial Statements, unless the possibility of an outflow of resources embodying the economic benefits is remote.

2.21. Trade payables

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

2.22. Employee benefits

The Group has both defined benefit and defined contribution plans.

Pension plans

A defined 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 fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(All amounts are in thousands Euros unless stated otherwise)

Unfunded defined benefit pension plan

The Group also has a long-term pension plan, which includes one-off payments at retirement in accordance with legal requirements and its Collective Agreement.

According to the Collective Agreement the Group is obliged, starting from year 2018,based on the number of years in service, to pay its employees on retirement or disability the following multiples of their average monthly salary:

Number of year in service	
0 – 5 included	7
Over 5 – 10 included	9
Over 10 – 15 included	10
Over 15– 20 included	11
Over 21	12

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

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

- compensation of electricity costs in amount of EUR 150 (2018: EUR 150) yearly for employees on retirement working for the Group for at least three years;
- benefit is in the amount of EUR 500 when the employee reaches the age of 50 and 60 (2018:500 EUR)

The Employees of the Group expect that the Group will continue to provide such benefits and, based on opinion of management, it is not probable that the Group would cease to provide such benefits in the future.

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

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

Actuarial gains and losses are recognized in the Consolidated Statement of Changes in Equity as incurred. Past-service costs are recognized immediately as an expense, unless the changes to the pension plan are conditional on the employees remaining in the service for a specified period of time (the vesting period). Otherwise, the past-service costs are amortized on a straight-line basis over the vesting period.

Defined contribution pension plans

The Group contributes to the government and private defined contribution pension plans.

The Group makes contributions to the government health, retirement benefit, 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% (2018: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law for such schemes together with contributions by employees of a further 13.4% (2018: 13.4%). The cost of these payments is charged to the Income Statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Group makes contributions to the supplementary scheme of 3% of the total of monthly wages, excluding severance payment and payments at retirement.

Profit sharing and bonus plans

Liabilities for any employees benefits in the form of profit sharing and bonus plans are recognized as other payables when there is no realistic alternative but no 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 Consolidated 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 Consolidated Financial Statements are authorized for issue
- bonuses or profit sharing may be determined before the Consolidated 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.

2.23. Revenue recognition

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

Revenue comprises the fair value of the consideration received or receivable for the sale of electricity transmission and transit and other services in the ordinary course of the Group´s activities. Revenues is shown, net of value-added tax, estimated returns, rebates and discounts.

Revenues should be posted at transaction prices at the time when the goods or services are transferred to the customer. Any promised goods or services that are distinct shall be charged separately and discounts or returns from the sales price must be allocated to individual items. If the price is variable for any reason, a minimum value that is highly unlikely to be derecognized must be posted.

The revenue is recognized when the respective service is rendered.

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.

2.24. Dividend distribution

Dividend distribution to the Group´s shareholders is recognized as a liability in the Group´s Consolidated Financial Statements in the period in which the dividends are approved by the Group´s shareholders.

2.25. Standards issued but not yet effective

The following new standards and interpretations have not yet become applicable as of 31 December 2019 and have not been used when preparing these financial statements. The Group does not expect these standards to have a material impact on its financial statements.

Standards and interpretations adopted by the European Union

Additions to the conceptual framework

The conceptual framework sets out:

- Objective of IFRS-based accounting
- Qualitative characteristics of useful financial information
- Definition of reporting unit
- Definitions of assets, liabilities, equity, income and expense
- Criteria for the recognition of assets and liabilities in the accounting statements and/or the procedure of their derecognition
- Valuation bases and instructions on when and how to use them
- Concept and approach to the presentation and disclosure of financial information

Reasons for revising:
- Fill in gaps in the current version – new arrangement concerning presentation, disclosure and valuation, definition of reporting unit
- Update the current arrangement – definition of assets and liabilities
- Clarify the current arrangement – role of uncertainty in valuation

Effective for accounting periods beginning on or after 1 January 2020.

Additions to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (definition of Material)

Effective for accounting periods beginning on or after 1 January 2020.

These additions explain and unify the definition of significance in order to improve consistency when using this principle in individual IFRS standards.

The Group does not expect that these additions, upon their initial application, shall have material impact on its financial accounts

Changes and additions to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

Effective from 1 January 2020. Delayed application is permitted. The additions deal with issues affecting financial reporting in the period before the IBOR reform; they are mandatory and apply to all hedging relations directly affected by uncertainties related to the IBOR reform. All companies with hedging affected by the IBOR reform, are required to comply with the following requirements:

- When assessing whether or not future cash flows are highly probable, the IBOR reform shall not change the interest rate reference value underlying the hedged cash flows. In case of any completed hedging relationships, the same assumption is used to determine whether it is expected that future cash flows will be hedged.
- Companies have to assess whether the economic relationship between the hedged item and the hedging instrument exists on the basis of assumptions that the interest rate reference value underlying the hedged item and the hedging instrument shall not change following the IBOR reform.

- Companies must not discontinue hedging relationships during the uncertainty period resulting from the IBOR reform solely due to the fact that the actual hedging results are not within the 80–125% range.
- Companies may apply any individually identifiable requirements only in the beginning of hedging relationship. A similar exception is also available for redesigned hedging items in hedging that are often redesigned, e.g. for macro hedging.

The accounting entity does not expect that the additions, when applied for the first time, will have any material impact on its financial statements.

Standards and interpretations that have not yet been adopted by the European Union

IFRS 17 Insurance Contracts

Effective for accounting periods beginning on or after 1 January 2021; it should be applied prospectively.

Delayed application is permitted. IFRS 17 replaces IFRS 4, adopted in 2004 as a temporary standard. IFRS 4 granted an exception for companies, allowing them to account for insurance contracts pursuant to national accounting standards, which resulted in a large diversity of methods. IFRS 17 deals with comparability issues caused by IFRS 4 and requires that all insurance contracts are accounted for consistently, which is beneficial for both investors and insurance companies. Liabilities from insurance shall be accounted for in their current value instead of their historical value.

The Group does not expect that these additions, when they are first applied, will have a significant impact on the presentation of its financial statements, because the Group is not an insurance provider.

Amendments to IFRS 3 Business Combination

Effective for accounting periods beginning on or after 1 January 2020. The additions narrow down the definition of enterprise and make it clearer. Furthermore, they allow for a simpler assessment whether or not an acquired set of activities and assets represents a set of assets or an enterprise. The Group does not expect that these additions, upon their initial application, shall have material impact on its financial accounts.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

The Amendments were issued on 23 January 2020. The amendments clarify some IAS 1 requirements relating to materiality, order of the notes, subtotals, accounting policies and disaggregation.

The Group is currently assessing the impact of the new standard on its financial statements.

(All amounts are in thousands Euros unless stated otherwise)

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture
European Commission has decided to postpone their adoption for indefinite period.

The amendments clarify that, in transactions with an affiliate or joint venture, any profit or loss is recognized to the extent and according to whether the sold or contributed asset represents an enterprise, as follows:

- Profit or loss is recognized in full if the transaction between the investor and its affiliate or a joint venture involves the transfer of asset or assets that represent an enterprise (regardless of whether it is placed in a subsidiary or not), while
- Profit or loss is recognized in part if the transaction between the investor and its affiliate or a joint venture includes assets that do not form an enterprise, even if the asset is placed in a subsidiary.

The Group does not expect that these supplements, when they are first applied, will have a significant impact on the presentation of its financial statements.

Group does not plan to apply the above-mentioned new standards, additions to standards and interpretations before their effective date. All new standards, amendments to standards and interpretations that are relevant to the Group will be applied by the Group when they become effective

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, interest rate risk, price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's performance. The Group uses derivative financial instruments to mitigate certain risk exposures, if necessary.

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

(i) Market risk

(a) Foreign exchange risk

The Group provides electricity transit services and auctions in which payments are denominated in EUR. Similarly, the Group recognizes part of purchases and credit financing with payments denominated in EUR.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
USD/CZK and other	0	-27	1	0

The impact of other currencies on the Group's operations is immaterial.

Based upon the sensitivity analysis of financial assets and liabilities recognized as at 31 December 2019, a 10 % strengthening/weakening, in the EUR against CZK would result in an increase/decrease in the Group's profit by EUR 0 thousand. The Group considers the risk is not significant as at reporting date.

(b) Price risk

The Group is not exposed to significant price risk, as it does not invest in equities.

(c) Operating risks – prices of services

The Group provides the electricity transmission of the Slovak Republic and directly associated activities. Moreover the Group carries out activities as organizer of spot electricity market.

Activities of the Group are subject to regulation by The Regulatory Office of Network Industries of the Slovak Republic (hereinafter the „URSO"), which in its decisions determines tariffs, prices and costs allowed the Group. URSO applies in its determinations procedures and formulas describe in the URSO ordinance based on the principles established by the Regulation Committee for the regulatory period.

The year 2019 is the second year of regulatory period 2017 – 2021. During this regulatory period is used the determination of prices for access to the transmission system and electricity transmission based on the price cap and tariffs for losses and system services are determined on the basis of maximum permitted costs.The main part of cost for the providing system services are costs for support services, and at the different types of the support services sets maximum prices of purchased services or the maximum allowable cost. Part of the cost for the providing of system services is assured by payment of fixed prices for regulated electricity procured within the framework of the GCC, which the Group together with operators in Czech and Hungarian transmission system use to prevent the supply of regulation electricity in opposite directions through the cross-border connections.

The operation fee serves as a state instrument to support the production of electricity from renewable sources and coverage of expenses incurred in the economic interest (mining of Slovak coal to generate electricity). The collection and payment of tariffs for system operation is part of the central billing of charges, which is one of the activities carried out by the Group.

Within Czech, Slovak, Hungarian and Romanian electricity market interconnection the Group acts as shipping agent. Respective revenues and costs are formed on the basis of payments for electricity transmission through cross-connections within the direct links on electricity markets. The prices for this transmitted electricity, as well as other fees associated to cross-border electricity transmission are not regulated by URSO.

The main part of the Group's revenue consists of revenues from URSO's tariffs that have been approved and issued in its ordinances (electricity transmission and reserved capacity revenues, revenues from tariffs for electricity losses in transmission, system services revenues and revenues from tariffs for organization activities of spot electricity market). Furthermore, the Group generates revenues related to cross border electricity transmission (clearing of international transfers revenues - ITC mechanism, from auctions and revenues from electricity transmitted through cross border connections within the links to electricity markets - Market Coupling) and revenues related to deviation of billing subjects.

The Groups's costs consists mainly costs for purchase of support services needed to provide system services, the cost of system operating, electricity purchase costs to cover losses and own consumption, the cost for payments related to deviations of billing subjects, the costs associated with cross-border electricity transmission and other costs needed for transmission system operation and operation of the Group.

(d) Cash flow interest rate risk

Skupina splatila posledný úver s variabilnou sadzbou v roku 2019. V období od 1.januára 2019 do 31.decembra 2019 má nesplatené dva dlhodobé investičné úvery s fixnou úrokovou sadzbou. Z uvedeného dôvodu Skupina nie je vystavená riziku úrokovej sadzby v dôsledku dlhodobých úverov.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

Operating revenues and operating cash flows of the Group are independent, to a large extent, of the changes in interest rates on the market. The Group does not have material interest – bearing assets other than cash and cash equivalents.

(ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including outstanding receivables. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group has implemented individual assessment of major customers credit risk. The input information for the assessment is payment discipline of customer, indicators from Financial Statements, available information on customer's indebtedness. Major customers include those with highest purchases of services. Payment conditions are set-up according to the results of the assessment. Average maturity of receivables upon sale of products and services is based on dates agreed in the contracts, i.e. 3 to 30 days.

The Group is managing risk of non-payment of customers through advance payment and guarantees.

As for the trade receivables, the Group carries out its activities with a few significant counterparties. Although the receivables of the Group are generated from a few customers only, the credit risk is limited due to character of the counterparties. All the customers are strategic Slovak companies engaged in the electricity business, most of them with an influence by the state.

The Group secures its credit risk with customers and partners operating on short-term electricity market and with participants of deviation settlement based on regulation rules through received bank guarantees or financial warranties. The Group can use them in case of customers' insolvency.

Maximum exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 1 150 thousand (Note 11).

The table below shows the balances of receivables due from bank and other cash and cash equivalents at the reporting date:

(All amounts are in thousands Euros unless stated otherwise)

		Balance as at 31 December	
Counterparty	**Rating[2]**	**2019**	**2018**
Banks[1]			
Všeobecná úverová banka, a.s.	A2	7 160	8 028
Tatra banka, a.s.	A3	97 514	84 109
Československá obchodná banka, a.s.	Baa1	10 006	7
Slovenská sporiteľňa, a.s.	A2	6 457	7 675
J & T Banka, a. s.	-	10 000	10 000
Poštová Banka, a. s.	-	10 018	4
Other	n/a	137	129
Total		**141 292**	**109 952**

[1] The amount of cash and short-term deposits at banks as at 31 December 2019 amounts to EUR 141 292 thousand (31 December 2018 EUR 109 952 thousand). As at 31 December 2019 cash and cash equivalents are at the Group's full disposal. Furthermore, the Group has agreed with those banks on credit lines on current accounts totalling EUR 3 550 thousand (31 December 2018: EUR 18 550 thousand), which were not utilized. The Group has bank borrowings as at 31 December 2019 of EUR 47 303 thousand (31 December 2018: EUR 44 885 thousand), and these credit lines were utilized.
[2] The Group uses the independent rating of Moody's and Standard & Poor's.

(iii) Liquidity risk

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

The Group manages liquidity risk by having an option to utilize 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 between 3 to 60 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, and
- expected future cash outflows securing operation 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 liquidity reserve comprises un-drawn borrowing facility and cash equivalents on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual 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.

(All amounts are in thousands Euros unless stated otherwise)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2019				
Bank loans	17 205	17 199	12 899	0
Finance lease	460	369	483	179
Trade and other payables excluding liabilities not falling under IFRS 7	158 844	0	0	0
Total	176 509	17 568	13 382	179
At 31 December 2018				
Bank loans	12 588	32 297	0	0
Trade and other payables excluding liabilities not falling under IFRS 7	144 537	0	0	0
Total	157 125	32 297	0	0

3.2. Capital risk management

The parent company's objectives of managing capital are to safeguard the company'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 parent company's management manages shareholders capital reported under IFRS adopted by the European Union at 31 December 2019 in value EUR 651 533 thousand (31 December 2018: EUR 633 212 thousand).

Consistent with others in the industry, the parent company' management monitors capital on the basis of the gearing ratio. This ratio is calculated as follows:

	31 December 2019	**31 December 2018**
Total equity and liabilities	1 058 781	1 011 415
Equity (Note 13)	651 533	633 212
Equity to Total equity and liabilities ratio	62%	63%

The parent company's strategy was unchanged from 2018, i.e. to maintain Equity to Total liabilities and equity ratio above 35%, which is compliant with externally imposed capital requirements. During 2019 and 2018 the Group complied with the externally imposed capital requirements (Note 15).

3.3. Fair value estimation

The fair value of financial instruments is based on inputs other than quoted market prices as at the reporting date.

The carrying value less impairment provision of trade financial assets and liabilities are assumed to approximate their fair values.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future periods. The accounting estimates due to its nature, would differ from actual results realized in future period. Critical estimates and assumptions that bear a risk that their change will cause a material adjustment to the carrying amounts of assets and liabilities within the future, are described below.

(i) Regulated revenues

The Group provides the transmission of electricity through the transmission system of the Slovak Republic and directly related activities to the transmission system. Moreover the Group carries out activities of the organizer of short-term electricity market.

The Group's activities are regulated by The Regulatory Office of Network Industries of Slovakia (hereinafter the „URSO), which in its decisions determines tariffs, prices, allowed costs and allowed revenues of the Group. URSO applies in its determinations procedures and formulas described in the URSO ordinance based on the principles established by the Regulation Committee for the regulatory period.

The year 2019 is the second year of regulatory period 2017 – 2021. During this regulatory period is used the determination of prices for access to the transmission system and electricity transmission based on the price cap and tariffs for losses and system services are determined on the basis of maximum permitted costs.The main part of cost for the providing system services are costs for support services, and at the different types of the support services sets maximum prices of purchased services or the maximum allowable cost. Part of the cost for the providing of system services is assured by payment of fixed prices for regulated electricity procured within the framework of the GCC, which the Group together with operators in Czech and Hungarian transmission system use to prevent the supply of regulation electricity in opposite directions through the cross-border connections.

The main part of the Group's revenues consist of revenues from URSO's tariffs that have been approved and issued in its ordinances (electricity transmission and reserved capacity revenues, revenues from tariffs for electricity losses in transmission, system services revenues and for the performance of activities of short-term electricity market). In addition to, the Group generates revenues related to cross border transmission of electricity (revenues from the clearing of international transfers - ITC mechanism, from auctions and revenues from electricity transmitted through cross border connections within the links to electricity markets - Market Coupling),), revenues for the regulation of electricity and revenues variations related to accounting entities, where the prices for the transmission are not determined by the Office.

For more details on description related to revenues see Note 3.1 (i) (c).

(ii) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions (Note 19).

(All amounts are in thousands Euros unless stated otherwise)

(iii) Revaluation of property, plant and equipment

The main operating assets of the Group are assets used for electricity transmission. In the past, the Group valued assets at the historical acquisition costs. As at 31 December 2011 and 2016 the Group applied the revaluation model to fair value according to IAS 16 for property, plant and equipment, except for the classes of assets containing vehicles, inventory and artwork. Revaluation of property was made by an independent expert who used a net realizable value. In case of increase of the assets book value during revaluation, the analysis of the possible impairment was performed based on the determining value in use (present value of the current cash flows expecting from the use of property). The result of the revaluation was and increase of the assets and related increase in other comprehensive income accumulated in equity. Assumptions used in the revaluation model are based on the independent expert. The final reported book values of these assets and related revaluation differences are not necessarily the values at which these assets may have been or will be sold.

The Group also evaluated the expected remaining useful life of the property, plant and equipments based on the expert opinion as stated above.

	2019	2018
Buildings, halls, networks, constructions	10 – 60 years	10 – 60 years
Machinery, equipment and vehicles	2 - 50 years	4 - 50 years
Other non-current tangible assets	4 years	4 years

There are uncertainties regarding future economic conditions, technology changes and business environment in the sector or regulations by URSO, which may result to future possible adjustments to the estimated revaluations and useful life of property, plant and equipment. This may significantly change the reported amount of assets, equity and profit of the Group in the future.

(iv) Impairment test

As at 31 December 2019, the parent company performed a revaluation of the impairment losses for property, plant and equipment in accordance with IAS 36 on the basis of assessment of their future use, disposal or sale and was concluded that all assets used in the regulated activities relating to the transmission of electricity represent as a whole one cash generating unit. Based on the analysis, the Group concluded that the assets used for regulated activities related to electricity transmission are not impaired.

(All amounts are in thousands Euros unless stated otherwise)

5 Property, plant and equipment

	Land (revaluated)	Buildings, halls and construction (revaluated)	Machinery and equipment** (revaluated)	Vehicles and other assets *** (cost)	Capital work in progress including advances (CIP) (cost)	Total
At 1 January 2018						
Cost	16 014	567 868	248 578	49 291	49 908	931 659
Accumulated depreciation and impairment charges	0	-59 572	-43 705	-16 633	0	-119 910
Net book value	16 014	508 296	204 873	32 658	49 908	811 749
Year eneded 31 December 2018						
Opening net book value	16 014	508 296	204 873	32 658	49 908	811 749
Addidions	0	0	0	0	60 778	60 778
Transfers	89	16 829	2 742	32 880	-52 540	0
Disposals	-89	-156	-422	-9	0	-676
Depreciation charges	0	-29 633	-18 461	-6 816	0	-54 910
Impairment charges	0	0	0	4	0	4
Closing net book value	**16 014**	**495 336**	**188 732**	**58 717**	**58 146**	**816 945**
At 31 December 2018 after revaluation						
Cost	16 014	583 985	250 214	81 470	58 146	989 829
Accumulated depreciation and impairment charges	0	-88 649	-61 482	-22 753	0	-172 884
Net book value	**16 014**	**495 336**	188 732	58 717	**58 146**	**816 945**
At 31 December 2018 in historical costs						
Costs	8 727	627 771	443 537	86 187	58 181	1 224 403
Accumulated depreciation and impairment charges	0	-222 532	-268 509	-27 347	0	-518 388
Net book value	8 727	405 239	175 028	58 840	58 181	706 015
Year ended 31 December 2019						
Opening net book value	16 014	495 336	188 732	58 717	58 146	816 945
Additions	0	0	0	0	76 971	76 971
Transfers	8	14 652	1 104	27 209	-42 973	0
Disposals	-33	-51	-595	0	0	-679
Deprereciation charges	0	-24 397	-16 355	-8 530	0	-49 282
Impairment charges	0	0	0	0	0	0
Closing net book value	**15 989**	**485 540**	**172 886**	**77 396**	**92 144**	**843 955**

(All amounts are in thousands Euros unless stated otherwise)

	Land (revaluated)	Buildings, halls and construction (revaluated)	Machinery and equipment** (revaluated)	Vehicles and other assets *** (cost)	Capital work in progress including advances (CIP) (cost)	Total
At 31 December 2019 after revaluation						
Cost	15 989	592 934	248 325	108 041	92 144	1 057 433
Accumulated depreciation and impairment charges	0	-107 394	-75 439	-30 645	0	-213 478
Net book value	15 989	485 540	172 886	77 396	92 144	843 955
At 31 December 2019 in historical costs						
Costs	8 705	640 771	431 392	112 263	92 009	1 285 140
Accumulated depreciation and impairment charges	0	-236 558	-269 033	-34 678	0	-540 269
Net book value	8 705	404 213	162 359	77 585	92 009	744 871

** Includes IT equipment belonging to switchyards that was revalued.
*** Includes inventory, other fixed tangible assets, works of art and collections and IT not belonging to switchyards.

The first revaluation of property, buildings, halls, lines and structures took place on 1 January 2011.

The Group updated the revaluation as at 1 January 2016. The revaluation resulted in increase of the accounting value of property, plant and equipment by EUR 20 876 thousand, increase of the deferred tax liability by EUR 4 593 thousand, increase of profits by EUR 130 thousand and increase of revaluation gains in other comprehensive income accumulated as a revaluation surplus within equity in the amount of EUR 16 154 thousand after taking the effect of deferred taxes into account.

Revaluation of assets to fair value was performed by an independent expert using a net realizable value; he also assessed the useful life of each asset item. The revaluation resulted in a reduction of annual depreciation by EUR 2 255 thousand in 2016 compared to the previous accounting period.

As at 1 January 2016, an independent expert who is in no way related to the Group performed update of the revaluation of land, buildings, halls, lines and structures, machinery and equipment and other revalued assets on the basis of observed state and determination of replacement costs of assets, with reference to records of current market transactions for similar property items and methodology for net realizable value. Net realizable values are based on current purchase prices at which assets could be acquired as new and the estimated residual values, which are based on current acquisition costs of the assets, useful life and age of existing assets (net realizable value less depreciation methodology).

As at 31 December 2019 the Group reviewed all internal and external impairment indicators. The Group did not identify such indicators that would require performing of impairment test as at 31 December 2019.

As at 31 December 2019, the most significant items within property, plant and equipment represent: substations and administrative buildings in revalued net book value of EUR 367 460 thousand, in historical net book value of EUR 341 604 thousand (31 December 2018: revalued net book value of EUR 364 378 thousand, historical net book value of EUR 334 307 thousand); transmission lines at revalued net book value of EUR 339 908 thousand, in historical net book value of EUR 273 036 thousand (31 December 2018: revalued net book value of EUR 351 247 thousand, in historical net book value of EUR 276 395 thousand).

Non-current assets under construction consists mainly of EUR 14 928 thousand for upgrade and innovation RIS SED Žilina (31 December 2018: EUR 7 931 thousand), EUR 4 971 thousand for 2x400kV transmission line ESt Rimavská Sobota – state border (31 December 2018: EUR 1 488 thousand), EUR 9 521 thousand for the Bystričany 400 kV substation from the grants (31 December 2018: EUR 6 705 thousand), EUR 12 243 thousand for remote management of substation in ES Podunajské Biskupice (31 December 2018: EUR 3 319 thousand), EUR 7 839 thousand for transformation 2x400 kV in Bystričany - Križovany (31 December 2018: EUR 6 741 thousand), EUR 2 266 thousand for remote management of substation in ES Spišská Nová Ves (31 December 2018: EUR 11 725 thousand), EUR 1 965 thousand for transformation 2x400 kV Bystričany – Horná Ždaňa (31 December 2018: EUR 1 930 thousand), EUR 1 027 thousand for Bystričany 400 kV substation (31 December 2018: EUR 905 thousand), EUR 1 213 thousand for TR 400/110 kV Bystričany – T401 (31 December 2018: EUR 642 thousand), EUR 1 216 thousand for the 2x400 kV line from Veľký Meder to Hungarian border (31 December 2018: EUR 1 179 thousand), EUR 1 508 thousand for the 400 kV Križovany substation – enlargement financed using a grant (31 December 2018: EUR 635 thousand), EUR 3 034 for Rimavská Sobota 400 kV substation– extension (31 December 2018: EUR 266),EUR 16 552 thousand for 400 kV double line Bystričany – Križovany financed using a grant (31 December 2018: EUR 882 thousand), EUR 0 for the upgrade of remote SCADA RIS clients (31 December 2018: EUR 837 thousand), EUR 0 for the upgrade of MUX equipment (31 December 2018: EUR 2 325), EUR 0 for extension of Horná Ždaňa 400 kV substation from grants (31 December 2018: EUR 4 051 thousand), EUR 0 for Horná Ždaňa 400 kV substation– extension (31 December 2018: EUR 520 thousand), These assets are not available for use at the reporting date.

In 2019, borrowing costs are capitalized in accordance with Group accounting policies, borrowing costs are capitalized and therefore the Group capitalized interest amounting EUR 0 (31 December 2018: EUR 0 thousand) as a part of the acquisition cost of non-current assets. The effective interest rate related to capitalization as at 31 December 2019 amounted 1.26% p.a. (31 December 2018: 1.28% p.a.).

(All amounts are in thousands Euros unless stated otherwise)

The following table includes property leased by the Group as lessor under operating lease agreements:

	Land, buildings and structures	Plan, machinery and equipment	Total
As at 31 December 2019			
Cost	22 337	10	22 347
Accumulated depreciation	-3 301	-8	-3 309
Net vaule as at 31 December 2019	19 036	2	19 038
As at 31 December 2019			
Historical acquistion cost	25 252	20	25 272
Accumulated depreciation historical	-6 901	-19	-6 920
Historical net book value as at 31 December 2019	18 351	1	18 352
As at 31 December 2018			
Cost	22 348	10	22 358
Accumulated depreciation	-2 495	-8	-2 503
Net vaule as at 31 December 2018	19 853	2	19 855
As at 31 December 2018			
Historical acquistion cost	25 328	20	25 348
Accumulated depreciation historical	-6 293	-19	-6 312
Historical net book value as at 31 December 2018	19 035	1	19 036

The Group also leases optic fibres and circuits. The value of such fibres and circuits cannot be reasonably estimated, as they are part of other assets that are used by the Group.

There are no restrictions of ownership relating to property, plant and equipment other than those disclosed in these Notes to the Financial Statements. No property, plant and equipment has been pledged.

(All amounts are in thousands Euros unless stated otherwise)

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

The Group has insured its assets against the following risks:

Insured object	Type of insurance	Amount insured as at 31 Dec 2019 in ths. EUR	Name of the insurance company
Buildings, halls and constructions	Damage or total loss (natural disaster)	217 370	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Machines, tools and equipment, vehicles without car licence plates, transformers, RRB – radio relay point, cables	Damage or total loss (natural disaster)	613 424	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A.,, Generali Poisťovňa, a. s.)
Elevated line	Damage or total loss (natural disaster)	731 368	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A.,, Generali Poisťovňa, a. s.)
Office equipment	Damage or total loss (natural disaster)	1 775	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Inventory and other tangible assets	Damage or total loss (natural disaster)	1 331	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Scheduled capital expenditures, automatic coverage of new assets	Damage or total loss (natural disaster)	93 746	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Inventories	Damage or total loss (natural disaster)	1 500	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)

(All amounts are in thousands Euros unless stated otherwise)

Insured object	Type of insurance	Amount insured as at 31 Dec 2019 in ths. EUR	Name of the insurance company
Cash, valuables, stamps and vouchers, documentary securities deposited in the vaults and mailboxes	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	17	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Set of movable tangible fixed assets, cables, elevated power line	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	332	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Inventory and other TFA	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	291	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Inventories, construction components	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	166	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Measuring devices, cables, and laptops in motor vehicles	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	66	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Machinery, equipment and cables	Insurance of machinery and equipments (damage or destruction of machinery)	591 146	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Scheduled capital expenditures	Insurance of machinery and equipments (damage or destruction of machinery)	65 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)
Insurance of cybernetic risks		500	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, Colonnade Insurance S.A., Generali Poisťovňa, a. s.)

Insured object	*Type of insurance*	**Amount insured as at 31 Dec 2019 in ths. EUR**	**Name of the insurance company**
Terrorism		10 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (Spolupoisťovateľ: Kooperativa poisťovňa, a. s. Vienna Insurance Group, Colonnade Insurance S.A, Generali Poisťovňa, a. s.)

Compared to 2018, there was a change in terrorism risk insurance and in one of the consortium insurance companies.

(All amounts are in thousands Euros unless stated otherwise)

6 Intangible assets

	Software and other intangible assets	Intangible assets not yet in use	Total
At 1 January 2018			
Cost	63 654	2 330	65 984
Accumulated amortisation	-53 116	0	-53 116
Net book value	**10 538**	**2 330**	**12 868**
Year ended 31 December 2018			
Opening net book amount	10 538	2 330	12 868
Additions	0	5 202	5 202
Transfers	2 598	-2 598	0
Disposals	0	0	0
Depreciation charges	-5 071	0	-5 071
Closing net book value	**8 065**	**4 934**	**12 999**
At 31 December 2018			
Cost	60 305	4 934	65 239
Accumulated amortisation	-52 240	0	-52 240
Net book value	**8 065**	**4 934**	**12 999**
Year ended 31 December 2019			
Opening net book amount	8 065	4 934	12 999
Additions	0	6 514	6 514
Tranfers	8 784	-8 784	0
Disposals	0	0	0
Depreciation charges	-3 421	0	-3 421
Closing net book value	13 428	2 664	16 092
At 31 December 2019			
Cost	69 075	2 664	71 739
Depreciation charges	-55 647	0	-55 647
Net book value	**13 428**	**2 664**	**16 092**

The computer software consists mainly of software SAP, Damas Energy, ISZO and ISOT, ISOM, ISCF and RRM. Net book value of SAP is EUR 326 thousand (31 December 2018: EUR 320 thousand), remaining amortization period is 4 years. Net book value of Damas Energy is EUR 199 thousand (31 December 2018: EUR 256 thousand), remaining amortization period is 1 year. Net book value of ISZO and ISOT are EUR 942 thousand (31 December 2018: 1 223 thousand), remaining amortization period is 4 years.

(All amounts are in thousands Euros unless stated otherwise)

Intangible assets not yet in use include EUR 1 071 thousand for upgrade and innovation RIS SED Žilina (31 December 2018: EUR 1 071 thousand), 357 thousand EUR for II. phase of implementation of new office information system, (31. december 2018: EUR 335 thousand EUR), EUR 447 thousand for implementation of security systems (31. december 2018: EUR 235 thousand), EUR 419 thousand for digitalisation process (31. december 2018: EUR 90 thousand), 0 EUR for a new registry management system (31 December 2018: EUR 782 thousand).

Internally generated intangible assets are immaterial.

There are no restrictions of ownership relating to intangible assets and no intangible assets are pledged

7 Shares and other investments

	2019	2018
At the beginning of the year	**631**	**200**
Additions	0	431
Disposals	0	0
At the end of the year	631	631

Eight providers of transmission systems: Verbund - Austrian Power Grid AG, ČEPS, a.s., Electro-Slovenija d.o.o., E.ON Netz GmbH, MAVIR Hungarian TSO Company Ltd., PSE-Operator S.A., SEPS and Vattenfall Europe Transmission GmbH established, in 2008, Central Auction Office (CAO) based in Gute Änger 15, Freising, Germany for the purpose of introducing regional coordinated management of network overloading. In year 2013 the Group had share on the capital 12.5 %. On 23 May 2014 was entered in the German Register a new parner - Croatian provider HOPS d. o. o. and Company's share on the capital was reduced to 11.11%.

The General Assembly of the Central Allocation Office GmbH (CAO) and the Capacity Allocation Service Company.EU S.A. (CASC.EU), two regional offices for allocating cross-border capacity for electricity transmission, on 24 June 2015 approved the merger agreement and the creation of a Joint Allocation Office (JAO).

JAO is a service company founded by twenty-five transmission system operators of the twenty two countries - 50Hertz (Germany), IPTO(Greece), Amprion (Germany), APG (Austria), ČEPS (Czech Republic), CREOS (Luxembourg), ELES (Slovenia), ELIA (Belgium), EnerginetDK (Denmark), HOPS (Croatia) MAVIR (Hungary), PSE (Poland), RTE (France), Slovenská elektrizačná prenosová sústava, a.s./ SEPS, Statnett (Norway), Swissgrid (Switzerland) TenneT (Germany), TenneT (Netherlands), Terna (Italy), TransnetBW (Germany), Moyle (Northern Ireland) aund Eirgrid (Ireland), EMS Elektromreza Srbije AD (Serbia), ESO Elektroenergien Sistement Operator EAD (Bulgaria) . Its main task is to conduct an annual, monthly and daily auctions of rights to transmit electricity in Europe and act as backup for the European Market Coupling.

New allocative platform was established on 1 September 2015. Following the merger until the end of 2015, both agencies operated in parallel to ensure the uninterrupted implementation of monthly and daily auctions on all relevant borders. All acts and activities are fully moved to Luxembourg in the first quarter of 2016. For the year 2019 are not available data about equity and profit/loss yet. The Company does not expect that the investment is impaired.

In June 2018, parent company became a shareholder of TSCNET Services GmbH (TSCNET). TSCNET is one of the European Regional Security Coordinators (RSC) based in Munich, Germany.

(All amounts are in thousands Euros unless stated otherwise)

TSCNET provides integrated services for the operators of transmission systems and their dispatching centres in order to maintain the operational safety of the power grid. TSCNET shareholders are also the organization's major customers. At present, the following 14 transmission system operators from twelve European countries are the organization's shareholders: 50Hertz (Germany), Amprion (Germany), APG (Austria), ČEPS (Czech Republic), ELES (Slovenia), HOPS (Croatia), MAVIR (Hungary), PSE (Poland), SEPS (Slovakia), Swissgrid (Switzerland), TenneT (Germany), TenneT (Netherlands), TransnetBW (Germany) and Transelectrica (Romania). For 2019, data on equity and profit or loss is not yet available. The Groupdoes not expect any impairment of the investment.

8 Assets representing the right of use

Group as lessee

The Group leases buildings, land, machinery, etc. Lease contracts are concluded for lease periods ranging from 3 years to indefinite period.

The following table shows the overview of rights of use of the leased assets according to IFRS 16, reported as part of real property, machinery and equipment:

	Land, buildings and structures	Machines and equipment	Total
As at 1 January 2019	-	-	-
Impact of IFRS 16	**426**	**1 115**	**1 541**
Additions	148	469	617
Depreciation	-27	-345	-372
Disposals	-351	-1	-352
As at 31 December 2019	**196**	**1 238**	**1 434**

9 Financial instruments by category

The reconciliation of classes of financial instruments with measurement categories under IFRS 9 is as follows:

As at 31 December 2019	Financial liabilities at fair value through profit and loss	Other financial liabilities-carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	0	91 653	91 653
Received guarantees	0	66 060	66 060
Liabilities due from derivative financial instruments	0	0	0
Payables due to employees	0	1 624	1 624
Social security	0	938	938
Other payables	0	1 131	1 131
Bank loans	0	48 794	48 794
Total	0	210 200	210 200

(All amounts are in thousands Euros unless stated otherwise)

As at 31 December 2019	Financial assets at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	0	40 901	40 901
Receivables due from derivative financial instruments	0	0	0
Other receivables	0	907	907
Cash at bank and in hand	0	141 292	141 292
Short-term bank deposits	0	0	0
Total	0	183 100	183 100

As at 31 December 2018	Financial liabilities at fair value through profit and loss	Other financial liabilities-carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	0	82 190	82 190
Received guarantees	0	61 663	61 663
Liabilities due from derivative financial instruments	0	0	0
Payables due to employees	0	1 369	1 369
Social security	0	863	863
Other payables	0	684	684
Bank loans	0	44 885	44 885
Total	0	191 654	191 654

As at 31 December 2018	Financial assets at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	0	50 573	50 573
Receivables due from derivative financial instruments	0	0	0
Other receivables	0	322	322
Cash at bank and in hand	0	109 952	109 952
Short-term bank deposits	0	0	0
Total	0	160 847	160 847

(All amounts are in thousands Euros unless stated otherwise)

10 Inventories

	As at 31 December	
	2019	2018
Advance payments made for inventory	1 515	0
Materials and spare parts	1 049	858
	2 564	858

The Group has no limited right to dispose with inventory and does not use them to guarantee its liabilities.

11 Trade and other receivables

	As at 31 December	
	2019	2018
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	39 706	49 329
Past due but impaired trade receivables	0	0
Past due but not impaired trade receivables	99	150
Individually impaired trade receivables	1 096	1 094
Trade receivables (before provision for impairment)	**40 901**	**50 573**
Less: Provision for impairment of receivables	-1 150	-1 099
Trade receivables - net	**39 751**	**49 474**
VAT receivable	953	1 569
Claim on grant	0	663
Prepayments	8	17
Other receivables	907	322
Prepaid expenses and accrued income	1 041	1 239
Other receivables - net	2 909	3 810
Total trade and other receivables	42 660	53 284

The claim for grant represents the grant for project V480 / V481 Veľký Meder - SR border and V446 / V447 Rimavská Sobota - SR border in the amount of EUR 0 (31 December 2018: EUR 663 thousand).

Long-term receivables include the amount of EUR 2 468 thousand related to the refinancing of costs of capital construction within the Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2018: EUR 2468 thousand), the amount of EUR 1 079 thousand related to the refinancing of costs of capital construction within Podunajské Biskupice incurred by Západoslovenská distribučná, a.s.(31 December 2018, 0 EUR), the amount of EUR 3 500 thousand related to the refinancing of costs of capital construction withinthe Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2018: EUR 3 500 thousand) and the amount of EUR 2 288 thousand related to the refinancing of costs of capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2018: EUR 2 288), the amount of EUR 786 thousand related to the refinancing of costs of capital construction within Est Bystričany power station (31 December 2018 EUR 0).

(All amounts are in thousands Euros unless stated otherwise)

The analysis of trade receivables by the remaining period to maturity is shown in the following table:

	As at 31 December 2019	2018
Receivables within due date	39 706	49 329
Overdue receivables	1 195	1 244
Total	**40 901**	**50 573**

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

	As at 31 December 2019	2018
Slovenské elektrárne, a.s.	335	408
Západoslovenská distribučná, a. s.	2 766	3 053
Západoslovenská energetika Energia, a. s.	6 378	6 398
Stredoslovenská energetika, a. s.	4 391	5 000
Stredoslovenská energetika Distribúcia, a. s.	1 836	1 831
Východoslovenská energetika, a. s.	2 886	3 913
Východoslovenská distribučná, a. s.	1 154	1 283
ČEPS, a. s.	2 762	3 722
MAVIR	1 939	7 502
Other	15 259	16 219
Neither past due or impaired trade receivables	**39 706**	**49 329**

All receivables that are neither past due nor impaired are classified as trade receivables. The credit quality of receivables that are neither past due nor impaired is monitored regularly by the management of the parent company. Although the receivables of the Group are generated from a few customers only, the credit risk is limited due to character of the counterparties. Most of the customers are strategic Slovak companies, most of them engaged in electricity business, with an influence by the state.

Credit risk of participiant on electricity short-term market and deviation settlement participant is covered by received guarantee or financial warranty.

As at 31 December 2019 trade receivables of EUR 99 thousand (31 December 2018: EUR 150 thousand) were past due but not impaired. Their ageing analysis is as follows.

	As at 31 December 2019	2018
1 to 90 days	44	150
91 to 180 days	55	0
Total past due but not impaired trade receivables	**99**	**150**

As at 31 December 2019, the Group recorded individually impaired trade receivables in the gross amount of EUR 1 096 thousand (2018: EUR 1 094 thousand). As at 31 December 2019 was created provision in the amount of EUR 1 095 thousand (2018: EUR 1 094 thousand). The Group created the impairment provision of EUR 55 thousand for the expected loss on trade receivables that are not individually impaired as at 31 December 2019 (2018 EUR 5 thousand).

(All amounts are in thousands Euros unless stated otherwise)

The ageing of these receivables is as follows:

	As at 31 December 2019	2018
from 180 to 360 days	0	0
over 361 days	1 096	1 094
Total individually impaired receivables	**1 096**	**1 094**

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

	2019	2018
At the beginning of the year	1 099	1 094
Additional provision for receivables impairment	1	0
Additional provision for receivables according IFRS 9	50	5
Unused amounts released	0	0
Receivables written-off as uncollectible	0	0
At the end of the year	**1 150**	**1 099**

No receivables have been pledged as collateral. The Group does not have any restrictions to deal with receivables.

12 Cash and cash equivalents

	As at 31 December 2019	2018
Cash at bank and in hand	111 292	99 952
Short-term bank deposits	30 000	10 000
	141 292	109 952

As at 31 December 2019 cash and cash equivalents were fully available for the Group's use. The Group has two bank accounts with deposited guarantees for deviations of daily market with electricity (31 December 2019: EUR 27 591 thousand, 31 December 2018: EUR 22 322 thousand) and daily market with electricity (31 December 2019: EUR 19 191 thousand, 31 December 2018: EUR 20 490 thousand).

(All amounts are in thousands Euros unless stated otherwise)

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

	As at 31 December 2019	2018
Cash and bank balances and depoisits with original maturities of less than three months	141 292	109 952
Cash and bank balances and deposits with original maturities of more than three months	0	0
	141 292	109 952

The carrying amounts of cash and cash equivalents as of 31 December 2019 are not substantially different from their fair value. The maximum exposure to credit risk is limited by the carrying value of cash and cash equivalents.

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

13 Shareholder's Equity

As at 31 December 2019, the registered capital consisted of: 105 bearer shares at a nominal value of EUR 1 000 000. The parent company has no subscribed capital that has not been entered in the Commercial Register. Legal reserve fund has attained the the minimum amount of mandatory contribution under Commercial Code as at 31 December 2019.

The parent company has no subscribed capital that has not been entered in the Commercial Register.

Shares are associated with equal rights.

Legal reserve fund is obligatorily created from profit of the parent company in accordance with the Slovak Commercial Code. According to the Commercial Code, the parent company is obliged to create a legal reserve fund in the amount of 10% of the share capital at the time of the incorporation of the parent company. This amount must be increased annually by at least 10 % from net profit until the Legal reserve fund achieves 20 % of the share capital. Use of this fund is restricted under the Commercial Code only to cover losses of the parent company and it is no a distributable reserve. Legal reserve fund amounted to EUR 21 395 thousand as at 31 December 2019 (as at 31 December 2018: EUR 21 320 thousand).

Other capital reserves comprise statutory fund of EUR 178 103 thousand (2018: EUR 162 294 thousand) and differences from revaluation of assets amounted to EUR 81 312 thousand (31 December 2018: EUR 91 102 thousand).

The statutory fund to finance future capital expenditures is used to accumulate internal funds of the parent company generated from profit dedicated to cover future capital expenditures. In 2019, the parent company contributed to this fund the amount of EUR 15 255 and subsidiary the amount of EUR 554 thousand (31 December 2018: EUR 403). The rules for the use of funds allocated to the statutory fund for capital expenditures are governed by the general financing principles of the parent company in relation to capital expenditures, and by the acquisition guidelines. Funds on the statutory fund to finance capital expenditures are accumulated from amounts allocated to the statutory fund based on the decision of General Meeting.

(All amounts are in thousands Euros unless stated otherwise)

The movements in revaluation assets fund are presented in the table below:

	2019
At the start of the period	91 102
Revaluation surplus reclassified to retained earnings as at 31 December 2019	-12 504
Deferred tax on revaluation surplus as at 31 December 2019	2 626
Deferred tax related to changes in tax rates and special levy from profit in regulated industry	88
At the end of the period	**81 312**

	2018
At the start of the period	105 660
Revaluation surplus reclassified to retained earnings as at 31 December 2018	-19 457
Deferred tax on revaluation surplus as at 31 December 2018	4 086
Deferred tax related to changes in tax rates and special levy from profit in regulated industry	813
At the end of the period	**91 102**

The parent company believes that the property revaluation surplus is not immediately available for distribution to the shareholders. Parts of the revaluation surplus are reclassified to retained earnings by the difference between depreciation of the revaluated values and original acquisition costs of the property. The rest of the revaluation is reclassified into retained earnings at the sale and disposal of the assets.

The General Meeting held on 16 May 2019 approved the Financial Statements of parent company for 2018. In 2019 were approved dividend for 2018 in the amount of EUR 476 190.48 (rounded) per share at the nominal value of EUR 1 000 000 (in 2018: EUR 561 904.76 rounded amount).

The profit accounting of the parent company for the year 2018 of EUR 50 958 thousand was distributed as follows:

	2019 profit distribution	**2018 profit distribution**
Dividends paid	50 000	59 000
Appropriation to the Statutory Fund	554	403
Appropriation to the Reserve Fund	75	57
Transfer to retained earnings	329	15 268
Total	**50 958**	**74 728**

(All amounts are in thousands Euros unless stated otherwise)

14 Trade and other payables

	As at 31 December 2019	2018
Trade payables	91 653	82 190
Received guarantees	66 060	61 663
Payables due to employees	1 624	1 369
Social security	938	863
Accrued personnel expenses	3 670	4 387
Social fund	240	205
Other payables	1 131	684
Total	165 316	151 361

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

Liabilities include the amount of EUR 700 thousand relating to deliveries for investment shares not invoiced as of 31 December 2019 (31 December 2018: EUR 920 thousand). The long-term part of this payables is recognized in other non-current liabilities in the amount of EUR 359 thousand.

No payables are secured by a lien or other collateral.

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

	As at 31 December 2019	2018
Payables not yet due	162 603	149 435
Overdue payables	2 713	1 926
Total	165 316	151 361

Social Fund

Appropriations to and withdrawals from the social fund during the accounting period are shown in the following table:

	2019	2018
Opening balance at 1 January	**205**	**150**
Creation	1 045	999
Usage	-1 010	-944
Closing balance at 31 December	240	205

(All amounts are in thousands Euros unless stated otherwise)

15 Bank loans and finance lease liabilities

	As at 31 December	
	2019	**2018**
Non-current		
Long-term portion of bank loans (a)	30 098	32 297
	30 098	**32 297**
Current		
Short-term portion of bank loans (a)	17 205	12 588
	17 205	**12 588**

(a) Bank loans

The maturity of bank loans is as follows:

	As at 31 December	
Maturity	**2019**	**2018**
Short-term portion of bank loans	17 205	12 588
Long-term portion of bank loans		
1-5 years	30 098	32 297
over 5 years	0	0
Total	**47 303**	**44 885**

The fair value of current borrowing approximates their carrying amount, as the impact of discounting is not significant.

The Group has the following unoverdraft borrowing facilities:

	As at 31 December	
	2019	**2018**
Floating rate:		
expiring within one year	0	3 550
expiring beyond one year	3 550	0
Fixed rate		
expiring within one year	0	15 000
expiring beyond one year	0	0
Total	**3 550**	**18 550**

Loans from VÚB, a.s., Slovenská sporiteľňa, a.s. and Tatra banka, a.s. include certain financial covenants related to limits on debt ratios, interest coverage and debt to operating profit ration calculated on the basis of the individual financial statements of the parent company. The parent company complied with these covenants at the reporting date of these Consolidated Financial Statements.

The effective interest rates at the reporting date were as follows:

	2019	2018
Bank borrowings	1.26%	1.28%

(All amounts are in thousands Euros unless stated otherwise)

Structure of bank loans as at 31 December 2019 is as follows:

Bank/Creditor			**31 December 2019**	**31 December 2018**	**Interest rate % p. a.**	**Maturity**	**Collateral**	**Part due in next 12 months**	**Part due after 12 months**
Credit cards Tatra banka, a. s.	operating	EUR	6	-	-	January 2020		6	-
Tatra banka, a.s.	Investment	EUR	-	843	-	-	0	-	-
Slovenská sporiteľňa, a. s.	Investment	EUR	27 222	16 667	0,013	31.7.2022	0	9 899	17 323
Všeobecná úverová banka, a. s.	Investment	EUR	20 075	27 375	1,2% a 1,3% depends on tranche	18.9.2022	0	7 300	12 775
Total	X	X	**47 303**	**44 885**	x	x	x	**17 205**	**30 098**

(all amounts are in thousands of euro unless stated otherwise)

16 Finance lease liabilities

	As at December 2019	As at 1 January 2019
Long term		
Long term portion of finance lease	1 031	1 227
	1 031	**1 227**
Shortterm		
Short term portion of finance ease	460	409
	460	**409**

Prehľad záväzkov z nájmu podľa zostatkovej doby splatnosti je uvedený v nasledujúcej tabuľke

	31. december 2019
Less than one year	460
1 – 5 years	852
More than 5 years	179
	1 491

(all amounts are in thousands of Euros unless stated otherwise)

17 Grants and deferred revenues

Deferred revenues include the following items:

	As at 31 December 2019	2018
Deferred revenues		
EBRD grant Križovany – long-term portion (a)	9 704	10 523
– short-term portion (a)	821	823
EBRD grant Lemešany – long-term portion (b)	31 376	33 010
– short-term portion (b)	1 628	1 629
EBRD grant Bystričany – long-term portion (c)	23 115	9 026
– short-term portion (c)	207	0
US Steel – long-term portion (d)	3 280	3 476
– short-term portion (d)	200	205
EU TEN-E – long-term portion (e)	688	717
– short-term portion (e)	29	29
E.On – long-term portion (f)	2 251	2 359
– short-term portion (f)	119	130
Slovenské elektrárne, a. s. – long-term portion (g)	2 716	2 908
– short-term portion (g)	192	192
EU TEN-E – long-term portion (h)	746	774
– short-term portion (h)	28	28
EU TEN-E – long-term portion (i)	1 829	1 896
– short-term portion (i)	67	67
EU TEN-E – long-term portion (j)	2 071	2 137
– short-term portion (j)	67	67
Západoslovenská distribučná, a. s. – long-term portion (k)	2 706	2 873
– short-term portion (k)	167	167
Východoslovenská distribučná, a. s. – long-term portion (l)	3 944	4 117
– short-term portion (l)	175	178
INEA Veľký Meder – long-term portion (m)	361	460
– short-term portion (m)	0	0
INEA Rimavská Sobota – long-term portion (n)	634	644
– short-term portion (n)	0	0
Západoslovenská distribučná, a. s. - Pod. Biskupice – dlhod. časť (o)	3 323	2 333
– short-term portion (o)	90	90
Západoslovenská distribučná, a. s. - Senica– long-term portion (p)	3 500	3 500
– short-term portion (p)	0	0
Fortischem, a. s. - Senica– long-term portion (q)	3 074	2 288
– short-term portion (q)	0	0
Others – long-term portion (r)	6 756	11 650
– short-term portion (r)	11 821	14 634
Total	**117 685**	**112 930**

a)
On 10 December 2003, the parent company concluded a grant contract with the European Bank for Reconstruction and Development (EBOR), under which the EBOR undertook to provide a grant of EUR 24 million for IPR "Križovany 400 kV, Reconstruction– Structure 2, Part 2 and Structure 3". The contract became effective on 4 August 2004. The subsidy proceeds were drawn over the period of 2004 – 2010.

An amount of EUR 10 525 thousand (31 December 2018: EUR 11 346 thousand) was recognized in deferred revenue related to the grant.

At the reporting date, the parent company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

b)
On 18 December 2007 the parent company concluded a grant contract with the European Bank for Reconstruction and Development (EBOR), under which the EBOR undertook to provide a grant of EUR 43.9 million for extension IPR Bošáca 400 kV, transformer station 400/110kV Medzibrod – 2. construction, transformer station 400/110kV Medzibrod – 3. construction, power lines 2 x 400kV Lemešany - Košice - Moldava - 4. construction. The contract became effective on 4 July 2008.

An amount of EUR 33 004 thousand (31 December 2018: EUR 34 639 thousand) was recognized in deferred revenue related to the subsidy.

At the reporting date, the parent company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

c)
On 14 December 2010 was concluded a grant agreement between Slovenská elektrizačná a prenosová sústava, a. s. and the European Bank for Reconstruction and Development (EBOR), in which the EBOR agreed to provide a grant of EUR 76 000 thousand. This agreement effected on 17 December 2014. The grant funds will be used to set of buildings Bystričany – transformation 400/110 kV, for expansion substation in Horná Ždaňa and Križovany crossing the 400 kV Križovany - Bystričany and 400 kV Oslany - Horná Ždaňa. Grant funds will be drawn till 2020.

The amount of EUR 23 322 thousand (31 December 2018: EUR 9 026 thousand) was recognized in deferred revenue related to the subsidy.

At the reporting date, the parent company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

d)
Deferred revenues include an amount EUR 3 480 thousand (31 December 2018: EUR 3 681 thousand), related to investment in the substation in Košice, which remains in property of the parent company, however, the company US Steel paid the half of the substation's acquisition costs.

e)
Amount of EUR 717 thousand represents a co-finance provided to the parent company from an European Commission's program EÚ TEN-E (Trans – European Network) in the amount of 10% of the value of transmission lines EK-Moldava – SS Košice (31 December 2018: EUR 746 thousand).

f)
Amount of EUR 2 370 thousand included in Deferred revenues is related to a 100 % co financing by company E.ON for a part of substation in Križovany, field 13 (31 December 2018: EUR 2 489 thousand).

g)
Amount of EUR 2 908 thousand relates to refinancing of cost of Slovenské elektrárne, a.s. for connecting to transmission systems EMO 3 and 4 in Veľký Ďur (31 December 2018: EUR 3 100 thousand).

h)
Amount of EUR 774 thousand represents co-finance provided to Group from European Commission for the transmission line SS Košice – Lemešany (31 December 2018: EUR 802 thousand).

i)
Amount of EUR 1 896 thousand represents co-finance provided from European Commission for the meshing V 409 line to the new transformer station 400/110kV in Voľa electric station (31 December 2018: EUR 1 963 thousand).

j)
Amount of EUR 2 138 thousand represents co-finance provided to the parent company from European Commission for the transmission line 400 kV Gabčíkovo – Veľký Ďur (31 December 2018: EUR 2 204).

k)
Amount EUR 2 873 thousand is related to the refinancing of Západoslovenská distribučná, a.s. costs for enlargement of second transformer in the Stupava electric station (31 December 2018: EUR 3 040 thousand).

l)
Amount EUR 4 119 thousand is related to the refinancing of Východoslovenská distribučná, a.s. costs for the construction of devices necessary to connect R 400/110 kV Voľa into electric transmission system (31 December 2018: EUR 4 295 thousand).

m)
Amount of EUR 361 thousand represents the financial contribution from INEA agency intended for design and engineering work for the project of 2x400 kV line Veľký Meder – State Border of the Slovak Republic – Hungary (31 December 2018: EUR 460 thousand).

n)
Amount of EUR 634 thousand represents the financial contribution from INEA agency intended for design and engineering work for the project of 2x400 kV line Rimavská Sobota – State Border of the Slovak Republic – Hungary (31 December 2018: EUR 644 thousand).

o)
The amount of EUR 3 413 thousand relates to the refinancing of costs of capital construction within the Podunajské Biskupice power station incurred by Západoslovenská distribučná, a. s. (31 December 2018: EUR 2 423 thousand).

p)
The amount of EUR 3 500 thousand relates to the refinancing of costs of capital construction within the Senica power station incurred by Západoslovenská distribučná, a. s. (31 December 2018: EUR 3 500).

q)
The amount of EUR 3 074 thousand relates to the refinancing of costs of capital construction within the Est Bystričany power station incurred by Fortischem, a. s. (31 December 2018: EUR 2 288 thousand).

(all amounts are in thousands of Euros unless stated otherwise)

r)
In other deferred income is recognized then amount of EUR 242 thousand (31 December 2018: EUR 253 thousand), which relates to the joint procedure agreement for connection of company's En-Invest, a. s. facilitiest to the transmission system SR at the Moldava power station.

As other long-term deferred income the parent company is recorded an income in amount of EUR 4 016 thousand representing the proceeds of regulated tariffs, which does not belong to the parent company in 2019 according to regulatory accounting rules and procedures, but in 2021, when they will be realised (31 December 2018: EUR 9 943 thousand).

As other short-term deferred income the parent company is recorded an income in amount of EUR 9 943 thousand representing the proceeds of regulated tariffs, which does not belong to the parent company in 2018 according to regulatory accounting rules and procedures, but in 2020, when they will be realised (31 December 2018: EUR 12 645 thousand).

18 Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 21% (31 December 2018: 21%). As at 31 December 2019 tax rate will increase by additional 6.5% for temporary differences in fixed assets due to charges for regulated subjects based on act No. 235/2012 Coll. (31 December 2018: 6.5 %). This levy increased the tax rate for temporary differences, which will offset by the end of 2020 related to fixed assets only, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, not taking into consideration temporary differences.

Deferred 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.

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

	At 31 December 2018	Change recognized as (-) expenses/(+) revenues	Change of equity	At 31 December 2019
Positive revaluation of fixed assets	-25 294	2 626	88	-22 580
Negative revaluation of fixed assets	623	-92	0	531
Receivables	18	0	0	18
Non-current tangible and intangible assets	-43 085	-4 741	0	-47 826
IFRS 16	0	-1	19	18
Financial investments	-29	0	0	-29
Retirement benefit	1 997	67	264	2 328
Provisions	674	-123	0	551
Other	6 008	604	0	6 612
Total	**-59 088**	**-1 660**	**371**	**-60 377**

(all amounts are in thousands of Euros unless stated otherwise)

The movements in deffered tax assets and liabilities during previous year were as follows:

	At 31 December 2017	**Change recognized as (-) expenses/(+) revenues**	**Change of equity**	**At 31 December 2018**
Positive revaluation of fixed assets	-30 193	4 086	813	-25 294
Negative revaluation of fixed assets	727	-104	0	623
Receivables	18	0	0	18
Non-current tangible and intangible assets	-36 326	-6 759	0	-43 085
Financial investments	-29	0	0	-29
Retirement benefit	1 714	132	151	1 997
Provisions	548	126	0	674
Other	4 941	1 067	0	6 008
Total	**-58 600**	**-1 452**	**964**	**-59 088**

19 Provisions for liabilities and charges

	Pension benefits and other long-term benefits (a)	**Legal claims (b)**	**Others (c)**	**Total**
At 1 January 2019	**9 508**	**72**	**0**	**9 580**
Creation of provisions	2 271	0	0	2 271
Provisions used	-693	0	0	-693
Reversals of unused provision	0	-3	0	-3
At 31 December 2018	11 086	69	0	11 155

Analysis of total provisions	**As at 31 December 2019**	**2018**
Non-current	11 086	9 508
Current	69	72
Total	11 155	9 580

(all amounts are in thousands of Euros unless stated otherwise)

(a) Pension benefits 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

Analysis of total provisions	As at 31 December 2019	208
Present value of unfunded retirement obligations	10 885	9 345
Unrecognised actuarial gains/(losses) and portion of past service cost	0	0
Obligation in the Statement of Financial Position	10 885	9 345

The amount recognized in the Consolidated Statement of Comprehensive Income are as follows:

Analysis of current provisions	2019	2018
Current service cost	894	790
Past service cost	0	0
Interest cost	63	116
Pension (credit) / cost, included in personnel costs	957	906

Value recognized in Equity are as follows:

Analysis of total provision	2019	2018
Recognized actuarial gains/(losses)	1 258	709
Total change recognized in equity	**1 258**	**709**

Movements in the present value of defined benefit obligation are:

	2019	2018
Present value of unfunded retirement obligation at the beginning of the year	9 345	8 007
Current service cost	894	790
Past service cost	0	0
Interest cost	63	116
Benefits paid	-675	-277
Cancelled		
Actuarial (gains)/losses	1 258	709
Present value of unfunded retirement obligations at the end of the year	**10 885**	**9 345**

(all amounts are in thousands of Euros unless stated otherwise)

(ii) other long – term benefits (jubilees and loyalties)

	As at 31 December 2019	2018
Present value of unfunded obligations	201	163
Obligation in the Statement of Financial Position	**201**	**163**

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

	2019	2018
Current service cost	38	15
Cost of past service	18	0
Interest expense	1	2
Pension (credit) / cost included in personnel costs	**57**	**17**

Value recognized in Equity are as follows:

Analysis od total provision	2019	2018
Recognized actuarial gains/(losses)	-1	11
Total change recognized in equity	-1	11

Movements in the present value of defined benefit obligation are:

	2019	2018
Present value of unfunded retirement obligations at befinning of the year	163	155
Current service cost	38	15
Past service cost	18	0
Interest cost	1	2
Benefits paid	-18	-20
Actuarial gains/(losses)	-1	11
Present value of unfunded retirement obligations at the end of the year	**201**	**163**

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

As at 31 December 2019	
Percentage of employees, who will terminate their employment prior to retirement (fluctuation rate)	1.7 – 4.7% p.a., depending on the age
Expected salary increases	5% p. a. – 5.1% p.a.
Discount rate	0.40 % p. a. ; 0.63% p.a.

(all amounts are in thousands of Euros unless stated otherwise)

As at 31 December 2018

Percentage of employees, who will terminate their employment prior to retirement (fluctuation rate)	1.9 – 4.7 % p.a., depending on the age
Expected salary increases	5% -6.2 p. a.
Discount rate	1.00 % p. a. ; 1.45 % p.a.

b) Provision for legal claims

A provision is created for those legal claims where it is probable, at the reporting date, that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group is involved in a legal cases regarding the cost reimbursement for bush cutting in the protection electricity lines zone and compensation for easements. In the opinion of the Group's management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided.

20 Revenues

Revenues include the following:

Revenues from electricity transmission and transit, deviation settlement and fees for organization of

	2019	2018
Access to transmission grid	137 922	140 538
Covering losses	14 798	10 573
System operation	4 748	6 191
System services	144 473	157 938
Auctions	29 376	15 923
Deviations and regulated electricity	57 877	70 255
Shipping	0	115 586
CBT mechanism	7 631	3 715
MO profile	33 750	0
Electricity sales on the daily market	24 967	20 154
Settlement of differences	954	934
Fee fro connection to the transmission system	1 226	250
Other regulated services	1 893	24
Total revenues from electricity transmission and transit, deviation settlement and organization of daily electricity market	**459 615**	**542 081**
Rental	746	756
Telecommunications services	153	252
Other revenues	1 068	704
Total other revenues	**1 967**	**1 712**
Total revenues	**461 582**	**543 793**

daily electricity market:

The revenue structure from the Group's core activities mainly results from the regulatory framework and the URSO decisions, issued by this institution for the relevant year.

Revenues from rental comprise income from the rental of non-residential premises, electric masts for various types of transmitters and lease of power lines. Telecommunications services include the lease of fibre optic cables and management information system.

Together with the transmission operator in Czech Republic introduced the Group effective from 19 January 2012 a system against delivery of regulated energy in opposing directions through cross-border connections (further system GCC). Since 2013, the system operator involved the Hungarian transmission system, too. Relevant revenues and expenses stem from volumes of electricity acquired within GCC system and fix tariffs for these regulated electricity, which were set by URSO decision. The Group recognizes the revenues from these activities under line Sales from merchandise respectively Costs for merchandise sold. In 2019 were realized transactions in total amount of EUR 2 796 thousand and related costs were in the amount of EUR 1 385 thousand (31 December 2018: transactions in the amount of EUR 1 840 thousand and related costs were in the amount of EUR 1 902 thousand).

Except mentioned above, the Group recognizes revenues from sale of electricity and costs from purchased electricity on daily electricity market on net basis. In 2019 Group realized revenues from sale of electricity in the total amount of EUR 248 682 thousand (2018: EUR 289 898 thousand). Related costs were in the amount of EUR 214 932 thousand (2018: EUR 395 507 thousand). As at 31 December 2018, the item was part of consumed materials and services.

According to IFRS 15, expenditures and revenues for system operation are reported on a net basis. In 2018, transaction totalling to EUR 588 220 thousand were carried out, the related costs totalled to EUR 583 472 thousand (31 December 2018: transactions totalling to EUR 610 356 thousand were reported in revenues and related costs amounting to EUR 604 165 thousand were reported as consumed materials and services).

(all amounts are in thousands of Euros unless stated otherwise)

21 Consumed materials and services

Consumed materials and services included the following:

	2019	2018
Sale of electricity on daily market	0	105 609
Consumption of material, energy and other non-storable items	23 966	0
Repair and maitenance	8 857	5 907
Travel expenses	10 757	8 121
Representation expenses	404	548
Rental	600	517
Communication lines outputs	411	768
Stations service	261	260
Protection and maintenance of area	2 299	2 251
Revisions, controls and security services	1 873	909
Technical advisory	599	1 168
Cleaning	198	34
Bialogical recultivation, ecological costs	318	291
Geodetic and engineering services	238	582
Experts examinations, analysis, experts opinion, certifications	146	10
Information technology services, advertisement	3 220	3 089
Expenses for support services	12 439	11 040
Expenses for system operation	133 767	151 006
Expenses for deviations	0	0
Expenses for cross-border assistance	37 647	43 196
Expenses for auctions	259	217
Expenses for regulation energy	13 975	18 946
Cross-boarder assistance expenses (CBT/ITC)	2	46
Bounded expenses	0	400
Securing of system services from Stredoslovenská distribučná, a.s.	0	419
Settlement of differences	24 967	20 154
Audit of Financial Statements provided by auditor	65	65
Advisory services	611	521
Tax advisory	35	40
Other services provided by auditor	15	15
Usage of MO profile (ČEPS)	1 080	0
Demolation	1 091	3 065
Other	1 440	1 128
Total	**281 540**	**380 322**

The Group's costs are created mainly from regulated costs for purchase of support services needed to provide system services, system operation costs, purchase of electricity for loss coverage and own consumption, costs for regulated electricity, cost for payment related to deviations of billing subjects, costs for international transmission and auctions, other costs needed for transmission system operation and operation of the Group.

Since 11 September 2012 the Group is acting as a shipping agent in connecting Czech, Slovak and Hungarian electricity market. On 19 November 2014 was operated trilateral Market Coupling between the Czech Republic, the Slovak Republic and Hungary extended by Romania to the quadrilateral Market Coupling (ie. 4MMC), which integrates related daily electricity markets through an implicit allocation of cross-border capacity between the Czech, Slovak, Hungarian and Romanian markets. The respective Group revenues and costs represent payments for electricity transferred across border from countries, where there is electricity surplus, to countries with electricity shortage. The Group recognizes the revenues from these activities under line Sales from merchandise respectively Costs for merchandise sold. In 2019 were realized transactions in total amount of EUR 291 633 thousand and related costs were EUR 317 139 thousand (31 December 2018: transactions in amount of EUR 363 215 thousand and related costs were in the amount of EUR 239 622 thousand). According to IFRS 15, costs of implicit auctions of EUR 22 824 thousand and costs of collection for the benefit of a third party amounting to EUR 7 972 thousand, as such collection does not form a part of the transaction price according to IFRS 15, were deducted from these items as at 31 December 2019. Revenues related to the use of the OT profile amounting to EUR 32 336 thousand are also included in shipping. (as at 31 December 2018 costs associated with the implicit auctions amounting to EUR 13 055 thousand, as well as costs of collection for the benefit of a third party in the amount of EUR 6 048 thousand, were included in service costs, revenues related to the use of the OT profile in the amount of EUR 11 096 thousand EUR).

(all amounts are in thousands of Euros unless stated otherwise)

22 Personnel costs

	2019	2018
Wages and saleries	22 323	20 869
Other personnel costs	2 401	2 279
Pension costs-definite contribution plan	8 176	7 816
Current service cost	932	805
Past service cost	18	0
Interest cost related to pension and other employee benefits	64	118
Total	**33 914**	**31 887**

23 Other operating expenses

	2019	2018
Insurance costs	2 202	2 159
Taxes and other fees	182	186
Gifts	425	416
Creation of adjustment	51	5
Other operating expenses	579	594
Total	**3 439**	**3 360**

(all amounts are in thousands of Euros unless stated otherwise)

24 Other operating income

	2019	2018
Gain from sale of fixed assets	278	177
Gain from sale of material	18	17
Release of deferred revenues from grant	2 542	2 478
Contractual penalties	1 399	1 310
Insurance income	85	85
Other operating income (mainly insurance claims)	446	270
Total	**4 768**	**4 337**

25 Finance expense net

	2019	2018
Interest income	90	115
Interest expense from borrowings	-539	-683
Interest expense according IFRS 16	-27	0
Foreign exchange gains	0	4
Foreign exchange losses	-5	-3
Other financial expenses	-30	-14
Net financial expenses	**-511**	**-581**

(all amounts are in thousands of Euros unless stated otherwise)

26 Income tax expense

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

	Year ended 31 December	
	2019	**2018**
Profit before tax	95 039	73 068
Theoretical income tax related to current period at 21%	19 958	15 344
Other income not subject to tax (permanent)	-1 524	-1 349
Non-deductible expenses (permanent)	776	665
Increase of tax due to charges for regulated subjects	6 527	7 451
Deferred tax from temporary differences to which no Deferred tax has been accounted historically	0	0
Additional income tax	0	0
Deferred tax increase to 1 January due to increase of tax rate	0	-1
	25 737	**22 110**
Income tax expense for the period		
The tax charge for the period comprises:		
Deferred tax charge - expense/(income) (Note 18)	1 660	1 452
Deferred tax total	**1 660**	**1 452**
Special levy for regulated industry	6 527	7 451
Additional income tax	0	0
Current income tax expense	17 550	13 207
Income tax total	**24 077**	**20 658**
Total tax for period	**25 737**	**22 110**
Effective tax rate	**27,08%**	**30,26%**

Deferred tax is provided, using the balance sheet liability method, on temporary differences using the basic tax rate of 21% (31 December 2018: 21%). This tax rate has been increased as at 31 December 2019 by additional 6.5% for temporary differences in fixed assets because of special levy for regulated industry paid according to Act Nr. 235/2012 Coll. (31 December 2018: 6.5%). This levy increased the tax rate for temporary differences, which will offset by the end of 2019 related to fixed assets only, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, not taking into consideration temporary differences.

27 Contingencies

(a) Taxation

Many areas of Slovak tax law (e.g. transfer-pricing regulations) have not been sufficiently tested in practice, so there is some uncertainty as how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. It will be reduced only if legal precedents or official interpretations are available. Neither the parent company's managmenet, nor the subsidiary management is aware of any circumstance that may give rise to future material expense in this respect.

(b) Regulation and liberalization in energy industry

Regulatory framework for the electricity market in the Slovak Republic

Based on the current legislation, the electricity market in the Slovak Republic is liberalized and allows free selection of electricity supplier for all customers.

Activities of the Group are subject to regulation by URSO.

28 Commitments

(a) Future capital commitments

The Group has contractual obligations under the contracts for the purchase of non-current assets entered into before 31 December 2019, the performance of which is scheduled only after 31 December 2019. The total obligation under the contracts amount to EUR 82 858 thousand (2018: EUR 50 193 thousand). The capital expenditure is related primarily to the changeover to the new type of substations, with the implementation of the following projects: 2x400 kV line from Rimavská Sobota station to Slovak-Hungarian border, 2x400 kV line from Veľký Meder to Slovak-Hungarian border, with 400/110 kV transformation (Bystričany), re-insulation and remote control, with RIS SED innovation and engineering and project activities for substations and lines.

The Group approved its capital expenditure budget for 2020 in the amount of EUR 111 934 thousand (the 2019 capital expenditure budget: EUR 88 034 thousand). Capital expenditures are mainly related to Križovany - Bystričany 2x400 kV transmission line, to the set of constructions Gabčíkovo – Veľký Ďur – Rimavská Sobota – Hungarian border, to replacement of insulator sets and conductors in the V425 Križovany – Veľký Ďur line, border with a conductor exchange at Levice station, Rz 220 kV Sučany recovery, re-insulation, to remote control in power stations and ICT systems

It is expected that both internal and external funds will be used to finance these capital expenditures.

(b) Future operating lease receivables – Group as lessor

Using the database of contracts, the Group selected contracts where it has the role of a lessee. For these contracts, it assessed, whether they are compliant with the IFRS 16 conditions and therefore whether are to be reported based on that standard. Reports, for which the Group applied the optional derogation, are listed below. The Group reports neither the right of use of asset nor the liability from lease for all types of lease contracts with the lease period up to 12 months. Costs related to these leases are reported in financial accounts as operating costs evenly over lease periods.

The Group has also applied an optional derogation and reports neither the right of use of asset nor the liability from lease in relation to lease contracts where the value of the leased asset is clearly lower than EUR 5 000. When determining the estimated value of an asset, the Group assumes that it is a new asset. If the asset value cannot be determined reliably, the optional derogation shall not be applied.

The Group has the following future minimum lease installments in relation to the above operating lease contracts:

(all amounts are in thousands of Euros unless stated otherwise)

	31 December 2019	31 December 2018
Due within 1 year	300	581
Due in 2 to 5 years	257	942
Due after 5 years	0	5
Total	557	1 528

The Group has also entered into an operating lease for an unlimited period of time with a possibility of termination with a 3-month termination period. The annual lease payments amount to EUR 10 thousand (31 December 2018: EUR 146 thousand). The main items include the lease of telecommunications routes.

(c) Future operating lease commitments – Group as lessee

The Group leases out mainly lines and optic fiber cables.

The Group has the following future minimum lease instalments in relation to the operating lease contracts:

	31 December 2019	31 December 2018
Due within 1 year	254	257
Due in 2 to 5 years	1 018	1 026
Due after 5 years	1 781	2 052
Total	3 053	3 335

The Group has also entered into an operating lease for an unlimited period of time, for which the annual lease payments is in the amount of EUR 390 thousand (31 December 2018: EUR 375 thousands).

The Group leases 2x110kV power lines ESt Lemešany - ES SS Košice from supporting point in Bukovec to supporting point in Lemešany in length of 18.678 km. Lease expires in 50 years, rent is calculated every year according to capital, investment and operating costs. Annual rent for 2020 amounts to EUR 289 thousand (31 December 2018: year 2019: EUR 291 thousand). The basic component of the rent will be paid to lessee for the time of 20 years and operating component of the rent will be paid to lessor for the time of 50 years. The minimal lease payment includes the basic component of the rent in the amount of EUR 254 thousand annually (31 December 2018: EUR 257 thousand).

29 Contingent assets

Participants of spot electricity market and deviaton settlement enclose the contract with banks on bank guarantees in favour of the Group that the Group has the right to use in case of insolvency. The amount of received bank guarantees as at 31 December 2019 is EUR 122 835 thousand (as at 31 December 2018: EUR 115 475 thousand).

(all amounts are in thousands of Euros unless stated otherwise)

30 Cash generated from operations

	Note	2019	2018
Profit before income tax		95 039	73 068
Adjustments for:			
Depreciation of property, plan and equipments	5	49 654	54 910
Depreciation of non-current intangible assets	6	3 421	5 071
Negative revaluation	5,6	0	-4
Impairment charge for non-current assets	11	51	5
Changes in provisions for receivables	23	-278	-177
Changes in fair value of derivatives	25	476	568
(Gain) / loss from disposal of property, plant and equipment	19	1 575	1 350
Interest income / expense net		-43	0
Change in provisions			
Changes in working capital:			
Inventories (gross)		-1 706	-17
Trade and other receivables		7 520	-23 923
Trade and other payables, deferred revenues		17 903	42 916
Cash generated from operations		173 612	153 767

In the consolidated cash flow statement, proceeds from sale of assets are as follows:

	Note	2019	2018
Net book amount		212	301
Profit / (loss) on disposal of asset	24	278	177
Proceeds from disposal of asset		490	478

(all amounts are in thousands of Euros unless stated otherwise)

31 Related party transactions

Parties related to the Group include its sole shareholder, Joint Allocation Office, S. A. and TSCNET Services, GmbH and key management personnel of the Company or the shareholder.

The National Property Fund (FNM), an entity fully owned by the Slovak Republic was the sole shareholder of the parent company until 1 October 2012. Since 2 October 2012 the sole shareholder is the Ministry of Finance of Slovak Republic.

Transactions with entities that are owned or controlled directly or indirectly by the State are realized in accordance with the prevalling regulatory principles.

T Ministry of Economy of Slovak Republic, an entity fully owned by the Slovak Republic, is the 51 % shareholder of Západoslovenská energetika, a. s., Východoslovenská energetika Holding, a. s. and Stredoslovenská energetika, a. s.

Západoslovenská distribučná, a. s., Západoslovenská energetika – Energia, a. s., Východoslovenská energetika, a. s., Východoslovenská distribučná, a.s. and Stredoslovenská distribučná, a. s. are 100% subsidiaries of these companies.

As at 31 December 2019, the outstanding balances with joint venture, state-controlled entities and government bodies were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade receivables	Trade and other payables
Slovenské elektrárne, a.s.	335	15	0	-30 733
Slovenské elektrárne-energetické služby, s.r.o.	208	0	0	-399
Západoslovenská distribučná, a.s.	2 766	0	0	-2 643
Západoslovenská energetika – Energia, a.s.	6 378	0	0	-2 291
ZSE Elektráme, s. r. o.	22	0	0	-240
Východoslovenská energetika, a.s.	2 886	0	0	-1 136
Východoslovenská distribučná, a.s.	1 154	0	0	-2 297
Stredoslovenská energetika, a.s.	4 391	0	0	-5 585
Stredoslovenská distribučná, a.s.	1 836	0	0	-3 833
Tepláreň Košice, a. s.	120	0	0	-588
Žilinská teplárenská, a. s.	1	0	0	-114
Martinská teplárenská, a. s.	71	0	0	-373
Zvolenská teplárenská, a. s.	27	0	0	-377
Joint Allocation Office, S. A.	27	0	0	-1 925
Vodohospodárska výstavba, a. s.	168	0	0	-2 143
Slovenský plynárenský priemysel, a. s.	1 364	0	0	-6 392

(all amounts are in thousands of Euros unless stated otherwise)

The income and expense items with joint venture, state-controlled entities and government bodies for the year ended 31 December 2019 were as follows:

	Sales of services	Purchase of services
Slovenské elektrárne, a.s.	-119 498	-82 273
Slovenské elektrárne-energetické služby, s. r. o.	33 107	-692
Západoslovenská energetika, a. s.	0	0
Západoslovenská distribučná, a.s.	-73 740	-420
Západoslovenská energetika – Energia, a.s.	222 000	-12 801
ZSE Elektrárne, s. r. o.	1 140	-1 077
Východoslovenská energetika, a.s.	115 990	-6 843
Východoslovenská energetika Holding, a.s.	0	0
Východoslovenská distribučná, a.s.	-99 092	-236
Stredoslovenská energetika, a.s.	174 313	-8 739
Stredoslovenská distribučná, a.s.	-170 490	-364
Tepláreň Košice, a. s.	1 361	-3 965
Žilinská teplárenská, a. s.	15	-438
Martinská teplárenská, a. s.	471	-1 078
Zvolenská teplárenská, a. s.	518	-1 572
Joint Allocation Office, S. A.	29 137	-23 134
TSCNET, GmbH	0	-1 114
Slovenské elektrárne Predaj, s. r. o.	0	0
Vodohospodárska výstavba, a. s.	-24 332	-9 995
Bratislavská teplárenská, a. s.	0	0
Slovenský plynárenský priemysel, a. s.	43 557	-2 425

Negative values in the service sales column result from the fact that costs and revenues are reported on a net basis, as required in notes 20 Revenues and 21 Consumed materials and services according to IFRS 15. In the given case, revenues from transactions carried out by individual companies were lower than the related costs.

(all amounts are in thousands of Euros unless stated otherwise)

As at 31 December 2018, the outstanding balances with joint venture, state-controlled entities and government bodies were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade receivables	Trade and other payables
Slovenské elektrárne, a.s.	408	6	0	-28 512
Západoslovenská distribučná, a.s.	3 053	0	0	-3 216
Západoslovenská energetika – Energia, a.s.	6 398	0	0	-1 907
ZSE Elektrárne, s. r. o.	1	0	0	-172
Východoslovenská energetika, a.s.	3 913	0	0	-970
Východoslovenská distribučná, a.s.	1 283	0	0	-2 644
Stredoslovenská energetika, a.s.	5 000	0	0	-6 327
Stredoslovenská distribučná, a.s.	1 831		0	-4 271
Tepláreň Košice, a. s.	133	0	0	-642
Žilinská teplárenská, a. s.	0	0	0	-182
Martinská teplárenská, a. s.	68	0	0	-455
Zvolenská teplárenská, a. s.	36	0	0	-508
Joint Allocation Office, S. A.	108	0	0	-3 028
Slovenské elektrárne Predaj, s. r. o.	366	0	0	-408
Vodohospodárska výstavba, a. s.	137	0	0	-1 748
Bratislavská teplárenská, a. s.	0	0	0	0
Slovenský plynárenský priemysel, a. s.	1 199	0	0	-311

(all amounts are in thousands of Euros unless stated otherwise)

The income and expense items with joint venture, state-controlled entities and government bodies for the year ended 31 December 2018 were as follows:

	Sales of services	Purchase of services
Slovenské elektrárne, a.s.	-93 163	-90 021
Západoslovenská distribučná, a.s.	-94 345	-453
Západoslovenská energetika – Energia, a.s.	231 669	-6 053
ZSE Elektrárne, s. r. o.	331	-842
Východoslovenská energetika, a.s.	116 098	5 280
Východoslovenská energetika Holding, a.s.	0	0
Východoslovenská distribučná, a.s.	-103 777	-233
Stredoslovenská energetika, a.s.	156 520	-8 782
Stredoslovenská distribučná, a.s.	-177 257	-777
Tepláreň Košice, a. s.	1 525	-4 748
Žilinská teplárenská, a. s.	15	-577
Martinská teplárenská, a. s.	590	-1 243
Zvolenská teplárenská, a. s.	727	-2 100
Joint Allocation Office, S. A.	9 843	-197
TSCNET, GmbH	0	-748
Slovenské elektrárne Predaj, s. r. o.	38 389	-1 069
Vodohospodárska výstavba, a. s.	5 529	-21 005
Bratislavská teplárenská, a. s.	15	0
Slovenský plynárenský priemysel, a. s.	39 833	-2 433

Negative values in the service sales column result from the fact that costs and revenues are reported on a net basis, as required in notes 20 Revenues and 21 Consumed materials and services according to IFRS 15. In the given case, revenues from transactions carried out by individual companies were lower than the related costs.

Key management personnel compensation

Salaries and bonuses paid to the parent company's management, directors and other members of top managment for the year ended 31 December 2019 and 31 December 2018, are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Salaries and short-term employee benefits	2 378	2 285
Total	**2 378**	**2 285**

32 Events after the reporting period

The Act No. 309/2018 Coll., amending and supplementing Act no. 309/2009 Coll. on the promotion of renewable energy sources and high-efficiency cogeneration and about the changes and amendments to certain acts, effective from 1. January 2019 (hereinafter referred to as the "Act about subvention of OZE and KVET"). The short-term electricity market operator (hereinafter referred to as "OKTE") in role of clearer of support performs from 1. January 2020 in accordance with this Act the organization and the clearing of the support of electricity production from renewable energy sources and the support of electricity production by high-efficiency cogeneration. Because of this purpose, the subsidiary acquired during the year 2019 several long-term tangible and intangible assets, which have been putted into the use and depreciated from the end of the year.

The Consolidated Financial Statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 3 March 2020.

Slovenská elektrizačná
prenosová sústava, a.s.
Mlynské nivy 59/A
824 84 Bratislava 26
-02-

....
Ing. Miroslav Obert
Chairman of the Board of Directors

....
Ing. Martin Malaník
Member of the Board of Directors

....
Ing. Ján Oráč
Person responsible for preparation of the Consolidated Financial Statements

....
Ing. Ružena Kollárová
Person responsible for bookkeeping