TAX & AUDIT SERVICES

INDEPENDENT AUDITOR´S REPORT
(unofficial translation)

on the consolidated financial statements prepared as of December 31, 2017

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

of company

Slovenská elektrizačná prenosová sústava, a.s.

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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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TAX & AUDIT SERVICES

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. (the "Company"), which comprise the statement of consolidated financial position as of December 31, 2017, 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 2017, 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 administration and management 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.

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 Company 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 administration and management about – among other things – the planned scope and schedule of the audit and about any significant audit findings, including any significant deficiencies of internal controls identified during the audit.

We also provide the persons charged with administration and management 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.

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 2017 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 14th, 2018

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

Ing. Martin Šiagi
Responsible auditor
SKAU licence nr. 871

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

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

	Note	As at 31 December 2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	811 162	811 162
Intangible assets	6	17 266	17 266
Non-current financial assets		0	0
Other investments	7	200	200
Receivables	10	663	663
		829 291	**829 291**
Current assets			
Inventories	9	1 168	1 168
Trade and other receivables	10	38 815	38 815
Cash and cash equivalents	11	103 938	103 938
Current income tax receivable		6 100	6 100
		150 021	**150 021**
Non-current assets held for sale		0	0
Total assets		**979 312**	**979 312**
EQUITY			
Share capital and reserves attributable to equity			
Share capital	12	105 000	105 000
Legal reserve fund	12	21 217	21 217
Other reserves	12	161 574	161 574
Revaluation of financial investment		109	109
Actuarial gains/loss		-443	-443
Revaluation reserve	12	124 367	124 367
Retained earnings	12	211 339	211 339
Total equity		**623 163**	**623 163**
LIABILITIES			
Non-current liabilities			
Non-current bank loans	14	57 437	57 437
Grants and other deferred revenues	15	81 963	81 963
Deferred tax liability	16	57 173	57 173
Non-current provisions for liabilities and charges	17	9 431	9 431
		206 004	**206 004**
Current liabilities			
Current bank loans	14	13 982	13 982
Trade and other payables	13	120 450	120 450
Grants and other deferred revenue	15	15 648	15 648
Provisions for current liabilities and charges	17	65	65
Current income tax payable		0	0
		150 145	**150 145**
Total liabilities		**356 149**	**356 149**
Total equity and liabilities		**979 312**	**979 312**

The Consolidated Financial Statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were approved and authorized for issue on 14 March 2018 by the Board of Directors.

....	....
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 2017	2016
Revenues	18	1 082 819	946 628
Capitalized costs		595	601
Consumables and services	19	-889 919	-781 379
Personnel costs	20	-28 083	-26 546
Depreciation and amortisation	5,6	-61 710	-62 893
Release of impairment from revaluation	5	0	166
(Impairment)/Reversal of impairment of fixed assets	5	3	26
Other operating income	22	5 804	6 671
Other operating expense	21	-3 177	-4 581
Operating profit		106 332	78 693
Interest income	23	96	180
Interest expense	23	-847	-1 002
Other finance income/expense)	23	-16	-14
Finance cost, net		-767	-836
Profit before tax		105 565	77 857
Income tax expense	24	-30 837	-19 829
Profit for the year		74 728	58 028
Other comprehensive income			
Items that will not be reclassified			
Actuarial gains/loss		-77	293
Revaluation of financial investment		0	1
Revaluation of property, plant and equipment fund		0	20 710
Deferred tax from revaluation of property, plant and equipment		196	-3 611
Total comprehensive income		74 847	75 421

Profit attributable:		
Owners of the parent	74 728	58 028
Non-controlling interest	0	0
Profit for the year	**74 728**	**58 028**
Total comprehensive income attributable to:		
Owners of the parent	74 847	75 421
Non-controlling interest	0	0
Total comprehensive income for the period	**74 847**	**75 421**

(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 2016	**105 000**	**16 556**	**146 399**	**108**	**-736**	**127 643**	**206 123**	**601 093**
Net profit for the year 2016	0	0	0	0	0	0	58 028	58 028
Other comprehensive income	0	0	0	1	293	-3 276	20 375	17 393
Total comprehensive income for the year 2016	**0**	**0**	**0**	**1**	**293**	**-3 276**	**78 403**	**75 421**
Dividens paid (Note 12)	0	0	0	0	0	0	-53 351	-53 351
Profit appropriation to Statutory Fund (Note 12)	0	0	15 175	0	0	0	-15 175	0
Profit appropriation to Legal Fund	0	4 661	0	0	0	0	-4 661	0
Balance as at 31 December 2016	**105 000**	**21 217**	**161 574**	**109**	**-443**	**124 367**	**211 339**	**623 163**
Balance at 1 January 2017	**105 000**	**21 217**	**161 574**	**109**	**-443**	**124 367**	**211 339**	**623 163**
Net profit for the year 2017	0	0	0	0	0	0	74 728	74 728
Other comprehensive income	0	0	0	0	-77	-18 707	18 903	119
Total comprehensive income for the year 2017	**0**	**0**	**0**	**0**	**-77**	**-18 707**	**93 631**	**74 847**
Dividens paid (Note 12)							-57 000	-57 000
Profit appropriation to Statutory Fund (Note 12)	0	0	317	0	0	0	-317	0
Profit appropriation to Legal Fund	0	46	0	0	0	0	-46	0
Balance as at 31 December 2017	**105 000**	**21 263**	**161 891**	**109**	**-520**	**105 660**	**247 607**	**641 010**

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

	Note	Year ended 31 December 2017	2016
Cash flows from operating activities			
Cash generated from operations	28	165 040	132 451
Income tax paid		-19 906	-29 701
Interest received		88	178
Net cash generated from operating activities		**145 222**	**102 928**
Cash flows from investing activities			
Purcase of property, plant and equipment and intangible assets		-39 349	-81 588
Proceeds from sale of property, plant and equipment	28	520	120
Interest received		0	0
Net cash used in financing activities		**-38 829**	**-81 468**
Cash flows from financing activities			
Proceeds/(repayments) of loans		-12 157	-7 662
Interest paid		-881	-870
Income from subscribed shares and participations		0	0
Dividends paid	12	-57 000	-53 351
Net cash used in financing activities		**-70 038**	**-61 883**
Net increase (+) / decrease (-) in cash and cash equivalents		**36 355**	**-40 423**
Cash and cash equivalents at the beginning of the year	11	**103 938**	**144 361**
Cash and cash equivalent at the end of the year	11	**140 293**	**103 938**

(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 2017 and during the year then ended 31 December 2017 (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 2017 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 2017 were as follows:

Body	Function	Name
Board of Directors	Chairman	Ing. Miroslav Obert from 1 January 2017
	Vice-Chairman	Ing. Miroslav Stejskal from 1 January 2017
	Member	Ing. Martin Malaník from 1 January 2017
	Member	Ing. Michal Pokorný from 1 January 2017
	Member	Ing. Martin Golis from 1 January 2017
	Member	Ing. Emil Krondiak, PhD. from 1 January 2017
	Member	Ing. Vladimír Palko from 1 January 2017
Supervisory Board	Chairman	Ing. Vladimír Burdan from 3 April 2017
	Chairman	Ing. Peter Matejíček till 3 April 2017
	Vice-Chairman	JUDr. Peter Pandy from 3 April 2017
	Vice-Chairman	Ing. Jaroslav Mikla from 11 April 2017
	Vice-Chairman	Ing. Pavol Fandl till 3 April 2017
	Vice-Chairman	Michal Sokoli till 31 March 2017
	Member	Michal Sokoli from 31 March 2017
	Member	Ing. Marián Mihalda
	Member	Ing. Vladimír Beňo
	Member	Ing. Dušan Chvíľa
	Member	Ing. Peter Matejíček from 3 April 2017
	Member	Ing. Rastislav Januščák from 3 April 2017
	Member	JUDr. Ondrej Urban, MBA from 3 April 2017
	Member	Mgr. Ján Buocik from 3 April 2017
	Member	Ing. Mikuláš Koščo from 14 August 2017
	Member	Mgr. Katarína Haľková from 3 April 2017 till 17 May 2017
	Member	Ing. Roman Masár till 3 April 2017
	Member	Ing. Rastislav Januščák till 3 April 2017
	Member	Ing. Ján Horváth till 3 April 2017
	Member	Prof. Ing. František Janíček, PhD. till 3 April 2017
	Member	Ing. Július Laššan till 3 April 2017
	Member	Ing. Jaroslav Mikla till 3 April 2017
Executive management	General Director	Ing. Miroslav Obert from 10 January 2017
	Managing Director of Support for Operating	Mgr. Igor Gallo from 15 February 2017
	Managing Director of Operating	Ing. Emil Krondiak, PhD. from 10 January 2017
	Managing Director of SED and Commerce	Ing. Michal Pokorný from 10 January 2017
	Managing Director of Economics	Ing. Martin Malaník from 10 January 2017
	Managing Director of Development and Capital Investment	Ing. Miroslav Stejskal from 10 January 2017
	Managing Director of Information and Communication Technologies	Ing. Martin Golis from 15 February 2017
	Managing Director of Strategy and International Cooperation	Ing. Vladimír Palko from 15 February 2017
	General Director	Ing. Miroslav Stejskal till 9 January 2017
	Managing Director of Operating	Ing. Alexander Kšiňan till 9 January 2017
	Managing Director of SED and Commerce	Ing. Michal Pokorný till 9 January 2017
	Managing Director of Economics	Ing. Martin Malaník till 9 January 2017
	Managing Director of Development and Capital Investment	doc. Ing. Miroslav Rapšík, CSc. till 9 January 2017

The Group employed 554 personnel on average during 2017 (2016: 542), 11 of which were management (2016: 8).

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 2017 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 2017 to 31 December 2017.

The Accounting Act requires the Group to prepare Consolidated Financial Statements for the year ended 31 December 2017 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 2017.

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

There have not been any changes in the accounting policies during the year ended 31 December 2017.

The Group has evaluated and examined the impact of the following amendments on the Consolidated Financial Statements.

Changes in IFRS adopted for use in the EU mandatory for the year ended 31 December 2017:

Amendments to IAS 7 - Statement of Cash Flow
The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.
Amendments issued in January 2016 and are effective for annual reporting periods beginning on or after 1 January 2017.

Changes shall be applied prospectively; upon their initial application, an entity is not obliged to publish comparative information for prior periods.

Amendments to IAS 12 - Income Taxes
The objective of this amendments is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. Amendments issued in January 2016 and are effective for period beginning on or after 1 January 2017.

Changes shall be applied retrospectively.

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 10 and 60 years (2016: between 10 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:

	2017	2016
Buildings, halls, networks and constructions	10 – 60 years	10 – 60 years
Machines, equipment and vehicles	4 - 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 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 its financial assets in the following categories: financial assets at fair value through the Consolidated Income Statement, held-to-maturity investment, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investment were acquired, whether they are quoted in an active market and on management inventions.

Financial assets are initially recognized at fair value plus transaction costs (in case of financial assets) and less transaction costs (in case of financial liabilities) except for the financial assets carried at fair value through the Consolidated Income Statement. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transactions costs are expensed in the Consolidated Statement of Comprehensive Income.

Regular purchases and sales of financial assets are recognized on trade-date – the date on which the Group 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 Consolidated Income Statement

Financial assets at fair value through Consolidated Income Statement include financial assets held for trading. 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 derivate financial Instruments entered into by the Group that are not designated as hedging Instruments in hedge relationship. 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 consolidated income statement" are recognized in Consolidated 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

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

The Group is a lessee of certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of the ownership of the asset are classified as finance leases. Finance leases are recognized as assets and liability in the Consolidated Statement of Financial Position at amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the commencement of the lease.

Each lease payment is split into the liability and finance charges in order to achieve a constant periodic rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of future finance charges, are included in non-current and current bank loans and other borrowings. Finance charges are included in interest expense in the Consolidated Statement of Income.

If there is reasonable certainty that the lessee will obtain ownership of the asset by the end of the lease term, the period of expected use is the useful life of the asset and the asset is depreciated accordingly; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

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

The Group is a lessee under the term of operating lease. The rental related to the operative lease is expensed on a straight-line basis over the period of the lease.

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.

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 EBOR for the Reconstruction – Structure 2, Part 2 an Structure 3 in Križovany, with the grant approved by EBOR for Lemešany – Košice – Moldava- Structure 4. The Group also has a grant approved by EBOR in the amount of EUR 76 million for Reconstruction of switching station 400/110 kV in Bystričany. This grant has been drawn partially in 2017.

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.

(All amounts are in thousands Euros unless stated otherwise)

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.

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, 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	7
6 – 10	9
11 – 15	10
16 – 20	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 (2016: EUR 150) yearly for employees on retirement working for the Group for at least three years;
- jubilee benefit from EUR 265.55 to EUR 531.10 depending on the number of years worked for the Group when the employee reaches the age of 50 and 60 years. From 1 January 2018, the benefit is EUR 500 regardless of the years in service.

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% (2016: 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% (2016: 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.

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

As at the date of issuance of these financial statements, the following standards and interpretations were issued, though they were not mandatory (earlier adoption was possible); the Group assessed their impact on the financial statements and did not apply them yet:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued on 28 May 2014 and is effective for accounting periods beginning on or after 1 January 2018. This new standard introduces the principle that revenues are to be recorded at the transaction price at the time when the goods or services are transferred to the customer. Any promised goods or services that are distinct must 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. Acquisition costs of a contract with customer must be activated and depreciated over the period of time, during which the company obtains economic benefits from the respective contract with the customer.

Amendments to IFRS 15 Revenue from Contracts with Customers have not yet been adopted by the European Union, but IFRS 15 Revenue from Contracts with Customers, including the effective date of IFRS 15, has already been adopted by the European Union.

During 2017, the Group has set up a project team to evaluate the impact of the new standard on the Group's financial statements. The project is still ongoing; before the end of the accounting period, the project team came to a preliminary conclusion concerning the impact of the new accounting standard, which is still being discussed and evaluated.

Based on the preliminary conclusion, the application of the standard should have an impact on the following accounting cases.

Reporting of costs of using the OT profile

The project team has reached a provisional conclusion that the cost of using the OT profile is directly related to the revenues from the sale of the OT profile, as the Company provides 50% of its net proceeds from the implicit auctions to the operator as part of the market coupling. At present, this fee is reported as the cost of using the OT profile (see note No. 19 – Consumption of material and services). The difference between the posted revenues and related costs is currently recognized as the revenue from the OT profile (see note No. 18 – Revenues). Under the new IFRS 15 standard, fees that reduce revenues paid to customers, when they do not constitute separate performances, should be reported as revenue reductions. The project team therefore recommends that the cost of using the OT profile be posted as a revenue reduction.

Posting of fees for an initial connection to the grid

The Group collects fees for an initial connection to the grid or for an extension of the connection to the grid to the required capacity from customers; these fees partially or fully compensate for the costs incurred by the Group in connection with building the connection of the required capacity. The Group guarantees the technical connection capacity during the connection. At present, these costs are accrued over the period of depreciation. Dissolution of the accruals is recognized as part of other operating revenues.

The project team has reached a provisional conclusion that these connection fees do not constitute a separate performance obligation provided to the customer. The Group provides services to the customer in order to provide and maintain the agreed maximum transmission capacity. These services are provided throughout the customer's connection period, not at the moment of establishment of the connection under IFRS 15. Revenues from the posting of accruals represent the payments received from the customer and should form a part of the revenue for access to the grid under IFRS 15. At the same time, the project team recommends determining the period of time for the dissolution of these revenues with respect to the regulatory mechanism and the expected service life of the customer connection. Determination of this period is currently a subject of further analyses.

Reporting of revenues and costs from TPS activities

The Group provides the service of settlement of TPS fees from different settlement entities and their distribution to the responsible entities for redistribution. These fees are reported in the consolidated financial statements at their gross value as revenues and costs of the system operation. Based on IFRS 15, the project team has reached a provisional conclusion that the main purpose of this activity is the administration of the fee collection for which the Group is entitled to obtain regulated revenue. The value of the fees collected is not controlled by the Group before they are transferred from the providers to the recipients. With regard to the scope of this activity and the fact that the Company does not control the performance, the revenues and costs related to the operation of the system should be, according to IFRS 15, reported on a net basis.

IFRS 9 Financial Instruments

IFRS 9 was issued in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. The main characteristics of the new standard are:

Financial assets will be classified 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).

Classification of debt instruments depends on the business model used by the entity to manage its financial assets and on whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held for the purpose of collecting cash-flow, it may be measured at amortized cost only if it meets the SPPI condition. Debt instruments that meet the SPPI condition and that form a part of a portfolio held by the entity in order to collect cash flows, with the option of selling the financial assets from that portfolio, may be classified as FVOCI. Financial assets, for which the cash flows do not represent SPPI, must be valued as FVPL (e.g. financial derivatives). Nested derivatives are no longer separating from financial assets but are taken into account when performing the SPPI test.

Investments in mutual funds are always measured at fair value. However, an entity's management may irrevocably choose to report changes in their fair value in other parts of the entity's comprehensive income, provided that the respective financial instrument is not held for trading purposes. For financial instruments held for trading purposes, any changes in fair value shall be recognized in profit or loss.

Most of the requirements of IAS 39 related to the classification and measurement of financial liabilities were adopted by IFRS 9 without any changes. The most important change is that the entity has to recognize changes in the fair value of financial liabilities, which are classified at fair value through profit or loss, as part of their other comprehensive income.

IFRS 9 introduces a new model for accounting for impairment of financial instruments – the model of expected credit losses (the ECL model). This model introduces a three-step approach based on changes in the credit quality of financial assets from the date of their initial posting. According to the new rules, entities will be required to account for any immediate loss equal to the 12-month expected credit loss on initial posting of the financial asset that show no signs of impairment (or expected credit loss over the entire lifetime in case of trade receivables). If there is a significant increase in credit risk, impairment shall be estimated on the basis of expected credit losses over the entire lifetime of the financial asset and not only on the basis of the 12-month expected credit loss. This model includes simplifications for trade receivables and lease receivables.

Requirements related to hedging accounting have been changed in order to be better aligned with internal risk management. The Standard provides the accounting entities with a choice of accounting policy: they may apply the hedging accounting pursuant to IFRS 9 or to continue applying IAS 39 to all hedging relationships because the standard currently does not regulate the accounting for macro hedging.

The Company analyses the impact of the new standard on its statement of financial position and reached a provisional conclusion that, under the new standard, it would be necessary to post adjusting entries for all existing receivables. The most important financial instruments are trade receivables for which the Company is entitled to obtain compensation of contractual cash flows. The Company has reached a provisional conclusion that it will continue to report its financial assets under the business model intending to hold assets for the purpose of collecting contractual cash flows at amortized cost.

As of 31 December 2017, the value of both receivables and equity would be reduced by applying this standard. The financial impact is currently being assessed.

IFRS 16 Leases

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. If a company applies IFRS 15 as well, a delayed application is permitted.

IFRS 16 replaces the IAS 17 Leases and related interpretations. The standard removes the current dual accounting model for the lessee. Instead, it requires that companies report the majority of leases on their balance sheets according to a unified model, thus eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is a lease or contains leases 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 both the asset – the right to use and the liability from the lease. The right of use is amortized and the liability is subject to interest. This will result in higher costs for most leases right from the start, even if the lessee pays a flat-rate annual rent.

The new standard also introduces 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)

The introduction of the new standard has mostly no effect on the accounting of the lessor. The lessor will continue to distinguish between financial and operating leases.

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

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Effective for accounting periods beginning on or after 1 January 2021.

These supplements are a response to concerns related to the implementation of IFRS 9 prior to the implementation of the standard being developed by IASB that should replace IFRS 4. The supplements introduce two optional solutions. One of them is a temporary exemption from IFRS 9, which essentially suspends its application by some insurers. The second option involves an approach to the presentation in manner mitigating the volatility that may occur if IFRS 9 is applied before the new standard for insurance contracts.

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

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

Their effective dates have not yet been determined by the IASB.
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 consolidate financial statements.

Standards and interpretations not yet adopted by the European Union

Amendments to IFRS 2: Classification and measurement of share-based payment transactions

Effective for accounting periods beginning on or after 1 January 2018.

These documents explain the accounting of shared based payments in the following areas:

- Impact of the terms related to the entitlement and without the entitlement to the valuation of transactions on the basis of shares paid by cash
- Share-based transactions paid after the application of withholding tax
- Modification of share-based payment terms that alter the transaction classification from the category paid by cash to the category paid by equity instruments.

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, because the Group does not perform share-based payment transactions.

Amendments to IAS 40 – Transfer of Investment Property

Effective for accounting periods beginning on or after 1 January 2018.

These amendments reinforce the principles for transferring to or from investment in real estate in IAS 40 Investments in Real Estate and specify that such a transfer may be made only in the case of a change in the use of the real estate. On the basis of these amendments, a transfer is possible only when there has been a real change in the use of the real estate, i.e. the asset meets or ceases to meet the definition of investment in real estate, and there is evidence of such a change in the use of the real estate. A change in the intention of the management alone is not sufficient for such a transfer.

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, because the Company has no investments in real estate.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Effective for accounting periods beginning on or after 1 January 2018.

This interpretation explains how to determine the date of a transaction for the purposes of determining the exchange rate to be used for the initial recognition of related asset, cost or revenue (or a part thereof) and the de-recognition of non-monetary asset or a non-monetary liability incurred in providing or receiving consideration in the form of an advance payment in foreign currency. Under these circumstances, the date of the transaction is the date on which the company initially recognizes the non-monetary asset or the non-monetary liability arising from the provision or receipt of consideration in the form of an advance payment.

The Group does not expect that this interpretation can have a significant effect on its consolidated financial statements when it is first applied because the Group uses exchange rates prevailing at the date of the transaction when initially recognizing non-monetary assets and non-monetary liabilities incurred in providing or receiving consideration in the form of an advance payment.

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 consolidated financial statements.

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".

The Group has not yet prepared an analysis of the impact of this amendment on its consolidated financial statements.

IFRS 17 Insurance Contracts

Effective for accounting periods beginning on or after 1 January 2021; it should be applied prospectively. Earlier application is permitted for companies that apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers during or prior to first application of IFRS 17.

The new standard introduces the following changes:
- Separate presentation of insurance risk and financial results,
- Received premiums shall not be considered as the most important investment component and the received cash will not be considered as revenue,
- Accounting for options and guarantees shall be more consistent and transparent.

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

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.

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

Improvements to IFRS – cycle 2014 – 2016

The improvements introduce two additions to two 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 2018; they should be applied retrospectively.

(All amounts are in thousands Euros unless stated otherwise)

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

The 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 2017	31 December 2016	31 December 2017	31 December 2016
USD/CZK and other	-26	0	2	1

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 2017, a 10 % strengthening/weakening, in the EUR against CZK, USD and other would result in an increase/decrease in the Group's profit by EUR 2 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 2017 is including to regulatory period 2017 – 2021 and the determination of prices for access to the transmission system and electricity transmission based on the price cap. Tariffs for losses, system services, providing system services and tariffs for operation of activities of short-term electricity market are determined on the basis of maximum permitted costs. By different types of support services sets maximum prices of purchased services or the maximum allowable cost. By different types of balancing electricity supplied setting maximum, minimum or fixed prices.

Tariffs for losses, system services, system operation and tariff for the performance of activities of spot electricity market are determined based on the maximum permitted revenues and expenses. When different types of support services sets maximum prices of purchased services or the maximum allowable cost. When different types of balancing electricity supplied setting maximum, minimum or fixed prices.

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.

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.

(d) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All borrowings of the Group are at variable rate.

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. Based on these scenarios, the Group calculates the impact on consolidated profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

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.

The sensitivity analysis (see below) has been determined based on the exposure to interest rates for both derivative and non-derivative instrument at the reporting date. For variable rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, profit of 2017 would decrease/increase by EUR 17 thousand (2016: EUR 21 thousand).

(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 1 094 thousand (Note 10).

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]**	**2017**	**2016**
Banks[1]			
Všeobecná úverová banka, a.s.	A2	26 295	9 414
Tatra banka, a.s.	A3	83 260	68 697
Československá obchodná banka, a.s.	Baa1	5 021	5 649
Slovenská sporiteľňa, a.s.	A-	5 603	5 059
J & T Banka, a. s.	-	10 000	3 000
Poštová Banka, a. s.	-	10 007	12 027
Other	n/a	107	92
Total		**140 293**	**103 938**

[1] The amount of cash and short-term deposits at banks as at 31 December 2017 amounts to EUR 140 293 thousand (31 December 2016: EUR 103 938 thousand). As at 31 December 2017 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 18 550 thousand (31 December 2016: EUR 15 000 thousand), which were not utilized. The Group has bank borrowings as at 31 December 2017 of EUR 59 262 thousand (31 December 2016: EUR 71 419 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 2017				
Bank loans	13 982	12 157	33 123	0
Trade and other payables excluding liabilities not falling under IFRS 7	137 697	0	0	0
Total	151 679	12 157	33 123	0
At 31 December 2016				
Bank loans	13 982	12 157	36 472	8 808
Trade and other payables excluding liabilities not falling under IFRS 7	114 233	0	0	0
Total	128 215	12 157	36 472	8 808

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 2017 in value EUR 641 010 thousand (31 December 2016: EUR 623 163 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 2017	**31 December 2016**
Total equity and liabilities	1 014 608	979 312
Equity (Note 13)	641 010	623 163
Equity to Total equity and liabilities ratio	63%	64%

The parent company's strategy was unchanged from 2016, i.e. to maintain Equity to Total liabilities and equity ratio above 35%, which is compliant with externally imposed capital requirements. During 2017 and 2016 the Group complied with the externally imposed capital requirements (Note 14).

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 2017 is included to regulatory period 2017 – 2021, in which was used the price cap by evaluation of prices for access to the transmission system and electricity transmission. Tariffs for losses, system services and tariffs for the performance of activities of short-term electricity market are determined based on the maximum permitted revenues and expenses. By each types of support services sets maximum prices of purchased services or the maximum allowable cost. By each types of balancing electricity supplied setting maximum, minimum or fixed prices.

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.

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 17).

(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.

(All amounts are in thousands Euros unless stated otherwise)

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

	2017	2016
Buildings, halls, networks, constructions	10 – 60 years	10 – 60 years
Machinery, equipment and vehicles	4 - 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 2017, 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. Due to the increase in the value of assets on its revaluation, an estimate of discounted future cash flows was also carried out based on currently valid regulation by URSO. 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 2016						
Cost	15 212	593 343	323 336	19 834	101 102	1 052 827
Accumulated depreciation and impairment charges	0	-171 581	-82 690	-9 802	0	-264 073
Net book value	**15 212**	**421 762**	**240 646**	**10 032**	**101 102**	**788 754**
Year eneded 31 December 2016						
Opening net book value	15 212	421 762	240 646	10 032	101 102	788 754
Revaluation	0	13 494	7 382	0	0	20 876
Addidions	0	8	2	0	59 918	59 928
Transfers	790	16 504	1 516	22 975	-41 785	0
Disposals	0	-29	-388	-37	0	-454
Depreciation charges	0	-28 405	-25 715	-3 848	0	-57 968
Impairment charges	0	0	0	26	0	26
Closing net book value	**16 002**	**423 334**	**223 443**	**29 148**	**119 235**	**811 162**
At 31 December 2016 after revaluation						
Cost	16 002	451 498	248 892	41 750	119 235	877 377
Accumulated depreciation and impairment charges	0	-28 164	-25 449	-12 602	0	-66 215
Net book value	**16 002**	**423 334**	**223 443**	**29 148**	**119 235**	**811 162**
At 31 December 2016 in historical costs						
Costs	8 589	497 009	447 877	52 538	119 138	1 125 151
Accumulated depreciation and impairment charges	0	-195 669	-247 778	-23 250	0	-466 697
Net book value	**8 589**	**301 340**	**200 099**	**29 288**	**119 138**	**658 454**
Year ended 31 December 2017						
Opening net book value	16 002	423 334	223 443	29 148	119 235	811 162
Revalution	0	0	0	0	0	0
Additions	0	18	0	0	57 526	57 544
Transfers	59	117 120	1 131	8 543	-126 853	0
Disposals	-47	-430	-251	-12	0	-740
Deprereciation charges	0	-31 746	-19 450	-5 024	0	-56 220
Impairment charges	0	0	0	3	0	3
Closing net book value	**16 014**	**508 296**	**204 873**	**32 658**	**49 908**	**811 749**

(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 2017 after revaluation						
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
At 31 December 2017 in historical costs						
Costs	8 645	612 693	443 946	54 048	49 550	1 168 882
Accumulated depreciation and impairment charges	0	-208 600	-257 106	-21 261	0	-486 967
Net book value	8 645	404 093	186 840	32 787	49 550	681 915

** 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 2017 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 2017.

As at 31 December 2017, the most significant items within property, plant and equipment represent: substations and administrative buildings in revalued net book value of EUR 346 009 thousand, in historical net book value of EUR 310 488 thousand (31 December 2016: revalued net book value of EUR 363 806 thousand, historical net book value of EUR 321 701 thousand); transmission lines at revalued net book value of EUR 369 331 thousand, in historical net book value of EUR 281 539 thousand (31 December 2016: revalued net book value of EUR 280 326 thousand, in historical net book value of EUR 175 917 thousand).

Non-current assets under construction consists mainly of EUR 1 771 thousand for upgrade and innovation RIS SED Žilina (31 December 2016: EUR 20 thousand), EUR 8 333 thousand for transformer replacement T401 in ESt Moldava (31 December 2016: EUR 394 thousand), EUR 1 020 thousand for 2x400kV transmission line ESt Rimavská Sobota – state border (31 December 2016: EUR 155 thousand), EUR 939 thousand for replacement of conductor and replacement of insulation (31 December 2016: EUR 0), EUR 3 707 thousand for the renewal of the telecommunication network (31 December 2016: EUR 0), 959 thousand EUR for upgrade IT systems (31 December 2016: EUR 0), EUR 1 957 thousand for the Bystričany 400 kV substation from the grants (31 December 2016: EUR 86 thousand), EUR 1 766 thousand for extension of Horná Ždaňa 400 kV substation from grants (31 December 2016: EUR 60 thousand), EUR 5 776 thousand for remote management of substation in ES Podunajské Biskupice (31 December 2016: EUR 1 482 thousand), EUR 6 654 thousand for transformation 2x400 kV in Bystričany - Križovany (31 December 2016: EUR 3 788 thousand), EUR 7 140 thousand for remote management of substation in ES Spišská Nová Ves (31 December 2016: EUR 988 thousand), EUR 1 899 thousand for transformation 2x400 kV Bystričany – Horná Ždaňa (31 December 2016: EUR 1 188 thousand), EUR 437 thousand for Horná Ždaňa 400 kV substation– extension (31 December 2016: EUR 427 thousand), EUR 872 thousand for Bystričany 400 kV substation (31 December 2016: EUR 699 thousand), EUR 642 thousand for TR 400/110 kV Bystričany – T401 (31 December 2016: EUR 635 thousand), EUR 0 for substation and transmission lines in Gabčíkovo (31 December 2016: EUR 106 309 thousand), EUR 0 for innovation system ASZD (31 December 2016: EUR 479 thousand). These assets are not available for use at the reporting date.

In 2017, 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 2016: 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 2017 amounted 1.28% p.a. (31 December 2016: 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 2017			
Cost	22 124	10	22 134
Accumulated depreciation	-1 658	-8	-1 666
Net vaule as at 31 December 2017	20 466	2	20 468
As at 31 December 2017			
Historical acquistion cost	25 313	20	25 333
Accumulated depreciation historical	-5 595	-19	-5 614
Historical net book value as at 31 December 2017	19 718	1	19 719
As at 31 December 2016			
Cost	22 376	10	22 386
Accumulated depreciation	-839	-8	-847
Net vaule as at 31 December 2016	21 537	2	21 539
As at 31 December 2016			
Historical acquistion cost	25 529	20	25 549
Accumulated depreciation historical	-5 055	-19	-5 074
Historical net book value as at 31 December 2016	20 474	1	20 475

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 2017 and 2016 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, Generali Poisťovňa, a. s.)

(All amounts are in thousands Euros unless stated otherwise)

Insured object	Type of insurance	Amount insured as at 31 Dec 2017 and 2016 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, 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, QBE Insurance (Europe) Limited, Generali Poisťovňa, a. s.)
Isurance of cybernetic risks		500	Lead insurer: Allianz - Slovenská poisťovňa, a.s. (co-insurance: Kooperativa insurance a. s. Vienna Insurance, QBE Insurance (Europe) Limited, Generali Poisťovňa, a. s.)

(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 2016			
Cost	67 533	2 582	70 115
Accumulated amortisation	-53 841	0	-53 841
Net book value	**13 692**	**2 582**	**16 274**
Year ended 31 December 2016			
Opening net book amount	13 692	2 582	16 274
Additions	0	5 917	5 917
Transfers	3 449	-3 449	0
Disposals	0	0	0
Depreciation charges	-4 925	0	-4 925
Closing net book value	**12 216**	**5 050**	**17 266**
At 31 December 2016			
Cost	60 961	5 050	66 011
Accumulated amortisation	-48 745	0	-48 745
Net book value	**12 216**	**5 050**	**17 266**
Year ended 31 December 2017			
Opening net book amount	12 216	5 050	17 266
Additions	0	1 822	1 822
Tranfers	3 812	-3 812	0
Disposals	0	-730	-730
Depreciation charges	-5 490	0	-5 490
Closing net book value	**10 538**	**2 330**	**12 868**
At 31 December 2017			
Cost	63 654	2 330	65 984
Depreciation charges	-53 116	0	-53 116
Net book value	**10 538**	**2 330**	**12 868**

The computer software consists mainly of software SAP, Damas Energy, ISZO a ISOT, ISOM, ISCF and RRM. Net book value of SAP is EUR 32 thousand (31 December 2016: EUR 168 thousand), remaining amortization period is 1 year. Net book value of Damas Energy is EUR 600 thousand (31 December 2016: EUR 1 040 thousand), remaining amortization period is 2 years. Net book value of ISZO and ISOT are EUR 2 295 thousand (31 December 2016: 2 558 thousand), remaining amortization period is 4 years.

Intangible assets not yet in use include EUR 1 071 thousand for upgrade and innovation RIS SED Žilina (31 December 2016: EUR 1 071 thousand), EUR 381 thousand for update SAP environment

(All amounts are in thousands Euros unless stated otherwise)

(31 December 2016: EUR 0), EUR 0 for innovation system ASZD (31 December 2016: EUR 3 730 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

	2017	2016
At the beginning of the year	**200**	**200**
Additions	0	0
Disposals	0	0
At the end of the year	**200**	**200**

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-transmission system operators of the seventeen countries - 50Hertz (Germany), Admie (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). Its main task is to conduct an annual, monthly and daily auctions of rights to transmit electricity across 27 borders 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 2016 are not available data about equity and profit/loss yet. The Company does not expect that the investment is impaired.

(All amounts are in thousands Euros unless stated otherwise)

8 Financial instruments by category

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

As at 31 December 2017	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	85 910	85 910
Received guarantees	0	50 945	50 945
Liabilities due from derivative financial instruments	0	0	0
Payables due to employees	0	1 314	1 314
Social security	0	815	815
Other payables	0	842	842
Bank loans	0	59 262	59 262
Total	0	199 088	199 088

As at 31 December 2017	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	38 354	38 354
Receivables due from derivative financial instruments	0	0	0
Other receivables	0	431	431
Cash at bank and in hand	0	140 293	140 293
Short-term bank deposits	0	0	0
Total	0	179 078	179 078

(All amounts are in thousands Euros unless stated otherwise)

As at 31 December 2016	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	77 204	77 204
Received guarantees	0	34 970	34 970
Liabilities due from derivative financial instruments	0	0	0
Payables due to employees	0	1 202	1 202
Social security	0	691	691
Other payables	0	2 650	2 650
Bank loans	0	71 419	71 419
Total	0	188 136	188 136

As at 31 December 2016	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	35 616	35 616
Receivables due from derivative financial instruments	0	0	0
Other receivables	0	480	480
Cash at bank and in hand	0	103 938	103 938
Short-term bank deposits	0	0	0
Total	0	140 034	140 034

9 Inventories

	As at 31 December 2017	2016
Advance payments made for inventory	0	0
Materials and spare parts	841	1 168
	841	1 168

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

(All amounts are in thousands Euros unless stated otherwise)

10 Trade and other receivables

	As at 31 December 2017	2016
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	37 258	34 522
Past due but impaired trade receivables	0	0
Past due but not impaired trade receivables	2	0
Individually impaired trade receivables	1 094	1 094
Trade receivables (before provision for impairment)	**38 354**	**35 616**
Less: Provision for impairment of receivables	-1 094	-1 094
Trade receivables - net	**37 260**	**34 522**
VAT receivable	7 648	0
Claim on grant	927	2 339
Prepayments	4	8
Other receivables	431	480
Prepaid expenses and accrued income	2 357	1 466
Other receivables - net	**11 367**	**4 293**
Total trade and other receivables	**48 627**	**38 815**

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 663 thousand and in the amount of EUR 264 thousand related 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.

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

	As at 31 December 2017	2016
Receivables within due date	37 258	34 522
Overdue receivables	1 096	1 094
Total	**38 354**	**35 616**

(All amounts are in thousands Euros unless stated otherwise)

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

	As at 31 December 2017	2016
Slovenské elektrárne, a.s.	536	824
Západoslovenská distribučná, a. s.	2 831	2 881
Západoslovenská energetika Energia, a. s.	6 096	6 390
Stredoslovenská energetika, a. s.	2 911	2 638
Stredoslovenská energetika Distribúcia, a. s.	1 892	1 629
Východoslovenská energetika, a. s.	1 976	3 357
Východoslovenská distribučná, a. s.	1 252	1 421
ČEPS, a. s.	1 653	1 703
MAVIR	2 384	2 870
Other	15 727	10 809
Neither past due or impaired trade recivables	**37 258**	**34 522**

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 2017 trade receivables of EUR 2 (31 December 2016: EUR 0 thousand) were past due but not impaired. Their ageing analysis is as follows.

	As at 31 December 2017	2016
1 to 90 days	1	0
91 to 180 days	1	0
Total past due but not impaired trade receivables	**2**	**0**

As at 31 December 2017, the Group recorded individually impaired trade receivables in the gross amount of EUR 1 094 thousand (2016: EUR 1 094 thousand). As at 31 December 2017 was created provision in the amount of EUR 1 094 thousand (2016: EUR 1 094 thousand).

(All amounts are in thousands Euros unless stated otherwise)

The ageing of these receivables is as follows:

	As at 31 December 2017	2016
from 180 to 360 days	0	0
over 361 days	1 094	1 094
Total individually impaired receivables	**1 094**	**1 094**

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

	2017	2016
At the beginning of the year	1 094	1 094
Additional provision for receivables impairment	0	0
Unused amounts released	0	0
Receivables written-off as uncollectible	0	0
At the end of the year	**1 094**	**1 094**

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

11 Cash and cash equivalents

	As at 31 December 2017	2016
Cash at bank and in hand	105 293	74 514
Short-term bank deposits	35 000	29 424
	140 293	**103 938**

As at 31 December 2017 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 2017: EUR 20 990 thousand, 31 December 2016: EUR 14 142 thousand) and daily market with electricity (31 December 2017: EUR 21 106 thousand, 31 December 2016: EUR 13 068 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	
	2017	**2016**
Cash and bank balances and depoisits with original maturities of less than three months	140 293	103 938
Cash and bank balances and deposits with original maturities of more than three months	0	0
	140 293	**103 938**

The carrying amounts of cash and cash equivalents as of 31 December 2017 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).

12 Shareholder's Equity

As at 31 December 2017, 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 2017.

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 21 263 thousand as at 31 December 2017 (as at 31 December 2016: EUR 21 217 thousand).

Other capital reserves comprise statutory fund of EUR 161 891 thousand (2016: EUR 161 574 thousand) and differences from revaluation of assets amounted to EUR 105 660 thousand (2016: EUR 124 367 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 2017, the parent company contributed to this fund the amount of EUR 0 and subsidiary the amount of EUR 317 thousand (31 December 2016: EUR 15 175). 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:

	2017
At the start of the period	124 367
Revaluation surplus reclassified to retained earnings as at 31 December 2017	-23 928
Deferred tax on revaluation surplus as at 31 December 2017	5 025
Deferred tax related to changes in tax rates	0
Deferred tax related to changes in tax rates and special levy from profit in regulated industry	196
At the end of the period	**105 660**

	2016
Positive revaluation 1 January 2016	127 643
Revaluation as at 1 January 2016	20 710
Deferred tax as at 1 January 2016	-4 556
Revaluation surplus reclassified to retained earnings as at 31 December 2016	-26 121
Deferred tax on revaluation surplus as at 31 December 2016	5 746
Deferred tax related to changes in tax rates	1 597
Deferred tax related to changes in tax rates and special levy from profit in regulated industry	-652
At the end of the period	**124 367**

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 3 Mai 2017 approved the Financial Statements of parent company for 2016. In 2017 were approved dividend for 2016 in the amount of EUR 542 857.14 (rounded) per share at the nominal value of EUR 1 000 000 (in 2016: EUR 508 101.13 rounded amount).

The profit accounting of the parent company for the year 2016 of EUR 58 028 thousand was distributed as follows:

	2017 profit distribution	2016 profit distribution
Dividends paid	57 000	53 351
Appropriation to the Statutory Fund	317	15 175
Appropriation to the Reserve Fund	46	4 661
Transfer to retained earnings	665	11
Total	**58 028**	**73 198**

(All amounts are in thousands Euros unless stated otherwise)

13 Trade and other payables

	As at 31 December 2017	2016
Trade payables	85 910	77 204
Received guarantees	50 945	34 970
Payables due to employees	1 314	1 202
Social security	815	691
Accrued personnel expenses	3 984	3 564
Social fund	150	169
Other payables	842	2 650
Total	**143 960**	**120 450**

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

No payables are secured by a lien or other collateral.

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

	As at 31 December 2017	2016
Payables not yet due	143 547	120 294
Overdue payables	413	156
Total	**143 960**	**120 450**

Social Fund

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

	2017	2016
Opening balance at 1 January	**169**	**233**
Creation	852	755
Usage	-871	-819
Closing balance at 31 December	**150**	**169**

(All amounts are in thousands Euros unless stated otherwise)

14 Bank loans and finance lease liabilities

	As at 31 December	
	2017	**2016**
Non-current		
Long-term portion of bank loans (a)	45 280	57 437
	45 280	**57 437**
Current		
Short-term portion of bank loans (a)	13 982	13 982
	13 982	**13 982**

(a) Bank loans

The maturity of bank loans is as follows:

	As at 31 December	
Maturity	**2017**	**2016**
Short-term portion of bank loans	13 982	13 982
Long-term portion of bank loans		
1-5 years	45 280	48 629
over 5 years	0	8 808
Total	**59 262**	**71 419**

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	
	2017	**2016**
Floating rate:		
expiring within one year	3 550	0
expiring beyond one year	0	0
Fixed rate		
expiring within one year	15 000	15 000
expiring beyond one year	0	0
Total	**18 550**	**15 000**

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:

	2017	2016
Bank borrowings	1.28%	1.28%

(All amounts are in thousands Euros unless stated otherwise)

Structure of bank loans as at 31 December 2017 is as follows:

Amount in thousand EUR

Bank/Creditor			31 December 2017	31 December 2016	Interest rate % p. a.	Maturity	Collateral	Part due in next 12 months	Part due after 12 months
Tatra banka, a.s.	Investment	EUR	1 651	2 063	EURIBOR +1.95	31.12.2021	0	413	1 238
Slovenská sporiteľňa, a. s.	Investment	EUR	21 111	25 556	1.30%	31.7.2022	0	4 444	16 667
Všeobecná úverová banka, a. s.	Investment	EUR	36 500	43 800	1.20% a 1.30% depending on the tranche	18.9.2022	0	9 125	27 375
Total	**X**	**X**	**59 262**	**71 419**	**X**	**X**	**X**	**13 982**	**45 280**

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

15 Grants and deferred revenues

Deferred revenues include the following items:

	As at 31 December 2017	As at 31 December 2016
Deferred revenues		
EBOR grant Križovany – long-term portion (a)	11 345	11 724
– current portion (a)	849	1 319
EBOR grant Lemešany – long-term portion (b)	34 639	36 271
– current portion (b)	1 629	1 627
EBOR grant Bystričany – long-term portion (c)	2 909	195
– current portion (c)	0	0
US Steel – long-term portion (d)	3 686	3 820
– current portion (d)	201	270
EU TEN-E – long-term portion (e)	745	774
– current portion (e)	29	28
E.On – long-term portion (f)	2 489	2 539
– current portion (f)	130	213
Slovenské elektrárne, a. s. – long-term portion (g)	3 100	3 292
– current portion (g)	192	192
EU TEN-E – long-term portion (h)	802	830
– current portion (h)	28	29
EU TEN-E – long-term portion (i)	1 964	2 031
– current portion (i)	67	67
EU TEN-E – long-term portion (j)	2 204	2 339
– current portion (j)	67	0
Západoslovenská distribučn, a.s. – long-term portion (k)	3 040	3 183
– current portion (k)	167	191
Východoslovenská distribučná, a.s. – long-term portion (l)	4 297	4 477
– current portion (l)	180	183
INEA Veľký Meder – long- term portion (m)	460	460
– current portion (m)	0	0
INEA Rimavská Sobota – long- term portion (n)	644	644
– current portion (n)	0	0
Others – long-term portion (o)	14 297	9 384
– current portion (o)	10 198	11 529
Total	100 358	97 611

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 12 194 thousand (31 December 2016: EUR 13 043 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 36 268 thousand (31 December 2016: EUR 37 898 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 2 909 thousand (31 December 2016: EUR 195 thousand) was recognized in deferred revenue related to the subsidy.

At the reporting date, the 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 3 887 thousand (31 December 2016: EUR 4 090 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 774 thousand represents a co-finance provided to the 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 2016: EUR 802 thousand).

f)
Amount of EUR 2 619 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 2016: EUR 2 752 thousand).

g)
Amount of EUR 3 292 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 2016: EUR 3 484 thousand).

h)
Amount of EUR 830 thousand represents co-finance provided to Group from European Commission for the transmission line SS Košice – Lemešany (31 December 2016: EUR 859 thousand).

i)
Amount of EUR 2 031 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 2016: EUR 2 098 thousand).

j)
Amount of EUR 2 271 thousand represents co-finance provided to Company from European Commission for the transmission line 400 kV Gabčíkovo – Veľký Ďur (31 December 2016: EUR 2 339).

k)
Amount EUR 3 207 thousand is related to the refinancing of Západoslovenská distribučná, a.s. costs for enlargement of second transformer in the Stupava electric station (31 December 2016: EUR 3 374 thousand).

l)
Amount EUR 4 477 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 2016: EUR 4 660 thousand).

m)
Amount of EUR 460 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 2016: EUR 460 thousand).

n)
Amount of EUR 644 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 2016: EUR 644 thousand).

o)
Within other long-term deferred income are recorded an income in amount of EUR 12 645 thousand, representing the proceeds of regulated tariffs, which does not belong to the parent company in 2017 according to regulatory accounting rules and procedures, but in 2019, when they will be realised (31 December 2016: EUR 8 152 thousand).

Within other deferred income are recorded an income in amount of EUR 8 152 thousand which does not belong to the parent company in 2016 but in 2018, when they will be realised (31 December 2016: EUR 9 737 thousand).

16 Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 21% (31 December 2016: 21%). As at 31 December 2016 tax rate will increase by additional 8.7% for temporary differences in fixed assets due to charges for regulated subjects based on act No. 235/2012 Coll. (31 December 2016: 8.7 %). This levy increased the tax rate for temporary differences, which will offset by the end of 2018 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.

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

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

	At 1 January 2017	Change recognized as (-) expenses/(+) revenues	Change of equity	At 31 December 2017
Positive revaluation of fixed assets	-35 414	5 025	196	-30 193
Negative revaluation of fixed assets	834	-107	0	727
Receivables	18	0	0	18
Non-current tangible and intangible assets	-29 061	-7 265	0	-36 326
Financial investments	-29	0	0	-29
Retirement benefit	1 982	-287	19	1 714
Provisions	635	-87	0	548
Other	3 862	1 079	0	4 941
Total	**-57 173**	**-1 642**	**215**	**-58 600**

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

	At 1 January 2016	Change recognized as (-) expenses/(+) revenues	Change of equity	At 31 December 2016
Positive revaluation of fixed assets	-37 513	5 710	-3 611	-35 414
Negative revaluation of fixed assets	1 017	-183	0	834
Receivables	19	-1	0	18
Non-current tangible and intangible assets	-24 107	-4 954	0	-29 061
Financial investments	-30	0	1	-29
Retirement benefit	2 015	56	-89	1 982
Provisions	542	93	0	635
Other	2 511	1 351	0	3 862
Total	**-55 546**	**2 072**	**-3 699**	**-57 173**

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

17 Provisions for liabilities and charges

	Pension benefits and other long-term benefits (a)	Legal claims (b)	Others (c)	Total
At 1 January 2017	**9 431**	**65**	**0**	**9 496**
Creation of provisions	-830	3	0	-827
Provisions used	-439	0	0	-439
Reversals of unused provision	0	0	0	0
At 31 December 2017	8 162	68	0	8 230

Analysis of total provisions	As at 31 December 2017	2016
Non-current	8 162	9 431
Current	68	65
Total	8 230	9 496

(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 2017	2016
Present value of unfunded retirement obligations	8 007	9 252
Unrecognised actuarial gains/(losses) and portion of past service cost	0	0
Obligation in the Statement of Financial Position	8 007	9 252

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

Analysis of current provisions	**2017**	**2016**
Current service cost	528	609
Past service cost	-1 603	0
Interest cost	140	157
Pension (credit) / cost, included in personnel costs	-935	766

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

Value recognized in Equity are as follows:

Analysis of total provision	2017	2016
Recognized actuarial gains/(losses)	110	-378
Total change recognized in equity	**110**	**-378**

Movements in the present value of defined benefit obligation are:

	2017	**2016**
Present value of unfunded retirement obligation at the beginning of the year	9 252	8 970
Current service cost	528	609
Past service cost	-1 603	0
Interest cost	140	157
Benefits paid	-420	-106
Cancelled		
Actuarial (gains)/losses	110	-378
Present value of unfunded retirement obligations at the end of the year	**8 007**	**9 252**

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

	As at 31 December	
	2017	**2016**
Present value of unfunded obligations	155	179
Obligation in the Statement of Financial Position	**155**	**179**

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

	2017	**2016**
Current service cost	5	14
Cost of past service	1	0
Interest expense	2	3
Pension (credit) / cost included in personnel costs	**8**	**17**

Value recognized in Equity are as follows:

Analysis od total provision	2017	2016
Recognized actuarial gains/(losses)	-13	-4
Total change recognized in equity	**-13**	**-4**

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

Movements in the present value of defined benefit obligation are:

	2017	2016
Present value of unfunded retirement obligations at befinning of the year	179	186
Current service cost	5	14
Past service cost	1	0
Interest cost	2	3
Benefits paid	-19	-20
Actuarial gains/(losses)	-13	-4
Present value of unfunded retirement obligations at the end of the year	**155**	**179**

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

As at 31 December 2017	
Percentage of employees, who will terminate their employment prior to retirement (fluctuation rate)	2.3 – 3.5 % p.a., depending on the age
Expected salary increases	5% p. a.
Discount rate	1.61 % p. a. ; 1.01 % p.a.

As at 31 December 2016	
Percentage of employees, who will terminate their employment prior to retirement (fluctuation rate)	1.6 – 2.4 % p.a., depending on the age
Expected salary increases – long - term	5.8 % p. a.
- short - term	2.5 % p. a.
Discount rate	1,43 % p. a. ; 1.18 % 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.

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

18 Revenues

Revenues include the following:

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

	2017	2016
Access to transmission grid	139 177	136 620
Covering losses	11 436	12 992
System operation	597 436	502 241
System services	158 726	159 466
Auctions	22 755	19 996
Deviations and regulated electricity	67 692	68 677
Shipping	14 641	0
CBT mechanism	6 935	6 292
MO profile	21 269	6 848
Electricity sales on the daily market	18 345	5 203
Settlement of differences	21 876	26 564
Other regulated services	837	365
Total revenues from electricity transmission and transit, deviation settlement and organization of daily electricity market	**1 081 125**	**945 264**
Rental	758	870
Telecommunications services	257	208
Other revenues	679	286
Total other revenues	**1 694**	**1 364**
Total revenues	**1 082 819**	**946 628**

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.

Except mentioned above, the Group recognizes revenues from sale of electricity and costs from purchased electricity on daily electricity market on net basis. In 2017 Group realized revenues from sale of electricity in the total amount of EUR 287 008 thousand (2016: EUR 149 494 thousand). Related costs were in the amount of EUR 268 663 thousand (2016: EUR 144 291 thousand).

Since 11 September 2012 the Company 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 Company recognizes the revenues from these activities under line Sales from merchandise respectively Costs for merchandise sold. The net result is presented within line „Other regulated revenues". In 2017 the Company realized transactions in total amount of EUR 194 632 thousand and related costs were EUR 179 991 thousand (31 December 2016: transactions in amount of EUR 128 639 thousand and related costs were in the amount of EUR 128 769 thousand).

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

19 Consumed materials and services

Consumed materials and services included the following:

	2017	2016
Consumption of material, energy and other non-storable items	8 032	11 729
Repair and maitenance	8 159	10 225
Travel expenses	535	399
Representation expenses	489	476
Rental	506	375
Communication lines outputs	268	276
Stations service	2 020	2 631
Protection and maintenance of area	3 088	2 678
Revisions, controls and security services	1 249	1 165
Technical advisory	23	57
Cleaning	261	238
Bialogical recultivation, ecological costs	154	145
Geodetic and engineering services	51	54
Experts examinations, analysis, experts opinion, certifications	2 747	2 532
Information technology services, advertisement	10 106	9 563
Expenses for support services	147 846	147 732
Expenses for system operation	591 230	496 308
Expenses for deviations	39 853	40 910
Expenses for cross-border assistance	315	71
Expenses for auctions	8 357	2 526
Expenses for regulation energy	19 036	19 962
Cross-boarder assistance expenses (CBT/ITC)	0	2
Settlement of differences	21 876	26 564
Audit of Financial Statements provided by auditor	59	74
Advisory services	623	694
Tax advisory	40	33
Other services provided by auditor	15	37
Usage of MO profile (ČEPS)	19 797	2 387
Demolation	2 230	471
Other	954	1 065
Total	**889 919**	**781 379**

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.

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 energy, 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 2017 were realized transactions in total amount of EUR 1 713 thousand and related costs were in the amount of EUR 2 613 thousand (31 December 2016: transactions in the amount of EUR 1 826 thousand and related costs were in the amount of EUR 2 028 thousand).

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

20 Personnel costs

	2017	2016
Wages and saleries	19 745	17 871
Other personnel costs	2 095	1 950
Pension costs-definite contribution plan	7 171	5 941
Current service cost	532	624
Past service cost	-1 602	0
Interest cost related to pension and other employee benefits	142	160
Recognized actuarial losses/(gains)	0	0
Total	**28 083**	**26 546**

21 Other operating expenses

	2017	2016
Insurance costs	2 125	2 130
Loss from sale of fixed assets	0	160
Taxes and other fees	186	179
Gifts	429	1 562
Creation of adjustment	0	0
Other operating expenses	437	550
Total	**3 177**	**4 581**

22 Other operating income

	2017	2016
Gain from sale of fixed assets	218	0
Gain from sale of material	8	20
Release of deferred revenues from grant	2 478	3 001
Contractual penalties	1 832	1 941
Insurance income	98	65
Release of deferred revenues - Košice	204	282
Release of deferred revenues E.ON	132	301
Revenues from connection to transmission system	0	0
Other operating income (mainly insurance claims)	834	1 061
Total	**5 804**	**6 671**

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

23 Finance expense, net

	2017	2016
Interest income	96	180
Interest expense from borrowings	-847	-1 002
Foreign exchange gains	4	7
Foreign exchange losses	-2	-1
Other financial expenses	-18	-20
Net financial expenses	**-767**	**-836**

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

24 Income tax expense

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

	Year ended 31 December	
	2017	**2016**
Profit before tax	105 565	77 857
Theoretical income tax related to current period at 21% (2016: 22 %)	22 169	17 129
Other income not subject to tax (permanent)	-2 124	-1 070
Non-deductible expenses (permanent)	679	572
Increase of tax due to charges for regulated subjects	10 112	4 246
Deferred tax from temporary differences to which no Deferred tax has been accounted historically	0	0
Additional income tax	1	0
Deferred tax increase to 1 January due to increase of tax rate	0	-1 048
	30 837	19 829
Income tax expense for the period		
The tax charge for the period comprises:		
Deferred tax charge - expense/(income) (Note 16)	1 642	-2 072
Deferred tax total	**1 642**	**-2 072**
Special levy for regulated industry	10 112	4 246
Additional income tax	1	0
Current income tax expense	19 082	17 655
Income tax total	**29 195**	**21 901**
Total tax for period	**30 837**	**19 829**
Effective tax rate	**29,21%**	**25,47%**

Deferred tax is provided, using the balance sheet liability method, on temporary differences using the basic tax rate of 21% (31 December 2016: 21%). This tax rate has been increased as at 31 December 2017 by additional 8.7% for temporary differences in fixed assets because of special levy for regulated industry paid according to Act Nr. 235/2012 Coll. (31 December 2016: 8.7%). This levy increased the tax rate for temporary differences, which will offset by the end of 2018 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.

25 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.

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

(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.

26 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 2017, the performance of which is scheduled only after 31 December 2017. The total obligation under the contracts amount to EUR 82 759 thousand (2016: EUR 28 873 thousand). Capital commitments represent mainly the contruction of transformation RIS SED, performance of the relocation of distribution equipment and engineering and project activities related to lines.

The Group approved its capital expenditure budget for 2018 in the amount of EUR 129 510 thousand (the 2017 capital expenditure budget: EUR 94 257 thousand). Capital expenditures are mainly related to Križovany - Bystričany 2x400 kV transmission line, to Horná Ždaňa 2x400 kV transmission line– locality Oslany, to Bystričany 400 kV substation, to remote control in substations, business systems 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

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

	31 December 2017	31 December 2016
Due within 1 year	453	68
Due in 2 to 5 years	1 176	84
Due after 5 years	6	7
Total	1 635	159

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 270 thousand (31 December 2016: EUR 245 thousand). The main items include the lease of telecommunications routes.

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

(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 2017	31 December 2016
Due within 1 year	277	280
Due in 2 to 5 years	1 036	1 065
Due after 5 years	2 316	2 574
Total	**3 629**	**3 919**

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 431 thousand (31 December 2016: EUR 572 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 2018 amounts to EUR 289 thousand (31 December 2016: year 2017: EUR 290 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 255 thousand annually (31 December 2016: EUR 257 thousand).

27 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 2017 is EUR 107 004 thousand (as at 31 December 2016: EUR 106 227 thousand).

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

28 Cash generated from operations

	Note	2017	2016
Profit before income tax		105 565	77 857
Adjustments for:			
Depreciation of property, plan and equipments	5	56 220	57 968
Depreciation of non-current intangible assets	6	5 490	4 925
Negative revaluation	5	0	0
Impairment charge for non-current assets	5,7	-3	-192
(Gain) / loss from disposal of property, plant and equipment	21	-218	160
Interest income / expense net	23	751	822
Net movements in provisions	17	-1 266	273
Changes in working capital:			
Inventories (gross)		327	-11
Trade and other receivables		-593	6 757
Trade and other payables, deferred revenues		-1 233	-16 108
Cash generated from operations		165 040	132 451

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

	Note	2017	2016
Net book amount		302	280
Profit / (loss) on disposal of asset	21	218	-160
Proceeds from disposal of asset		**520**	**120**

29 Related party transactions

Parties related to the Group include its sole shareholder, Joint Allocation Office, S. A. 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 prevailing 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.

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

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

As at 31 December 2017, 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.	536	2	0	-17 317
Západoslovenská distribučná, a.s.	2 831	0	0	-2 524
Západoslovenská energetika – Energia, a.s.	6 096	0	0	-1 530
Východoslovenská energetika, a.s.	1 976	0	0	-971
Východoslovenská distribučná, a.s.	1 252	0	0	-1 993
Stredoslovenská energetika, a.s.	2 911	0	0	-10 948
Stredoslovenská energetika – Distribúcia, a.s.	1 892		0	-3 265
Tepláreň Košice, a. s.	11	0	0	-970
Žilinská teplárenská, a. s.	0	0	0	-129
Martinská teplárenská, a. s.	61	0	0	-344
Zvolenská teplárenská, a. s.	35	0	0	-379
Joint Allocation Office, S. A.	122	0	0	-1 499
Slovenské elektrárne Predaj, s. r. o.	336	0	0	-520
Vodohospodárska výstavba, a. s.	250	0	0	-1 434
Bratislavská teplárenská, a. s.	0	0	0	-56
Slovenský plynárenský priemysel, a. s.	887	0	0	206

(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 2017 were as follows:

	Sales of services	Purchase of services
Slovenské elektrárne, a.s.	15 594	-188 606
Západoslovenská distribučná, a.s.	57 420	-152 878
Západoslovenská energetika – Energia, a.s.	234 654	-10 225
Východoslovenská energetika, a.s.	118 587	-6 416
Východoslovenská energetika Holding, a.s.	2	-26
Východoslovenská distribučná, a.s.	26 322	-129 279
Stredoslovenská energetika, a.s.	171 099	-15 674
Stredoslovenská energetika – Distribúcia, a.s.	37 768	-210 571
Tepláreň Košice, a. s.	1 446	-5 027
Žilinská teplárenská, a. s.	0	-730
Martinská teplárenská, a. s.	616	-1 329
Zvolenská teplárenská, a. s.	684	-2 158
Joint Allocation Office, S. A.	22 464	-8 303
Slovenské elektrárne Predaj, s. r. o.	43 587	-1 248
Vodohospodárska výstavba, a. s.	-9 030	-9 420
Bratislavská teplárenská, a. s.	0	-194
Slovenský plynárenský priemysel, a. s.	30 672	-1 784

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

As at 31 December 2016, 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.	824	1	0	-16 505
Západoslovenská energetika, a.s.	0	0	0	0
Západoslovenská distribučná, a.s.	2 881	0	0	-5 451
Západoslovenská energetika – Energia, a.s.	6 390	0	0	-2 222
Východoslovenská energetika, a.s.	3 357	0	0	-1 499
Východoslovenská energetika Holding, a.s.	0	0	0	-4
Východoslovenská distribučná, a.s.	1 421	0	0	-3 797
Stredoslovenská energetika, a.s.	2 638	0	0	-8 675
Stredoslovenská energetika – Distribúcia, a.s.	1 629		0	-7 403
Tepláreň Košice, a. s.	110	0	0	-879
Žilinská teplárenská, a. s.	1	0	0	-112
Martinská teplárenská, a. s.	51	0	0	-346
Zvolenská teplárenská, a. s.	33	0	0	-392
Joint Allocation Office, S. A.	42	0	0	-953
Slovenské elektrárne Predaj, s. r. o.	1 564	0	0	-767
Vodohospodárska výstavba, a. s.	114	0	0	1 036
Bratislavská teplárenská, a. s.	1	0	0	-64
Slovenský plynárenský priemysel, a. s.	654	0	0	-231

(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 2016 were as follows:

	Sales of services	**Purchase of services**
Slovenské elektrárne, a.s.	16 227	-181 217
Západoslovenská energetika, a.s.	0	-1
Západoslovenská distribučná, a.s.	58 156	-123 683
Západoslovenská energetika – Energia, a.s.	202 375	-11 706
Východoslovenská energetika, a.s.	90 980	-7 391
Východoslovenská energetika Holding, a.s.	3	-44
Východoslovenská distribučná, a.s.	27 229	-107 554
Stredoslovenská energetika, a.s.	142 270	-11 496
Stredoslovenská energetika – Distribúcia, a.s.	34 702	-168 157
Tepláreň Košice, a. s.	1 531	-5 198
Žilinská teplárenská, a. s.	0	-671
Martinská teplárenská, a. s.	503	-1 452
Zvolenská teplárenská, a. s.	667	-2 552
Joint Allocation Office, S. A.	19 840	-2 433
Slovenské elektrárne Predaj, s. r. o.	89 034	-4 238
Vodohospodárska výstavba, a. s.	-15 884	-10 199
Bratislavská teplárenská, a. s.	0	-225
Slovenský plynárenský priemysel, a. s.	21 096	-1 830

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 2017 and 31 December 2016, are as follows:

	Year ended 31 December 2017	**Year ended 31 December 2016**
Salaries and short-term employee benefits	2 465	1 459
Total	**2 465**	**1 459**

30 Events after the reporting period

No events with a material impact on the true and fair presentation of facts subject to the accounting occurred after 31 December 2017.

The Consolidated Financial Statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 14 March 2018.

....
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

....
Štefánia Gerthoferová
Person responsible for bookkeeping