

**INDEPENDENT AUDITOR'S REPORT  
(unofficial translation)**

**on the financial statements prepared  
as of December 31, 2014**

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

**of company**

**Slovenská elektrizačná prenosová sústava, a.s.**

**ID: 35 829 141**

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

**Independent Auditor's report on the financial statements for the shareholder of company Slovenská elektrizačná prenosová sústava, a.s.**

We have audited the accompanying financial statements of Slovenská elektrizačná prenosová sústava, a.s., which comprise the statements of financial position as of December 31, 2014, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

*Responsibility of Statutory body for the Financial Statements*

Statutory body is responsible for the preparation of these financial statements which give a true and fair view in accordance with International Standards on Accounting as adopted by European Union and for internal control as statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by statutory body, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Slovenská elektrizačná prenosová sústava, a.s. as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Standards on Accounting as adopted by European Union.

Bratislava, on February 20<sup>th</sup>, 2015

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 elektrizačná prenosová sústava, a.s.**

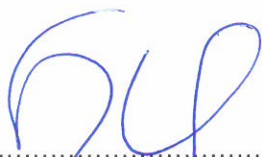
Statement of Financial Positions as at 31 December 2014 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union  
(All amounts are in Euros unless stated otherwise)

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The Financial Statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 20 February 2015 by the Board of Directors.



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



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



	Note	As of 31 December 2014	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	752 224 981	723 707 369
Intangible assets	6	9 696 420	10 314 419
Non-current financial assets	8	0	0
Other investment	7	4 709 815	4 709 815
Receivables		0	0
		<b>766 631 216</b>	<b>738 731 603</b>
<b>Current assets</b>			
Inventories	10	1 208 618	1 046 128
Trade and other receivables	11	45 071 817	44 886 224
Current financial assets	8	0	0
Cash and cash equivalents	12	56 214 497	118 715 536
Current income tax receivable		3 179 053	0
		<b>105 673 985</b>	<b>164 647 888</b>
<b>Total assets</b>		<b>872 305 201</b>	<b>903 379 491</b>
<b>EQUITY</b>			
<b>Share capital and reserves</b>			
Share capital		81 832 584	81 832 584
Legal reserve fund	13	16 366 275	16 366 275
Other reserves	13	145 150 795	145 150 795
Revaluation reserve		148 892 352	174 221 796
Retained earnings	13	177 975 624	153 064 405
<b>Total equity</b>		<b>570 217 630</b>	<b>570 635 855</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current bank loans and finance lease liabilities	15	45 000 000	8 500 000
Non-current portion of grants and other deferred revenues	16	88 819 884	73 864 993
Deferred tax liability	17	57 391 576	60 525 490
Non-current provisions for liabilities and charges	18	8 049 325	7 246 325
		<b>199 260 785</b>	<b>150 136 808</b>
<b>Current liabilities</b>			
Current bank loans and finance lease liabilities	15	8 505 148	14 603 811
Trade and other payables	14	80 631 144	156 330 209
Current portion of grants and other deferred revenue	16	13 624 962	11 305 389
Provisions for current liabilities and charges	18	65 532	0
Current income tax payable		0	367 419
		<b>102 826 786</b>	<b>182 606 828</b>
<b>Total liabilities</b>		<b>302 087 571</b>	<b>332 743 636</b>
<b>Total equity and liabilities</b>		<b>872 305 201</b>	<b>903 379 491</b>

		Year ended 31 December	
	Note	2014	2013
Revenues	19	388 135 767	451 304 439
Capitalized costs		622 042	981 643
Consumables and services	20	(212 731 025)	(277 078 291)
Personnel costs	21	(24 229 950)	(24 156 730)
Depreciation and amortization	5,6	(61 078 932)	(57 093 975)
Impairment of fixed assets	5	(9)	18 260
Other operating income	23	5 771 457	4 570 909
Other operating expense	22	(3 731 921)	(3 555 794)
<b>Operating profit</b>		<b>92 757 429</b>	<b>94 990 461</b>
Interest income	24	400 976	801 844
Interest expense	24	(281 186)	(194 988)
Other finance income/(expense)	24	(31 054)	16 855
<b>Finance cost, net</b>		<b>88 736</b>	<b>623 711</b>
<b>Profit before tax</b>		<b>92 846 165</b>	<b>95 614 172</b>
Income tax expense	25	(25 382 038)	(26 387 929)
<b>Profit for the year</b>		<b>67 464 127</b>	<b>69 226 243</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified:			
Revaluation of property, plant and equipment			
Deferred tax from revaluation of property, plant and equipment			
		30 865	2 366 518
<b>Total comprehensive income</b>		<b>67 494 992</b>	<b>71 592 761</b>
Profit attributable to:			
Owners of the parent		67 464 127	69 226 243
Non-controlling interest		0	0
<b>Profit for the year</b>		<b>67 464 127</b>	<b>69 226 243</b>
Total comprehensive income attributable to:			
Owners of the parent		67 494 992	71 592 761
Non-controlling interest		0	0
<b>Total comprehensive income for the period</b>		<b>67 494 992</b>	<b>71 592 761</b>

	Share capital	Legal reserve fund	Other funds	Revaluation of property, plant and equipment fund	Retained earnings	Equity in total
<b>Balance at 1 January 2013</b>	<b>81 832 584</b>	<b>16 366 275</b>	<b>145 150 795</b>	<b>196 846 086</b>	<b>137 024 080</b>	<b>577 219 820</b>
Net profit for the year 2013	0	0	0	0	69 226 243	69 226 243
Other comprehensive income	0	0	0	(22 624 290)	24 990 808	2 366 518
<b>Total comprehensive income for the year 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22 624 290)</b>	<b>94 217 051</b>	<b>71 592 761</b>
Dividends paid (Note 13)	0	0	0	0	(78 176 726)	(78 176 726)
Profit appropriation to Statutory Fund (Note 13)	0	0	0	0	0	0
<b>Balance at 31 December 2013</b>	<b>81 832 584</b>	<b>16 366 275</b>	<b>145 150 795</b>	<b>174 221 796</b>	<b>153 064 405</b>	<b>570 635 855</b>
<b>Balance at 1 January 2014</b>	<b>81 832 584</b>	<b>16 366 275</b>	<b>145 150 795</b>	<b>174 221 796</b>	<b>153 064 405</b>	<b>570 635 855</b>
Net profit for the year 2014	0	0	0	0	67 464 127	67 464 127
Other comprehensive income	0	0	0	(25 329 444)	25 360 309	30 865
<b>Total comprehensive income for the year 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(25 329 444)</b>	<b>92 824 436</b>	<b>67 494 992</b>
Dividends paid (Note 13)	0	0	0	0	(67 913 217)	(67 913 217)
Profit appropriation to Statutory Fund (Note 13)	0	0	0	0	0	0
<b>Balance at 31 December 2014</b>	<b>81 832 584</b>	<b>16 366 275</b>	<b>145 150 795</b>	<b>148 892 352</b>	<b>177 975 624</b>	<b>570 217 630</b>

The notes 6 to 62 form an integral part on these Financial Statements.

	Note	Year ended 31 December	
		2014	2013
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	171 701 346	159 137 756
Income tax paid		-32 031 561	(36 613 585)
Interest received		516 217	739 614
<b>Net cash generated from operating activities</b>		<b>140 186 002</b>	<b>123 263 785</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(87 043 076)	(101 010 977)
Proceeds from the sale of property, plant and equipment and intangible assets	28	281 258	3 440 860
Loan provided to the company OKTE, a. s.		-	-
Repayment of loan granted to the company CAO	8	-	15 000
<b>Net cash used in investing activities</b>		<b>(86 761 818)</b>	<b>(97 555 117)</b>
<b>Cash flows from financing activities</b>			
Proceeds / (repayment) of loans		30 401 337	(9 996 189)
Interest paid		(236 617)	(194 743)
Dividends paid	13	(146 089 943)	-
<b>Net cash used in financing activities</b>		<b>(115 925 223)</b>	<b>(10 190 932)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(62 501 039)</b>	<b>15 517 736</b>
<b>Cash and cash equivalents at the beginning of the year</b>	12	<b>118 715 536</b>	<b>103 197 800</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>56 214 497</b>	<b>118 715 536</b>



## 1 General Information

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

The principal activities of the Company 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 company 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 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 the power plan 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 Company's operations are governed by the terms of its licence granted under the Energy Law ("the Energy Licence") and other relevant legislation. The Regulatory Office of Network Industries of the Slovak republic (hereinafter the "URSO") regulates certain aspects of the Company's relationships with its customers, including the pricing of electricity and services.

By the end of 2010, the Company performed deviation settlement and organized short-term electricity market. Since 1 January 2011 these activities has been transferred to OKTE, a.s., which has been created for this purpose in accordance with law and is 100% subsidiary of SEPS, a.s.

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

	Absolute amount EUR	Ownership interest and voting rights %
Slovak Republic represented by Ministry of Finance	81 832 584	100%
<b>Total</b>	<b>81 832 584</b>	<b>100%</b>

According to the Decree of Slovak government Nr. 481 dated 19 September 2012, The National Property Fund of the Slovak Republic, based in Bratislava, Drieňová 27, transferred the shares of the 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 Company as well as 100% of voting rights.

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

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

Body	Function	Name
Board of Directors	Chairman	Ing. Miroslav Stejskal
	Vice-Chairman	Ing. Michal Pokorný
	Member	Ing. Martin Malaník
	Member	Ing. Alexander Kšiňan
	Member	doc. Ing. Miroslav Rapšík, CSc.
Supervisory Board	Chairman	Ing. Peter Matejíček
	Vice-Chairman	Ing. Pavol Fandl
	Vice-Chairman	Ing. Ján Oráč
	Member	Michal Sokoli
	Member	Ing. Marián Mihalda
	Member	Milan Duchoň
	Member	Ing. Roman Masár
	Member	Ing. Rastislav Januščák
	Member	Ing. Ján Horváth
	Member	Prof. Ing. František Janíček, PhD.
	Member	Ing. Július Laššan
	Member	Ing. Jaroslav Mikla
Executive management	General Director	Ing. Miroslav Stejskal
	Managing Director of Operating	Ing. Alexander Kšiňan
	Managing Director of SED and Commerce	Ing. Michal Pokorný
	Managing Director of Economics	Ing. Martin Malaník
	Managing Director of Development and Capital Investment	doc. Ing. Miroslav Rapšík, CSc.

The Company employed 518 personnel on average during 2014 (2013: 516), 5 of which were management (2013: 5).

### Registered address and identification number

Mlynské nivy 59/A  
824 84 Bratislava  
Slovak Republic

Identification number (IČO) of the Company is: 358 291 41  
Tax identification number (IČ DPH) of the Company is: SK 2020261342

## 2 Summary of significant accounting policy

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### 2.1. Basis for preparation

Legal reasons for preparing the Financial Statements:

The Company's Financial Statements at 31 December 2014 have been prepared as ordinary Financial Statements under § 17 (6) of Slovak Act. No 431/2002 Coll. ("Accounting Act") for the accounting period from 1 January 2014 to 31 December 2014.

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



These financial statements have been prepared in accordance with IFRS as adopted by the European Union. The Company applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), as amended by the European Union, which were effective as of 31 December 2014.

These financial statements have been prepared in under the historical cost convention, 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 the reporting date.

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

The Board of Directors may propose to the Company's shareholders to amend the Financial Statements after their approval by the General Shareholders Meeting. According to § 16 (9 to 11) of the Accounting Act the reopening the entity's accounting records after the Financial Statements are prepared and approved is prohibited; if after the Financial Statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entitles to restate comparative information in the accounting period in which relevant facts are identified.

The preparation of the Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

The Financial Statements of the Company for the previous period were approved by the ordinary Annual General Meeting of the Company held on 29 May 2014.

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

The Company issues consolidated financial statements in accordance with Article 22 of Slovak Act No. 431/2002 Coll. on Accounting, as the Company has a subsidiary OKTE, a.s. based in Mlynské Nivy 59/A, 821 09 Bratislava.

## 2.2. Changes in the accounting policies

There have not been any changes in the accounting policies during the year ended 31 December 2014. The Company has evaluated and examined the impact of the following amendments on the separate financial statements.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

IFRIC 21 - Levies – moment of recognition of a liability

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

Improvements to IFRS 2012

- IFRS 2 clarifies the definition of a “vesting condition” and separately defines “performance condition” and “service condition”
- IFRS 3 clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity
- IFRS 8 requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported
- IFRS 13 clarifies the measurement of short term receivables and payables
- IAS 16 and IAS 38 clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model
- IAS 24 regulates provided personnel services to key management

Improvements to IFRS 2013

- IFRS 1 regulates in application of IFRS an option of usage either the old or the new version of the same standard for the first-time.
- IFRS 3 clarifies, that it does not apply to accounting of establishment of any joint venture, but relates only to financial statements of joint venture.
- IFRS 13 allows the entity to measure fair value of the group financial assets and liabilities on a net basis.
- IAS 40 regulates the distinction between investment immovable assets and owner-occupied immovable assets



### 2.3. Investments

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

### 2.4. Foreign currency transactions and translation

#### (i) Functional and presentation currency

Items included in these Financial Statements are presented in Euros which is the currency of the primary economic environment in which the entity operates ("the financial currency"). The Financial Statements are presented in whole Euros.

#### (ii) Transactions and balances

Transactions in foreign currency 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 date preceding the date of accounting transaction or at any other day if required by special regulation. At the reporting date, the assets and liabilities 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 the foreign currency is retranslated into the functional currency using the exchange rate valid at the date of the accounting transaction. Foreign exchange gains and losses resulting from the settlement of such transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognizes in the Income Statement.

### 2.5. Property, plant and equipment

The property, plant and equipment is carries at cost less accumulated depreciation out accumulated impairment losses, with exception 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 Company 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 Company 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 25 and 60 years (2013: between 40 and 80 years).

## (ii) Revaluation

In 2011 the property, plant and equipment were for the first time carried in revaluated amounts as at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The first revaluation was made as at 1 January 2011. The revaluation was made by an independent expert. The revaluations will be carried with sufficient regularity (at least every five years) to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The increase in the carrying amount of property, plant and equipment as a result of revaluation is recognized in other comprehensive income and accumulated in equity under the heading revaluation surplus.

The increase in revaluation of carrying amount of property, plant and equipment is recognized in the profit or loss only to the extent that it reverses a revaluation (i.e. negative revaluation difference) of the same asset previously recognized in income statement.

A decrease in carrying amount of property, plant and equipment as a result of revaluation is recognized in the income statement. The decrease in revaluation of carrying amount of property, plant and equipment is recognized on other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

In such case, the amount of the surplus transferred represents a difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original costs. In case of sale of assets or its derecognition is the remaining balance of the revaluation surplus transferred to the retained earnings.

## (iii) Depreciation

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:

	2014	2013
Buildings, halls, networks and constructions	25 – 60 years	40 – 80 years
Machines, equipment and vehicles	4 - 50 years	12 - 30 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 Company 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 Company 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 Company 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 2.7).

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 Company as well as from economic environment of the Slovak Republic as at the balance sheet date. In case the Company 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.

## **2.6. 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 Company, 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 Company 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 Company 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 use;
- management intends to complete the software product and use or sell it;
- there 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.

## **2.7. 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 purposes 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.

## **2.8. 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 a part of a single coordinated 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.

## **2.9. Financial assets**

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

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 profit and loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the Income Statement.

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



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

Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

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

Realized and unrealized gains or losses arising from changes in the fair value of the „financial assets at fair value through profit or loss“ are recognized in income statements 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 and held-to-maturity investments are carried at amortized cost using the effective interest method.

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

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

#### **2.10. 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 Company is a lessee of certain property, plant and equipment. Leases of property, plant and equipment where the Company 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 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 Income Statement. 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 Income Statement on a straight-line basis over the period of the lease.

The Company 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 in the Financial Statements.

#### **2.11. 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.

#### **2.12. Trade and other receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of provision for impairment. Revenue recognition policy is described in the Note 2.22.

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

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

Impairment of trade receivables is recognized through an allowance account. Impairment losses and their reversals, if any, are recognized in the Income Statement 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 Income Statement within Other operating income.

#### **2.13. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method.

#### **2.14. Share capital**

Ordinary shares are classified as share capital.

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

#### **2.15. Current and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions 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 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 Company 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 Company offsets deferred tax assets and deferred tax liabilities where the Company 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 Z. z. the Company is obliged in the period from 1 September 2012 till 31 December 2016 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“.

## **2.16. 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 Company 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 and Structure 3 in Križovany, with the grant approved by EBOR for Lemešany – Košice – Moldava- Structure 4. The Company also has a grant approved by EBOR in the amount of EUR 76 million for Reconstruction of switching station in Bystričany and for transmission lines in Horná Ždaňa – Križovany. This grant has not been drawn in 2014.

## **2.17. 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 Income Statement over the period of the borrowings using the effective interest method.

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

## **2.18. Provisions**

Provisions are recognized when the Company 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 Company 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 Company, the present obligation according to this contract is recognized and valued as a provision.

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

The amount recognized as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date, i.e. the amount that the Company would rationally pay to settle the obligation. The estimate is determined by the judgement of the management and the Company'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.

## 2.19. Contingent liabilities

Contingent liabilities are not recognized in the Financial Statements. The are disclosed in the notes, unless the possibility of an outflow of resources embodying the economic benefits is remote.

## 2.20. 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 (Note 2.12).

## 2.21. Employee benefits

The Company 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 Company 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 Company 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 Company is obliged, based on the number of years in service, to pay its employees on retirement or disability the following multiples of their average monthly salary:

#### Number of year in service

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0 – 2	7
3 – 9	9
10 – 14	10
15 – 19	11
Over 20	12

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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 Company also pays the following life and work jubilee benefits:

- compensation of electricity costs in amount of EUR 150 (2013: EUR 150) yearly for employees on retirement working for the Company for at least three years;
- Jubilee benefit from EUR 265.55 to EUR 531.10 depending on the number of years worked for the Company when the employee reaches the age of 50 years.

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

The liability recognized in the 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 arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the Income Statement. Past-service costs are recognized immediately in the Income Statement, 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). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

#### Defined contribution pension plans

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

The Company 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 Company made contributions amounting to 35.2% (2013: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law for such schemes together with contributions by employees of a further 13.4% (2013: 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 Company 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 to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determinable before the Financial Statements are authorized for issue; or

- the past practice created a valid expectation of employees that they will receive a profit sharing or other bonus
- bonuses or profit sharing may be determined before the financial statements are authorized for issue.

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

## 2.22. Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Company and specific criteria will be met for each of the Company'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 Company'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.

## 2.23. Dividend distribution

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

## 2.24. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below:

IFRS 9 – Financial Instruments: Classification and measurement

Key features of standard are:

Financial assets are required to be classified into two categories for measurement purposes:

- assets that will be subsequently measured at fair value
- assets that will be subsequently evaluated at amortised cost using the effective value of the interest rate



The classification has to be made at the time of acquisition and initial recognition of financial asset and depends on the entity's business model for managing its financial instruments and on the contractual cash flow nature of the financial instrument.

Financial assets is measured at amortised cost using the effective interest rate value; in case of debt instrument and the entity's business model aims to hold the asset for collecting the contractual cash flows and these contractual cash flows from the assets represent only the principal and interest payments (i.e. financial instrument has only "basic loan features"). All other debt instruments should be measured at their fair value, where the change can be recognized in profit and loss statement (P&L).

All shares and ownership interest will be measured at their fair value. Shares and ownership interest for trading will be measured at their fair value, where the change can be recognized in P&L. At the time of initial recognition for all other shares and ownership interests the entity can decide irrevocably that all realized and unrealized gains or losses from revaluation can be recognized in other comprehensive income (OCI) and not as a part of P&L. Fair value reclassification in P&L will not be possible. This decision will be done separately for each acquired investment within the meaning of shares and ownership interests. Dividends should be reported in profits or losses only in case of representing investment income

Most of the requirements of IAS 39 for the classification and recognition of financial liabilities were transferred to IFRS 9. The main change is the entity's obligation to recognize effects of changes in its own financial liabilities credit risk at its fair value, where the change can be recognized in profits and losses in other comprehensive income.

The requirements for hedge accounting method has been modified to provide a better link with risk management. The standard provides entities the choice between applying IFRS 9 and continuing in implementation of IAS 39 to all hedging relationships.

This standard was issued in July 2014 and will be effective for period beginning on or after 1 January 2018.

#### IFRS 14 – Regulatory deferral accounts

Standard permits to entities which adopt IFRS standards for first-time to continue to recognised regulatory deferral account balances in accordance with its previous GAAP. To increase compatibility with entities that follow IFRS and do not report such balances the standard requires to present the impact of rate-regulation separately from other items. This standard can not be applied in an entity which financial statements has been already prepared according to IFRS. This standard was issued in January 2014 and will be effective for period beginning on or after 1 January 2016.

#### IFRS 15 – Revenue from contracts with customers

Standard introduced principle that revenues should recognised at their transaction price at the time, when goods or services are transfer to customer. Any bounded goods or services, that are distinguished must be accounted separately and sale price discounts or rebates must be allocated to each items. If the price is for any reason variable the minimum value at which it is highly probable that will not be reversed must be accounted. The customer contract acquisition costs must be capitalized and amortized over the period when the economic benefits from the customer contract result directly to company. This standard was issued on 28 May 2014 and will be effective for period beginning on or after 1 January 2017.

#### Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations

The amendment adds new guidance on the how to account for the acquisition of an interest in a joint operation that constitutes a business. Standard issued on 6 May 2014 and effective for period beginning on or after 1 January 2016.



#### Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation

Amendments clarify that the use of revenuebased methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments issued on 12 May 2014 and effective for period beginning on or after 1 January 2016.

#### Amendments to IAS 16 and IAS 41 – Agriculture: Bearer plants

Amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. Amendments issued on 30 June 2014 and effective for period beginning on 1 January 2016.

#### Amendments to IAS 27 Equity method in separate financial statements

These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Amendments issued on 12 August 2014 and effective for period beginning on or after 1 January 2016.

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

Amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Amendments issued on 11 September 2014 and effective for period beginning on or after 1 January 2016.

#### Improvements to IFRS 2014:

- IFRS 5 clarifies the change in methods of assets disposals. Reclassification from "held for sale" to "held for distribution", or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such
- IFRS 7 regulates whether servicing contract is continuing involvement in a transferred asset and the offsetting disclosures is required in interim financial statements if IAS 34 does not require otherwise
- IAS 19 clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country.
- IAS 34 requires a crossreference from interim financial reporting to "elsewhere in the interim financial report"

Amendments issued on 25 September 2014 and effective for period beginning on or after 1 January 2016.

#### Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities

Amendments clarify the possibility of applying the consolidation exception. Amendments issued in December 2014 and effective for period beginning on or after 1 January 2016.

#### Amendments to IAS 1 - Presentation of Financial Statements

Amendments clarify approaches to presentation financial statements. Amendments issued in December 2014 and effective for period beginning on or after 1 January 2016.

### 3 Financial Risk Management

#### 3.1. Financial risk factors

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

Risk management is carried out by the Company under policies approved by the Board of Directors. The Company identifies, evaluates and hedges financial risks in cooperation with the Company'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 Company provides electricity transit services and auctions in which payments are denominated in EUR. Similarly, the Company recognizes part of purchases and credit financing with payments denominated in EUR.

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

	Liabilities		Assets	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
USD / CZK and other	(35 052)	(61 914)	1 484	0

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

Based upon the sensitivity analysis of financial assets and liabilities recognized as at 31 December 2014, a 10 % strengthening/weakening, in the EUR against USD, CZK and GBP would result in an increase/decrease in the Company's profit by EUR 3 052. Management considers the risk is not significant.

##### (b) Price risk

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

##### (c) Operating risks – prices of services

The Company provides the transmission of electricity through the transmission system of the Slovak Republic and directly associated activities. The Company is natural monopoly and its activities are subject to regulation by The Regulatory Office of Network Industries of the Slovak Republic (hereinafter the „URSO“).



URSO in its decisions determines allowed Company's revenues, costs, prices and tariffs while in its determinations it applies a calculation methodology of described in the ordinance that URSO drawn up on the basis of regulatory policy for the regulatory period established by the Regulation Committee.

In regulatory period 2012 - 2016, which includes also the year 2014, the principle of regulation of electricity transmission based on the price cap while the increase of the eligible costs included in the price for transmission during the regulatory period is possible only if the inflation is higher than 3.5 %. The tariffs for losses and system services are determined on the basis of maximum permitted revenues and costs. Within each type of support services maximum prices of purchased services or the maximum allowable costs are set. Regulated electricity acquired under GCC system, which the Company together with operators in Czech and Hungarian transmission system use to prevent the supply of regulation electricity in opposite directions through the cross-border connections is set on the basis of fixed prices.

The main part of the company'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 regulated electricity acquired under the GCC system). Furthermore, the Company 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).

The Company's costs consists mainly costs for purchase of support services needed to provide system services, electricity purchase costs to cover losses and own consumption, costs for electricity regulation acquired under GCC system, the costs associated with cross-border electricity transmission and other costs needed for transmission system operation and operation of the Company.

Since 2014, the Company has completed the system operation and redistribution of tariff payments and this obligation has been transferred to the subsidiary OKTE a.s.. The relevant Company's tariffs, revenues and costs relating to the system operation in 2014 and 2015 represent only offsetting the differences between revenues and costs in previous periods and represent an insignificant revenues and costs part compared to the period when the Company carried out this kind of activity.

Within Czech, Slovak, Hungarian and Romanian electricity market interconnection the Company 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 Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. All borrowings of the Company are at variable rate. As at 31 December 2014 the Company has one unpaid loan using variable interest rate and two bank loans with fix interest rate.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Base on these scenarios, the Company calculates the impact on 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 Company are independent, to a large extent, of the changes in interest rates on the market. The Company does not have material interest – bearing assets other than cash and cash equivalents.



The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments 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 2014 would decrease/increase by EUR 85 000 (2013: EUR 231 038).

## (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 Company 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 base on dates agreed in the contracts, i.e. 3 to 30 days.

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

As for the trade receivables, the Company carries out its activities with a few significant counterparties. Although the receivables of the Company 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.

Maximum exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 12 770 (Note 11).

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

Counterparty	Internal Rating <sup>2</sup>	Balance as at 31 December	
		2014	2013
Banks <sup>1</sup>			
Všeobecná úverová banka, a.s.	A3	10 919 519	24 142 373
Tatra banka, a.s.	A3	18 993 850	17 154 792
Československá obchodná banka, a.s.	Baa3	111 813	20 082 827
Slovenská sporiteľňa, a.s.	A	9 072 527	27 252 043
J & T Banka, a. s.	-	14 000 000	20 000 000
Sberbank, a. s.	BBB-	3 059 438	10 027 174
Other	n/a	57 350	56 327
<b>Total</b>		<b>56 214 497</b>	<b>118 715 536</b>

<sup>1</sup> The amount of cash and short-term deposits at banks as at 31 December 2014 amounts to EUR 56 214 497 (31 December 2013: EUR 118 715 536). Furthermore, the Company has agreed with those banks on credit lines on current accounts totalling EUR 18 550 000 (31 December 2013: EUR 26 780 000), which were not utilized. The Company has bank borrowings as at 31 December 2014 of EUR 53 505 148 (31 December 2013: EUR 23 103 811), and these credit lines were utilized.

<sup>2</sup> The Company uses the independent rating of Moody's, Fitch Ratings 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 Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company manages liquidity risk by having an option to utilize bank overdrafts which should cover an immediate shortage of cash. The Company regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Company also uses the advantages of commercial terms between the Company 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 Company 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 Company,
- expected future cash outflows securing operations of the Company and leading to settlement of all liabilities of the Company, 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 Company to make term deposits and other investments.

Management monitors rolling forecasts of the Company's liquidity reserve comprises un-drawn borrowing facility and cash equivalents on the basis of expected cash flow.

The table below analyses the Company'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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2014</b>				
Bank loans (principal incl. future interest charges)	8 505 148	6 844 445	24 955 555	13 200 000
Finance lease	0	0	0	0
Trade and other payables excluding liabilities not falling under IFRS 7	74 904 361	0	0	0
<b>Total</b>	<b>83 409 509</b>	<b>6 844 445</b>	<b>24 955 555</b>	<b>13 200 000</b>
<b>At 31 December 2013</b>				
Bank loans (principal incl. future interest charges)	14 603 811	8 500 000	0	0
Finance lease	0	0	0	0
Trade and other payables excluding liabilities not falling under IFRS 7	151 258 078	0	0	0
<b>Total</b>	<b>165 861 889</b>	<b>8 500 000</b>	<b>0</b>	<b>0</b>

The following table below summarizes liquidity analysis of Company's financial derivatives. The table has been prepared based on undiscounted net cash inflows/(outflows) from financial derivatives settled by the Company in gross amounts. For other than fixed amounts payable/receivable,



recognized amounts were derived from projected interest rates as illustrated by yield curves as at the reporting date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>31 December 2014</b>				
Interest rate swaps	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>31 December 2013</b>				
Interest rate swaps	(232 596)	0	0	0
<b>Total</b>	<b>(232 596)</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 3.2. Capital risk management

The 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 Company's management manages shareholders' capital reported under IFRS adopted by the European Union at 31 December 2014 in value EUR 570 217 630 (31 December 2013: EUR 570 635 855).

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio.

This ratio is calculated as follows:

	31 December 2014	31 December 2013
Total equity and liabilities	872 305 201	903 379 491
Equity (Note 14)	570 217 630	570 635 855
Equity to Total equity and liabilities ratio	65%	63%

The Company's strategy was not changed against 2013, i.e. to maintain equity to total liabilities and equity ratio above 35%, which is compliant with externally imposed capital requirements. During 2014 and 2013, the Company complied with the externally imposed capital requirements (Note 15).

### 3.3. Fair value estimation

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

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

## 4 Critical accounting estimates and judgements

The Company 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 Company provides the transmission of electricity through the transmission system of the Slovak Republic and directly associated activities. The Company is natural monopol and its activities are subject to regulation by The Regulatory Office of Network Industries of the Slovak Republic (hereinafter the „URSO“).

URSO in its decisions determines allowed Company's revenues, costs, prices and tariffs while in its determinations it applies a methodology of calculation described in the ordinance that URSO drawn up on the basis of regulatory policy for the regulatory period established by the Regulation Committee.

In regulatory period 2012 - 2016, which includes also the year 2014, the principle of regulation of electricity transmission based on the price cap while the increase of the eligible costs included in the price for transmission during the regulatory period is possible only if the inflation is higher than 3.5 %. The tariffs for losses and system services are determined on the basis of maximum permitted revenues and costs. Within each type of support services maximum prices of purchased services or the maximum allowable costs are set. Regulated electricity acquired under GCC system, which the Company together with operators in Czech and Hungarian transmission system use to prevent the supply of regulation electricity in opposite directions through the cross-border connections is set on the basis of fixed prices.

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 Company 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 Company 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 18).

#### **(iii) Revaluation of property, plant and equipment**

The main operating assets of the Company are assets used for electricity transmission. In the past, the Company valued assets at the historical acquisition costs. As at 1 January 2011 the Company applied the revaluation model to fair value according to IAS 16 for property, plant and equipment, except for the classes of property 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 an 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 method used for revaluation is further described in Note 5. The final reported book values of these assets and related revaluation differences are not necessarily the values at which these assets may have been or will be sold.

The Company also evaluated the expected remaining useful life of the property, plant and equipments based on the expert opinion as stated above. The result of the reassessment of useful life is the increase of the estimated useful life.



	2014	2013
Buildings, halls, networks, constructions	25 – 60 years	40 – 80 years
Machinery, equipment and vehicles	4 - 50 years	12 - 30 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 Company in the future.

#### **(iv) Valuation of swap**

The Company uses Discounted Cash Flow model that uses only observable market data for determining the fair value of common financial instrument, like interest rate swap. Availability of observable market prices and mode inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

#### **(v) Impairment test**

On 31 December 2011, the management of the Company performed a test for potential impairment by comparing recoverable value and book value. Due to the nature of the business, the Company was considered as one cash generating unit. Recoverable value was determined based on the value of use. The fair value was derived from the value of future cash flows adjusted for present value by discount. Discount rate used in impairment test was on 31 December 2011 8.4% (after income tax). This discount rate was calculated by weighted average cost of capital.

Fair value of cash generating unit was determined based on projected cash flows arising from long-term financial plan prepared by the Company's management. The financial plans were prepared for the next five years. Projected cash flows for the next period after the five years were derived from these financial plans. In this subsequent period it is expected to achieve such operating and financial efficiency, which management consider to be sustainable. Base on this standard level of cash flows growth condition was calculated at 0% per annum.

The key assumptions that affect the fair value the most, are except for the discount rate are mainly planned capital expenditures after 2017. Most assumptions are based on a historical basis.

As at 31 December 2014 the Company management reviewed all internal and external impairment indicators. Due to the result of impairment test for the prior year as well as increase in 2014 profit compared to results expected in the impairment test for 2013 and with respect to other facts, the Company's management did not identify such indicators that would require performing of impairment test as at 31 December 2014.

## 5 Property, plant and equipment

	Lands	Buildings, halls and constructions	Machinery, equipment, vehicles and other assets	Capital work in progress including advances(CIP)	Total
<b>At 1 January 2013</b>					
Cost	13 941 886	478 286 332	201 622 859	87 427 395	781 278 472
Accumulated depreciation and impairment charges	0	(65 486 317)	(36 544 455)	0	(102 030 772)
<b>Net book value</b>	<b>13 941 886</b>	<b>412 800 015</b>	<b>165 078 404</b>	<b>87 427 395</b>	<b>679 247 700</b>
<b>Year ended 31 December 2013</b>					
Opening net book value	13 941 886	412 800 015	165 078 404	87 427 395	679 247 700
Additions	0	0	0	97 942 122	97 942 122
Transfers	68 541	54 657 079	39 641 849	(94 367 469)	0
Disposals	(10 423)	(1 041 600)	(89 004)	0	(1 141 027)
Depreciation charge	0	(34 619 146)	(17 722 280)	0	(52 341 426)
Impairment charge	0	0	0	0	0
<b>Closing net book value</b>	<b>14 000 004</b>	<b>431 796 348</b>	<b>186 908 969</b>	<b>91 002 048</b>	<b>723 707 369</b>
<b>At 31 December 2013 after revaluation</b>					
Cost	14 000 004	531 330 788	239 638 362	91 002 048	875 971 202
Accumulated depreciation and impairment charges	0	(99 534 440)	(52 729 393)	0	(152 263 833)
<b>Net book value</b>	<b>14 000 004</b>	<b>431 796 348</b>	<b>186 908 969</b>	<b>91 002 048</b>	<b>723 707 369</b>
<b>At 31 December 2013 in historical costs</b>					
Costs	6 590 864	419 806 418	384 025 422	90 708 071	901 130 775
Accumulated depreciation and impairment charges	0	(163 894 136)	(231 365 556)	0	(395 259 692)
<b>Net book value</b>	<b>6 590 864</b>	<b>255 912 282</b>	<b>152 659 866</b>	<b>90 708 071</b>	<b>505 871 083</b>



**Year ended 31  
December 2014**

Opening net book value	14 000 004	431 796 348	186 908 969	91 002 048	723 707 369
Additions	0	0	0	87 708 506	87 708 506
Transfers	4 550	48 018 980	71 337 237	(119 360 767)	0
Disposals	0	(1 294 520)	(1 005 725)	0	(2 300 245)
Depreciation charge	0	(36 387 811)	(20 502 838)	0	(56 890 649)
Impairment charge	0	0	0	0	0
<b>Closing net book value</b>	<b>14 004 554</b>	<b>442 132 997</b>	<b>236 737 643</b>	<b>59 349 787</b>	<b>752 224 981</b>

**At 31 December 2014  
after revaluation**

Cost	14 004 554	577 129 582	308 550 487	59 349 787	959 034 410
Accumulated depreciation and impairment charges	0	(134 996 585)	(71 812 844)	0	(206 809 429)
<b>Net book value</b>	<b>14 004 554</b>	<b>442 132 997</b>	<b>236 737 643</b>	<b>59 349 787</b>	<b>752 224 981</b>

**At 31 December  
2014 in historical costs**

Costs	6 595 414	465 131 145	449 196 662	58 969 582	979 892 803
Accumulated depreciation and impairment charges	0	(168 925 372)	(246 026 146)	0	(414 951 518)
<b>Net book value</b>	<b>6 595 414</b>	<b>296 205 773</b>	<b>203 170 516</b>	<b>58 969 582</b>	<b>564 941 285</b>

As at 1 January 2011, the independent expert, who is not related to the Company, performed revaluation of property, plant and equipment base on observation of property, plant and equipment and determination of depreciable replacement cost of property, plant and equipment, with reference to the records of current market transactions with similar property items and methodology of depreciable replacement costs. Depreciable replacement costs are based on current acquisition cost, at which the property, plant and equipment would be acquired as new and estimated residual value based on the current acquisition cost, useful life, and age of existing assets (methodology of depreciable replacement costs less depreciation).

This valuation is in accordance with International Valuation Standards. The Company recorded this revaluation as at 1 January 2011. Revalued property value was higher by EUR 328 025 305 compared to residual value determined from the historical acquisition cost. The amount was recognized in other comprehensive income as at 31 December 2011.

As part of the revaluation of the property, plant and equipment the Company also extended the useful life of the property, plant and equipment based on the expert opinion stated above.

As at 31 December 2011, the Company reassessed the impairment of property, plant and equipment in accordance with IAS 36 based on the assessment of their future use, disposal or sale. The Company concludes that all assets used within regulation activities associated with the transmission of electricity as a whole constitute one cash generating unit. Due to the increase in asset value resulting from the revaluation, the Company estimated discounted future cash flows based on currently effective regulation by URSO. Based on the impairment assessment, the Company concluded, that the property, plant and equipment used for electricity transmission activities is not impaired.

As at 31 December 2014 the Company management reviewed all internal and external impairment indicators. Due to the result of impairment test for the prior year as well as increase in 2014 profit compared to results expected in the impairment test for 2013 and with respect to other facts, the Company's management did not identify such indicators that would require performing of impairment test as at 31 December 2014.

As at 31 December 2014, the most significant items within property, plant and equipment represent: substations and administrative buildings in revalued net book value of EUR 334 217 538, in historical net book value of EUR 285 848 730 (31 December 2013: revalued net book value of EUR 272 744 703, historical net book value of EUR 217 919 594); transmission lines at revalued net book value of EUR 316 083 657, in historical net book value of EUR 184 173 184 (31 December 2013: revalued net book value of EUR 318 973 464, in historical net book value of EUR 162 799 478).

Non-current assets under construction consists mainly of EUR 882 119 for remote management of substation in ES Podunajské Biskupice (31 December 2013: EUR 21 009), EUR 764 745 for remote management of substation in ES Spišská Nová Ves (31 December 2013: EUR 90 049), EUR 1 627 136 for transformation 2x400 kV in Bystričany - Križovany (31 December 2013: EUR 200 144), EUR 910 688 for remediation of collapsing slope in Liptovská Mara (31 December 2013: EUR 856 902), EUR 22 588 for restoration TR 400/110 kV in Medzibrod (31 December 2013: EUR 15 464 810), EUR 26 603 600 for substation and transmission lines in Gabčíkovo (31 December 2013: EUR 7 053 709), EUR 7 305 411 for remote management of substation in ES Veľký Ďur (31 December 2013: EUR 12 101 789), EUR 4 617 989 for remote management of substation in ES Levice (31 December 2013: EUR 5 439 396), EUR 7 640 838 for remote management of substation in ES Rimavská Sobota (31. december 2013: EUR 1 175 702), EUR 3 573 173 for remote management of substation and completion of T402 in ESt Stupava (31 December 2013: EUR 16 380 720), EUR 2 092 438 for migration of UNIX systems (31 December 2013: EUR 2 000 359), EUR 0 for transformation 400/110 kV Voľa (31 December 2013: EUR 8 977 588), EUR 0 for substation 2x400 kV for TR Medzibrod (31 December 2013: EUR 9 159 362), EUR 0 for transformation 2x400 kV for TR Medzibrod (31 December 2013: EUR 5 641 879), EUR 0 for meshing to TR Voľa (31 December 2013: EUR 1 494 398), EUR 0 for exchange of disk arrays (31 December 2013: EUR 1 463 780). These assets are not available for use at the reporting date.

In 2014, borrowing costs are capitalized in accordance with accounting policies of the Company, borrowing costs are capitalized and therefore the Company capitalized interest amounting EUR 4 859 (31 December 2013: EUR 28 271) as a part of the acquisition cost of non-current assets. The effective interest rate related to capitalization as at 31 December 2014 amounted 0.232% p.a. (31 December 2013: 0.207% p.a.).



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

	Land, buildings and structures	Plant, machinery and equipment	Total
As at 31 December 2014			
Cost	28 094 435	132 724	28 227 159
Accumulated depreciation	(3 061 342)	(52 714)	(3 114 056)
Net book value as at 31 December 2014	<b>25 033 093</b>	<b>80 010</b>	<b>25 113 103</b>
As at 31 December 2014			
Historical acquisition cost	27 533 536	159 259	27 692 795
Accumulated depreciation historical	(4 334 936)	(80 831)	(4 415 767)
Historical net book value as at 31 December 2014	<b>23 198 600</b>	<b>78 428</b>	<b>23 277 028</b>
As at 31 December 2013			
Cost	28 345 200	132 724	28 477 924
Accumulated depreciation	(2 161 958)	(42 022)	(2 203 980)
Net book value as at 31 December 2013	<b>26 183 242</b>	<b>90 702</b>	<b>26 273 944</b>
As at 31 December 2013			
Historical acquisition cost	27 620 338	159 259	27 779 597
Accumulated depreciation historical	(3 635 813)	(70 665)	(3 706 478)
Historical net book value as at 31 December 2013	<b>23 984 525</b>	<b>88 594</b>	<b>24 073 119</b>

The Company 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 Company.

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.

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

The Company has insured its assets against the following risks:

Insured object	Type of insurance	Amount insured as at 31 Dec 2014	Name of the insurance company
Buildings, halls and constructions	Damage or total loss (natural disaster)	217 369 609	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)	613 423 693	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)	731 367 633	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)	1 774 773	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)	1 331 080	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)	93 745 591	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)	1 500 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance a. s. Vienna Insurance, QBE Insurance (Europe) Limited, Generali Poisťovňa, a. s.)



Insured object	Type of insurance	Amount insured as at 31 Dec 2014	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	16 597	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	331 939	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	290 966	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	165 970	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	66 388	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)	591 145 794	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)	65 000 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance a. s. Vienna Insurance, QBE Insurance (Europe) Limited, Generali Poisťovňa, a. s.)
Insurance of cybernetic risks		500 000	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance a. s. Vienna Insurance, QBE Insurance (Europe) Limited, Generali Poisťovňa, a. s.)

Insured object	Type of insurance	Amount insured as at 31 Dec 2013	Name of the insurance company
Buildings, halls and constructions	Damage or total loss	170 723 692	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Machines, tools and equipment, vehicles without car licence plates	Damage or total loss	87 542 488	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Transformers and control rooms	Damage or total loss	233 215 107	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
RRB – radio relay point	Damage or total loss	16 641 010	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Elevated power lines	Damage or total loss	768 707 030	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Cables	Damage or total loss	2 956 773	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Office equipment	Damage or total loss	813 904	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Inventory and other tangible assets	Damage or total loss	621 531	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance: Kooperativa insurance, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Scheduled capital expenditures, automatic coverage of new assets	Damage or total loss	33 193 919	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance company Kooperativa a.s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)



Insured object	Type of insurance	Amount insured as at 31 Dec 2013	Name of the insurance company
Set of movable tangible fixed assets, cables, overhead power lines	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	331 939	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance company: Kooperativa poisťovňa, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Inventory and other TFA	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	290 966	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance company: Kooperativa poisťovňa, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Measuring devices, cables, and laptops in motor vehicles	Insurance against theft, burglary and robbery, and robbery during transport and vandalism	66 388	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance company: Kooperativa poisťovňa, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Machinery	Insurance of machinery and equipments	323 540 546	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance company: Kooperativa poisťovňa, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)
Scheduled capital expenditures	Insurance of machinery and equipments	23 235 743	Lead insurer: Allianz - Slovenská poisťovňa, a.s. ( co-insurance company: Kooperativa poisťovňa, a. s., QBE Insurance Limited, Generali Slovensko poisťovňa, a. s.)

## 6 Intangible assets

	Software and other intangible assets	Intangible assets not yet in use	Total
<b>At 1 January 2013</b>			
Cost	42 319 221	2 250 041	44 569 262
Accumulated amortisation and impairment charges	(33 107 444)	0	(33 107 444)
<b>Net book value</b>	<b>9 211 777</b>	<b>2 250 041</b>	<b>11 461 818</b>
<b>Year ended 31 December 2013</b>			
Opening net book amount	9 211 777	2 250 041	11 461 818
Additions	0	3 605 150	3 605 150
Transfers	2 516 937	(2 516 937)	0
Disposals	0	0	0
Amortisation charge	(4 752 549)	0	(4 752 549)
<b>Closing net book value</b>	<b>6 976 165</b>	<b>3 338 254</b>	<b>10 314 419</b>
<b>At 31 December 2013</b>			
Cost	41 806 878	3 338 254	45 145 132
Accumulated amortisation and impairment charges	(34 830 713)	0	(34 830 713)
<b>Net book value</b>	<b>6 976 165</b>	<b>3 338 254</b>	<b>10 314 419</b>
<b>Year ended 31. December 2014</b>			
<b>Year ended 31 December 2014</b>			
Opening net book amount	6 976 165	3 338 254	10 314 419
Additions	0	3 580 034	3 580 034
Transfers	4 517 224	(4 517 224)	0
Disposals	(9 750)	0	(9 750)
Accumulated amortisation and impairment charges	(4 188 283)	0	(4 188 283)
<b>Closing net book value</b>	<b>7 295 356</b>	<b>2 401 064</b>	<b>9 696 420</b>
<b>At 31 December 2014</b>			
Cost	45 832 827	2 401 064	48 233 891
Accumulated amortisation and impairment charges	(38 537 471)	0	(38 537 471)
<b>Net book value</b>	<b>7 295 356</b>	<b>2 401 064</b>	<b>9 696 420</b>

The computer software consists mainly of SAP, STET, XMatic, Damas Energy and Oracle and XM Trade. Net book value of SAP is EUR 680 437 (31 December 2013: EUR 578 743), remaining amortization period is between 1 and 4 years. Net book value of Damas Energy is EUR 415 605 (31 December 2013: EUR 720 225), remaining amortization period is between 1 and 3 years.

Intangible assets not yet in use include EUR 1 005 720 for upgrade of system DaE (31 December 2013: EUR 247 981), EUR 721 665 for migration UNIX systems (31 December 2013: EUR 0), 308 900 EUR for extension of ISOM system (31 December 2013: EUR 0), EUR 107 307 for upgrade and innovation RIS SED Žilina (31 December 2013: EUR 105 648), 0 EUR for integration of support systems SED (31 December 2013: EUR 779 928), EUR 0 for infrastructure upgrade Citrix (31 December 2013: EUR 763 031), EUR 0 for exchange of disk arrays (31 December 2013: EUR 531 000), EUR 15 088 for implementation of SAP – BCP (31 December 2013: EUR 484 320), EUR 0 for solution of document sharing (31 December 2013: EUR 315 917).

Internally generated intangible assets are immaterial.



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

## 7 Shares in subsidiaries and other investments

	2014	2013
<b>At the beginning of the year</b>	<b>4 709 815</b>	<b>4 709 815</b>
Additions	0	0
Disposals	0	0
<b>At the end of the year</b>	<b>4 709 815</b>	<b>4 709 815</b>

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, a.s. and Vattenfall Europe Transmission GmbH established Central Auction Office (CAO) based in Gute Änger 15, Freising, Germany for the purpose of introducing regional coordinated management of network overloading. In 2013 Company's share on the capital was 12.5 %. On 23 May 2014 was entered in the German Register a new partner - Croatian provider HOPS d. o. o. and Company's share on the capital was reduced to 11.11%.

On 11 August 2010 the Company OKTE, a.s.. based in (Mlynské nivy 59/A, 824 84 Bratislava) has been incorporated in the Business Register. The sole shareholder of the company is Slovenská elektrizačná prenosová sústava, a.s. The share is being made up of 4 644 registered share at a nominal value of EUR 1 000 and legal reserve fund in amount EUR 3 315.

## 8 Financial assets

### Loans to the company CAO

	2014	2013
<b>At the beginning of the year</b>	0	15 000
Additions	0	0
Disposals	0	(15 000)
<b>At the end of the year</b>	<b>0</b>	<b>0</b>
Less non-current portion of Loans to the company	-	-
Current portion of Loans to the Company	0	0

The balance as at 31 December 2012 represented the outstanding loan granted to the auction Office (Note 7) with final maturity in year 2013 and repayment thereof in five annual instalments.

The fair value of the loan granted to the auction Office was calculated using the method of the discounted cash flows, using the discount rate of 12-month EURIBOR. The fair value is approximately equal to the carrying value of the loan. The credit risk exposure related to this loan is limited by the carrying value of the loan.

## 9 Financial instruments by category

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

As at 31 December 2014	Financial assets at fair value through profit and loss	Loans and receivables	Total
<b>Assets as per Statement of Financial Position</b>			
Trade receivables (before impairment provision)	0	34 908 148	34 908 148
Other receivables	0	464 041	464 041
Loans to the company CAO	0	56 214 497	56 214 497
<b>Total</b>	<b>0</b>	<b>91 586 686</b>	<b>91 586 686</b>

As at 31 December 2014	Financial liabilities at fair value through profit and loss	Other financial liabilities – carried at amortized cost	Total
<b>Liabilities as per Statement of Financial Position</b>			
Trade and other payables	0	65 084 667	65 084 667
Liabilities of unpaid dividends	0	0	0
Received guarantees	0	8 832 800	8 832 800
Liabilities due from derivative financial instruments	23 727	0	23 727
Payables due to employees	0	1 770 585	1 770 585
Social security	0	895 833	895 833
Other payables	0	963 167	963 167
Bank loans	0	53 505 148	53 505 148
<b>Total</b>	<b>23 727</b>	<b>131 052 200</b>	<b>131 075 927</b>

As at 31 December 2013	Financial assets at fair value through profit and loss	Loans and receivables	Total
<b>Assets as per Statement of Financial Position</b>			
Trade receivables (before impairment provision)	0	31 478 835	31 478 835
Other receivables	0	1 218 892	1 218 892
Cash at bank and in hand	0	118 715 536	118 715 536
Loans to the company CAO	0	0	0
<b>Total</b>	<b>0</b>	<b>151 413 263</b>	<b>151 413 263</b>

As at 31 December 2013	Financial liabilities at fair value through profit and loss	Other financial liabilities – carried at amortized cost	Total
<b>Liabilities as per Statement of Financial Position</b>			
Trade and other payables	0	65 070 157	65 070 157
Liabilities of unpaid dividends	0	78 176 726	78 176 726
Received guarantees	0	5 964 635	5 964 635
Liabilities due from derivative financial instruments	329 175	0	329 175
Payables due to employees	0	1 063 948	1 063 948
Social security	0	598 096	598 096
Other payables	0	1 717 385	1 717 385
Bank loans	0	23 103 811	23 103 811
<b>Total</b>	<b>329 175</b>	<b>175 694 758</b>	<b>176 023 933</b>



**10 Inventories**

	As at 31 December 2014	2013
Materials and spare parts	1 208 618	1 046 128
	<b>1 208 618</b>	<b>1 046 128</b>

There are no restrictions of ownership relating to inventories. No inventories are pledge.

**11 Trade and other receivables**

	As at 31 December 2014	2013
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	34 825 532	31 344 803
Past due but not impaired trade receivables	58 978	110 453
Individually impaired receivables	23 638	23 579
Trade receivables (before provision for impairment)	<b>34 908 148</b>	<b>31 478 835</b>
Less: Provision for impairment of receivables	(12 770)	(6 702)
Trade receivables – net	<b>34 895 378</b>	<b>31 472 133</b>
VAT – receivable	4 493 485	8 822 404
Grant claims	2 071 628	0
Prepayments	2 466 550	2 469 318
Other receivables	464 041	1 218 892
Prepaid expenses and accrued income	680 735	903 477
<b>Other receivables – net</b>	<b>10 176 439</b>	<b>13 414 091</b>
<b>Total trade and other receivables</b>	<b>45 071 817</b>	<b>44 886 224</b>

The claim for grant represents the TEN project for the 2x400 kV electric line implementation among the V409 and V071/072 lines intersection and Voľa transformer.

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

	As at 31 December 2014	2013
Receivables within due date	34 825 532	31 344 803
Overdue receivables	82 616	134 032
<b>Total</b>	<b>34 908 148</b>	<b>31 478 835</b>

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

	As at 31 December 2014	2013
OKTE	7 053 896	3 991 418
Slovenské elektrárne, a.s.	4 406 173	4 400 098
Západoslovenská energetika, a. s.	0	44 555
Západoslovenská distribučná, a. s.	6 639 543	6 703 444
Stredoslovenská energetika, a. s.	4 794	5 067
Stredoslovenská energetika Distribúcia, a. s.	1 825 410	5 120 516
Východoslovenská energetika Holding, a. s.	259	259
Východoslovenská distribučná, a. s.	6 708 093	3 140 453
ČEPS, a. s.	1 890 642	634 624
MAVIR	891 721	3 194 112
Others	5 405 001	4 110 257
<b>Neither past due nor impaired trade receivables</b>	<b>34 825 532</b>	<b>31 344 803</b>

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 Company. Although the receivables of the Company 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, most of them engaged in electricity business, with an influence by the state.

As at 31 December 2014 trade receivables of EUR 58 978 (31 December 2013: EUR 110 453) were past due but not impaired. Their ageing analysis is as follows:

	As at 31 December 2014	2013
1 to 90 days	58 978	110 453
91 to 180 days	0	0
<b>Total past due but not impaired trade receivables</b>	<b>58 978</b>	<b>110 453</b>

The closing balance of the Company's trade receivables includes receivables in the carrying amount of up to EUR 58 978 (2013: EUR 110 453), overdue at the reporting date, for which no provisions were recorded by the Company as there were no significant changes in creditworthiness of the debtors and the amounts are still considered recoverable. The Company recorded no collateralized receivables.

As at 31 December 2014, trade receivables of EUR 23 638 (2013: EUR 23 579) were individually impaired. As at 31 December 2014, the Company recorded an impairment provision of EUR 12 770 (2013: EUR 6 702).

The ageing of these receivables is as follows:

	As at 31 December 2014	2013
181 to 360 days	325	9
Over 361 days	23 313	23 570
<b>Total individually impaired receivables</b>	<b>23 638</b>	<b>23 579</b>

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

	2014	2013
At the beginning of the year	6 702	3 894
Additional provision for receivables impairment	6 325	4 217
Release of unused provision	0	0
Receivables written –off during the year as uncollectible	(257)	(1 409)
<b>At the end of the year</b>	<b>12 770</b>	<b>6 702</b>

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

## 12 Cash and cash equivalents

	As at 31 December 2014	2013
Cash at bank and in hand	29 331 888	29 574 132
Short-term bank deposits	26 882 609	89 141 404
	<b>56 214 497</b>	<b>118 715 536</b>



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

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

	As at 31 December 2014	2013
Cash and bank balances and deposits with original maturities of less than three months:	56 214 497	118 715 536
	<u>56 214 497</u>	<u>118 715 536</u>

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

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

### 13 Shareholder's Equity

As at 31 December 2014, the registered capital of the Company as a total nominal value of EUR 81 832 584 consists of: 2 382 bearer shares at a nominal value of EUR 33 194, 793 bearer shares at a nominal value of EUR 34, 82 registered shares at a nominal value of EUR 33 194 and 459 registered shares at a nominal value of EUR 34.  
Equal right are attributable to all types of shares.

Legal reserve fund is obligatorily created from profit of the Company in accordance with the Slovak Commercial Code. The minimum prescribed creation of the Legal reserve fund is 10 % of its share capital at the time of the incorporation of the Company. This amount must be increased annually by at least 10 % from net profit, until the legal reserve fund achieves 20% of the share capital. Use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. Legal reserve fund amounted to EUR 16 366 275 as at 31 December 2014 (as at 31 December 2013: EUR 16 366 275).

Other capital reserves comprise statutory fund of EUR 145 150 795 to finance capital expenditure activities (2013: EUR 145 150 795) and differences from revaluation of assets amounted to EUR 148 892 352 (2013: EUR 174 221 796).

The statutory fund to finance future capital expenditures is used to accumulate internal funds of the Company allocated from profit dedicated to cover future capital expenditures. In 2014, the Company contributed to this fund an amount of EUR 0 (31 December 2013: 0). The rules for the use of funds allocated to the statutory fund for capital expenditures are governed by the general financing principles of the 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.

The movements in revaluation surplus are presented in the table below:

	2014
Opening amount	174 221 796
Revaluation surplus reclassified to retained earnings as at 31 December 2014	(32 513 216)
Deferred tax on revaluation surplus as at 31 December 2014	7 152 907
Deferred tax related to changes in tax rates and special levy from business activities in regulated sectors	30 865
<b>At the end of the period</b>	<u><b>148 892 352</b></u>

	<b>2013</b>
Opening amount	196 846 086
Revaluation surplus reclassified to retained earnings as at 31 December 2013	(32 455 594)
Deferred tax on revaluation surplus as at 31 December 2013	7 464 786
Deferred tax related to changes in tax rates and special levy from business activities in regulated sectors	2 366 518
<b>At the end of the period</b>	<b>174 221 796</b>

The 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. These transfers to retained earnings are available for distribution to shareholders.

The General Meeting held on 29 May 2014 approved the Financial Statements for 2013. In 2014 were approved dividend for 2013 in the amount of EUR 27 547.84 (rounded) per share at the nominal value of EUR 33 194 and EUR 28.22 (rounded) per share at the nominal value of EUR 34 was declared to the shareholders (in 2013: EUR 31 711.06 per share at the nominal value of EUR 33 194 and EUR 32.48 per share at the nominal value of EUR 34).

The profit for the year 2013 of EUR 69 226 243 was distributed as follows:

	<b>2013 profit distribution</b>	<b>2012 profit distribution</b>
Dividends	67 913 217	78 176 726
Appropriation to the Statutory Fund	0	0
Transfer to retained earnings	1 313 026	455 060
<b>Total</b>	<b>69 226 243</b>	<b>78 631 786</b>

As at 31 December 2014 retained earnings of the Company (including profit of the current accounting period and revaluation surplus reclassified to retained earnings) amounted to EUR 177 975 624 (31 December 2013: EUR 153 064 405).

As at the date of authorization of these Financial Statements for issue, the statutory body has not yet proposed the distribution of profit for 2014.

#### 14 Trade and other payables

	<b>As at 31 December 2014</b>	<b>2013</b>
Trade payables	65 084 667	65 070 157
Received guarantees	8 832 800	5 964 635
Payables due to employees	1 770 585	1 063 948
Social security	895 833	598 096
Accrued personnel expenses	2 820 363	3 209 346
Liabilities due from derivative financial instruments	23 727	329 175
Social fund	240 002	200 741
Dividends	0	78 176 726
Other payables	963 167	1 717 385
<b>Total</b>	<b>80 631 144</b>	<b>156 330 209</b>



The liabilities from derivative financial instruments include unpaid interests from derivative transactions as at 31 December 2014, other than hedging. These derivatives are used especially for the purpose of managing the risk related to the usual business transactions. As at 31 December 2014, the Company has no opened interest rate swaps (as at 31 December 2013 it has negative fair value of swaps in the amount of EUR 232 596, unpaid interests were recognized in short-term liabilities in the amount of EUR 96 579).

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 2014	2013
Payables not yet due	75 231 972	151 653 143
Overdue payables	5 399 172	4 677 066
<b>Total</b>	<b>80 631 144</b>	<b>156 330 209</b>

Social fund

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

	2014	2013
<b>Opening balance at 1 January</b>	<b>200 741</b>	<b>170 549</b>
Appropriations expensed	666 992	646 334
Usage	(627 731)	(616 142)
<b>Closing balance at 31 December</b>	<b>240 002</b>	<b>200 741</b>

## 15 Bank loans and finance lease liabilities

	As at 31 December 2014	2013
<b>Non-current</b>		
Long term portion of bank loans (a)	45 000 000	8 500 000
Long term portion of finance lease	0	0
	<b>45 000 000</b>	<b>8 500 000</b>
<b>Current</b>		
Short term portion of bank loans (a)	8 505 148	14 603 811
Short term portion of finance lease	0	0
	<b>8 505 148</b>	<b>14 603 811</b>

### (a) Bank loans

The maturity of bank loans is as follows:

Maturity	As at 31 December	
	2014	2013
Short term portion of bank loans	8 505 148	1 4 603 811
Long term portion of bank loans		
1 - 5 years	31 800 000	8 500 000
over 5 years	13 200 000	0
<b>Total</b>	<b>53 505 148</b>	<b>23 103 811</b>

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

The Company has the following borrowing facilities which are not utilized:

	As at 31 December	
	2014	2013
Floating rate:		
-Expiring within one year	3 550 000	26 780 000
-Expiring beyond one year		
Fixed rate	0	0
- Expiring within one year	15 000 000	0
<b>Total</b>	<b>18 550 000</b>	<b>26 780 000</b>

Loans from VÚB, Slovenská sporiteľňa and from Tatra banka include certain financial covenants related to limits on debt ratios, interest coverage and debt to operating profit ratio calculated on the basis of the Financial Statements of the Company. The Company complied with these covenants at the reporting date of these Financial Statements.

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

	2014	2013
Bank borrowings	0.232%	0.207%



Notes to the Financial Statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union  
(All amounts are in Euros unless stated otherwise)

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

Bank/Creditor	Type	Currency	Amount in EUR		Interest rate p. a.	Maturity	Collateral	Part due in next 12 months	Part due after 12 months
			31 December 2014	31 December 2013					
Tatra Banka, a. s.	Credit cards	EUR	5 148	3 811	0	January 2014	0	5 148	0
Tatra banka, a.s.	Investment	EUR	0	1 400 000	3M EUR LIBOR + 0.145%	23. 4. 2014	0	0	0
SLSP, a.s.	Investment	EUR	0	4 700 000	3M EUR LIBOR + 0.145%	31. 12. 2014	0	0	0
VÚB, a. s.	Investment	EUR	8 500 000	17 000 000	3M EUR LIBOR + 0.932%	3. 12. 2015	0	8 500 000	0
SLSP, a.s.	Investment	EUR	15 000 000	0	1.30%	31. 7. 2022	0	0	15 000 000
VÚB, a. s.	Investment	EUR	30 000 000	0	1.30%	18. 9. 2022	0	0	30 000 000
<b>Total</b>		<b>X</b>	<b>53 505 148</b>	<b>23 103 811</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>8 505 148</b>	<b>45 000 000</b>

Notes to the Financial Statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union  
(All amount are in Euros unless stated otherwise)

## 16 Grants and deferred revenues

Deferred revenues include the following items:

	As at 31 December	
	2014	2013
<b>Deferred revenues</b>		
EBOR grant Križovany – long-term portion (a)	14 358 794	15 160 408
– current portion (a)	801 614	801 618
EBOR grant Lemešany – long-term portion (b)	37 723 526	38 119 166
– current portion (b)	1 501 583	1 315 536
Auctions – current portion	0	0
US Steel – long-term portion (c)	4 371 089	4 600 542
– current portion (c)	228 992	228 546
EU TEN-E – long-term portion (d)	831 449	860 844
– current portion (d)	29 395	29 395
E.On – long-term portion (e)	3 051 385	3 213 871
– current portion (e)	157 701	152 921
Slovenské elektrárne, a. s. – long-term portion (f)	3 656 029	3 101 763
– current portion (f)	161 760	110 698
EU TEN-E – long-term portion (g)	885 694	914 270
– current portion (g)	28 576	28 576
EU TEN-E – long-term portion (h)	2 170 066	0
– current portion (h)	65 935	0
Západoslovenská distribučná – long-term portion (i)	3 539 319	0
– current portion (i)	141 300	0
Východoslovenská distribučná – long-term portion (j)	4 896 821	0
– current portion (j)	213 947	0
Others – long-term portion (h)	13 335 712	7 894 129
– current portion (h)	10 294 159	8 638 099
<b>Total</b>	<b>102 444 846</b>	<b>85 170 382</b>

a)

On 10 December 2003, the 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 15 160 408 (31 December 2013: EUR 15 962 026) was recognized in deferred revenue related to the grant.

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.

b)

On 18 December 2007 the 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.



Notes to the Financial Statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union  
(All amount are in Euros unless stated otherwise)

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An amount of EUR 39 225 109 (31 December 2013: EUR 39 434 702) 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.

c)

Deferred revenues include an amount EUR 4 600 081 (31 December 2013: EUR 4 829 088), related to investment in the substation in Košice, which remains in property of the Company, however, the company US Steel was obligated to co-finance the half of the substation's acquisition costs. The cash receipt will be released into the Income Statement on a straight-line basis during the expected useful life of the station.

d)

Amount of EUR 860 844 represents a co-finance provided to the Company from an European Commission's program EU TEN-E (Trans – European Network ) in the amount of 10% of the value of transmission lines EK-Moldava – SS Košice (31 December 2013: EUR 890 239).

e)

Deferred revenue of EUR 3 209 086 included in deferred revenues is related to the 100 % co financing by company E.On for a part of substation in ES Križovany, field 13 (31 December 2013: EUR 3 366 792).

f)

Amount of EUR 3 817 789 relates to refinancing of cost of Slovenské elektrárne, a.s. for connecting to transmission systems EMO 3 and 4 in Veľký Ďur (31 December 2013: EUR 3 212 461).

g)

Amount of EUR 914 270 represents co-finance provided to Company from European Commission for the transmission line SS Košice – Lemešany (31 December 2013: EUR 942 846).

h)

Amount of EUR 2 236 001 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 2013: EUR 0).

i)

Amount EUR 3 680 619 is related to the refinancing of Západoslovenská distribučná a.s. costs for enlargement of second transformer in the Stupava electric station (31 December 2013: EUR 0).

j)

Amount EUR 5 110 768 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 2013: EUR 0).

k)

Within other long-term deferred income the Company recorded an income in amount of EUR 12 643 861 which does not belong to the Company in 2014 because of over collected maximum allowed income set by regulations. These will be realized in 2016.

Within other long-term deferred income the Company recorded an income in amount of EUR 7 092 089 which does not belong to the Company in 2013 because of over collected maximum allowed income set by regulations and will be realised in 2015 and an income in amount of EUR 3 086 385 which does not belong to the Company in 2014 because of over collected maximum allowed income set by regulations and will be realized in 2015.

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## 17 Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 22% (31 December 2013: 22%). As at 31 December 2014 tax rate will increase 4.3% for temporary differences in long term assets due to charges for regulated subjects based on act No. 235/2012 Z.z. (31 December 2013: 4.3 %). According to currently effective legislation as at 31 December 2014 this special levy will be effective until 31 December 2016. This levy increased the tax rate for temporary differences, which will reprise by the end of 2015 related to fixed assets, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, no taking into consideration temporary differences.

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

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

	At 1 January 2014	(Change) (-) costs/ (+) benefits	Accounted to other parts of comprehensive results	At 31 December 2014
Positive revaluation of fixed assets	(50 763 831)	7 152 907	30 865	(43 580 059)
Negative revaluation of fixed assets	1 488 982	(246 473)	0	1 242 509
Receivables	0	0	0	0
Tangible and intangible assets	(13 984 173)	(4 453 854)	0	(18 438 027)
Retirement benefit	1 594 192	176 660	0	1 770 852
Provisions	498 791	(79 883)	0	418 908
Other	640 549	553 692	0	1 194 241
<b>Total</b>	<b>(60 525 490)</b>	<b>3 103 049</b>	<b>30 865</b>	<b>(57 391 576)</b>

	At 1 January 2013	Accounted to (-) costs/ (+) benefits	Accounted to other parts of comprehensive results	At 31 December 2013
Positive revaluation of fixed assets	(60 595 135)	7 464 786	2 366 518	(50 763 831)
Negative revaluation of fixed assets	1 841 254	(352 272)	0	1 488 982
Receivables	151	(151)	0	0
Tangible and intangible assets	(10 270 142)	(3 714 031)	0	(13 984 173)
Retirement benefit	1 067 505	526 687	0	1 594 192
Provisions	588 018	(89 227)	0	498 791
Other	316 616	323 933	0	640 549
<b>Total</b>	<b>(67 051 733)</b>	<b>4 159 725</b>	<b>2 366 518</b>	<b>(60 525 490)</b>



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## 18 Provisions for liabilities and charges

	Pensions and other long- term benefits (a)	Legal claims (b)	Others (c)	Total
<b>At 1 January 2014</b>	<b>7 246 325</b>	<b>0</b>	<b>0</b>	<b>7 246 325</b>
Additional provisions	1 283 000	65 532	0	1 348 532
Provisions used	(480 000)	0	0	(480 000)
Reversals of unused provision	0	0	0	0
<b>At 31 December 2014</b>	<b>8 049 325</b>	<b>65 532</b>	<b>0</b>	<b>8 114 857</b>

	As at 31 December 2014	2013
<b>Analysis of total provisions</b>		
Non - current	8 049 325	7 246 325
Current	65 532	0
<b>Total</b>	<b>8 114 857</b>	<b>7 246 325</b>

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

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

#### (i) Post employment benefits

	As at 31 December 2014	2013
Present value of unfunded retirement obligations	7 877 362	7 098 362
Unrecognized actuarial gains/(losses) and portion of past service costs	0	0
<b>Obligation in the Statement of Financial Position</b>	<b>7 877 362</b>	<b>7 098 362</b>

The amount recognized in the Income Statement are as follows:

	2014	2013
Current service cost	536 000	454 000
Past service cost	0	2 259 000
Unrecognized actuarial gains/(losses)	464 000	20 000
Interest cost	242 000	159 000
<b>Pension (credit) / cost, included in personnel costs</b>	<b>1 242 000</b>	<b>2 892 000</b>

Movements in the present value of defined benefit obligation are:

	2014	2013
Present value of unfunded retirement obligations at beginning of the year	7 098 362	4 501 362
Current service cost	536 000	454 000
Interest cost	242 000	159 000
Benefits paid	(463 000)	(295 000)
Past service cost	0	2 259 000
Cancelled	0	0
Actuarial gains/(losses)	464 000	20 000
<b>Present value of unfunded retirement obligations at the end of the year</b>	<b>7 877 362</b>	<b>7 098 362</b>

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

	As at 31 December 2014	2013
Present value of unfunded obligations	171 963	147 963
<b>Obligation in the Statement of Financial Position</b>	<b>171 963</b>	<b>147 963</b>

The amounts recognized in the Income Statement are as follows:

	2014	2013
Current service cost	13 000	11 000
Recognized actuarial gains/loss	23 000	10 000
Interest expense	5 000	5 000
<b>Pension (credit)/cost, included in personnel costs</b>	<b>41 000</b>	<b>26 000</b>

Movements in the present value of defined benefit obligation are:

	2014	2013
Present value of unfunded retirement obligations at beginning of the year	147 963	139 963
Current service cost	13 000	11 000
Past service cost	0	0
Interest cost	5 000	5 000
Benefits paid	(17 000)	(18 000)
Actuarial gains/losses	23 000	10 000
<b>Present value of unfunded retirement obligations at the end of the year</b>	<b>171 963</b>	<b>147 963</b>

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

**As at 31 December 2014**

Percentage of employees, who will terminate their employment with SEPS a.s. prior to retirement (fluctuation rate)	1.8 – 3.6 % p.a., depending on the age
Expected salary increases – long - term	4.9 % p. a.
- short - term	2.5 % p. a.
Discount rate	2.05 % p. a.

**As at 31 December 2013**

Percentage of employees, who will terminate their employment with SEPS a.s. prior to retirement (Fluctuation rate)	2.2 – 3.8 % p.a., depending on the age
Expected salary increases – long - term	3.5 % p. a.
- short - term	2.8 % p. a.
Discount rate	3.41 % 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 Company 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 Company'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.



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## 19 Revenues

Revenues include the following:

Revenues from electricity transmission and transit:

	2014	2013
Access to transmission grid	137 895 971	145 889 926
Covering losses	19 799 092	20 950 734
System operation	1 212 955	69 028 852
System services	165 024 211	158 790 552
Auctions	22 182 507	19 599 768
Deviations and regulation energy	17 396 377	15 379 739
CBT mechanism	9 534 744	8 398 237
Profile OT	8 375 058	8 063 432
Other regulated revenues (Shipping, daily market etc.)	5 193 803	3 671 139
<b>Total revenue from electricity transmission and transit</b>	<b>386 614 718</b>	<b>449 772 379</b>
Rental	761 403	773 049
Telecommunications services	509 729	509 169
Other revenues	249 917	249 842
<b>Other revenues</b>	<b>1 521 049</b>	<b>1 532 060</b>
<b>Total revenue</b>	<b>388 135 767</b>	<b>451 304 439</b>

The revenue from the Company'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 antennas and lease of power lines. Telecommunications services include the lease of fibre optic cables and management information system.

The Company is acting as a shipping agent in connecting Czech, Slovak and Hungarian electricity market from 11 September 2012. Based on the application of the Romanian TS operator and the Romanian energy exchange, the project covering extension of trilateral Market Coupling operated among the Czech Republic, Slovakia, and Hungary. According to the project plan, on 19th November 2014, the four-lateral Market Coupling (so called 4MMC) was commissioned, i.e. the operation of day-ahead markets in the form of implicit allocation of cross-border capacities among the Czech, Slovak, Hungarian, and Romanian market areas. Company's revenues and expenses represent payments for transferred electricity between countries with excess of electricity to the countries with deficit of electricity. The Company accounts these payments as revenue from sale of merchandise and the costs of merchandise sold. The net result is presented within line „Other regulated revenues“. In 2014 the Company realized transactions in total amount of EUR 156 575 606 and related costs were EUR 152 282 907 (31 December 2013: transaction in amount of EUR 135 358 079 and related costs were EUR 133 045 107).

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## 20 Consumed materials and services

Consumed materials and services included the following:

	2014	2013
Material and energy consumption	14 399 430	16 847 207
Repair and maintenance	14 320 607	12 853 320
Travel expenses	415 667	380 277
Representation expenses	407 529	279 185
Rental	146 408	507 085
Communication services	488 026	478 950
Substations service	3 803 571	4 081 917
Protection and maintenance of area	3 003 091	1 649 566
Revisions, controls, security services	782 120	1 834 597
Technical advisory, technical support	76 730	73 833
Cleaning	251 509	249 134
Biological recultivation	182 156	149 030
Geodetic services	44 923	23 018
Experts examinations, analysis, experts opinion, certifications	2 390 051	2 560 462
Information technology services, advertisement	7 118 849	7 428 495
Expenses for ancillary services	149 630 664	142 073 492
Expenses for system operation	1 141 424	72 088 793
Expenses for deviations	6 725 552	7 148 593
Expenses for auctions	3 477 186	4 168 608
Using profile OT	2 146 349	1 156 486
Expenses of CBT/ITC	57 978	7 049
Audit of Financial Statements provided by auditor	34 000	34 000
Advisory services	243 122	187 898
Tax advisory	38 325	38 324
Other services provided by auditor	0	0
Demolition	451 676	0
Other	954 082	778 922
<b>Total</b>	<b>212 731 025</b>	<b>277 078 291</b>

The Company's costs are created mainly from regulated costs for purchase of ancillary needed to provide system services, system operation costs, purchase of electricity for loss coverage and own consumption, costs for international transmission and auctions, other costs needed for transmission system operation and operation of the Company.

Together with the transmission operator in Czech Republic introduced the Company effective from 19 January 2012 a system against delivery of regulated energy in opposing directions through cross-border connections (further system GCC). Transmission operator in Romania began to participate in this system in 2013. Revenue and costs stem from volumes of electricity acquired within GCC system and tariffs for these regulated energy, which were set for the Company by URSO decision. The Company accounted the revenue from these services under line Sales from merchandise and respective costs for merchandise sold. The net results are presented within line „Material and energy consumption“. In 2014 the Company realized income in total amount of EUR 1 702 232 and related costs were EUR 2 462 995 (31 December 2013: transactions in amount of EUR 2 280 921 and related costs in EUR 2 296 246).



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## 21 Personnel costs

	2014	2013
Wages and salaries	15 778 769	14 799 710
Other personnel costs	1 503 431	1 463 239
Pension costs – defined contribution plans	5 664 750	4 975 781
Current service costs	549 000	465 000
Past service costs	0	2 259 000
Interest costs on pension and similar employee's benefits	247 000	164 000
Recognized actuarial losses/gains	487 000	30 000
<b>Total</b>	<b>24 229 950</b>	<b>24 156 730</b>

## 22 Other operating expenses

	2014	2013
Insurance costs	1 974 414	2 270 961
Loss from sale of fixed assets	463 474	0
Taxes and other fees	179 449	220 467
Gifts	709 466	745 375
Creation of provision	0	0
Other operating expense	405 118	318 991
<b>Total</b>	<b>3 731 921</b>	<b>3 555 794</b>

## 23 Other operating income

	2014	2013
Gain from sale of fixed assets	6 850	452 804
Gain from sale of material	15 945	35 330
Release of deferred revenues from a grant	2 202 637	1 711 312
Change in value adjustment to trade receivables	0	0
Contractual penalties	1 992 899	1 600 252
Insurance	199 038	32 498
Release of deferred revenues - Košice	229 006	280 804
Release of deferred revenues E.ON	157 706	158 054
Income from connection to provider	348 882	0
Other operating income	618 494	299 855
<b>Total</b>	<b>5 771 457</b>	<b>4 570 909</b>

## 24 Finance expense, net

	2014	2013
Interest income	400 976	801 844
Interest expense from borrowings	(281 186)	(194 988)
Foreign Exchange gains	104	3 219
Foreign Exchange losses	(7 299)	(1 968)
Finance income on derivative instruments	232 596	572 908
Finance expense on derivative instruments	(236 780)	(582 848)
Dividends	36 649	40 318
Other financial expense	(56 324)	(14 774)
<b>Net finance expense</b>	<b>88 736</b>	<b>623 711</b>

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## 25 Income tax expense

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

	Year ended 31 December	
	2014	2013
Profit before tax	92 846 165	95 614 172
Theoretical income tax related to current period at 22% / (2013: 23%)	20 426 156	21 991 260
- Other income not subject to tax (permanent)	(3 919 233)	(1 289 760)
- Non-deductible expenses (permanent)	1 658 970	999 824
-Increase of tax due to charges for regulated subjects	5 068 507	5 146 864
-Deferred tax from temporary differences to which no deferred tax has been accounted historically	0	0
-Additional income tax	2 147 638	0
Changes in deferred taxes to 1 January due to change in tax rate	0	(460 259)
	<b>25 382 038</b>	<b>26 387 929</b>
Income tax expense for the period		
The tax charge for the period comprises:		
- Deferred tax charge – expense/(income) (Note 17)	(3 103 049)	(4 159 725)
Deferred tax total	<b>(3 103 049)</b>	<b>(4 159 725)</b>
-Special levy for regulated subjects	5 068 507	5 146 864
-Additional income tax	2 147 638	0
- Current income tax expense	21 268 942	25 400 790
Income tax total	<b>28 485 087</b>	<b>30 547 654</b>
<b>Total income tax expense for the period</b>	<b>25 382 038</b>	<b>26 387 929</b>
Effective tax rate	<b>27.34%</b>	<b>27.6%</b>

Deferred tax is provided, using the balance sheet liability method, on temporary differences using the basic tax rate of 22% (31 December 2013: 23%). This tax rate has been increased as at 31 December 2014 for additional 4.3% for temporary differences in fixed assets because of special levy for regulated industry paid according to Act Nr. 235/2012 (31 December 2013: 4.3%). According to currently effective legislation as at 31 December 2014 this special levy will be effective until 31 December 2016. This levy increased the tax rate for temporary differences, which will reprise by the end of 2015 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.



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## 26 Contingencies

### (a) Taxation

Many areas of Slovak tax law (such as 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. The Company's management is not aware of any circumstances that may give rise to future material expense in this respect.

### (b) Regulation and liberalization in energy industry

#### *Regulatory framework for the electricity market in the Slovak Republic*

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

Activities of the Company are subject to regulation by URSO.

## 27 Commitments

### (a) Future investment commitments

The Company has contractual obligations under the contracts for the purchase of non-current assets entered into before 31 December 2014, the performance of which is scheduled only after 31 December 2014. The total obligation under the contracts amount to EUR 114 738 963 (EUR 2013: 61 216 964). Capital commitments represent mainly the construction of transformation 2x400 kV Gabčíkovo – Veľký Ďur, remote management of substations, exchange of transformers, grounding cable, re-insulation of electricity line V439.

The Company approved its capital expenditure budget for 2015 in the amount of EUR 98 478 019 (the 2014 capital expenditure budget: EUR 116 859 502). Capital expenditures mainly relate to transformation 2x400 kV Gabčíkovo – Veľký Ďur, with a set of structures in Gabčíkovo - Veľký Ďur – Rimavská Sobota - Hungarian border, to remote management of substation and innovation RIS SED.

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

### (b) Future operating lease commitments – Company as lessee

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

	31 December 2014	31 December 2013
Due within 1 year	9 397	90 697
Due in 2 to 5 years(inclusive)	4 536	195 952
Due after 5 years	9 325	10 459
<b>Total</b>	<b>23 258</b>	<b>297 108</b>

The Company 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 287 705 (31 December 2013: EUR 217 108). The main items include the lease of telecommunications routes.

### c) Future operating lease commitments – Company as lessee

The Company leases out mainly radio relax points and optic fibre cables.

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The following minimum lease instalments relate to the operating lease contracts:

	31 December 2014	31 December 2013
Due within 1 year	286 043	357 564
Due in 2 to 5 years (inclusive)	1 122 839	1 271 668
Due after 5 years	3 192 228	3 536 280
<b>Total</b>	<b>4 601 110</b>	<b>5 165 512</b>

The Company has also entered into an operating lease for an unlimited period of time for which the annual lease payments amount to EUR 788 410 (31 December 2013: EUR 565 610).

The Company 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 2014 amounts to EUR 305 957 (31 December 2013: EUR 311 298). The basic component of the rent will be paid to lessor 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 instalments include the basic component of the rent in amount of EUR 266 019 annually (31 December 2013: EUR 271 439).

## 28 Cash generated from operations

	Note	2014	2013
Profit before income tax		92 846 165	95 614 172
Adjustments for:			
Depreciation	5	56 890 649	52 341 426
Amortization	6	4 188 283	4 752 549
Impairment charge for non-current assets	5	0	(18 260)
Changes in provisions for receivables	11	6 068	2 808
Change in fair value of derivatives		(232 596)	(571 488)
(Gain) / loss on disposal of assets	23, 24	456 624	(452 804)
Interest income/expense, net	25	(119 790)	(606 856)
Net movements in provisions	18	868 532	2 571 806
Changes in working capital:			
Inventories (gross)		(162 490)	(78 352)
Trade and other receivables		(306 902)	(6 804 761)
Trade and other payables, deferred revenues		17 266 803	12 387 516
Cash flows from discontinued operations		0	0
<b>Cash generated from operations</b>		<b>171 701 346</b>	<b>159 137 756</b>

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

	Note	Year ended 2014	31 December 2013
Net book value		9 750	0
Profit/(loss) from sale of intangible assets	24,23	6 850	0
Proceeds from disposal of intangible assets		16 600	0



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	Note	Year ended 2014	31 December 2013
Net book value		728 132	2 988 056
Profit/(loss) from sale of tangible fixed assets	23,24	(463 474)	452 804
Proceeds from disposal of tangible fixed assets		264 658	3 440 860

## 29 Related party transactions

Parties related to the Company include its sole shareholder, the subsidiary OKTE, a.s., investment in the company CAO and key management personnel of the Company or the shareholder.

The National Property Fund (FNM), an entity fully owned by the Slovak Republic as the sole shareholder of the Company till 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.

The National Property Fund (FNM), an entity fully owned by the Slovak Republic, is the 51 % shareholder of Západoslovenská energetika, a.s., Východoslovenská energetika, a.s. and Stredoslovenská energetika, a.s.

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

As at 31 December 2014, the outstanding balances with the subsidiary, 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
OKTE, a. s.	9 516 024	327	0	(2 730 995)
Slovenské elektrárne, a.s.	4 406 173	1 429	0	(4 444 781)
Západoslovenská energetika, a.s.	0	0	0	0
Západoslovenská distribučná, a .s.	6 652 648	0	0	(83 761)
Západoslovenská energetika – Energia, a.s.	0	0	0	(121 272)
Východoslovenská energetika Holding, a.s.	259	0	0	(4 381)
Východoslovenská distribučná, a. s.	6 708 093	0	0	(61 403)
Stredoslovenská energetika, a.s.	4 794	0	0	(3 439 929)
Stredoslovenská energetika – Distribúcia, a.s.	1 825 410	0	0	(69 565)
Tepláreň Košice, a. s.	1 635	0	0	(554 006)
Žilinská teplárenská, a. s.	6 239	0	0	(77 106)
Martinská teplárenská, a. s.	2 095	0	0	(149 275)
Zvolenská teplárenská, a. s.	2 412	0	0	(264 117)
CAO, GmbH	54 490	0	0	(1 175 096)

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The income and expense items with the subsidiary, joint venture, state-controlled entities and government bodies for the year ended 31 December 2014 were as follows:

	Sale of services	Purchase of services
OKTE, a. s.	120 215 131	(9 698 345)
CAO, GmbH	22 176 424	(3 454 074)
Slovenské elektrárne, a.s.	8 864 181	(83 916 621)
Západoslovenská energetika, a.s.	2	(1 475)
Západoslovenská distribučná, a.s.	65 970 037	(521 893)
Západoslovenská energetika – Energia, a.s.	0	0
Východoslovenská energetika Holding, a.s.	2 589	(46 362)
Východoslovenská distribučná, a.s.	31 021 502	(628 641)
Stredoslovenská energetika, a.s.	47 921	(8 201 993)
Stredoslovenská energetika – Distribúcia, a.s.	38 770 894	(352 428)
Tepláreň Košice, a. s.	2 000	(3 733 841)
Žilinská teplárenská, a. s.	0	(519 386)
Martinská teplárenská, a. s.	0	(1 059 180)
Zvolenská teplárenská, a. s.	0	(1 655 149)

As at 31 December 2013, the outstanding balances with the subsidiary, 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
OKTE, a. s.	3 991 418	0	0	(3 395 399)
Slovenské elektrárne, a.s.	4 400 097	637 782	0	(3 377 776)
Západoslovenská energetika, a.s.	58 060	0	0	(100 034)
Západoslovenská energetika – Distribúcia, a.s.	6 703 444	0	0	0
Západoslovenská energetika – Energia, a.s.	318	0	0	(908 335)
Východoslovenská energetika, a.s.	259	0	0	(115 338)
Východoslovenská energetika – Distribúcia, a.s.	3 140 453	0	0	(242 844)
Stredoslovenská energetika, a.s.	5 067	0	0	(2 264 923)
Stredoslovenská energetika – Distribúcia, a.s.	5 120 516	0	0	(3 571 326)
Stredoslovenská energetika Project Development, spol. s r. o.	0	0	0	0
Tepláreň Košice, a. s.	2 651	0	0	(332 947)
Žilinská teplárenská, a. s.	439	0	0	(89 322)
Martinská teplárenská, a. s.	13 389	0	0	(150 602)
Zvolenská teplárenská, a. s.	1 149	0	0	(203 834)
CAO, GmbH	440 535	0	0	(1 494 745)



Notes to the Financial Statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union  
(All amount are in Euros unless stated otherwise)

The income and expense items with the subsidiary, joint venture, state-controlled entities and government bodies for the year ended 31 December 2013 were as follows:

	Sale of services	Purchase of services
OKTE, a. s.	(45 951 469)	(11 993 591)
CAO, GmbH	19 598 099	(4 157 287)
Slovenské elektrárne, a.s.	22 594 659	(80 129 160)
Západoslovenská energetika, a.s.	191 526	(540 921)
Západoslovenská energetika – Distribúcia, a.s.	158 168 431	(43 532)
Západoslovenská energetika – Energia, a.s.	0	(3 931 347)
Východoslovenská energetika, a.s.	2 589	(612 056)
Východoslovenská energetika – Distribúcia, a.s.	64 922 086	(5 116 147)
Stredoslovenská energetika, a.s.	50 674	(7 401 535)
Stredoslovenská energetika – Distribúcia, a.s.	94 368 488	(64 943 116)
Stredoslovenská energetika Project Development, spol. s r. o.	0	0
Tepláreň Košice, a. s.	4 800	(2 922 191)
Žilinská teplárenská, a. s.	0	(587 860)
Martinská teplárenská, a. s.	0	(1 085 099)
Zvolenská teplárenská, a. s.	0	(1 425 487)

### Key management personnel compensation

Salaries and bonuses paid to the Company's management, directors and other members of top management for the year ended 31 December 2014 and 31 December 2013, are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Salaries and short term employee benefits	1 314 696	1 173 641
<b>Total</b>	<b>1 314 696</b>	<b>1 173 641</b>

### 30 Events after the reporting period

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

Notes to the Financial Statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union  
(All amount are in Euros unless stated otherwise)

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The Financial Statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 20 February 2015.



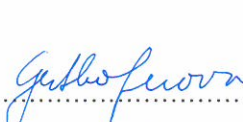
.....  
Ing. Miroslav Stejskal  
Chairman of the Board of Directors



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



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



.....  
Štefania Gerthoferová  
Person responsible for bookkeeping