Slovenská elektrizačná prenosová sústava, a.s.

Independent Auditors' Report and
Financial Statements
for the year ended 31 December 2011

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

Index to the Financial Statements

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Translation of the statutory Auditors' Report originally prepared in Slovak

Independent Auditors' Report

To the Shareholder, Supervisory Board and Board of Directors of Slovenská elektrizačná prenosová sústava, a.s.:

We have audited the accompanying financial statements of Slovenská elektrizačná prenosová sústava, a.s. ("the Company"), which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of 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 about 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 our 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, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

23 March 2012
Bratislava, Slovak Republic

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

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

Responsible auditor:
Richard Farkaš
License SKAU No. 406

	Note	As of 31 December 2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	5	675,408,239	331,714,423
Intangible assets	6	15,236,727	16,802,644
Non-current financial assets	9	15,000	30,000
Other investments	8	4,709,815	37,500
Receivables		667	1,239
Deferred tax asset	18	-	2,081,188
		695,370,448	**350,666,994**
Current assets			
Inventories	11	897,759	719,554
Trade and other receivables	12	33,155,526	45,712,351
Current financial assets	9	15,000	30,000
Cash and cash equivalents	13	26,884,745	66,692,841
Current income tax receivable		-	-
		60,953,030	**113,154,746**
Non-current assets held for sale	7	2,732,010	7,008,856
		63,685,040	**120,163,602**
Total assets		**759,055,488**	**470,830,596**
EQUITY			
Share capital and reserves attributable to equity holders of the Company			
Share capital	14	81,832,584	81,832,584
Legal reserve fund	14	16,366,275	16,366,275
Other reserves	14	126,145,072	104,890,029
Revaluation reserve		237,381,955	-
Retained earnings	14	69,917,845	39,088,618
Total equity		**531,643,731**	**242,177,506**
LIABILITIES			
Non-current liabilities			
Non-current bank loans and finance lease liabilities	16	33,100,000	43,100,000
Non-current portion of grants and other deferred revenue	17	47,474,911	47,037,345
Liabilities related to derivatives transactions	15	669,874	2,270,140
Deferred tax liability	18	55,288,112	-
Non-current provisions for liabilities and charges	19	3,503,325	2,662,445
		140,036,222	**95,069,930**
Current liabilities			
Current bank loans and finance lease liabilities	16	10,000,000	10,000,000
Trade and other payables	15	63,164,478	105,131,328
Current portion of grants and other deferred revenue	17	10,431,346	5,167,675
Provisions for current liabilities and charges	19	33,194	6,616,732
Current income tax payable		3,746,517	6,667,425
		87,375,535	**133,583,160**
Total liabilities		**227,411,757**	**228,653,090**
Total equity and liabilities		**759,055,488**	**470,830,596**

The financial Statements for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were approved and authorized for issue on 23 March 2012 by the Board of Directors.

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Ing. Ján Horkovič
Chairman of the Board of Directors

....

Ing. Michal Pokorný
Member of the Board of Directors

	Note	Year ended 31 December 2011	2010
Continuing operations:			
Revenues	20	425,123,097	356,399,070
Capitalized costs		5,581	72,083
Consumables and services	21	(287,435,784)	(250,961,197)
Personnel costs	22	(20,316,322)	(19,195,530)
Depreciation and amortisation	5 and 6	(57,153,676)	(42,549,458)
Impairment of fixed assets	5	-	(4,478,370)
Negative revaluation difference	5	(15,349,876)	-
Other operating income	24	12,028,674	7,914,604
Other operating expense	23	(5,248,192)	(3,892,615)
Operating profit		**51,653,502**	**43,308,587**
Interest income	25	288,444	69,149
Interest expense	25	(799,334)	(493,833)
Other finance income/(expense)	25	87,106	(3,032,933)
Finance cost, net		**(423,784)**	**(3,457,617)**
Profit before tax		**51,229,718**	**39,850,970**
Income tax expense	26	(9,630,415)	(8,939,520)
Profit for the year from continuing operations		**41,599,303**	**30,911,450**
Discontinued operations:			
Profit for the year from discontinued operations (net of income tax)	30	**-**	**304,104**
Net profit for the year		**41,599,303**	**31,215,554**
Revaluation of proprty, plant and equipment		**265,700,497**	**-**
Total comprehensive income		**307,299,800**	**31,215,554**
Profit attributable to:			
Owners of the parent		41,599,303	31,215,554
Non-controlling interest		-	-
Profit for the year		**41,599,303**	**31,215,554**
Total comprehensive income attributable to:			
Owners of the parent		307,299,800	31,215,554
Non-controlling interest		-	-
Total comprehensive income for the period		**307,299,800**	**31,215,554**

Statement of Changes in Equity for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

(All amounts are in Euros unless stated otherwise)

	Základné imanie	Zákonný rezervný fond	Ostatné fondy	Fond z precenenia majetku	Nerozdelený zisk	Vlastné imanie spolu
Balance at 1 January 2010	**81 832 584**	**16,366,275**	**97,193,946**	-	**18,883,143**	**214,275,948**
Net profit for the year 2010	-	-	-	-	31,215,554	31,215,554
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year 2010	-	-	-	-	**31,215,554**	**31,215,554**
Dividends paid (Note 14)	-	-	-	-	(3,313,996)	(3,313,996)
Profit appropriation to Statutory Fund (Note 14)	-	-	7,696,083	-	(7,696,083)	-
Balance at 31 December 2010	**81,832,584**	**16,366,275**	**104,890,029**	-	**39,088,618**	**242,177,506**
Balance at 31 January 2011	**81,832,584**	**16,366,275**	**104,890,029**		**39,088,618**	**242,177,506**
Net profit for the year 2011	-	-	-	-	41,599,303	41,599,303
Other comprehensive income	-	-	-	237,381,955	28,318,542	265,700,497
Total comprehensive income for the year 2011	-	-	-	**237,381,955**	**109,006,463**	**307,299,800**
Dividends paid (Note 14)	-	-	-		(17,833,575)	(17,833,575)
Profit appropriation to Statutory Fund (Note 14)	-	-	21,255,043	-	(21,255,043)	-
Balance at 31 December 2011	**81,832,584**	**16,366,275**	**126,145,072**	**237,381,955**	**69,917,845**	**531,643,731**

	Note	Year ended 31 December 2011	2010
Cash flows from operating activities			
Cash generated from operations	29	95,609,907	80,602,649
Income tax paid		(17,506,833)	(1,283,684)
Interest received		287,341	69,149
Net cash generated from operating activities		**78,390,415**	**79,388,114**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(89 820 593)	(35,898,928)
Proceeds from sale of property, plant and equipment	29	182,928	56,398
Interest received		-	-
Acquisition of financial investment	8	-	(25,000)
Loan provided to the company OKTE, a.s.		20,000	(20,000)
Repayment of loan granted to the company CAO	9	30,000	-
Net cash used in investing activities		**(89,587,665)**	**(35,887,530)**
Cash flows from financing activities			
Proceeds / (repayment) of loans		(10,000,000)	(11,460,532)
Interest paid		(777,271)	(508,990)
Dividends paid	14	(17,833,575)	(3,313,996)
Net cash used in financing activities		**(28,610,846)**	**(15,283,518)**
Net increase / (decrease) in cash and cash equivalents		**(39,808,096)**	**28,217,066**
Cash and cash equivalents at the beginning of the year	13	**66,692,841**	**38,475,775**
Cash and cash equivalents at the end of the year	13	**26,884,745**	**66,692,841**

1 General Information

Slovenská elektrizačná prenosová sústava, a.s., ("the Company", "SEPS, a.s.") is one of 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 plant in Jaslovské Bohunice as a result of a decision of the Slovak Republic to do so. The Fund supports the reconstruction, improvement and modernization of the energy production, transmission and distribution sectors and increases their efficiency. Three Company's projects (note 17) are considered to be qualified by Contributors body as Qualified projects, thereof one has not been drawn until 31 December 2011 yet.

The Company's operations are governed by the terms of its license granted under the Energy Law ("the Energy License") 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 provided to certain of the Company's customers.

By the end of 2010, the Company performed deviation settlement and organized short-term electricity market. Since 1 January 2010 these activities has been transfered 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 2011 was as follows:

	Absolute amount EUR	Ownership interest and voting rights %
National Property Fund (NPF)	81,832,584	100%
Total	**81,832,584**	**100%**

The National Property Fund of the Slovak Republic, based in Bratislava, Drieňová 27 owns 100% of SEPS a.s.'s registered capital and 100% of the 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 2011 were as follows:

Body	Function	Name
Board of Directors	Chairman	Ing. Ján Horkovič
	Vice-Chairman	Ing. Emil Krondiak until 4 May 2011
	Vice-Chairman	Ing. Igor Grošaft from 4 May 2011
	Member	Ing. Martin Bonko
	Member	Ing. Igor Grošaft from 4 May 2011
	Member	Ing. Michal Pokorný
	Member	Ing. Emil Krondiak from 4 May 2011
Supervisory Board	Chairman	Ľubor Benkovič
	Vice-Chairman	Ing. Ján Oráč
	Vice-Chairman	Ing. Peter Kollárik
	Member	Michal Sokoli
	Member	Jaroslav Stratený until 19 February 2012
	Member	Ing. Anna Bubeníková
	Member	RNDr. Jozef Mertan
	Member	Vojtech Ravasz
	Member	Ing. Lajos Csóka
	Member	Ing. Pavol Faktor
	Member	Ing. Anton Letko, MBA
	Member	Ing. Marián Mihalda from 20 February 2012
	Member	Milan Duchoň from 20 February 2012
Executive management	General Director	Ing. Ján Horkovič
	Managing Director of Operations	Ing. Martin Bonko
	Managing Director of SED and Commerce	Ing. Michal Pokorný
	Managing Director of Economics	Ing. Igor Grošaft
	Development and Capital Investment	Ing. Emil Krondiak

The Company employed 496 personnel on average during 2011 (2010: 518), 5 of which were management (2010: 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 policies

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 reason for preparing the Financial Statements:
The Company's Financial Statements at 31 December 2011 have been prepared as ordinary Financial Statements under § 17 (6) of the Slovak Act No. 431/ 2002 Coll. ("Accounting Act") for the accounting period from 1 January 2011 to 31 December 2011.

The Accounting Act requires the Company to prepare Financial Statements for the year ended 31 December 2011 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 in force as of 31 December 2011.

These financial statements have been prepared on a historical cost basis, except for derivatives which are stated at fair value.

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 an 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 entities to restate comparative information in the accounting period in which the 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 21 June 2011.

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

The Company issues consolidated financial statements in accordance with Article 22 (12) of Slovak Act No. 431/2002 Coll. on Accounting, as the Company has a subsidiary OKTE, a.s. based in Mlynské nivy 59/A, 824 84 Bratislava.

2.2. Changes in the accounting policies

As at the 1 January 2011 the Company adopted a revaluation model to the fair value in accourdance with IAS 16 on property, plant and equipment, except for the classes of property containing vehicles, inventory and work of art. The Company decided to use this model because it assumes that the financial statements will provide more true and fair presentation of property, plant and equipment used for regulated activites related to transmission of electricity as well as the change will achieve more equal status with other regulated entities in the regulated sector. Revaluation of property, plant and equipment to fair value was applied prospectively with no impact on previous periods. As a result of the revaluation the net book value of property, plant and equipment increased by 312 675 430 EUR, the deferred tax liability increased by 59 408 332 EUR and the net profit decreased by 11 392 238 EUR (negative revaluation difference 15 349 875 EUR net of decrease in change in deferred income by 1 041 161 EUR and deferred tax by 2 916 476 EUR). The positive revaluation difference have been recorded in other comprehensive income accumulated as a revaluation reserve in equity in the amout of 265 700 497 EUR net of deferred tax. Revaluation of property, plant and equipment was made by an independent expert who used the depreciable replacement cost method to calculate fair value of property and also assessed the useful life of each asset. Based on the expert's opinion, the Company extended the useful life of the revalueted assets.

The Company has adopted the following new and amended IFRS and IFRIC interpretations as at 1 January 2010, all adopted by EU:

IAS 24.	Revised IAS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
IAS 32	Amendment to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)
IFRIC 14	Amendment to IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).

Project of improvements to the International Financial Reporting Standards (issued May 2010).

The principal impacts of these changes are as follows:

Revised IAS 24 Related Party Disclosures
The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (i) a government that has control, joint control or significant influence over the reporting entity; and (ii) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party.

Amendment to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues
The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Amendment to IAS 32 does not have a significant impact on the separate financial statements.

Amendment to IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognise certain prepayments as an asset on the basis that the entity has a future

economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required. Amendments to IFRIC 14 do not have significant impact on the separate financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation provides guidance on the accounting for debt for equity swaps. IFRIC 19 does not have an impact on the separate financial statements.

Project of improvements to the International Financial Reporting Standards (issued May 2010).

In May 2010, IASB issued a collection of amendments to IAS standards and IFRIC interpretations, mainly to eliminate discrepancies and clarify the terminology. The following standards and interpretations has been amended:

IFRS 3	Business Combinations (effective for annual periods beginning on or after 1 July 2010)
IAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011)
IAS 27	Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010)
IAS 34	Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2011)
IFRIC 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011)

Improvements do not have significant impact on the financial position or performance of the Company.

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 the 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 functional 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 the 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 foreign currency are retranslated into the functional currency using the exchange rate valid at the date of the accounting transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income Statement.

2.5. Property, plant and equipment

The property, plant and equipment is carried 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 at 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 network assets varies between 40 and 80 years (2010: between 20 and 30 years).

(ii) Revaluation

In 2011 property, plant and equipments are 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 of property, plant and equipment 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 recognised 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 recognised in income statement.

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

Depreciation of revaluated items of property, plant and equipment is recognized as an expense in the income statements. Revaluation surplus is transfered to the equity proportially over the asset useful life. In such case, the amount of the surplus transferred represent a difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original costs. In case of sale of asset 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:

	2011	2010
Buildings, halls, networks and constructions	40 - 80 years	20 - 30 years
Machines, equipment and vehicles	12 – 30 years	4 – 12 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 asset 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 proprerty, 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 recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

An asset's carrying amount is written down 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 included 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 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 amortisation 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 programmes 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 capitalised 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 amortised over their estimated useful lives, which does not exceed 4 years. Intangible assets are depreciated over 4 years, easement of access over 20 years.

2.7. Impairment of non-financial assets

Assets that have an indefinite useful life (e.g. goodwill), if any, 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 part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
c) is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

2.9. 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 transation 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 recognised 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 derecognises 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.

Gains or losses arising from changes in the fair value of the "available for sale financial assets" are recognised in equity in the period in which they arise and are recycled to the Income Statement upon disposal or impairment.

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 amortised 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 outstanding loan granted to company Central Auction Office ("CAO") (the Company owns 12.5% share in this company), loan granted to a 100% subsidiary OKTE, a.s., 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 realisable 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 realisable 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 amortised 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 (and 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.

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 EBRD for the Reconstruction – Structure 2, Part 2 and Structure 3 in Križovany, with the grant approved by EBRD 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 2011.

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 costs) 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 months after the reporting date.

2.18. Provisions

Provisions are recognised 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 provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised 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 a 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 recognised 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 assessments of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognized as interest expense.

2.19. Contingent liabilities

Contingent liabilities are not recognized in the Financial Statements. They 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 includes the financial guarantees (Note 2.12).

2.21. Employee benefits

The Company has both defined benefit and defined contribution plans.

Pension plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the 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	
0 - 2	3
3 - 9	5
10 – 14	6
15 – 19	7
Over 20	8

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 149.37 (EUR 150 since 2012) 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 recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by 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) then attributing the calculated present value 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 recognised immediately in the Income Statement. Past-service costs are recognised immediately in the Income Statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised 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% (2009: 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% (2009: 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 employee 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 authorised for issue; or
- the past practice created a valid expectation of employees that they will receive a profit sharing or other bonus and the amount can be determined before the Financial Statements are authorised 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 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. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts.

The revenue is recognised 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 recognised 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 7	Amendments to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011, these amendments have not been approved by EU yet);
IFRS 9	Financial Instruments (effective for annual periods beginning on or after 1 January 2013; this standard has not been approved by the EU yet);
IAS 12	Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12) (effective for annual periods beginning on or after 1 January 2012, these amendments have not been approved by EU yet);

The principal effects of these changes are as follows:

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The Company is considering impact of this standard on its separate financial statements.

IFRS 9 Financial Instruments

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. The Company is considering impact of this standard on its separate financial statements.

Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12)

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The Company does not expect amendments to IAS 12 to have an impact on the separate financial statements.

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 programme focuses on the unpredictability of financial markets and seeks to minimise 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 recognises 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 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
USD / CZK and other	(73,357)	(1,796,403)	-	-

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

Based upon the sensitivity analysis of financial assets and liabilities recognised as at 31 December 2011, a 10% strengthening/weakening in the EUR against USD and CZK would result in an increase/decrease in the Company's profit by EUR 6,575. 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 is the owner of the transmission system of the Slovak Republic and provides the operation of this system through which realizes the transmission of electricity including international transmission and directly associated activities. These activities include the maintanance of steady balance of Electricity System of the Slovak Republic through the provision of system services and loss coverage during the transmission. It also performs an administrative charges for operting system and its subsequent transfer to regional energy distribution companies. The operation fee serves as a state instrument to support the production of electricity from renewable sources and coverage of expenses incurred in the economic interest (mining of Slovak coal to generate electirity and subisdy for green energy producer).

Activities of the Company are subject to regulation by The Regulatory Office of Network Industries of the Slovak Republic (hereinafter the „URSO"). URSO determines regulation policies for the current regulation period. Year 2011 belongs into the three-year regulation period started in 2009 and ending in 2011. URSO, among other decisions, determins the regulation policy, controls audit compliance of the Company with the current energy legislation and URSO revenues and issues decisions on maximum allowed revenues, expenditures and prices for the Company.

In this regulation period the principle of transmission service regulation was based on a price cap; however, the increase in regulation prices was restricted by inflation level. Prices for other related services were determined through maximum allowed revenues and related rates. For the part of the services maximum allowed expenditures and maximum prices for purchased services were determined. Deviations from the maximum allowed revenues and expenditures are taken into account in the future rates by the correction factors.

For 2011 URSO approved and issued in the decision for the Company rates and charges for transmission and reserved production, system services, losses and system operation. These charges create the structure of main revenues of the Company consisting mainly of electricity transmission and reserved production revenues, revenues from electricity transmission loss charges, system services revenues and system operation revenues. Additionally, the Company generates revenues from international transmission (ITC mechanism) and auctions.

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

(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.

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. Based 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. In 2007 and 2008, the Company entered into interest rate swaps with a maturity date in 2014, to mitigate the risk of fluctuations in interest rates. The agreed interest rates range between 3-month EURIBOR and the interest rate of 11.35%. The interest rate swaps refer to the agreed upon principal amounts in net book value totalling EUR 16,300,000 (31 December 2010: EUR 21,434,000). As at 31 December 2011, the Company made unrealized gain from interest rate swap in the amount EUR 812,702 (liabilities related to interest rate swap as at 31 December 2011: 1,457,656 EUR; as at 31 December 2010: 2,270,358 EUR).

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 and all other variables were held constant, the Company's profit for the year ended 31 December 2011 would decrease by EUR 1,184,308. If interest rates had been 100 basis points lower and all other variables were held constant, the Company's profit for the year ended 31 December 2011 would decrease by EUR 1,746,389. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

(ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. As for the banks and financial institutions, Company has relationships only with those ones that have high independent rating assessment. 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 based on dates agreed in the contracts, i.e. 3 to 30 days.

The Company is managing risk of non-payment of customers through advance payments 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.

Maximal exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 3,978 (Note 12).

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

Counterparty	Internal Rating[2]	Balance as at 31 December 2011	2010
Banks rated[1]			
Všeobecná úverová banka, a.s	A1	1,606,033	2,664,243
Tatra banka, a.s.	A2	13,973,441	54,020,437
Dexia banka Slovensko, a.s.	A1	-	395,982
Slovenská sporiteľňa, a.s.,	A1	11,224,211	9,551,670
Other	n/a	81,060	60,509
Total		**26,884,745**	**66,692,841**

[1] The amount of cash and short-term deposits at banks as at 31 December 2011 amounts to EUR 26,884,745 (31 December 2010: EUR 66,692,841). Furthermore, the Company has agreed with those banks on credit lines on current accounts totalling EUR 50,015,743 (31 December 2010: EUR 46,465,743) which were not utilized. The Company has bank borrowings as at 31 December 2011 of EUR 43,100,000 (31 December 2009: EUR 53,100,000) and these credit lines were utilized.
[2] The Company uses the independent ratings of Moody's and Standard & Poor's.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an 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; and
- 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 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
At 31 December 2011				
Bank loans (principal incl. future interest charges)	10,558,149	10,420,358	23,384,108	-
Trade and other payables excluding liabilities not falling under IFRS 7	56,219,107	-	-	-
Total	**66,777,256**	**10,420,358**	**23,384,108**	**-**
At 31 December 2010				
Bank loans (principal incl. future interest charges)	10,484, 358	10,375,108	33,553,584	-
Trade and other payables excluding liabilities not falling under IFRS 7	103,847,280	-	-	-
Total	**114,331,638**	**10,375,108**	**33,553,584**	**-**

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, recognised 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
31 December 2010				
Interest rate swaps	(811,490)	(515,716)	(196,447)	-
Total	**(811,490)**	**(515,716)**	**(196,447)**	**-**
31 December 2009				
Interest rate swaps	(390,242)	(1,058,133)	(1,163,256)	-
Total	**(390,242)**	**(1,058,133)**	**(1,163,256)**	**-**

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 amounts to, as at 31 December 2011, EUR 531,643,731 (31 December 2009: EUR 242,177,506).

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 2011	31 December 2010
Total equity and liabilities	759,055,488	470,830,596
Equity (Note 14)	531,643,731	242,177,506
Equity to Total equity and liabilities ratio	70%	51%

During 2011, the Company's strategy was unchanged from 2010, i.e. to maintain Equity to Total liabilities and equity ratio above 35% which is compliant with externally imposed capital requirements. During 2011 and 2010, the Company complied with the externally imposed capital requirements to which it is subject to (Note 16).

3.3 Fair value estimation

The fair value of derivatives and investments available for sale or held for trading 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 periods. 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 is the owner of the transmission system of the Slovak Republic and provides the operation of this system through which realizes the transmission of electricity including international transmission and directly associated activities. These activities include the maintanance of steady balance of Electricity System of the Slovak Republic through the provision of system services and loss coverage during the transmission. It also performs an administrative charges for operting system and its subsequent transfer to regional energy distribution companies. The operation fee serves as a state instrument to support the production of electricity from renewable sources and coverage of expenses incurred in the economic interest (mining of Slovak coal to generate electirity).

Activities of the Company are subject to regulation by The Regulatory Office of Network Industries of the Slovak Republic (hereinafter the „URSO"). URSO determines regulation policies for the current regulation period. Year 2011 belongs into the three-year regulation period started in 2009 and ending in 2011. URSO, among other decisions, determins the regulation policy, controls audit compliance of the Company with the current energy legislation and URSO revenues and issues decisions on maximum allowed revenues, expenditures and prices for the Company.

In this regulation period the principle of transmission service regulation was based on a price cap; however, the increase in regulation prices was restricted by inflation level. Prices for other related services were determined through maximum allowed revenues and related rates. For the part of the services maximum allowed expenditures and maximum prices for purchased services were determined. Deviations from the maximum allowed revenues and expenditures are taken into account in the future rates by the correction factors.

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 19).

(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 ISA 16 for property, plant and equipment, except for the classes of property containing vehicles, inventory and artwork. Revaluation of property, plant and equipment was made by an independent expert who used a net realizable value. In cas of incrase of the assets book value during revaluation, the analysis of the possible impairment was performed based on the determinig value in use (present value of the curent cash flows expecting from the use of property). The result of the revaluation is the the 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 deviations 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 reassesment of useful life is the incsrease of the estimated useful life.

	2011	2010
Buildings, networks and constructions	40 – 80 years	20 - 30 years
Machinery, equipment and vehicles	12 - 30 years	4 – 12 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 teh 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 instruments, like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment 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 8.4% (after income tax). This discount rate was calculated by weighted average cost of capital.

Fair value of cash generating unit was etermined 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 subseuent period it is expected to achieve such operating and financial efficiency, which management consider to be sustainable. Based on this standard level of cash flows, terminal value of cash flows growth condition was calculated at 0% per annum.

The key assumptins that affect the fair value the most, are except for the discount rate are mainly planned capital expenditures after 2016. Most assumptions are based on a historical basis.

5 Property, plant and equipment

	Lands	Buildings, halls and constructions	Machinery, equipment, vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 1 January 2010					
Cost	6,062,042	278,408,646	327,647,823	35,149,818	647,268,329
Accumulated depreciation and impairment charges	-	(126,707,179)	(196,487,149)	(35,269)	(323,229,597)
Net book value	**6,062,042**	**151,701,467**	**131,160,674**	**35,114,549**	**324,038,732**
Year ended 31 December 2010					
Opening net book value	6,062,042	151,701,467	131,160,674	35,114,549	324,038,732
Additions	-	3,476,923	16,516,433	29,323,705	49,317,061
Transfers	175,534	6,660,377	2,027,641	(8,863,552)	-
Disposals	-	-	(31,557)	-	(31,557)
Depreciation charge	-	(11,474,133)	(25,348,884)	-	(36,822,945)
Impairment	-	(4,478,297)	-		(4,478,297)
Transferred to disposal group classified as held for sale	-	-	(308,571)	-	(308,571)
Closing net book value	**6,237,576**	**145,886,410**	**124,015,735**	**55,574,702**	**331,714,423**
At 31 December 2010					
Cost	6,237,576	290,671,198	335,861,190	55,609,971	688,379,935
Accumulated depreciation and impairment charges	-	(44,784,788)	(211,845,455)	(35,269)	(356,665,512)
Net book value	**6,237,576**	**145,886,410**	**124,015,735**	**55,574,702**	**331,714,423**
Year ended 31 December 2011					
Opening net book value	6,237,576	145,886,410	124,015,735	55,574,702	331,714,423
Positive revaluation	7,416,343	261,939,155	58,669,807	-	328,025,305
Negative revaluation	-	(7,055,835)	(8,294,040)	-	(15,349,875)
Additions	-	-	-	84 711 438	84 711 438
Transfers	268,697	8,047,587	21,488,219	(29,804,503)	-
Disposals	(1,958)	(1,295,621)	(1,436,788)	-	(2,734,367)
Depreciation charge	-	(32,281,700)	(18,676,985)	-	(50,958,685)
Closing net book value	**13,920,658**	**375,239,996**	**175,765,948**	**110,481,637**	**675,408,239**
At 31 December 2011 after revaluation					
Cost	13,920,658	407,483,250	195,283,095	110,516,906	727,203,909
Accumulated depreciation and impairment charges	-	(32,243,254)	(19,517,147)	(35,269)	(51,795,670)
Net book value	**13,920,658**	**375,239,996**	**175,765,948**	**110,481,637**	**675,408,239**

At 31 December 2011 in historical costs					
Cost	6,505,521	297,004,922	347,342,060	110,518,863	761,371,366
Accumulated depreciation and impairment charges	-	(149,847,912)	(214,797,320)	(35,269)	(364,680,501)
Net book value	**6,505,521**	**147,157,010**	**132,544,740**	**110,483,594**	**396,690,865**

As at 1 January 2011, the independent expert, who is not related to the Company, performed revaluation of property, plant and equipment based on observation of property, pland and equipment and determination of depreciable replacement costs 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 Internatinal Valuation Standards. The Company recorded this valuation as at 1 January 2011. Revaluated book value is higher as residual value determined on the historical acquisition cost base by 328,025,305 EUR and this amount is recognized in other comprehensive income.

By 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. See also Note 2.5.

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 2011, the most significant items within property, plant and equipment represent: switching stations and administrative buildings at revaluated net book value of EUR 248,436,509, in historical net book value of EUR 181,379,062 (31 December 2010: EUR 169,126,990); transmission lines at revaluated net book value of EUR 275,393,207, in historical net book value of EUR 69,822,612 (31 December 2010: EUR 69,309,553).

Non-current assets under construction consists mainly of EUR 14,308,350 for reconstruction of a switching station TR 400/110 kV Medzibrod (31 December 2010: EUR 17,141,212), EUR 275,510 for controlling training simulator (31 December 2010: EUR 5,756,808), EUR 35,723,623 for 2x400 kV switching station Košice-Lemešany (31 December 2010: EUR 4,609,362), EUR 5,254,302 for remote management of switching station in Križovany (31 December 2010: EUR 4,083,876), EUR 7,427,799 for transformer in Bošáca (31 December 2010: EUR 3,916,669), EUR 5,370,588 for switching station and transmission lines in Gabčíkovo (31 December 2010: EUR 4,286,462), EUR 1,569,959 for transformation 400/110 kV in Voľa (31 December 2010: EUR 1,568,819), EUR 16,427,332 for remote management of switching station in Veľký Ďur (31 December 2010: EUR 442,344), EUR 1,804,981 for remote management of switching station in Levice (31 December 2010: EUR 1,179,627), EUR 2,241,286 for 2x400 kV switching station Medzibrod (31 December 2010: EUR 1,961,631), EUR 5,818,292 for transformation 400/110 kV at switching station Medzibrod (31 December 2010: EUR 453,720) and EUR 7,985,273 for 2x400 kV lines for switching station Medzibrod (31 December 2010: EUR 0). These assets are not available for use at the reporting date.

In accordance with accounting policies of the Company, borrowing costs are capitalized and therefore the Company capitalized interest amounting to EUR 57,861 (31 December 2010: EUR 140,093) as a part of the acquisition cost of non-current assets. The effective interest rate related to capitalization as at 31 December 2011 amounted 1.326% p.a. (31 December 2010: 1.0038% p.a.).

As at 31 December 2011 the revaluated net book value of assets under finance lease, namely machines, tools and equipment represented EUR 731,985, in historical net book value EUR 702,665 (31 December 2009: EUR 734,373).

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 2011			
Cost	5,525,500	117,222	5,642,722
Accumulated depreciation	(291,589)	(10,677)	(302,266)
Net book value as at 31 December 2011	**5,233,911**	**106,545**	**5,340,456**
As at 31 December 2011			
Historical acquisition cost	4,730,369	135,715	4,886,084
Accumulated depreciation historical	(2,075,830)	(30,259)	(2,106,089)
Historical net book value as at 31 December 2011	**2,654,539**	**105,456**	**2,759,995**
As at 31 December 2010			
Cost	4,255,681	135,715	4,391,396
Accumulated depreciation	(2,038,645)	(20,672)	(2,059,317)
Net book value as at 31 December 2010	**2,217,036**	**115,043**	**2,332,079**

The Company also leases optic fibres and circuits. The value of such fibres and circuits cannot be reasonably estimated, as they are a 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 December 2011 and 31 December 2010	Name of the insurance company
Buildings, halls and constructions	Damage or total loss	170,723,692	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Machines, tools and equipment, vehicles without car licence plates	Damage or total loss	87,542,488	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Transformers and control rooms	Damage or total loss	233,215,107	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
RRB (radio relay point)	Damage or total loss	16,641,010	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Elevated power lines	Damage or total loss	768,707,030	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Cables	Damage or total loss	2,956,773	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Office equipment	Damage or total loss	813,904	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Fixtures and fittings	Damage or total loss	621,531	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Sets of movable non-current tangible assets, cables, elevated power lines	Damage or total loss, insurance against theft, burglary, and robbery, and robbery during transport and vandalism	331,939	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Set of machines and equipment	Machines and equipment insurance	323,540,546	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Scheduled capital expenditures, automatic coverage of new assets	Damage or total loss	33,193,919	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Fixtures and fittings	Insurance against theft, burglary, and robbery, and robbery during transport and vandalism	290,966	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)

Measuring devices and notebooks in motor vehicles	Insurance against theft, burglary, and robbery, and robbery during transport and vandalism	66,388	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Scheduled capital expenditures	Machines and equipment insurance	23,235,743	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)

6 Intangible assets

	Software and other intangible assets	Intangible assets not yet in use	Total
At 1 January 2010			
Cost	37,078,613	777,996	37,856,609
Accumulated amortisation and impairment charges	(16,283,287)	-	(16,283,287)
Net book value	**20,795,326**	**777,996**	**21,573,322**
Year ended 31 December 2010			
Opening net book amount	20,795,326	777,996	21,573,322
Additions	-	7,746,731	7,746,731
Transfers	5,320,417	(5,320,417)	-
Disposals	-	-	-
Amortisation charge	(7,856,543)	-	(7,856,543)
Transferred to disposal group classified as held for sale	(4,660,867)	-	(4,660,867)
Closing net book value	**13,598,333**	**3,204,311**	**16,802,644**
At 31 December 2010			
Cost	34,810,695	3,204,311	38,015,006
Accumulated amortisation and impairment charges	(21,212,362)	-	(21,212,362)
Net book value	**13,598,333**	**3,204,311**	**16,802,644**
Year ended 31 December 2011			
Opening net book amount	13,598,333	3,204,311	16,802,644
Additions	60	4,629,014	4,629,074
Transfers	5,379,423	(5,379,423)	-
Disposals	-	-	-
Amortisation charge	(6,194,991)	-	(6,194,991)
Closing net book value	**12,782,825**	**2,453,902**	**15,236,727**
At 31 December 2011			
Cost	40,190,842	2,453,902	42,644,744
Accumulated amortisation and impairment charges	(27,408,017)	-	(27,408,017)
Net book value	**12,782,825**	**2,453,902**	**15,236,727**

The computer software consists mainly of SAP, STET, XMatic, DAMAS (auction portal), Oracle and XM Trade. Net book value of SAP is EUR 1,742,800 (31 December 2010: EUR 3,020,436), remaining amortization period is between 1 and 4 years. Net book value of DAMAS is EUR 1,782,684 (31 December 2010: EUR 2,905,956), remaining amortization period is 3 and 4 years.

Intangible assets not yet in use include EUR 172,608 for controlling training simulator (31 December 2010: EUR 1,010,244), EUR 1,727,454 for remote management for switching station Veľký Ďur and EUR 553,840 for completion of trade measurement system..

Internally generated intangible assets are immaterial.

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

7 Non-current assets held for sale

Non- current assets held for sale as at 31 December 2011 represent administrative building in Bratislava, apartment in Horná Ždaňa and machines and equipment that are to be recovered through a sale transaction rather than use and the sale is considered highly probable. Assets, that was deposited as contribution in kind in 1 January 2011 into subsidiary OKTE, a.s., was disposed from the property for sale in 2011.

	31 December 2010	Additions	Sales	31 December 2011
Cost of assets	13,475,488	-	8,214,448	5,261,040
Recorded accumulated depreciation	(5,753,177)	-	(3,242,407)	(2,510,770)
Impairment loss upon re-measurement	(713,455)	-	(695,195)	(18,260)
Total	**7,008,856**	**-**	**4,276,846**	**2,732,010**

Thereof the assets representing the discontinued operations (contribution in kind in the subsidiary OKTE, a.s.):

	31 December 2010
Acquisition costs	8,205,486
Accumulated depreciation	(3,236,047)
Impairment loss	(695,195)
Total	**4,274,244**

Gain on the disposal of the assets related to the discontinued operation in the amount of EUR 345,571 (difference between the certified value of the contribution in kind EUR 4,619,815 determined by an independent appraisor and its carrying amount EUR 4,274,244) has been recognized in the Income Statement at the transaction date - as at 1 January 2011.

8 Shares in subsidiaries and other investments

	2011	2010
At the beginning of the year	37,500	12,500
Additions	4,672,315	25,000
Disposals	-	-
At the end of the year	**4,709,815**	**37,500**

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. a 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 year 2011 the Company contributed into CAO EUR 50,000, overall contribution increased to EUR 62,500. Share of 12.5% remained unchanged.

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 consists of 25 registered shares at a nominal value of EUR 1,000. The Company contributed assets (contribution in kind) in the amount of EUR 4,619,815 in its subsidiary effective from 1 January 2011 (Note 7 and Note 30) and also contribution into reserve fund in amount of TEUR 2500. As at 31 December 2011 share is being made up of 4,644 registered share at a nominal value of EUR 1,000.

9 Financial assets

Loans to the company CAO

	2011	2010
At the beginning of the year	60,000	60,000
Additions	-	-
Disposals	30,000	-
At the end of the year	**30,000**	**60,000**
Less non-current portion of Loans to the company	(15,000)	(30,000)
Current portion of Loans to the Company	**15,000**	**30,000**

The balance as at 31 December 2011 represents the outstanding loan granted to the auction office (Note 8) 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.

In 2011 CAO has repaid instalment in amount of EUR 15,000, that has been after due date as at 31 December 2010.

10 Financial instruments by category

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

As at 31 December 2011	Financial assets at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	-	23,079,428	23,079,428
Other receivables	-	2,376,933	2,376,933
Cash at bank and in hand	-	26,884,745	26,884,745
Loans to the company CAO	-	30,000	30,000
Total	**-**	**52,371,106**	**52,371,106**

As at 31 December 2011	Financial liabilities at fair value through profit and loss	Other financial liabilities – carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	-	50,389,139	50,389,139
Received guarantees	-	1,455,396	1,455,396
Liabilities due from derivative financial instruments	1,657,438	-	1,657,438
Other payables	-	1,177,404	1,177,404
Bank loans	-	43,100,000	43,100,000
Total	**1,657,438**	**96,121,939**	**97,779,377**

As at 31 December 2010	Financial assets at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	-	38,697,009	38,697,009
Other receivables	-	3,998,266	3,998,266
Cash at bank and in hand	-	66,692,841	66,692,841
Loans to the company CAO	-	60,000	60,000
Total	**-**	**109,448,116**	**109,448,116**

As at 31 December 2010	Financial liabilities at fair value through profit and loss	Other financial liabilities – carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	-	66,228,110	66,228,110
Received guarantees	-	34,152,548	34,152,548
Liabilities due from derivative financial instruments	2,559,855	-	2,559,855
Other payables	-	239,318	239,318
Bank loans	-	53,100,000	53,100,000
Total	**2,559,855**	**153,719,976**	**156,279,831**

11 Inventories

	As at 31 December 2011	2010
Materials and spare parts	897,759	719,554
	897,759	**719,554**

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

12 Trade and other receivables

	As at 31 December 2011	2010
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	22,910,592	34,356,960
Past due but not impaired trade receivables	164,358	4,336,156
Individually impaired trade receivables	3,978	3,893
Trade receivables (before provision for impairment)	**23,079,428**	**38,697,009**
Less: Provision for impairment of receivables	(3,978)	(3,893)
Trade receivables – net	**23,075,450**	**38,693,116**
VAT receivable	5,231,885	2,923,987
Loan granted to OKTE, a.s.	-	20,000
Prepayments	2,471,258	76,982
Other receivables including accrued income	2,376,933	3,998,266
Other receivables including accrued income - net	**10,080,076**	**7,019,235**
Total trade and other receivables	**33,155,526**	**45,712,351**

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

	As at 31 December 2011	2010
Receivables within due date	22,910,592	34,356,960
Overdue receivables	168,836	4,340,049
Total	**23,079,428**	**38,697,009**

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

	As at 31 December 2010	2010
Slovenské elektrárne, a.s.	2,656,034	3,421,829
Západoslovenská energetika, a. s.	53,294	53,294
Západoslovenská energetika Distribúcia, a. s.	7,410,845	5,270,356
Západoslovenská energetika Energia, a. s.	-	1,878,326
Stredoslovenská energetika, a. s.	678,552	2,110,242
Stredoslovenská energetika Distribúcia, a. s.	4,260,614	4,234,500
Východoslovenská energetika, a. s.	259	699,046
Východoslovenská energetika Distribúcia, a. s.	3,210,405	2,224,846
Other	4,639,940	14,464,521
Neither past due nor impaired trade receivables	**22,910,592**	**34,356,960**

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 2011, trade receivables of EUR 164,858 (31 December 2010: EUR 4,336,156) were past due but not impaired. Their ageing analysis is as follows:

	As at 31 December 2011	2010
1 to 90 days	164,827	4,336,109
91 to 180 days	31	47
Total past due but not impaired trade receivables	**164,858**	**4,336,156**

The closing balance of the Company's trade receivables includes receivables in the carrying amount of up to EUR 164,858 (31 December 2010: EUR 4,336,156) 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 2011, trade receivables of EUR 3,978 (31 December 2010: EUR 3,893) were impaired and provided for. As at 31 December 2011, the Company recorded a 100% provision for such receivables, in 2011 in the amount of EUR 3,978 (2010: EUR 3,893).

The ageing of these receivables is as follows:

	As at 31 December 2011	2010
Over 361 days	3,978	3,893
Total individually impaired receivables	**3,978**	**3,893**

The movements in the provision for impairment of trade receivables are recognized in the Income Statement in Other operating (expenses) / income. Movements are presented below:

	2011	2010
At the beginning of the year	3,893	2,628,975
Additional provision for receivables impairment	85	-
Unused amounts released	-	(1,318,328)
Receivables written-off during the year as uncollectible	-	(1,306,754)
At end of the year	**3,978**	**3,893**

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

13 Cash and cash equivalents

	As at 31 December 2011	2010
Cash at bank and in hand	18,279,700	64,029,588
Short-term bank deposits	8,605,045	2,663,253
	26,884,745	**66,692,841**

At 31 December 2011 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 2011	2010
Cash and bank balances and deposits with original maturities of less than three months	26,884,745	66,692,841
	26,884,745	**66,692,841**

The carrying amounts of cash and cash equivalents as of 31 December 2011 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).

14 Shareholder's Equity

As at 31 December 2011, the registered capital of the Company at 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 rights 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 2011 (as at 31 December 2010: EUR 16,366,275).

Other capital reserves comprise statutory fund of EUR 126,145,072 as at 31 December 2011 to finance capital expenditure activities (31 December 2010: EUR 104,890,029) and differences from revaluation of assets amounted to EUR 237,381,955.

The statutory fund to finance future capital expenditures is used to accumulate internal funds of the Company generated from profit to finance capital expenditures. In 2011, the Company contributed to this fund an amount of EUR 21,255,043 (31 December 2010: EUR 7,696,083) from 2010 profit distribution. 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 General Meeting decision.

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

	2011
Positive revaluation 1 January 2011	328 025 305
Deferred tax 1 January 2011	(62 324 808)
Revaluation surplus reclassified to retained earnings as at 31 December 2011	(34 961 163)
Deferred tax on revaluation surplus as at 31 December 2011	6 642 621
At the end of the period	**237 381 955**

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 21 June 2011 approved the Financial Statements for 2010 and decided to pay dividends to the shareholders for 2010. In 2011, a dividend of EUR 3,650.70 (rounded) per share at a nominal value of EUR 33,194 and EUR 3.74 (rounded) per share at nominal value of EUR 34 was declared to the shareholders (in 2010: EUR 1,344.27 per share at a nominal value of EUR 33,194 and EUR 1.38 per share at nominal value of EUR 34).

The profit accounting for the year 2010 of EUR 31,215,554 was distributed as follows:

	2010 profit distribution	**2009 profit distribution**
Dividends paid – National Property Fund	9,000,000	3,313,996
Appropriation to the Statutory Fund	21,255,043	7,696,083
Transfer to retained earnings	960,511	541,736
Total	**31,215,554**	**11,551,815**

During 2011 the Company paid extraordinary dividends to the shareholder in the amount of 8 833 575 EUR.The retained earnings of the Company at 31 December 2011, incl. profit for the year and positive asset's revaluation difference transferred to retained earnings, amounted to EUR 69,917, 845 (31 December 2010: EUR 39,088,618).

As at the date of authorisation of these Financial Statements for issue, the statutory body has not yet proposed the distribution of the 2011 profit.

15 Trade and other payables

	As at 31 December 2011	2010
Trade payables	54,889,139	66,228,110
Received guarantees	1,455,396	34,152,548
Payables due to employees	814,602	798,623
Social security	389,010	370,492
Accrued personnel expenses	3,250,387	2,792,773
Liabilities due from derivative financial instruments	987,564	289,715
Social fund	200, 976	259,749
Other payables	1,177,404	239,318
Total	**63,164,478**	**105,131,328**

The liabilities from derivative financial instruments include derivate transactions, 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 2011, the Company has three interest rate swaps with a negative fair value in the amount of EUR 1,457,656 (31 December 2010: negative fair value of swaps was EUR 2,270,140), the part in the amount of 669 874 EUR is recognized in the long-term liabilities and the amount of 787 782 EUR is recognized in short-term liabilities. The accrued interest amounted to EUR 199,782 (31 December 2010: EUR 289,715).

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 2011	2010
Payables not yet due	55,790,381	97,886,182
Overdue payables	7,374,097	7,245,146
Total	**63,164,478**	**105,131,328**

Social fund

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

	2011	2010
Opening balance at 1 January	**259,749**	**190,759**
Appropriations expensed	503,265	466,496
Usage	(562,038)	(397,506)
Closing balance at 31 December	**200,976**	**259,749**

16 Bank loans and finance lease liabilities

	As at 31 December 2011	2010
Non-current		
Long term portion of bank loans (a)	33,100,000	43,100,000
Long term portion of finance lease	-	-
	33,100,000	**43,100,000**
Current		
Short term portion of bank loans (a)	10,000,000	10,000,000
Short term portion of finance lease	-	-
	10,000,000	**10,000,000**

(a) Bank loans

The maturity of bank loans is as follows:

Maturity	As at 31 December 2011	2010
Short term portion of bank loans	10,000,000	10,000,000
Long term portion of bank loans		
1-5 years	33,100,000	43,100,000
Over 5 years	-	-
Total	**43,100,000**	**53,100,000**

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

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

	31 December 2010	2009
Floating rate		
- Expiring within one year	26,780,000	23,235,743
- Expiring beyond one year	23,235,743	23,230,000
Fixed rate		
- Expiring within one year	-	-
Total	**50,015,743**	**46,465,743**

Loans from VÚB, a.s. and from Tatra banka, a.s. include certain financial covenants related to limits on debt ratios, interest coverage and debt to operating profit ratios 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:

	2011	2010
Bank borrowings	1.326%	1.0038%

Structure of bank loans as at 31 December 2011 is as follows:

Bank/Creditor	Typ	Mena	Amount in EUR 31 December 2011	Amount in EUR 31 December 2010	Interest rate % p. a.	Maturity	Collateral	Part due in next 12 months	Part due after 12 months
Tatra banka, a.s.	Investment	EUR	12,600,000	18,200,000	3-month EURIBOR + 0,145%	23. 4. 2014	-	5,600,000	7,000,000
SLSP, a.s.	Investment	EUR	13,500,000	17,900,000	3-month EURIBOR + 0,145%	31. 12. 2014	-	4,400,000	9,100,000
VÚB, a. s.	Investment	EUR	17,000,000	17,000,000	3-month EURIBOR + 0,85%	3. 12. 2015	-	-	17,000,000
Total	X	X	**43,100,000**	**53,100,000**	X	X	X	**10,000,000**	**33,100,000**

17 Grants and deferred revenues

Deferred revenues include the following items:

	As at 31 December	
	2011	**2010**
Deferred revenues		
Atel contract – long-term portion (a)	-	5,169,326
– current portion (a)	-	1,879,755
EBRD grant Križovany – long-term portion (b)	16,763,647	17,092,996
– current portion (b)	965,503	1,976,943
EBRD grant Lemešany – long term portion (c)	20,220,769	4,801,766
– current portion (c)	114,057	-
Auctions – current portion	-	195,990
US Steel – long-term portion (d)	5,109,892	5,446,789
– current portion (d)	280,806	606,766
EU TEN-E – long-term portion (e)	919,633	926,471
– current portion (e)	29,394	51,952
E.ON – long-term portion (f)	3,524,846	3,698,937
– current portion (f)	158,056	392,866
Other – long-term portion (g)	936,124	9,901,060
– current portion	8,883,530	63,403
Total	**57,906,257**	**52,205,020**

a)
As at the day of establishment, the Company assumed a contract providing rights with respect to the transmission of electricity from the predecessor entity, Slovenské elektrárne, a.s. The contract is signed with Atel (Switzerland) for a period of 16 years from the signing of the contract in 1998 until 30 September 2014, for which the predecessor entity received an amount of CHF 38,000 thousand which is released to revenues on a straight-line basis over a period of the contract duration.

Based on the negotiation with ALPIQ AG – the legal successor of ATEL, on 10 August 2011 the contract on termination of the contract of 27 October 1997 was concluded relating to the transit rights on electricity in high-voltage system SE in Slovakia. In this contract the Company committed partially to the return of advanced payment in the amount of 7,200,000 EUR at least by 30 June 2014. The Company returned the advance payment in full amount to ALPIQ on 17 August 2011 and the remaining balance of deferred income was released in 2011.

b)
On 10 December 2003, the Company concluded a grant contract with the European Bank for Reconstruction and Development (EBRD), under which the EBRD undertook to provide a grant of EUR 24 million for IPR "Križovany 400 kW, 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 17,729,150 (31 December 2010: EUR 19,069,939) 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.

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

An amount of EUR 20,334,826 (31 December 2010: EUR 4,801,766) was recognized in deferred revenue related to the subsidy.

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

d)
Deferred revenues include an amount of EUR 5,390,698 (31 December 2009: EUR 6,053,555) related to investment in the switching station in Košice. This station is owned by the Company, however, the company US Steel was obligated to co-finance the half of the station'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.

e)
Deferred revenue of EUR 949,027 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 2010: EUR 978,423).

f)
Amount of EUR 3,682,902 included in Deferred revenues is related to a 100% co-financing by company E.ON for a part of station in Križovany, field 13 (31 December 2011: EUR 4,091,803).

g)
Within other deferred income the Company recorded the amount 8,774,095 EUR related to revenues from system operations and system services, which the Company will realize in 2012.

Relating to the Company property revaluation, the deferred income as at 1 January 2011 were decreased by 1,041,161 EUR. The amount 375,285 EUR was related with the grant EBOR for Križovany, 382,047 with US Steel, 250,843 EUR with E.ON and 32,986 EUR with other deferred income.

18 Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 19%.

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 2011	(Change)/credit to profit for the year	Change of equity	At 31 December 2011
Positive revaluation of fixed assets	(62,324,808)	6,642,621	-	(55,682,187)
Negative revaluation of fixed assets	2,916,476	(585,377)	-	2,331,099
Receivables	125	-	-	125
Fixed assets	(2,126,851)	(2,880,358)	-	(5,007,209)
Retirement benefit	505,865	159,767	-	665,632
Provisions	3,333,778	(1,183,533)	-	2,150,245
Other	368,271	(114,088)	-	254,183
Total	**(57,327,144)**	**2,039,032**	**-**	**(55,288,112)**

On 1 January 2011 on revaluation of property, plant and equipment, deferred tax was recognized from negative revaluation of property, plant and equipment with double entry to profit and loss account in the amount of 2 916 476 EUR and tax liability from positive revaluation to equity accounts in the amount of 62 324 808 EUR. Therefore, the deferred tax balance as at 31 December 2010 does not reconcile the balance as at 1 January 2011.

	At 1 January 2010	(Charge)/ credit to profit for the year	At 31 December 2010
Provisions for assets	2,375	(2,250)	125
Depreciation and amortisation	(1,901,017)	(225,834)	(2,126,851)
Provisions	388,802	117,063	505,865
Retirement benefit	1,451,024	1,882,754	3,333,778
Other	138,607	229,664	368,271
Total	**79,791**	**2,001,397**	**2,081,188**

The deferred tax asset related to discontinued operations of EUR 132,087 is included in the total balance as at 31 December 2010. The deferred tax charge was credited to the profit for the year from discontinued operations (Note 30).

19 Provisions for liabilities and charges

	Pensions benefits (a)	Legal claims (b)	Others (c)	Total
At 1 January 2011	**2,662,445**	**33,194**	**6,583,538**	**9,279,177**
Additional provisions	1,590,000	-	-	1,590,000
Provisions used	(167,000)	-	-	(167,000)
Reversals of unused provision	(582,120)	-	(6,583,538)	(7,165,658)
At 31 December 2011	**3,503,325**	**33,194**	**-**	**3,536,519**

Analysis of total provisions	As at 31 December 2011	2010
Non-current	3,503,325	2,662,445
Current	33,194	6,616,732
Total	**3,536,519**	**9,279,177**

(a) Pension benefits

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

(i) post employment benefits

	As at 31 December 2011	2010
Present value of unfunded retirement obligations	3,391,362	2,625,482
Unrecognised actuarial gains/ (losses) and portion of past service costs	-	-
Obligation in the Statement of Financial Position	**3,391,362**	**2,625,482**

The amounts recognised in the Income Statement are as follows:

	2011	2010
Current service cost	233,000	710,120
Recognised actuarial gains/ (losses)	1,183,000	(24,000)
Interest cost	94,000	64,000
Pension (credit) / cost, included in personnel costs	**1,510,000**	**750,120**

Movements in the present value of defined benefit obligation are:

	2011	2010
Present value of unfunded retirement obligations at beginning of the year	2,625,482	2,014,362
Current service cost	230,000	710,120
Interest cost	94,000	64,000
Benefits paid	(162,000)	(139,000)
Cancelled	(582,120)	-
Actuarial (gains)/ losses	1,183,000	(24,000)
Present value of unfunded retirement obligations at the end of the year	**3,391,362**	**2,625,482**

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

	As at 31 December 2011	2010
Present value of unfunded obligations	111,963	36,963
Obligation in the Statement of Financial Position	**111,963**	**36,963**

The amounts recognised in the Income Statement are as follows:

	2011	2010
Current service cost	8,000	3,000
Recognised actuarial gains/loss	18,000	7,000
Interest expense	2,000	1,000
Pension (credit) / cost, included in personnel costs	**28,000**	**11,000**

Movements in the present value of defined benefit obligation are:

	2010	2009
Present value of unfunded retirement obligations at beginning of the year	36,963	31,963
Current service cost	8,000	3,000
Past service cost	52,000	-
Interest cost	2,000	1,000
Benefits paid	(5,000)	(6,000)
Actuarial gains/(losses)	18,000	7,000
Present value of unfunded retirement obligations at the end of the year	**111,963**	**36,963**

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

As at 31 December 2011	
Percentage of employees, who will terminate their employment with SEPS a.s. prior to retirement (fluctuation rate)	Approximately 3.0 – 7.2% p.a., differing with age and sex
Expected salary increases - long - term	5% p. a.
- short - term	3% p. a.
Discount rate	5.18% p. a.

As at 31 December 2010	
Percentage of employees, who will terminate their employment with SEPS a.s. prior to retirement (fluctuation rate)	Approximately 5.2 – 10.1 % p.a., differing with age and sex
Expected salary increases - long-term	6% p. a.
- short-term	3% p. a.
Discount rate	4.61% 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. 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.

The Company recorded a provision for the legal dispute with E. I. S. spol. s r.o., in which E. I. S. spol. s.r.o. has claimed damages from the Company in the amount of EUR 33,194 as a result of lost profit. Resolution of the legal dispute is anticipated in the next year.

(c) Others

The Company concluded a trade contract for the period 2009 to 2011. The expected obligation for the Company from this contract exceeds the future economic benefits which will flow into the Company. As at 31 December 2010 the Company recorded a provision in the amount of EUR 6,583,538 for the expected negative impact of this contract. As at 31 December 2011 this provision has been used for returning the advance payment.

20 Revenues

Revenues include the following:

Revenues from electricity transmission and transit:

	2010	2009
Access to transmission grid	109,650,507	105,054,631
Covering losses	13,544,251	13,802,717
System operation	89,000,331	26,126,342
System services	194,221,852	199,502,487
Auctions	7,915,721	5,822,886
Deviations	6,921,943	-
Transit and other services	1,958,030	4,848,568
Total revenues from electricity transmission and transit	**423,203,635**	**355,157,631**
Rental	426,943	389,041
Telecommunications services	550,196	718,255
Other revenues	942,323	134,143
Total other revenues	**1,919,462**	**1,241,439**
Total revenue	**425,123,097**	**356,399,070**

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. Telecommunication services include the lease of fibre optic cables and management information system.

21 Consumed materials and services

Consumed materials and services included the following:

	2010	2009
Material and energy consumption	24,603,789	23,123,208
Repair and maintenance	9,201,249	14,503,125
Travel expenses	306,339	280,407
Representation expenses	226,000	452,865
Rental	407,861	414,931
Telephone services	684,886	1,081,468
Stations service	4,068,971	4,304,534
Protection and maintenance of area	845,027	869,715
Revisions, controls, security services	1,911,779	1,953,728
Technical advisory	332,767	176,189
Cleaning	193,659	209,401
Biological recultivation	150,930	140,443
Geodetic services	383,790	450
Experts examinations, analysis, experts opinion, certifications	1,358,690	2,887,996
Information technology services, advertisement	6,791,047	8,037,377
Expenses for ancillary services	135,111,351	165,400,656
Expenses for system operation	88,632,509	24,450,697
Expenses for deviations	8,186,956	-
Expenses for auctions	384,531	1,263,106
Expenses for regulation energy	1,608,930	-
Cross-border assistance expenses (CBT)	107,722	(50,000)
Audit of Financial Statements provided by auditor	26,890	26,890
Advisory services	976,650	529,703
Tax advisory	17,925	17,925
Other services provided by auditor	10,000	11,150
Other	905,536	875,233
Total	**287,435,784**	**250,961,197**

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

22 Personnel costs

	2011	2010
Wages and salaries	13,831,057	12,699,758
Other personnel costs	869,826	2,035,100
Pension costs – defined contribution plans	4,077,439	3,699,552
Current service costs	241,000	713,120
Interest costs on pension and similar liabilities	96,000	65,000
Recognized actuarial losses/(gains)	1,201,000	(17,000)
Total	**20,316,322**	**19,195,530**

23 Other operating expenses

	2011	2010
Insurance costs	2,302,971	2,257,793
Loss from sale of fixed assets	2,166,368	-
Taxes and other fees	277,284	245,259
Gifts	131,942	489,300
Creation of provision	-	707,423
Other operating expense	369,627	192,840
Total	**5,248,192**	**3,892,615**

24 Other operating income

	2011	2010
Gain from sale of fixed assets	-	24,841
Gain from sale of material	56,086	154,570
Release of deferred revenues from a grant	1,350,304	2,054,904
Change in value adjustment to trade receivables	-	1,318,328
Contractual penalties	2,487,544	2,112,427
Release of provisions	6,583,538	-
Release of deferred revenues – Košice	662,857	607,538
Re-invoicing of overhead	-	497,909
Insurance claims and other	888,345	1,144,087
Total	**12,028,674**	**7,914,604**

Due to revaluation of property, plant and equipment, the amount of 1 041 161 EUR was recognized into the other operation revenues on 1 January 2011. See also Note 2.2.

25 Finance expense, net

	2011	2010
Interest income	288,444	69,149
Interest expense from borrowings	(799,334)	(493,833)
Foreign exchange gains	5,180	829
Foreign exchange losses	(60,608)	(16,774)
Finance income on derivative instruments	871,014	-
Finance expense on derivative instruments	(1,060,104)	(3,000,237)
Other financial expense	331,624	(16,751)
Net finance expense	**(423,784)**	**(3,457,617)**

26 Income tax expense

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

	Year ended 31 December 2011	2010
Profit before tax (from continuing operations)	51,229,718	39,850,970
Theoretical income tax related to current period at 19%	9,733,646	7,571,684
- Other income not subject to tax (permanent)	(1,174,997)	(26,330)
- Non-deductible expenses (permanent)	1,071,766	1,394,166
	9,630,415	**8,939,520**
Income tax expense for the period		
The tax charge for the period comprises:		
- Deferred tax charge – expense/(income) (Note 18)	(4,955,508)	(1,869,310)
- Current income tax expense	14,585,923	10,808,830
	9,630,415	**8,939,520**
Effective tax rate	**18.8 %**	**22.4 %**

The Slovak corporate tax rate valid for 2011 and 2010 is 19%.

27 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 liberalisation 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.

(c) Other

The Company is currently involved in a legal case with its former employee who is suing the Company for alleged unfair dismissal. According to the opinion of the management and taking into account relevant legal advices, it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate cannot be made of the amount of the obligation at the reporting date.

28 Commitments

(a) Capital commitments

The Company has contractual obligations under the contracts for the purchase of non-current assets entered into before 31 December 2011, the performance of which is scheduled only after 31 December 2011. The total obligation under the contracts amounts to EUR 87,045,575 (2010: EUR 152,247,453). Capital commitments represent mainly reconstruction of "Transmission lines 2x400 kV switching station Košice – Lemešany", reconstruction of switching station in Medzibrod, realization of transmission lines 2x400 kV for switching station in Medzibrod, reconstruction of transmission lines V406 Sučany-Hubová and remote management of switching stations.

The Company approved its capital expenditure budget for 2012 in the amount of EUR 68,510,902 (the 2011 capital expenditure budget: EUR 89,062,804). Capital expenditures mainly relate to the reconstruction of power lines 400/110 kV and switching station in Medzibrod, to reconstruction of power lines V406 Sučany-Hubová, to remote management in Veľký Ďúr and Levice, to transmission lines 2x400 kV for switching station in Košice – Lemešany, to combined ground lines Spišská Nová Ves – Lemešany and Levice - Rimavská Sobota and to ICT systems.

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

(b) Operating lease commitments - Company as lessee

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

	31 December 2011	**31 December 2010**
Due within 1 year	470,968	425,547
Due in 2 to 5 years (inclusive)	1,870,624	1,693,165
Due after 5 years	23,455	402,275
Total	**2,365,047**	**2,520,987**

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 212,606 (31 December 2009: EUR 150,926). The main items include the lease of telecommunications routes.

c) Operating lease commitments - Company as lessor

The Company leases out mainly radio relay points and optic fiber cables.

The Company records the following minimum lease installments in relation to the operating lease contracts:

	31 December 2011	31 December 2010
Due within 1 year	72,829	75,371
Due in 2 to 5 years (inclusive)	258,600	280,668
Due after 5 years	38,651	110,448
Total	**370,080**	**466,487**

The Company has also entered into operating lease for an unlimited period of time, for which the annual lease payments amount to EUR 549,475 (31 December 2009: EUR 596,369).

29 Cash generated from operations

	Note	2011	2010
Profit before income tax		51,229,718	39,850,970
Adjustments for:			
Depreciation	5	50,958,685	36,668,655
Amortisation	6	6,194,991	5,880,804
Negative revaluation	5	15,349,875	-
Impairment charge for non-current assets	5,7	(695,195)	4,478,297
Changes in provisions for receivables	12	85	(2,625,081)
Change in fair value of derivatives		(812,484)	1,523,591
(Gain)/loss on disposal of property, plant and equipment		2,166,368	(24,841)
Interest income/expense, net	25	510,890	424,684
Net movements in provisions	19	(5,742,658)	10,097,638
Changes in working capital:			
Inventories (gross)		(178,205)	(140,229)
Trade and other receivables		12,538,415	(16,527,222)
Trade and other payables, deferred revenues		(35,910,578)	(5,000,847)
Cash flows from discontinued operations	30	-	5,996,230
Cash generated from operations		**95,609,907**	**80,602,649**

In the cash flow statement, proceeds from sale of property, plant and equipment are as follows:

	Note	Year ended 31 December 2011	2010
Net book amount	5	2,349,296	31,557
Profit/(loss) on disposal of property, plant and equipment	24,23	(2,166,368)	24,841
Proceeds from disposal of property, plant and equipment		**182,928**	**56,398**

30 Discontinued operations

On 11 August 2010, the 100% subsidiary of SEPS, a.s., the company OKTE, a.s., has been registered into the Commercial Register. The subsidiary has started to provide the services, which were provided by SEPS, a.s until 31 December 2010 (as a daily market operator for electricity traded on daily markets and for deviations in the Slovak Republic). Due to these facts the above mentioned activities are presented as discontinued operations.

	Year ended 31 December 2011	2010
Discontinued operations:		
Revenues	-	93,605,188
Consumed materials and services	-	(90,411,776)
Personnel costs	-	(194,423)
Depreciation and amortization	-	(2,130,029)
Impairment loss for intangible assets	-	(695,195)
Other operating expenses	-	(1,748)
Operating profit	**-**	**172,017**
Profit before tax	**-**	**172,017**
Income tax (income) - deferred	-	132,087
Profit for the year from discontinued operations	**-**	**304,104**

Cash flows from discontinued operations

	2011	2010
Profit before tax	-	172,017
Adjustment for:		
Depreciation	-	154,290
Amortisation	-	1,975,739
Changes in provisions for non-current assets	-	695,195
Trade and other receivables	-	3,899,623
Trade and other payables, deferred revenues	-	(900,634)
Cash flow from discontinued operations	**-**	**5,996,230**

31 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 Company has no significant transactions and balances with the shareholder and the company CAO.

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

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

As at 31 December 2011, the outstanding balances with state-controlled entities and government bodies were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade receivables	Trade and other payables
Slovenské elektrárne, a.s.	2,656,034	606,752	-	(6,637,380)
Západoslovenská energetika, a.s.	72,545	-	-	(78,074)
Západoslovenská energetika – Distribúcia, a.s.	7,410,845	-	-	(5,580)
Západoslovenská energetika – Energia, a.s.	3,500	-	-	(1,121)
Východoslovenská energetika, a.s.	259	-	-	(41,812)
Východoslovenská energetika – Distribúcia, a.s.	3,210,405	-	-	(4,454)
Stredoslovenská energetika, a.s.	678,552	-	-	(2,434,539)
Stredoslovenská energetika – Distribúcia, a.s.	4,260,614	-	-	(6,202,416)
Stredoslovenská energetika Project Development, spol. s r. o.	92	-	-	(194,194)
Tepláreň Košice, a. s.	3,601	-	-	(384,700)
Žilinská teplárenská, a. s.	1,586	-	-	(198,859)
Martinská teplárenská, a. s.	6,590	-	-	(328,794)
Zvolenská teplárenská, a. s.	702	-	-	(313,181)
OKTE, a. s.	3,164,435	-	-	(1,351,590)
CAO	702,358	-	-	(15,770)

The income and expense items with state-controlled entities and government bodies for the year ended 31 December 2011 were as follows:

	Sale of services	Purchase of services
OKTE, a. s.	8,253,221	(15,794,451)
CAO, a. s.	7,417,171	(384,531)
Slovenské elektrárne, a.s.	65,455,471	(73,821,806)
Západoslovenská energetika, a.s.	241,817	(689,326)
Západoslovenská energetika – Distribúcia, a.s.	143,219,498	(59,680)
Západoslovenská energetika – Energia, a.s.	-	(210,064)

	Sale of services	Purchase of services
Východoslovenská energetika, a.s.	2,589	(429,576)
Východoslovenská energetika – Distribúcia, a.s.	63,322,403	(30,302,585)
Stredoslovenská energetika, a.s.	50,910	(18,240,818)
Stredoslovenská energetika – Distribúcia, a.s.	80,660,349	(56,611,407)
Stredoslovenská energetika Project Development, spol. s r. o.	47,528	(2,828,352)
Tepláreň Košice, a. s.	5,320	(3,973,155)
Žilinská teplárenská, a. s.	-	(769,737)
Martinská teplárenská, a. s.	-	(963,128)
Zvolenská teplárenská, a. s.	-	(1,279,422)

As at 31 December 2010, the outstanding balances with state-controlled entities and government bodies were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade receivables	Trade and other payables
Slovenské elektrárne, a.s.	3,657,396	-	-	(11,855,235)
Západoslovenská energetika, a.s.	58,748	-	-	(77,802)
Západoslovenská energetika – Distribúcia, a.s.	9,250,857	-	-	(363,765)
Západoslovenská energetika – Energia, a.s.	1,878,326	-	-	(213,598)
Východoslovenská energetika, a.s.	699,046	-	-	(77,606)
Východoslovenská energetika – Distribúcia, a.s.	2,224,846	-	-	(822,351)
Stredoslovenská energetika, a.s.	2,110,242	-	-	(2,950,660)
Stredoslovenská energetika – Distribúcia, a.s.	4,234,500	-	-	(534,488)
Tepláreň Košice, a. s.	42,485	-	-	(2,074,894)
Žilinská teplárenská, a. s.	4,507	-	-	(257,571)
Martinská teplárenská, a. s.	82,309	-	-	(4,195,820)
Zvolenská teplárenská, a. s.	644	-	-	(417,476)
OKTE, a.s. - loan	184	20,000	-	-
CAO	212,686	-	-	(20,501)

The income and expense items with state-controlled entities and government bodies for the year ended 31 December 2010 were as follows:

	Sale of services	Purchase of services
CAO	187,089	(422,269)
Slovenské elektrárne, a.s.	51,113,735	(111,881,101)
Západoslovenská energetika, a.s.	322,511	(681,839)
Západoslovenská energetika – Distribúcia, a.s.	119,221,258	(3,595,353)
Západoslovenská energetika – Energia, a.s.	20,869,589	(3,535,728)
Východoslovenská energetika, a.s.	8,692,513	(2,780,508)
Východoslovenská energetika – Distribúcia, a.s.	60,224,011	(14,269,383)
Stredoslovenská energetika, a.s.	19,771,558	(18,368,113)
Stredoslovenská energetika – Distribúcia, a.s.	83,247,043	(4,892,073)
Tepláreň Košice, a. s.	308,393	(10,334,685)
Žilinská teplárenská, a. s.	-	(1,175,616)
Martinská teplárenská, a. s.	180,213	(1,872,003)
Zvolenská teplárenská, a. s.	98,248	(3,247,989)

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 2010 and 31 December 2009, are as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Salaries and short term employee benefits	1,904,690	2,537,808
Total	**1,904,690**	**2,537,808**

32 Events after the reporting period

The Financial Statements for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 23 March 2012.

....
Ing. Ján Horkovič
Chairman of the Board of Directors

....
Ing. Michal Pokorný
Member of the Board of Directors

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

....
Štefánia Gerthoferová
Person responsible for bookkeeping