Stredoslovenská energetika, a.s.

Independent Auditor's Report and Consolidated Financial Statements for the year ended 31 December 2013

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

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

Index to the Consolidated Financial Statements

	Page
Independent auditor's report to the Shareholders, Supervisory Board and Board of Directors of Stredoslovenská energetika, a.s.	
Consolidated Statement of Financial Position	1
Consolidated Income Statement and Statement of Comprehensive Income	2
Consolidated Statement of Changes in Equity	3
Consolidated Statement of Cash Flows	4

Notes to the Consolidated Financial Statements:

1	General information	6
2	Summary of significant accounting policies	12
3	Financial risk management	28
4	Critical accounting estimates and judgements	34
5	Property, plant and equipment	36
6	Intangible assets	38
7	Financial instruments according to the categories	39
8	Financial assets	40
9	Inventories	42
10	Trade and other receivables	42
11	Cash and cash equivalents	45
12	Equity	46
13	Deferred income	46
14	Trade and other payables	47
15	Bank loans	48
16	Deferred income tax	51
17	Provisions for liabilities	52
18	Revenues	55
19	Purchases of electricity and related fees, distribution fees	56
20	Personnel expenses	56
21	Other operating expenses	56
22	Other operating income	57
23	Finance income/(expense), net	57
24	Income tax expense	57
25	Contingent assets and liabilities	58
26	Commitments	59
27	Related party transactions	60
28	Events after the reporting period	64

Consolidated Statement of Financial Position

	Note	31 December 2013	As of 31 December 2012 *restated	1 January 2012 *restated
ASSETS				
Non-current assets				
Property, plant and equipment	5	491 963	478 607	467 629
Intangible assets	6	23 109	21 369	19 071
Non-current financial assets	8	558	20 800	25 834
		515 630	**520 776**	**512 534**
Current assets				
Inventories	9	2 309	2 444	3 333
Trade and other receivables	10	63 086	54 868	56 890
Income tax receivable		-	8 989	-
Current financial assets	8	41	5 931	6 372
Cash and cash equivalents	11	68 218	60 669	84 405
		133 654	**132 901**	**151 000**
Total assets		**649 284**	**653 677**	**663 534**
EQUITY				
Share capital and reserves				
Share capital	12	116 754	116 754	116 754
Legal reserve fund	12	24 990	24 990	24 390
Other reserves	12	2 316	2 325	2 323
Actuarial gains from long-term employee benefits	12	1 127	1 688	1 439
Retained earnings	12	252 078	251 148	268 399
Total equity		**397 265**	**396 905**	**413 305**
LIABILITIES				
Non-current liabilities				
Non-current bank loans	15	58 293	50 262	60 731
Non-current trade payables	14	-	-	6 213
Non-current provisions	17	11 400	11 043	11 997
Non-current part of deferred income	13	32 717	31 639	28 107
Deferred tax liability	16	15 948	14 561	7 493
		118 358	**107 505**	**114 541**
Current liabilities				
Trade and other payables	14	115 122	136 843	121 018
Income tax payable		3 902	-	996
Current bank loans	15	12 969	10 469	10 469
Current provisions	17	1 668	1 955	3 205
		133 661	**149 267**	**135 688**
Total liabilities		**252 019**	**256 772**	**250 229**
Total equity and liabilities		**649 284**	**653 677**	**663 534**

*see Note 2.1

Consolidated Income Statement

	Note	Year ended 31 December 2013	2012 *restated
Revenues	18	795 727	780 490
Purchases of electricity and related fees, distribution fees	19	-591 136	-594 451
Personnel expenses	20	-39 884	-36 718
Depreciation, amortization and impairment provision	5, 6	-31 196	-29 372
Material and consumables used		-6 031	-10 154
Other operating income	22	6 888	7 979
Other operating expenses	21	-26 438	-25 815
Operating profit		**107 930**	**91 959**
Interest income	23	1 278	2 166
Interest expense	23	-2 530	-2 907
Other finance expense, net	23	1 651	-85
Finance income/(expense), net		**399**	**-826**
Profit before income tax		**108 329**	**91 133**
Income tax expense	24	-26 445	-22 123
Profit for the year		**81 884**	**69 010**

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2013	2012 *restated
Profit for the year	**81 884**	**69 010**
Other items of comprehensive income:	-714	324
Actuarial (losses)/gains from long-term employee benefits	153	-75
Deferred tax	-561	249
Other items of comprehensive income	**81 323**	**69 259**

*see Note 2.1

Consolidated Statement of Changes in Equity

	Share capital	Legal reserve fund	Other reserves	Retained earnings	Actuarial (losses)/ gains from long-term employee benefits	Total equity
Balance at 1 January 2013 (*restated)	**116 754**	**24 990**	**2 325**	**251 148**	**1 688**	**396 905**
Profit for the year 2013	-	-	-	81 884	-	81 884
Other items of comprehensive income	-	-	-	-	-561	-561
Dividends declared	-	-	-	-80 986	-	-80 986
Other	-	-	-9	32	-	23
Balance at 31 December 2013	**116 754**	**24 990**	**2 316**	**252 078**	**1 127**	**397 265**
Balance at 1 January 2012 (*restated)	**116 754**	**24 390**	**2 323**	**268 399**	**1 439**	**413 305**
Profit for the year 2012	-	-	-	69 010	-	69 010
Other items of comprehensive income	-	-	-	-	249	249
Dividends declared	-	-	-	-85 723	-	-85 723
Contribution to legal reserve fund created from profit	-	600	-	-600	-	-
Other	-	-	2	62	-	64
Balance at 31 December 2012 (*restated)	**116 754**	**24 990**	**2 325**	**251 148**	**1 688**	**396 905**

*See Note 2.1

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2013	2012 *restated
Profit before income tax		108 329	91 133
Adjustments for:			
Depreciation and amortization	5, 6	30 953	29 804
Changes in impairment provision for property, plant and equipment and inventories	5	243	-432
Gain on disposal of property, plant and equipment	22	-426	-263
Interest expense (net)	23	1 252	741
Change in impairment provision for receivables	10	1 789	2 384
Change in provisions	17	1 855	-645
Other non-cash movements		18	53
Profit from operations before changes in working capital		**144 013**	**122 775**
Changes in working capital:			
Increase in trade and other receivables		-12 000	-346
Decrease in inventories		121	825
Increase/(decrease) in trade and other payables and deferred revenues		5 023	-7 527
Cash generated from operations		**137 157**	**115 727**

*See Note 2.1

	Note	Year ended 31 December 2013	2012 *restated
Cash flows from operating activities			
Cash generated from operations		137 157	115 727
Income tax paid		-10 397	-24 551
Net cash generated from operating activities		**126 760**	**91 176**
Cash flows from investing activities			
Purchase of property plant and equipment and intangible assets		-54 680	-44 966
Dividends received	23	253	160
Proceeds from sale of property, plant and equipment		791	1 352
Proceeds from financial assets		26 132	5 475
Interest received	23	1 278	2 166
Net cash used in investing activities		**-26 226**	**-35 813**
Cash flows from financing activities			
Proceeds from borrowings		25 000	-
Repayments of borrowings		-14 469	-10 469
Interest paid	23	-2 530	-2 907
Dividends paid	12	-100 986	-65 723
Net cash used in financing activities		**-92 985**	**-79 099**
Net increase/(decrease) in cash and cash equivalents		**7 549**	**-23 736**
Cash and cash equivalents at the beginning of the year	11	**60 669**	**84 405**
Cash and cash equivalents at the end of the year	11	**68 218**	**60 669**

*See Note 2.1

1 General Information

Trade name and registered address of the Company

The registered address of the Company is:

Pri Rajčianke 8591/4B
010 47 Žilina
Slovak Republic

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

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

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

Following subsidiaries are part of the SSE Group as at 31 December 2013:

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

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

Following are the principal activities of the Group:

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

The Group employed on average 1 649 employees during 2013 (2012: 1 759), 224 of which were management (2012: 231).

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

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

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

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

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

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

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

The structure of the Company's shareholders at 31 December 2012 was as follows:

	Absolute amount in thousand of EUR	Ownership interest %	Voting rights %
National Property Fund	59 545	51 %	51 %
E.D.F. INTERNATIONAL	57 209	49 %	49 %
Total	**116 754**	**100 %**	**100 %**

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

E.D.F. INTERNATIONAL, based in Paris, 20 Place de la Défense Tour EDF, owned a 49% shareholding in the registered capital of the Company till 27 November 2013. EDFI is fully owned subsidiary of Electricité de France ("EDF"), based in Paris, 22-30 avenue de Wagram.

The National Property Fund of the Slovak Republic, based in Bratislava, Trnavská cesta 100, owns a 51% shareholding in SSE's registered capital.

During the period from 1 January 2012 until 27 November 2013, the Company was included in the consolidated financial statements of EDF. These financial statements are available at the registered office of EDF noted above.

During the period from 27 November 2013 until 31 December 2013, the Company is included in the consolidated financial statements of EPE which are included in the consolidated financial statements of EPH holding. EPH holding's consolidated financial statements are prepared by EPH based in Brno, Příkop 843/4, 602 00 Czech Republic, IČO: 28 356 250. These consolidated financial statements are available at the registered office of EPH Pařížská 26, 110 00 Praha 1, Czech Republic. The address of the registration court maintaining the Commercial Register in which these consolidated financial statements are deposited is District court in Brno, Husova 353/15, 602 00 Brno, Czech Republic.

As part of the sale of 49% of shares to EPH Financing II, a.s., the National Property Fund of the Slovak Republic, Ministry of Economy, EPH Financing II, a. s. and EPH have entered into a shareholders' agreement which sets out the areas of responsibility and decision making for the Board of Directors and for the Supervisory Board of the Company. The Chairman and two members of the Board of Directors are nominated by the investor. NPF of the Slovak Republic is represented by the Vice Chairman and one member of the Board of Directors. One Vice Chairman of the Supervisory Board is nominated by the investor. NPF of the Slovak Republic is represented by the Chairman and four members of the Supervisory Board. The employees of the Company are represented by three members of the Supervisory Board.

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

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

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

- The Supervisory Board makes decisions about:
    - reducing the number of employees of the Company, which would lead to redundancies equal to or higher than five percent (5 %) of all employees of the Company;

- the Strategic Business Plan for a three year period – further development of the Group and significant projects of the Group;
- any use of fixed assets (except for assets of SSE-D), if the value of transaction or total value of related transactions exceeds five percent (5 %) of net assets stated in last audited financial statements of the Company (except for establishing of pledge for the purpose of financing);
- investment projects of the Company in the case the value of one investing project exceeds EUR 4 million (€ 4 000 000) (even if the capital expenditures arise during more than one year);
- according to the Articles of Association of the Company the management prepares the Strategic Business Plan and submits it to the Board of Directors for notification. Subsequently the proposal of the Strategic Business plan is submitted to the Supervisory Board for an approval. The Strategic Business Plan is presented for a three-year period. The plan sets the main targets, objectives to be reached during this period;
- the Strategic Business Plan for 2012 - 2014 was approved by the Supervisory board of the Company during the meeting held on 24 January 2012.

Information on unlimited liability

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

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

The Company's General Meeting approved the Group's consolidated financial statements for the previous accounting period ended 31 December 2012 on 27 May 2013.

Publication of the consolidated financial statements for the previous accounting period

Group's Consolidated Financial statements as at 31 December 2012, including the consolidated annual report and the auditor's report on the audit of the Consolidated Financial Statements as at 31 December 2012, were filed in the collection of deeds of the Commercial Register on 18 June 2013. The Consolidated Balance Sheet and Income Statement for the previous accounting period were published in the Commercial bulletin on 6 June 2013.

Appointment of the auditor

The Company's General Meeting approved the auditor of the financial statements for the year ended 31 December 2013 on 27 May 2013.

Information about the Group's bodies

The members of the statutory bodies of the Company during the year ended 31 December 2013 were as follows:

	Board of Directors	Supervisory Board
Chairman:	Mgr. Martin Fedor (since 28 November 2013) Antoine Jourdain (until 28 November 2013)	Ing. Ján Voštenák
Vice Chairman:	Mgr. Ing. Márius Hričovský, Dr. oec.	Mgr. Marek Spurný (since 28 November 2013) Pierre René Louis Aumont (until 28 November 2013)
Members:	Ing. Pavol Mertus Mgr. Petr Sekanina (since 28 November 2013) Olaf Kipp (until 28 November 2013) Ing. Jiří Feist (since 28 November 2013) Eric Mansuy (until 28 November 2013)	Ing. Igor Pištík Ing. Dušan Majer Ing. Miroslav Martoník JUDr. Marián Cesnek JUDr. Vladimír Urblík Ing. Tibor Lehotský Ing. Eduard Rada

(ii) Additional information about the subsidiaries

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

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

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

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

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

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

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

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

Subsidiaries mentioned above do not have subsidiaries of their own.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except as explained below under change in accounting policy.

2.1. Basis for preparation

Legal reason for preparing the financial statements:
The Group's consolidated financial statements at 31 December 2013 have been prepared as ordinary consolidated financial statements under § 17 Sec. 6 of the Slovak Act No. 431/ 2002 Coll. ("Act on Accounting") for the accounting period from 1 January 2013 to 31 December 2013.

The Act on Accounting requires the Company to prepare consolidated financial statements for the year ended 31 December 2013 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

These consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union. The Group applies all IFRSs and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as amended by the EU which were in force as at 31 December 2013.

The consolidated financial statements have been prepared under the historical cost measurement basis.

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

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

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

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

Changes in the accounting policy

In terms of IAS 1 Presentation of financial statements and IAS 8 Accounting policies changes in accounting estimates and errors, the Company changed accounting policy in accordance with updated standard IAS 19 Employee benefits, valid from 1 January 2013. The change in the accounting policy relates to reporting of past service cost in economic result during average remaining period until employee's retirement to the immediate recognition in the Consolidated Income Statement. The opening balance of all equity items affected by this change for the earliest presented preceding period as well as other comparatives of selected items of the financial statements published for all other preceding periods were amended as if new accounting policy were applied through the entire period. The change of the accounting policy makes the financial statements more relevant for users.

The following table summarizes changes made in the Consolidated Statement of Financial Position:

	as at 31 December 2012		
	Original balance before the change in the accounting policy	**Effect of the change in the accounting policy**	**Balance after the change in the accounting policy**
Retained earnings	253 398	-2 250	251 148
Non-current provisions	8 119	2 924	11 043
Deferred tax liability	15 235	-674	14 561

	as at 1 January 2012		
	Original balance before the change in the accounting policy	**Effect of the change in the accounting policy**	**Balance after the change in the accounting policy**
Retained earnings	270 828	-2 429	268 399
Non-current provisions	8 843	3 154	11 997
Deferred tax liability	8 218	-725	7 493

The following table summarizes changes made in the Consolidated Income Statement

	Year ended 31 December 2012		
	Original balance before the change in the accounting policy	**Effect of the change in the accounting policy**	**Balance after the change in the accounting policy**
Personnel expenses	-36 948	230	-36 718
Income tax expenses	-22 072	-51	-22 123

The following table summarizes changes done in the Statement of Comprehensive Income:

	Year ended 31 December 2012		
	Original balance before the change in the accounting policy	**Effect of the change in the accounting policy**	**Balance after the change in the accounting policy**
Profit for the year	**68 831**	**179**	**69 010**
Other items of comprehensive income:			
Actuarial gains from planned employee benefits	324	-	324
Deferred tax	-75	-	-75
Other items of comprehensive income:	249	-	249
Total Comprehensive income	**69 080**	**179**	**69 259**

New Standards

For the year ended 31 December 2013 several new standards, amendments and interpretations of IFRS in the version accepted by the European Union became effective and in the extent there were applicable also used for the preparation of the financial statements. There were no significant influence on recognised figures, in most cases included changes and amendments in the presentation.

The new standards, amendments to standards and interpretations of IFRS in the version accepted by the European Union, that are still not effective as at 25 January 2013, and have not been applied in preparing the financial statements:

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:
  - it is exposed or has rights to variable returns from its involvements with the investee;
  - it has the ability to affect those returns through its power over that investee; and
  - there is a link between power and returns.

  The new Standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

  The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

- IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:
  - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

- A joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements.

The Group does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements

- IFRS 12 Disclosure of Interests in Other Entities requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

  The Group does not expect the new Standard will have a material impact on the financial statements.

- IAS 27 (2011) Separate Financial Statements carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements.

  The Group does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not results in a change in the entity‘s accounting policy.

- IAS 28 (2011) Investments in Associates and Joint Ventures:
  There are limited amendments made to IAS 28 (2008):
  Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
  Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

  The Group does not expect the amendments to Standard to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.

- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
  The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities
  The Amendments provide an exception to the consolidation requirements in IFRS 10 and requires qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them.
  The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.

  An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity:
  - obtains funds from investors to provide those investors with investment management services;
  - commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and
  - measures and evaluates the performance of substantially all of its investments on a fair value basis.

  The amendments also set out disclosure requirements for investment entities. The Group does not expect the new standard to have any impact on the financial statements, since it does not qualify as an investment entity.

- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
  The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period.
  The Amendments also require the following additional disclosures when impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs to disposal:
  - the level of IFRS 13 'Fair value hierarchy' within which the fair value measurement of the asset or cash-generating unit is categorised;
  - for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it;
  - for fair value measurements categorised within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

  The Group does not expect the new Standard will have a material impact on the financial statements.

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

The Amendments allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when the following criteria are met:

- The novation is made as a consequence of laws or regulations
- A clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument
- Changes to the terms of the derivative are limited to those necessary to replace the counterparty.

The Group does not expect the new Standard will have a material impact on the financial statements.

2.2. Subsidiaries and joint ventures

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, shares issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is re-assessed, and any remaining portion of the difference is recognised directly in the Income Statement. Acquisition related costs are recognised in the Income Statement as incurred.

Inter-group transactions balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated except the cases when the transaction provides evidence that there was realised decrease of the value of transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are the entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% to 50% of the voting power of another entity. The consolidated financial statements include the Group's share of the recognised profit or loss of the associates based on the equity method from the date that significant influence commences until the date that the significant influence ceases. Initially, investment in associate is recognised at cost. When the Group's share in losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associate.

Scope of consolidation

As at 31 December 2013, 9 entities were included into the consolidation (2012: 11 entities), out of it 7 entities (2012: 9 entities) were consolidated using full consolidation method and 2 entities (2012: 2 entities) using equity method (equivalent method). All entities prepared their financial statements as at 31 December 2013. These entities are presented in Note 1 (Subsidiaries) and Note 8 (Associates).

2.3. Foreign currency transactions and translation

(i) Functional and presentation currency

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

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

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

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

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

2.4. Property plant and equipment

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

(i) Acquisition cost

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

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.

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

(ii) Depreciation

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

The estimated useful lives of individual groups of assets were in 2013 individually reassessed and compared to 2012, and remained unchanged. Useful life of assets is following:

	2013 - 2012
Buildings, halls and constructions	10 – 60 years
Machines, equipment and vehicles	4 – 45 years
Other non-current assets	5 – 15 years

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

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

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

Land and assets under construction are not depreciated.

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

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

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

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

2.5. Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. After initial recognition the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Borrowing costs are capitalized as a part of acquisition cost, if they meet criteria of IAS 23, in the other case borrowing costs are expensed as incurred. The Group does not have intangible assets

with indefinite useful lives. Intangible assets are amortized on the straight-line basis over their useful lives not exceeding a period of 10 years.

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

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

- there is a commitment by a third party to purchase the asset at the end of its useful life or;
- there is an active market for the asset and residual value can be determined by the reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

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

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

2.6. Impairment of non-financial assets

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

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

2.7. Financial assets

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

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

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

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

Financial assets held-to-maturity – government bonds

Held-to-maturity financial assets are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Any sale or reclassification of more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

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

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

2.8. Financial liabilities

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

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

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

2.9. Leases

IAS 17 defines a lease as 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.

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

2.10. Inventories

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

2.11. Construction contracts

Contract costs are recognized when incurred.

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

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

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

The Group uses the ‘percentage-of-completion method’ to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

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

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

2.12. Trade and other receivables

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

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

Impairment of trade receivables is recognized through an allowance account. Impairment losses and their reversals are recognized in the Income Statement within Other operating expenses/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 six months or less.

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

2.14. Share capital

Ordinary shares are classified as share capital.

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

2.15. Current and deferred income tax

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

Deferred income tax is calculated using the balance sheet liability method based on temporary differences arising between the tax 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 that is not a business combination if at the time of the transaction, neither accounting nor taxable profit or loss is affected.

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

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

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

Deferred income tax is calculated on temporary differences arising on investments in subsidiaries, associates and joint ventures except for cases where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not

reverse in the foreseeable future. Dividend income is not subject to income taxes in the Slovak Republic.

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

2.16. Borrowings

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

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

2.17. Provisions

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

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

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

2.18. Contingent liabilities

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

2.19. Trade payables

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

2.20. Employee benefits

The Group has both defined benefit and defined contribution plans.

Pension plans

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

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

Unfunded defined benefit pension plan

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

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

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

Other benefits

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

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

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

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

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

Defined contribution pension plans

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

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

Throughout the year, the Group made contributions amounting to 35.2% (2012: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law to maximum of EUR 3 930 depending on the type of scheme (2012: from EUR 1 154 to EUR 3 076), together with contributions made by employees of a further 13.4% (2012: 13.4%). The cost of these payments is charged to the Consolidated Income Statement in the same period as the related salary cost.

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

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated by the employer before the normal retirement date upon agreement between the employer and the employee resulting from redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (a) terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or (b) provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Profit sharing and bonus plans

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

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

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

2.21. Revenue recognition

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

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

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

Revenue from sales of electricity and distribution service is recognized when the electricity is delivered and distribution service rendered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. Billing cycle of retail customers (households and small

businesses) is metered and billed on an annual basis. For calculation of the total supply to the retail customers the Group uses an estimate of network losses, which are incurred in the distribution system, regularly measured amounts of overall electricity purchases, sales to the Company's wholesale customers and its own consumption.

Unbilled electricity is an accounting estimate which is based on the estimate of the electricity supply in technical units (GWh) at low voltage level and its price. The estimate of the electricity supply at this voltage level is mainly based on:

- the inputs into networks (measured amount)
- the supplies at high and very high voltage levels (measured amount)
- the estimate of the network losses
- the estimate of the supply at low voltage level.

The Group used methodology for the estimate of network losses that is consistent with the methodology used during 2012. Based on this methodology, the amount of network losses is derived from the estimate of supply at the low voltage level based on past experience.

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

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

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

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

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

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

2.22. Dividend distribution

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

3 Financial risk management

3.1. Financial risk factors

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

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

(i) Market risk

(a) Foreign exchange risk

Slovak Republic adopted Euro as its legal currency on 1 January 2009 with exchange rate of SKK 30.126 to EUR 1. As a result, the Group was not exposed to foreign exchange risk related to transactions and balances denominated in EUR at the reporting date.

In 2013, 99% transactions in the Group were made in EUR (2012: 99%). The Group expects that the change of the currency in 1% towards other currencies should not have any significant effect on the profit or loss for 2013.

(b) Price risk

The Group has subsidiaries which are carried at cost according to IAS 27 as it is described in Note 2.2. IFRS 7 does not require disclosure of price risk, including sensitivity disclosures, relating to subsidiaries carried at cost.

Supply of electricity

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

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

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

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

Distribution service

Significant part of distribution services provided by the Group is subject to price regulation by URSO. URSO sets price decrees for distribution services provided by the Group generally for the period of one calendar year ahead and these are mandatory for the Group when billing its customers. Despite this, circumstances outside of the control of the Group might occur that will result into change of the price decree during a calendar year and therefore have a negative or a positive impact on the Group's results. It is not possible to quantify the level of such risk in advance. Management of the Group enters into the discussion with URSO in the case of change of the price decree with the aim to minimize the negative impact on the Group. Information related to contingent asset for Tariff for system operation is described in the Note 25.

(c) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value changes. According to the set principles the Group should keep the level of the fixed interest rate borrowings at least at the level of 50 % (2012: 50 %).

The Group regularly analyses its interest rate exposure. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios the Group calculates the impact on profit or loss of a defined interest rate change. The scenarios are run only for liabilities that bear the major interest-rate.

At 31 December 2013, if interest rates on EUR-denominated borrowings had been 50 basis points higher/lower (at 31 December 2012: 50 basis points) with all other variables held constant, post-tax profit for the year ended 31 December 2013 would have been lower/higher by EUR 10 thousand (2012: EUR 13 thousand) mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2013 and 31 December 2012, all borrowings denominated in EUR are interest-bearing with fixed and floating interest rates and are recorded at amortized costs. For more details see Note 15.

(ii) Operational risk

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

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

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

(iii) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to wholesale and retail customers including outstanding receivables and future committed transactions. As for the banks and financial institutions the Group has relationships only with those ones that have high independent rating assessment. If wholesale customers are independently rated these ratings are used. Otherwise, if there is no independent rating risk control assessment of the credit quality of the customer is performed, taking into account its financial position, past experience and other factors.

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

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

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

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

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

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

		As at 31 December	
Counterparty	**Rating[2]**	**2013**	**2012**
Banks[1]			
Všeobecná úverová banka a.s	A3	34 075	40 307
UniCredit Bank Slovakia a.s.	Baa2	240	470
Tatra banka a.s.	A3	825	2 610
ČSOB a.s. Bratislava	Baa3	31 152	11 261
Prima banka Slovensko a.s.	n/a	42	74
Slovenská sporiteľňa a.s.	A	1 432	4 928
Komerční Banka a.s.	A2	434	997
Other	n/a	18	22
Total		**68 218**	**60 669**

[1] The amount of cash and short-term deposits at banks as at 31 December 2013 is EUR 68 218 thousand (2012: EUR 60 669 thousand). As at 31 December 2013, the Group does not have any overdraft facility agreed with the banks on the current account (2012: EUR 1 900 thousand).

As at 31 December 2013, the Group has credit lines on current accounts in the amount of EUR 337 thousand (2012: EUR 894 thousand) held as bank guarantee for auctions with electricity and gas. As at 31 December 2013, the bank loans of the Group amounted to EUR 71 262 thousand (2012: EUR 60 731 thousand) and these lines were utilized.

[2] The Group uses independent ratings Moody's, Standard & Poor's, Fitch.

Exposure to credit risk

The carrying amount of financial assets represents maximum credit exposure which as at 31 December 2013 and 2012 was as follows:

		Carrying amount	
Financial assets	**Note**	**2013**	**2012**
Government bonds	8	-	26 112
CO_2 emission quotas	8	41	61
Other investments	8	558	558
Trade and other receivables	10	63 086	54 868
Cash and cash equivalents	11	68 218	60 669
Total		**131 903**	**142 268**

(iv) Liquidity risk

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

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

		Carrying amount	
Financial instrument	**Note**	**2013**	**2012**
Current financial assets	8	41	5 931
Trade and other receivables	10	63 086	54 868
Cash and cash equivalents	11	68 218	60 669
Total		**131 345**	**121 468**

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

Expected cash flow is prepared as follows:

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

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn credit line (Note 15) and cash and cash equivalents (Note 11) on the basis of expected cash flow.

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

	Carrying amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2013						
Bank loans (principal incl. future interest charges)	71 262	15 379	14 890	29 881	19 617	79 767
Trade and other payables (excluding liabilities not in scope of IFRS 7)	113 345	113 345	-	-	-	113 345
Total	**184 607**	**128 724**	**14 890**	**29 881**	**19 617**	**193 112**
As at 31 December 2012						
Bank loans (principal incl. future interest charges)	60 731	12 911	12 493	33 252	10 483	69 139
Trade and other payables (excluding liabilities not in scope of IFRS 7)	135 139	135 139	-	-	-	135 139
Total	**195 870**	**148 050**	**12 493**	**33 252**	**10 483**	**204 278**

3.2. Capital risk management

Management considers equity being capital. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's management manages shareholders' capital reported under IFRS as adopted by the EU amounting to EUR 398 388 thousand as at 31 December 2013 (2012: EUR 396 905 thousand).

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

In 2013 as well as in 2012, the Company's strategy was to maintain the gearing ratio below 60% limit stated in the Company's loan agreements.
During 2013 and 2012, the Company complied with all externally imposed capital requirements (especially bank covenants) on a level required from creditor's side.

3.3. Fair value estimation

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

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

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

4 Critical accounting estimates and judgements

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

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgments estimates and assumptions that affect the application of accounting policies and the reported amounts of assets liabilities income and expenses. The estimates and assumptions are based on past experience and other factors which are considered to be adequate. Actual results may differ from these estimates.

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

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

(i) Estimated useful life of network

Management estimates useful life of tangible and intangible assets based on the cooperation with internal and external experts. If the revised estimated useful life of tangible assets was shorter by 10% than management's estimate at 31 December 2013, the Group would have recognized an additional depreciation of tangible assets charged to the Consolidated Income Statement of EUR 1 984 thousand (2012: EUR 1 913 thousand).

(ii) Impairment provision for receivables

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

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

(iii) Estimate of Unbilled Electricity

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

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

The historical differences between the estimates of unbilled electricity and the actual results are below 1% (2012: below 2%).

(iv) Volatility in financial markets

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher inter-bank lending rates and very high volatility in international stock and currency markets. Indeed, the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

The impact of global liquidity crisis on energy market was up to now fairly limited and resulted only in relatively small decrease of revenues in segment of large industrial customers.

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. The Company is managing risk of non-payment of industrial customers, small entrepreneur customers and households via advance payments system. For more details on financial risk management in respect of liquidity risk and nonpayment risk see Note 3.

5 Property, plant and equipment

	Land	Buildings, halls, network and constructions	Machinery, equipment, vehicles and other assets	Capital work in progress (CIP)	Total
At 1 January 2012					
Cost	8 081	412 063	370 694	50 434	841 272
Accumulated depreciation and impairment charges	-	-186 384	-186 234	-1 025	-373 643
Net book value	**8 081**	**225 679**	**184 460**	**49 409**	**467 629**
Year ended 31 December 2012					
Opening net book value	8 081	225 679	184 460	49 409	467 629
Additions	25	4 481	8 918	24 987	38 411
Transfers	64	17 319	8 678	-26 061	-
Disposals	-12	-84	-994	-311	-1 401
Depreciation charge	-	-9 201	-16 845	-	-26 046
Release/(creation) of impairment provisions	-	-542	-421	977	14
Closing net book value	**8 158**	**237 652**	**183 796**	**49 001**	**478 607**
At 31 December 2012					
Cost	8 234	434 297	375 793	51 001	869 325
Accumulated depreciation and impairment charges	-76	-196 645	-191 997	-2 000	-390 718
Net book value	**8 158**	**237 652**	**183 796**	**49 001**	**478 607**
At 1 January 2013					
Cost	8 234	434 297	375 793	51 001	869 325
Accumulated depreciation and impairment charges	-76	-196 645	-191 997	-2 000	-390 718
Net book value	**8 158**	**237 652**	**183 796**	**49 001**	**478 607**
Year ended 31 December 2013					
Opening net book value	8 158	237 652	183 796	49 001	478 607
Additions	20	12 159	8 118	21 726	42 023
Transfers	59	15 474	3 412	-18 945	-
Disposals	-41	-253	-73	-479	-846
Depreciation charge	-	-11 888	-15 193	-	-27 081
Release/(creation) of impairment provisions	-	331	366	-1 437	-740
Closing net book value	**8 196**	**253 475**	**180 426**	**49 866**	**491 963**
At 31 December 2013					
Cost	8 272	461 075	382 625	52 834	904 806
Accumulated depreciation and impairment charges	-76	-207 600	-202 199	-2 968	-412 843
Net book value	**8 196**	**253 475**	**180 426**	**49 866**	**491 963**

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

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

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

For information on property, plant and equipment acquired by withholding (transformers stations) free of charge and grants for acquisition of property, plant and equipment refer to Note 13 and contributions to the acquisition of property, plant and equipment refer to Note 13.

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

The value adjustments created represent an impairment loss created mainly to the idle gas power plant and idle buildings (recreation facilities, flats and other idle assets) and transformer stations buildings. As at 31 December 2013, the value adjustment the power station was in the amount of EUR 21 136 thousand (2012: EUR 21 721 thousand) and to other assets in the amount of EUR 3 129 thousand (2012: EUR 2 301 thousand).

Type and amount of insurance of property, plant and equipment

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

	Insured amount as at 31 December	
	2013	**2012**
Insurance against natural disaster	**1 079 010**	**1 050 911**
Buildings, halls and structures	472 992	466 890
Machines, devices and equipment	598 695	576 740
Other non-current movable assets	2 139	2 097
Other (damage liability)	5 184	5 184
Insurance in case of robbery and burglary	**2 467**	**2 467**
Insurance of machinery	**19 777**	**16 818**

6 Intangible assets

	Computer software	Other intangible assets	Intangible assets not yet in use including advances	Total
At 1 January 2012				
Cost	41 359	896	2 448	44 703
Accumulated amortization and impairment charges	-24 736	-896	-	-25 632
Net book value	**16 623**	**-**	**2 448**	**19 071**
Year ended 31 December 2012				
Opening net book amount	16 623	-	2 448	19 071
Additions	1 862	4	3 772	5 638
Transfers	1173	-	-1 173	-
Amortization charge	-3 340	-	-	-3 340
Closing net book value	**16 318**	**4**	**5 047**	**21 369**
At 31 December 2012				
Cost	44 132	900	5 047	50 079
Accumulated amortization and impairment charges	-27 814	-896	-	-28 710
Net book value	**16 318**	**4**	**5 047**	**21 369**
At 1 January 2013				
Cost	44 132	900	5 047	50 079
Accumulated amortization and impairment charges	-27 814	-896	-	-28 710
Net book value	**16 318**	**4**	**5 047**	**21 369**
Year ended 31 December 2013				
Opening net book amount	16 318	4	5 047	21 369
Additions	4 795	7	313	5 115
Transfers	5 047	-	-5 047	-
Amortization charge	-3 375	-	-	-3 375
Closing net book value	**22 785**	**11**	**313**	**23 109**
At 31 December 2013				
Cost	48 537	472	313	49 322
Accumulated amortization and impairment charges	-25 752	-461	-	-26 213
Net book value	**22 785**	**11**	**313**	**23 109**

The computer software consists mainly from SAP, Open SGC, ECM, CIS, a trading software and a graphical information system.

The additions are represented mainly by preparation of a new system for administration of relationship with customers SAP ISU/CRM, system of managing maintenance of the distribution network EAM and upgrades of software (SAP, ERP, GIS ECM).

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

7 Financial instruments according to the categories

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

As at 31 December 2013	Loans and receivables	Held-to-maturity	Total
Assets as per Statement of Financial Position			
Emission quotas (Note 8)	-	41	41
Other investments (Note 8)	-	558	558
Trade receivables (before impairment provision) (Note 10)	82 158	-	82 158
Cash and cash equivalents (Note 11)	68 218	-	68 218
Total	**150 376**	**599**	**150 975**

As at 31 December 2012	Loans and receivables	Held-to-maturity	Total
Assets as per Statement of Financial Position			
Government bonds (Note 8)	-	26 112	26 112
Emission quotas (Note 8)	-	61	61
Other investments (Note 8)	-	558	558
Trade receivables (before impairment provision) (Note 10)	74 109	-	74 109
Cash and cash equivalents (Note 11)	60 669	-	60 669
Total	**134 778**	**26 731**	**161 509**

As at 31 December 2013	Other financial liabilities – carrying amount	Total
Liabilities as per Statement of Financial Position		
Trade and other payables (Note 14)	115 122	115 122
Bank loans (Note 15)	71 262	71 262
Total	**186 384**	**186 384**

As at 31 December 2012	Other financial liabilities – carrying amount	Total
Liabilities as per Statement of Financial Position		
Trade and other payables (Note 14)	136 843	136 843
Bank loans (Note 15)	60 731	60 731
Total	**197 574**	**197 574**

8 Financial assets

(i) Government bonds

	2013	2012
At the beginning of the year	26 112	31 707
Maturity of bonds	-5 169	-5 417
Sale of bonds	-20 943	-
Change in accrued coupon and unamortized premium/discount	-	-178
At the end of the year	**-**	**26 112**
Less non-current portion of held-to-maturity financial assets	-	20 242
Current portion of held-to-maturity financial assets	**-**	**5 870**

During 2013, the Company sold government bonds (GB) 202 and 204 in the total amount of EUR 20 943 thousand before the maturity date. Government bonds (GB) 188 and 199 in the amount of EUR 5 169 thousand were held to maturity and repaid in 2013. The balance at 31 December 2012 represented a long-term investment in Slovak government bonds.

Bond	Year of acquisition	Coupon	Maturity	2012	2011
GB 202	2004	4,90%	11.2.2014	-	5 192
GB 204	2010	5,30%	12.5.2019	-	15 751
GB 188	2009	5,00%	22.1.2013	-	2 087
GB 199	2009	4,75%	2.7.2013	-	3 082
Total				**-**	**26 112**

There are no restrictions of ownership relating to held-to-maturity financial assets. No held-to-maturity financial assets are pledged.

The Group has not reclassified any financial assets measured at amortised cost calculated using effective interest rate to held for trading during the year (2012: EUR 0).

The fair value of the state bonds is EUR 0 thousand as at 31 December 2013 (31 December 2012: EUR 27 520 thousand) and is based on quoted market bid prices. The average interest rate of these bonds was 5% with set fixed interest coupon and no revaluation period.

The maximum exposure to credit risk at the reporting date is the carrying amount of the debt securities classified as held-to-maturity.

None of the financial assets is either past due or impaired. The credit rating of the Slovak government is A2 (rating agency Moody's).

(ii) Emission quotas

	2013	2012
At the beginning of the year	61	89
Additions	50	708
Disposals	-70	-736
At the end of the year	**41**	**61**
Less non-current portion of held-to-maturity financial assets	-	-
Current portion of held-to-maturity financial assets	**41**	**61**

(iii) Other investments

	2013	2012
At the beginning of the period	558	410
Additions	-	160
Transfers to investments in subsidiaries	-	-12
At the end of the period	**558**	**558**

During 2013, no movements in other investments occurred. In 2012, the additions of investments in the amount of EUR 160 thousand represented an increase of share in Energotel, a.s. from 16.67% to 20% of its share capital. In addition, during 2012 the Group purchased 51 % of share capital in Tatrapower, a.s. in the amount of EUR 2 thousand that resulted in gaining controlling influence and the investment was reclassified to subsidiaries.

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

		Percentage of shareholding in the ordinary share capital		Amount of shareholding in the ordinary share capital in thousand EUR	
Company name	**Country of incorporation**	**2013**	**2012**	**2013**	**2012**
Energotel, a.s.	Slovakia	20,00%	20,00%	525	525
SPX, s.r.o.	Slovakia	33,30%	33,30%	33	33
At the end of the period				**558**	**558**

9 Inventories

	As at 31 December 2013	2012
Material and spare parts	2 309	2 444
	2 309	**2 444**

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

The cost of inventories recognized as expense and included in Material and consumables used amounted to EUR 3 208 thousand (2012: EUR 4 836 thousand).

Inventories are insured against damages caused by natural disaster or floods up to EUR 3 570 thousand (2012: EUR 3 570 thousand).

10 Trade and other receivables

	As at 31 December 2013	2012
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	56 219	46 967
Past due but not impaired trade receivables	2 190	2 964
Individually impaired trade receivables	23 749	24 178
Trade receivables (before impairment provision)	**82 158**	**74 109**
Less: Impairment provision to receivables	-21 447	-21 977
Trade receivables – net	**60 711**	**52 132**
Other receivables including accrued income	2 375	2 736
Trade and other receivables	**63 086**	**54 868**

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

	As at 31 December 2013	2012
Receivables due	56 219	46 967
Receivables overdue	25 939	27 142
Total	**82 158**	**74 109**

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

	As at 31 December 2013	2012
Retail – households	772	1 749
Retail – small businesses	15 743	10 668
Wholesale – large businesses	20 222	15 006
Traders with electricity	10 740	12 698
Electricity producers	1 169	1 105
Other customers	7 573	5 741
Neither past due nor impaired trade receivables	**56 219**	**46 967**

As at 31 December 2013, trade receivables of EUR 2 190 thousand (2012: EUR 2 964 thousand) were past due but not impaired. These receivables represent mainly overdue trade receivables as at 31 December 2013 which were paid before these financial statements were prepared and receivables to regular customers of the Group and the risk of impairment is remote. The ageing structure of these receivables is as follows:

	As at 31 December 2013	2012
1 to 90 days	2 086	2 561
91 to 181 days	27	118
181 to 360 days	3	185
Over 361 days	74	100
Total past due but not impaired trade receivables	**2 190**	**2 964**

As at 31 December 2013, the Group had impaired trade receivables in a gross amount of EUR 23 749 thousand (2012: EUR 24 178 thousand). An impairment provision to these receivables was created as at 31 December 2013 in the total amount of EUR 21 447 thousand (2012: EUR 21 977 thousand). Impaired receivables relate to both wholesalers and retailers who came into unexpectedly difficult economic situation. It is expected that part of these receivables will be repaid. The ageing structure of these receivables is as follows:

	As at 31 December 2013	2012
1 to 90 days	2 408	1 979
91 to 181 days	538	907
181 to 360 days	819	1 429
Over 361 days	19 984	19 863
Total individually impaired receivables	**23 749**	**24 178**

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

	2013	2012
At the beginning of the year	21 977	22 403
Creation of impairment provision	3 111	3 654
Reversal of unused impairment provision	-1 322	-1 270
Use of impairment provision	-2 319	-2 810
At end of the year	**21 447**	**21 977**

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

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

	As at 31 December	
	2013	2012
EUR	63 068	54 814
CZK	18	54
Total	**63 086**	**54 868**

The carrying amounts of trade and other receivables as at 31 December 2013 and as at 31 December 2012 are not substantially different from their fair value. The maximum exposure to credit risk is equal to the carrying amount of receivables. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group does not hold any significant collateral as security of the receivables.

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

11 Cash and cash equivalents

	As at 31 December 2013	2012
Cash at bank and in hand	4 896	5 069
Short-term bank deposits	63 322	55 600
	68 218	**60 669**

The effective interest rate on short term bank deposits is 0.27% (2012: 0.49%) and these deposits have an average maturity of 6 days (in 2012: 8 days).

At 31 December 2013, cash and cash equivalents were fully available for the Group's use.

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

	As at 31 December 2013	2012
Cash and bank balances and deposits with original maturities of less than three months	68 218	53 669
Cash and bank balances and deposits with original maturities from three to six months	-	7 000
	60 218	**60 669**

The carrying amounts of cash and cash equivalents as at 31 December 2013 and as at 31 December 2012 are not substantially different from their fair value. The maximum exposure to credit risk is equal to the carrying amount of cash and cash equivalents.

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

12 Equity

The total authorized number of ordinary shares of the Company as at 31 December 2013 is 3 516 682 (2012: 3 516 682) with a par value of EUR 33.2 per share. All authorized shares are issued and fully paid in.

No changes in share capital of the Company occurred during 2012 and 2013. The Company does not have any equity subscribed but not recorded in the Commercial Register.

As at 31 December 2013, the total number of 1 793 508 shares (51%) are owned by the National Property Fund of the Slovak Republic and 1 723 174 shares (49%) are owned by EPH Financing II (2012: E.D.F. INTERNATIONAL France).

Legal reserve fund is mandatorily created from the Company's profit in accordance with the Slovak Commercial Code. The Commercial Code defines that a joint stock companies are obliged to create a legal reserve fund in the amount of 10% of their share capital at the time of the incorporation of the Company. This amount must be increased annually by at least 10% from net profit until the Legal reserve fund reaches 20% of the share capital. The use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. The legal reserve fund of the Company amounted to EUR 24 990 thousand as at 31 December 2013 (2012: EUR 24 990 thousand) and reached the required amount.

The General Meeting held on 27 May 2013 approved the consolidated financial statements of SSE a.s. for 2012 and declared dividends to the shareholders for 2012 in the amount of EUR 80 986 thousand (2012: EUR 65 723). Dividend per share represents EUR 23.03.
The extraordinary General Meeting held on 30 October 2012 declared extraordinary dividends in the amount of EUR 20 000 thousand payable in 2013.

During 2013, the Group paid dividends in the total amount of EUR 100 986 thousand (2012: EUR 65 723). The difference between dividends paid and profit for the year 2012 was paid from retained earnings.

The retained earnings of the Group at 31 December 2013 amounted to EUR 253 201 thousand (2012: EUR 251 148 thousand).

The statutory body has not proposed the distribution of the 2013 profit as at the date of a preparation of these consolidated financial statements.

13 Deferred income

	As at 31 December	
	2013	**2012**
Capital expenditure grants (a)	3 763	3 979
Withheld transformer stations (b)	3 347	4 169
Connection fees (c)	21 077	19 310
Relocation of energy devices (d)	4 516	4 154
Asset surplus found during a physical count (e)	14	27
Total	**32 717**	**31 639**

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

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

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

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

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

14 Trade and other payables

	As at 31 December 2013	2012
Trade payables - current	97 251	98 479
Current portion of deferred income (Note 13)	1 777	1 704
Payables to employees	1 964	2 588
Social security	1 276	1 362
Accrued personnel expenses	4 026	3 854
Social fund	132	202
VAT- related to state	4 763	4 366
Payment to the National nuclear fund	2 864	2 469
Payables towards shareholders (FNM, EDF)	-	20 000
Other payables	1 069	1 819
Total	**115 122**	**136 843**

Payables towards the shareholders in 2012 represent unpaid dividends which were paid in 2013.

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

No payables are secured by a lien or other collateral.

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

	As at 31 December 2013	2012
Payables not due	114 871	136 352
Overdue payables	251	491
Total	**115 122**	**136 843**

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

	As at 31 December 2013	2012
EUR	115 069	136 800
CZK	16	8
USD	37	35
Total	**115 122**	**136 843**

Social fund

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

	As at 31 December 2013	2012
Opening balance at 1 January	202	706
Contribution	776	391
Drawing	-846	-895
Closing balance at 31 December	**132**	**202**

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

15 Bank loans

	As at 31 December 2013	2012
Non-current		
Long term portion of bank loans	58 293	50 262
	58 293	**50 262**
Current		
Short term portion of bank loans	12 969	10 469
	12 969	**10 469**

Fair value of loans as at 31 December 2013 is EUR 73 704 thousand, which does not significantly differ from their carrying amount as the impact from discounting is not significant.

The maturity of bank loans is as follows:

Maturity	As at 31 December 2013	2012
Short term portion of bank loans	12 969	10 469
Long term portion of bank loans		
1-5 years	39 693	40 452
Over 5 years	18 600	9 810
Total	**71 262**	**60 731**

The Group has the following un-drawn credit facilities:

	As at 31 December	
	2013	**2012**
Floating rate		
- Expiring within one year	337	1 900
Total	**337**	**1 900**

During 2013, the Group has received a new loan from Slovenská sporiteľňa, a.s. in the amount of EUR 25 000 thousand. The loan bears fixed interest rate of 2.25% and is due on 30 June 2023.

Loans from VÚB, ČSOB and Komerční Banka Bratislava a.s. include certain financial covenants related to limits on indebtedness, liquidity, profitability, cash receipts, interest cover and debt to operating profit ratios calculated on the basis of the consolidated financial statements of the Group. The Group complied with all covenants at the date of these consolidated financial statements.

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

Bank/Creditor	Type	Currency	Amount in thousand of EUR 2013	2012	Interest rate % p. a.	Maturity	Collateral	Due within 12 months in thousand EUR	Due after 12 months in thousand EUR
Všeobecná úverová banka a.s	Investment	EUR	2 600	3 035	Fixed 3.88% + 0.3%	30.6.2019	-	435	2 165
Všeobecná úverová banka a.s	Investment	EUR	1 461	2 191	Fixed 3.85 %	1.12.2015	-	730	731
Všeobecná úverová banka a.s	Investment	EUR	5 250	6 125	Fixed 4.80 %	1.12.2019	Bianco BoE	875	4 375
Tatra banka a.s.	Investment	EUR	1 992	2 987	Fixed 4.08 %	31.12.2015	-	996	996
Tatra banka, a.s.	Investment	EUR	2 149	2 868	3M EURIBOR + 0.30 %	31.12.2016	-	718	1 431
Tatra banka, a.s.	Investment	EUR	1 460	1 825	Fixed 4.84 %	29.12.2017	-	365	1 095
Tatra banka, a.s.	Investment	EUR	16 800	19 200	Fixed 3.55 %	31.12.2020	-	2 400	14 400
ČSOB, a.s.	Investment	EUR	3 750	5 000	Fixed 4.06%	14.9.2016	-	1 250	2 500
KBB a.s.	Investment	EUR	10 800	13 500	Fixed 5.16%	29.12.2017	-	2 700	8 100
Slovenská sporiteľňa, a.s.	Investment	EUR	25 000	-	Fixed 2.25%	30.6 2023	-	2 500	22 500
Crédit Agricol	Investment	EUR	-	4 000	Fixed 3.96 %	-	-	-	-
Total	**X**	**X**	**71 262**	**60 731**	**X**	**X**	**X**	**12 969**	**58 293**

16 Deferred income tax

Deferred income taxes are calculated on temporary differences under the balance sheet liability method using the basic tax rate of 23% for the year 2012. Effective from 1 January 2014, the tax rate was changed to 22%, deferred tax as at 31 December 2013 was therefore calculated using the tax rate of 22%.

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

	As at 31 December 2013	2012
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	3 721	3 609
- Deferred tax asset to be recovered within 12 months	1 575	684
	5 296	**4 293**
Deferred tax liabilities:		
- Deferred tax liability to be paid after more than 12 months	-21 242	-18 816
- Deferred tax liability to be paid within 12 months	-2	-38
	-21 244	**-18 854**
Net deferred tax liability	**-15 948**	**-14 561**

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

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

	At 1 January 2012	(Charged) /credited to the Income Statement	Recorded to equity	At 31 December 2012
Accelerated tax depreciation	-12 770	-6 311	-	-19 081
Pension liability and similar provisions	3 244	-23	-4	3 217
Impairment provisions to trade receivables	767	402	-	1 169
Trade provisions	430	-425	-	5
Other provisions	1	1	-	2
Other	835	-708	-	127
	-7 493	**-7 064**	**-4**	**-14 561**

17 Provisions for liabilities

	Pensions benefits (a)	Termination benefits (b)	Legal claims (c)	Onerous contract (d)	Other	Total
At 1 January 2013	**9 942**	**1 732**	**1 318**	**-**	**6**	**12 998**
Creation of provisions	1 181	1 420	0	-	41	2 642
Use of provisions	-1 143	-631	-6	-	-5	-1 785
Reversals of unused provision	-	-773	-13	-	-1	-787
At 31 December 2013	**9 980**	**1 748**	**1 299**	**-**	**41**	**13 068**

	Pensions benefits (a)	Termination benefits (b)	Legal claims (c)	Onerous contract (d)	Other	Total
At 1 January 2012	**10 068**	**2 879**	**2 159**	**7**	**89**	**15 202**
Creation of provisions	925	311	6	-	6	1 248
Use of provisions	-821	-396	-60	-	-52	-1 329
Reversals of unused provision	-230	-1 062	-787	-7	-37	-2 123
At 31 December 2012	**9 942**	**1 732**	**1 318**	**-**	**6**	**12 998**

Analysis of total provisions	As at 31 December 2013	2012
Non-current	11 400	11 043
Current	1 668	1 955
Total	**13 068**	**12 998**

(a) Pension and other long term benefits

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

(i) Post employment benefits

	As at 31 December 2013	2012
Present value of unfunded retirement obligations	8 532	8 530
Unrecognised portion of past service costs	-	-
Liability in the Statement of Financial Position	**8 532**	**8 530**

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

	As at 31 December	
	2013	**2012**
Current service cost	416	401
Interest expense	231	306
Total charge included in staff costs	**647**	**707**

Movements in the present value of defined benefit obligation are:

	As at 31 December	
	2013	**2012**
Present value of unfunded retirement obligations at beginning of the year	8 530	8 947
Current service cost	416	401
Interest expense	231	306
Paid	-998	-712
Actuarial losses/(gains)	353	-412
Present value of unfunded retirement obligations at the end of the year	**8 532**	**8 530**

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

	As at 31 December	
	2013	**2012**
Present value of unfunded retirement obligations	1 448	1 412
Liability in the Statement of Financial Position	**1 448**	**1 412**

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

	As at 31 December	
	2013	**2012**
Current service cost	92	86
Actuarial losses	67	277
Interest expense	22	37
Total charge included in personnel costs	**181**	**400**

Movements in the present value of defined benefit obligation are:

	As at 31 December	
	2013	**2012**
Present value of unfunded obligations at beginning of the year	1 412	1 121
Current service cost	92	86
Interest expense	22	37
Paid	-145	-109
Actuarial losses	67	277
Present value of unfunded obligations at the end of the year	**1 448**	**1 412**

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

Average number of employees at 31 December 2013	1 649
Percentage of employees who will terminate their employment with Group prior to retirement (withdrawal rate)	Approximately 2.01 % p.a. for Group differing with age and sex
Expected salary increases - long-term	1.30% p. a.
- short-term	1.80% p. a.
Discount rate	0.67 – 3.37% p. a. (2014-2057)
Average number of employees at 31 December 2012	1 759
Percentage of employees who will terminate their employment with Group prior to retirement (withdrawal rate)	Approximately 1.73 % p.a. for Group differing with age and sex
Expected salary increases - long-term	1.90% p. a.
- short-term	2.30% p. a.
Discount rate	1.94 – 4.36% p. a. (2013-2056)

If the discount rates differed by 1% from management's estimated discount rate, the carrying amount of pension obligations would be an estimated EUR 1 018 thousand lower or EUR 1 199 thousand higher (2012: EUR 1 014 thousand lower or EUR 1 068 thousand higher).

(b) Termination benefits

The termination benefits represent an estimate of the payment to employees as a result of the approved and communicated restructuring process which is expected to be completed by 2016 (2012: to be completed by 2014). It is expected that the payments in accordance with relevant detailed plan accompanying the restructuring process will be made as follows:

	As at 31 December	
Termination benefits	**2013**	**2012**
Expected payment in 2013	-	631
Expected payment in 2014	328	1 101
Expected payment in 2015	351	-
Expected payment in 2016	1 069	-
	1 748	**1 732**

(c) Provision for legal claims

The Group is a party to various legal proceedings. Legal provisions amount to EUR 1 299 thousand (2012: EUR 1 318 thousand). Management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may damage the Group.

(d) Provision for onerous contract

As at 31 December 2013, the Group assessed its rights and obligations under the contracts with suppliers and customers and did not recognize any provision for onerous contracts arising from contractual liabilities because the costs of meeting contractual obligations did not exceed income related to them.

18 Revenues

Revenues include the following:

	2013	2012
Revenues for electricity supply and distribution:		
Sales of electricity and distribution to industrial customers (wholesale) and commercial customers (retail)	483 737	442 891
Sales of electricity and distribution - households	208 238	216 505
Sales of electricity - long-term contracts, spot contracts, intermediation, variances, cross-border profile	29 334	47 815
Sales - compensation for green energy purchase	64 247	66 184
Other revenue:		
Revenues for gas sale	4 547	408
Maintenance and operation of the transmission grid	58	66
Revenues for construction works	1 309	3 008
Other revenue	4 176	3 613
Total	**795 727**	**780 490**

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

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

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

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

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

The Group records revenues from compensation from purchases of green energy. The compensation is invoiced to SEPS. Basis for these compensations are purchases of green energy, which the SSE-D is obliged to make under the current legislation. The amount of revenues directly depends on the amount of power purchased and regulated compensation fee approved by the Regulatory Office for Network Industries.

19 Purchase of electricity and related fees, distribution fees

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

	2013	2012
Purchases of electricity from:		
Long-term contracts	190 398	202 191
Spot agreements and costs of variance settlement	24 682	47 812
Imports from abroad	42	63
Heating plants	8 484	10 861
Renewable resource costs	220 901	218 097
Other	12 630	13 429
Fees paid to the operator of the transmission network (system service fees, fees for network operation, fees for access to the distribution network and other fees)	129 732	101 589
Purchase of gas	4 267	409
Total	**591 136**	**594 451**

20 Personnel expenses

	2013	2012
Wages and salaries	25 742	25 597
Other staff costs	4 570	1 341
Social and health insurance costs – funds with set contributions	8 744	8 673
Pensions and other long-term benefits	828	1 107
Total	**39 884**	**36 718**

21 Other operating expenses

	2013	2012
Repairs and maintenance	2 203	2 795
IT services	5 401	5 238
Post and telecommunication costs	2 331	2 483
Forrest cutting	2 185	2 323
Operating leasing	1 400	1 480
Consultancy costs	937	796
Subcontracted construction work	223	302
Creation of impairment provision	1 794	2 369
Taxes and other fees	692	839
Metering of consumed electricity	778	845
Insurance costs	529	541
Foreign exchange losses from operating transactions	14	69
Audit of the financial statements and other services received from the Group auditor	291	287
Provision for legal claims and assets lease reversal	-13	-728
Other operating expense	7 673	6 176
Total	**26 438**	**25 815**

22 Other operating income

	2013	2012
Revenues from rent of property	2 194	2 210
Release of deferred income (Note 13)	1 778	1 707
Telecommunication services and IT	837	837
Gain from sale of property, plant and equipment	426	263
Foreign exchange gains from operating transactions	15	70
Other	1 638	2 892
Total	**6 888**	**7 979**

23 Finance income/(expense), net

	2013	2012
Interest income		
- Interest income – short-term bank deposits and current accounts	228	853
- Interest income – held-to-maturity investments	1 050	1 313
Interest expense		
- Interest expense – bank loans	-2 530	-2 907
Foreign exchange losses/(gains)	-99	12
Dividends income	253	160
Other financial income – sales of bonds	2 012	-
Other financial expense	-515	-257
Finance income/(expense) net	**399**	**-826**

24 Income tax expense

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

	Year ended 31 December 2013	2012
Profit before tax	108 329	91 133
Theoretical income tax related to current period at 23% (2012: 19%)	24 916	17 315
- Income not subject to tax	-562	-835
- Non-deductible expenses	1 006	1 154
- Income tax related to prior periods	-79	12
- Special levy on business in the regulated sector	2 870	1 553
- Special levy tax impact	-660	-295
- Change in income tax rate from 23% to 22% (2012: from 19% to 23%)	-775	2 715
- Other	-271	504
Income tax expense for the period	**26 445**	**22 123**
The tax charge for the period comprises:		
Deferred tax expense (Note 16)	1 492	7 064
Current tax of expense	25 032	15 047
Income tax related to prior periods	-79	12
	26 455	**22 123**

The Slovak corporate tax rate valid for 2013 is 23% (2012: 19%). Effective income tax rate for 2013 is 24.54% (2012: 24.28%).

The Group has not recognized the deferred tax asset in the amount of EUR 4 650 thousand (2012: EUR 4 996 thousand) relating to impairment provision for the gas power plant as its future utilization is not probable.

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

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

25 Contingent assets and liabilities

The Group is legally bound to connect producers of green energy, if they comply with requirements set by URSO and purchase the generated green electricity, which is used to cover network losses and pay them additional charge approved by URSO. These costs are covered by the Tariff for system operation ("TPS"). In 2013, the Group recognized a loss in the amount of EUR 21 340 thousand (2012: EUR 21 783 thousand) as the difference between costs of purchased green energy and costs related to subsidy of electricity produced from coal and revenues from TPS. Based on the current Regulatory Framework, the loss incurred will be compensated in the period t + 2, thus in 2015 (2012: in 2014) through an increase of revenues from TPS. The resulting asset was not recognized, due to the fact, that the asset does not meet the recognition criteria set by IFRS as adopted by the EU.

Taxation

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

Lawsuit

The group faces a claim for EUR 21 753 thousand (USD 30 000 thousand) plus lawsuit costs. Based on a legal analysis of the case the Company's management does not expect an impact on the Group and considers the risk of a failure in this process as less than probable. The Company did not record any provision related to this lawsuit.

26 Commitments

(a) Capital commitments

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

	2013	2012
Property, plant and equipment	13 297	35 689
Intangible assets	199	710
Total	**13 496**	**36 399**

(b) Operating lease commitments – Group as lessee

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

The lease expenditure charged to the Consolidated Income Statement during the year is disclosed in Note 21.

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

	2013	2012
No later than 1 year	1 167	1 268
Total	**1 167**	**1 268**

(c) Purchase contracts (electricity)

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

	2012	2011
Purchase contracts for year 2013	-	193 805
Purchase contracts for year 2014	188 137	30 884
Purchase contracts for year 2015	50 433	4 089
Purchase contracts for year 2016	29 029	-
Purchase contracts for year 2017	4 756	-
Total	**272 355**	**228 778**

27 Related party transactions

On 27 November 2013, EDFI and EPH completed a transaction subject of which was a transfer of the minority share of 49% as well as managerial control in the Group from EDFI to EPH Financing II. As a result, related party transactions are demonstrated as follows:

- Receivables and liabilities as at 31 December 2013 are to related parties within the EPH Group,
- Receivables and liabilities as at 31 December 2012 are to related parties within the EDF Group,
- Expenses and revenues for the period from 1 January 2013 to 27 November 2013 are with related parties within the EDF Group
- Expenses and revenues for the period from 27 November 2013 to 31 December 2013 are with related parties within the EPH Group,
- Expenses and revenues for the period from 1 January 2012 to 31 December 2012 are with related parties within the EDF Group.

Parties related to the Company from 1 January 2012 to 27 November 2013 include:

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

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

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

a. the parent and ultimate parent:
- EPH Financing II, a. s.
- Energetický a průmyslový holding, a.s.

b. entities under common control of EPH Group, affiliated businesses and their branches
- EP ENERGY TRADING, a.s., branch
- EP Investment Advisors, s.r.o.
- Eustream, a.s.
- SPP - distribúcia,a.s.

Parties related to the Company from 1 January 2012 to 31 December 2013 include:

c. key management personnel of the entity or its parent:
- Members of the Board of Directors
- Members of the Supervisory Board
- Divisional directors

d. Slovak state-controlled entities:
- OKTE – electricity purchase and supply
- Fakultná nemocnica F.D Roosevelta – electricity supply
- Martinská fakultná nemocnica – electricity supply
- Martinská teplárenská, a.s. – electricity purchase and supply
- SEPS, a.s. Bratislava – system network fees
- Východoslovenská energetika, a.s. – electricity purchase and supply
- ZSE energia, a.s. – electricity purchase and supply
- Zvolenská teplárenská, a.s. – electricity purchase and supply
- Žilinská teplárenská, a.s. – electricity purchase and supply
- Other (villages, water companies, state hospitals etc.)

e. associates:
- Energotel, a.s. Bratislava
- SPX, s.r.o. Žilina

Value of transactions with associates in 2013 (as well as 2012) were not significant, therefore, are not disclosed.

Transactions and balances with related parties

The related party transactions for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2013 are detailed below.

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

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

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

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

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

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

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

At 31 December 2012, the outstanding balances with related parties were as follows:

	a	b
Gross amount of trade receivables	-	40
Trade and other payables	-	-2 101

The income and expense items with related parties for the year ended 31 December 2012 were as follows:

	a	b
Sales of electricity	-	211
Revenue from services	13	-
Purchase of electricity	-	-24 254
Purchase of raw materials and consumables	-	-24
Services	-20	-23

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

Transactions with government bodies and state-controlled entities are entered into in the normal course of business and priced at market rates. At 31 December 2013 and 31 December 2012, the outstanding balances with state-controlled entities and government bodies were as follows:

	Year ended 31 December	
	2013	**2012**
Gross amount of trade receivables		
- SEPS, OKTE	8 385	6 329
- other companies	4 720	6 273
Other receivables		
- government bonds	-	26 112
Trade and other payables		
- SEPS, OKTE	-6 598	-6 379
- other companies	-4 148	-5 239

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

	2013	**2012**
Sales of electricity and related fees		
- SEPS / OKTE	84 698	79 033
- other companies	88 626	99 922
Purchase of electricity and related fees		
- SEPS / OKTE	-113 362	-112 311
- other companies	-40 872	-31 079
Interest income from state bonds	1 050	1 313

Slovenská elektrizačná a prenosová sústava a.s. (SEPS) (the Slovak transit grid operator) is under control of the Slovak Republic represented by the Ministry of Economy and the National Property Fund.

OKTE a.s. (organizer of a short-term market with electricity) is a subsidiary of SEPS.

Key management compensation

The structure of remuneration received by the directors and other members of statutory bodies in 2013 and in 2012:

Members of Boards of Directors and other key management	Year ended 31 December 2013	2012
Salaries and short-term employee benefits	1 268	1 547
Other non-monetary income	62	62
Total	**1 330**	**1 609**

Members of Supervisory Boards	Year ended 31 December 2013	2012
Salaries and short-term employee benefits	231	228
Total	**231**	**228**

28 Events after the reporting period

No events with a material impact on the true and fair presentation of facts subject to bookkeeping occurred after 31 December 2013.

The Consolidated Financial Statements for the year ended 31 December 2013 were prepared and authorized for issue on 11 February 2014.

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Martin Fedor	Petr Sekanina
Chairman of the Board of Directors	Member of the Board of Directors