Annual Report 2018

ZSE Energia, a.s.

ZSE

Content

1. Introduction of ZSE Energia, a.s.

Foreword by the Chairman of the Board of Directors

From the perspective of achieved economic results, 2018 can be deemed successful. Economic boom in our country contributed to the growth of our customer base, as well as supplied volume of both commodities. We managed to retain our position as the largest electricity supplier, and when it comes to the second commodity, we are number three on the retail market.

Juraj Krajcár,
predseda predstavenstva

Last year we saw a turbulent development on the energy market, which caused a significant rise in commodity prices. This phenomenon has several causes because the price depends on specific attributes. The most significant of them is that CO2 emission permits almost tripled, whereas other energy commodities increased in parallel. Because the commodity is approximately 30% of the total price, this rise had to be reflected in the end offer for the customer. We try to reflect the rising trend of commodity prices—which we expect also in the upcoming period—in our products and services so that the customer gets an offer with added value. From a commodity supplier we gradually evolved to a provider of complex solutions, offering not only electricity and gas but also additional services such as assistance and insurance. We kept broadening our offer of non-commodity services, which was met with very positive customer reactions. On top of that, this is our second year providing smart home customer solutions. Smart home energy management remains our long-term strategic goal, and we react to current trends. In 2018, we included air conditioning in our offer of smart solutions and we successfully established ourselves also on this market.

As part of customer care, we kept improving the functionalities of our online Customer zone. More and more customers are getting used to the comfort this service provides. More than one third of them uses online communication with our company.

On the other hand, we still have lots of customers who prefer the traditional way of visiting the brick and mortar shop. In 2018, we opened a new ZSE Centre in Bory Mall shopping centre in Bratislava, which will serve everything needed to household and SME customers. We plan to continue with the expansion of our sales network.

With the above mentioned economic boom in western Slovakia come big challenges. On one hand, competitors focus on this region to acquire new contracts, but at the same time, the customer here is more sensitive to service level and quality. That is why we keep boosting customer care and focus on monitoring their satisfaction. Survey results show that in this respect, we are improving.

When it comes to environmental goals, e-mobility is gaining prominence. We want to be a part of this development and our ambition is to be a complex e-mobility service provider. Currently we are the largest charging stations operator in Slovakia. We also want to offer the customer comfortable charging and related additional services.

From the perspective of legislation, I consider the adoption of renewable sources amendment act as an important step. Previous subsidy model did not reflect the market development and even deformed it, which is why the adoption of the amendment act is important for the more market-oriented way. There were also discussions about the so-called "Winter Package" whose adoption has a major impact on the mid-term development of European energy sector. In both European and Slovak energy sector we can see a substantial shift towards decentralisation. Our company is also amending internal processes and procedures in order to change the customer's position from a passive consumer to an equal partner. We want to offer the customers more intense support when managing their energy needs.

In 2018, we successfully implemented the EU General Data Protection Regulation. Given the nature of our business, we did have an elaborate system of personal data protection, but with the introduction of new rules—which are the same in all of EU—we ensured even higher level of security and even better control over personal data.

Last year, a transaction between E.ON and innogy was announced, within which E.ON will gain the entire business share in innogy. It is an international transaction but it reflects local specifics. The situation in our country differs from that in the majority of other countries where E.ON operates. ZSE as well as VSE, which is part of innogy, have the same majority shareholder, the Slovak Republic. E.ON is only minority shareholder. Both companies have the same business focus but they operate in completely different environments and conditions. Future setup after the transaction is concluded will be subject to in-depth analysis and numerous discussions.

From the business perspective, I consider 2018 to be a successful year, thanks to all our colleagues, as well as customers who gave us their trust. Strengthening our position in both commodities and developing new business with value-added services will remain our priority. Energy sector is currently a very interesting and dynamic business awaiting a systemic change. Our product offer and service level must reflect it.

Company Bodies

The structure of statutory and supervisory bodies of ZSE Energia, a.s. (hereinafter the "Company") in 2018 was as follows:

Statutory Body

Board of Directors	
As at 31 December 2018	
Chairman	Mgr. Juraj Krajcár (start office 12. júna 2016)
Vice-Chairman	Ing. Rastislav Jamrich (start office 18. septembra 2017)
Members	Ing. Mgr. Juraj Bayer, PhD. (start office 1. júla 2017)
	PhDr. Michal Dubeň (start office 19. apríla 2017)
	Ing. Dušan Petrík (start office 18. septembra 2017)

Supervisory Body

Supervisory Board	
As at 31 December 2018	
Chairman	Ing. Ladislav Ješík (start office of member 18. septembra 2017, zvolený za predsedu 3. októbra 2017)
Vice-Chairman	Jochen Kley (start office 1. júla 2016)
Members	Mgr. Tomáš Pavlíček (start office 19. júna 2018)
	Ing. Martin Pleva (start office 19. júna 2018)
	Mgr. Helena Halászová (start office 19. júna 2018)
	Ing. Peter Hanulík (start office 18. septembra 2017)
	Ing. Andrea Schlettová (start office 16. novembra 2016)
	Igor Paško (start office 25. júna 2014 a zánik funkcie 6. septembra 2018)
	JUDr. Rastislav Hubač (start office 16. novembra 2016)

The shareholders’ structure as at 31 December 2018 was as follows:

Shareholders’ Structure			
As at 31 December 2018	**Absolute value in €**	**Equity share in the share capital**	**Voting rights**
Západoslovenská energetika, a.s.	6,638,784	100%	100%

Scope of Business

Information on the Company and Its Scope of Business
ZSE Energia, a.s. (hereinafter the ”Company”) was established on 18 August 2006 and incorporated in the Commercial Register on 22 September 2006. The Company is registered with the Commercial Register of the Bratislava I District Court, Section: Sa, File No.: 3978/B. The Company started to perform its core activity (electricity supply) on 1 July 2007.

At the end of 2011, the Company launched the provision of gas supplies to large industrial companies and in April 2012 also to small and medium-sized companies and households.

The Company together with ZSE Energia CZ, s.r.o., Západoslovenská energetika, a.s., Západoslovenská distribučná, a.s., ZSE Elektrárne, s.r.o., ZSE Energy Solutions, s.r.o., ZSE Development s.r.o., ZSE MVE, s.r.o., and ZSE Business Services, s.r.o., form the ZSE Group.

The Company also has the branch office in the Czech Republic.

The Company’s Principal Scope of Business is electricity and gas supply.

The Company doesn´t have any expenses on research and development.

The Company did not acquire any own shares, temporary certificates, any business investments and shares, temporary certificates and business shares of the parent entity.

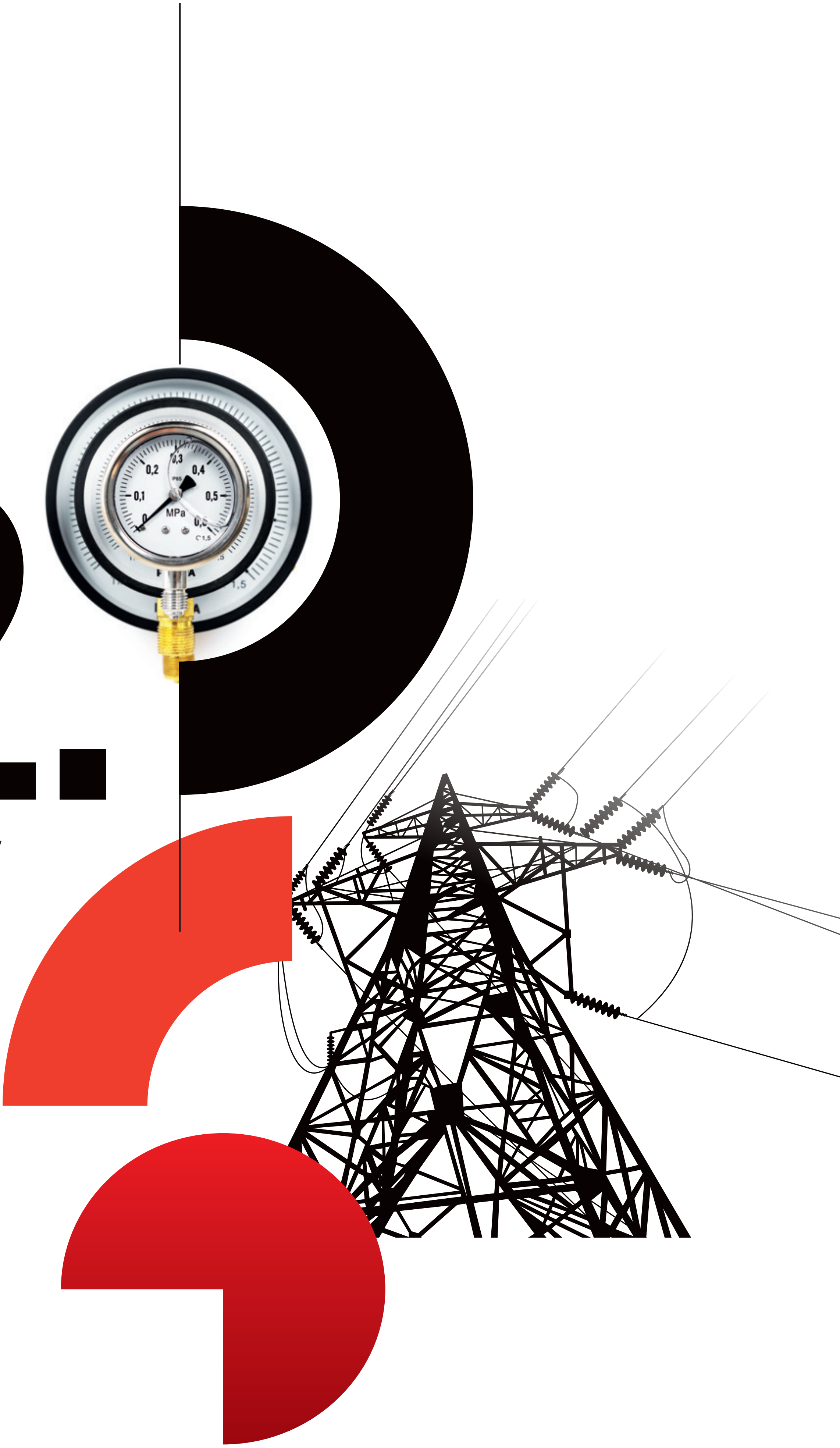
Risks and Uncertainties
The core business activity of ZSE Energia, a.s. is electricity and gas supply to end consumers. In relation to energy supply business, ZSE Energia, a.s. is exposed to several risks – especially credit and price commodity risk.

Credit risk
Credit risk is related to the liquidity risk of the company’s business partners, in particular the electricity and gas consumers. The company has an internal credit risk assessment process, which involves assigning an individual credit rating to its customers based on a combination of independent financial information an their payment discipline. Moreover, the Company actively uses insurance of receivables, as an additional risk management tool.

Market risk
Market risk is caused by changes of market variables as a result of commodity market supply and demand development. It takes a form of energy price fluctuations and economic environment dynamics. Price fluctuations can have impact on the closing price of the open position of the company. The company applies a conservative approach to managing commodity business by maintaining a limited open position and through back-to-back commodity buying (at the moment of the sales volume contracting).

The significant events occurred after the end of 2018 requiring recognition or disclosure in the Annual report
No events have occurred subsequent to 2018 year-end that would have a material impact on the financial statements as at 31 December 2018.

2. Economy



Ekonomika

Structure of resources and usage of electricity and natural gas

Indicators		
as at 31 December	**2018**	**2017**
Revenues from the sale of gas (€ thousand)*	94,449	98,973
Volume of gas supplied (GWh)	2,723	2,727
Number of supply points	69,945	63,760
* based on a contract on combined gas supply		

Structure of Electricity Supplies				
as at 31 December	**2018**	**Share (%)**	**2017**	**Share (%)**
Volume of electricity supplied including losses (GWh)	6,555	100%	6,253	100%
Of which: supplies to households (GWh)	1,943	30%	1,927	31%
of which: supplies excluding households (GWh)	4,612	70%	4,326	69%

Indicators		
as at 31 December	**2018**	**2017**
Revenues from the sale of electricity (thousand)*	739,379	677,452
Volume of electricity supplied including losses (GWh)	6,555	6,253
Volume of electricity purchased/external sources (GWh)	6,555	6,253
Volume of electricity generated/own sources (GWh)	0	0
Number of supply points	923,545	920,783
* based on a contract on combined electricity supply		

Useful electricity supply (GWh)	
2018	6,555
2017	6,253

Key Indicators about the Company

In 2018, ZSE Energia, a.s. generated a profit of € 14,797 thousand, with sales totaling € 838,609 thousand and expenses totaling € 820,967 thousand.

The Company's key figures according to the International Financial Reporting Standards as adopted by the European Union:

Key Figures about the Company as at 31 December

In ths. €	2018	2017
Non-current assets	8,464	12,978
Current assets	164,743	140,226
Total assets	**173,207**	**153,204**
Equity	26,883	20,764
Non-current liabilities	922	803
Current liabilities	145,402	131,637
Total equity and liabilities	**173,207**	**153,204**
Sales	838,609	780,607
EBIT (profit from operating activities)	**20,057**	**12,819**
EBITDA	21,817	14,145
Revenues	841,029	782,733
Expenses	820,967	769,906
Profit before tax	20,062	12,827
Net profit	**14,797**	**9,763**
Full-time equivalent of employees	**261**	**204**

Distribution of the 2018 Profit

The Company's sole shareholder acting in the authority of the General Meeting approved in its resolution dated 19 June 2018 about the distribution of the 2017 accounting profit amounting to € 9,763 thousand and the pay-out of dividends in the amount of € 9,530 thousand.

Trade Receivables and Trade Payables

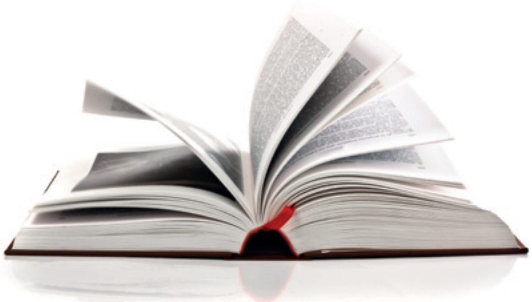
Trade Receivables and Trade Payables

In ths. €	2018	2017
Trade and other receivables	140,376	114,856
of which: overdue	19,739	23,754
Trade and other payables	145,402	129,543
of which: overdue	414	0

Proposal for Distribution of ZSE Energia's 2018 Profit

Proposal for Distribution of ZSE Energia's 2018 Profit

submitted to the Board of Directors of ZSE Energia on 21 March 2019	In ths. €
Profit/loss for the year	14,797
Profit/loss to be distributed	14,797
Allotment to the social fund	280
Dividends	14,517
Total distribution of profit	14,797

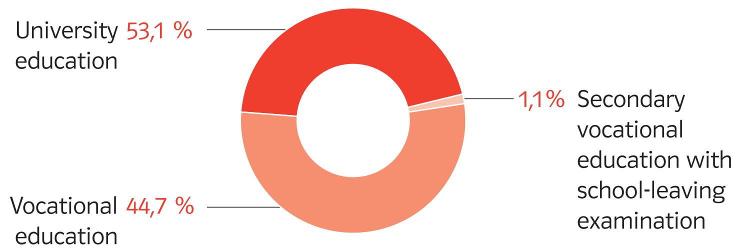


3. Human Resources

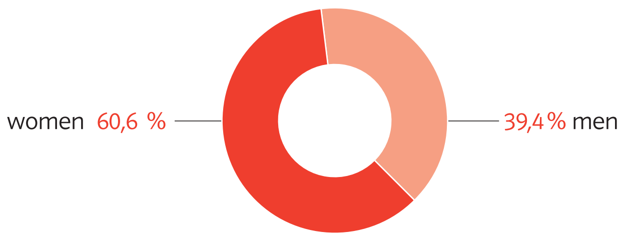
Human resources

In 2018, ZSE Energia had 260.9 employees on average (excl. members of the Board of Directors and Supervisory Board and employees who worked on the basis of the agreement on performance of work). The average age of employee was 40.8 years. In 2018, the share of women went up by 4.3%.

Charts



Podiel žien/mužov



Remuneration and employee benefits:
In line with the commitments resulting from the Collective Agreement, the companies of the ZSE Group raised the wage, consisting of the basic and variable part, by 5% on average. The employees were remunerated based on their performance which directly affected the sum of the variable part of the wage and extraordinary bonuses.

All employees of the Company received the contribution from the Social Fund for recovery of labour force. Above standard preventive medical check-ups were also provided to employees. Also in 2018 the employer continued in contributing to the supplementary pension savings scheme of employees. Every employee was entitled to 5 days of holidays beyond the Labour Code.

Education:
Education in ZSE focuses mainly on development of skills. The biggest part of these educational and training activities concerned courses required by law. The emphasis was placed on individual approach to development needs of the employees. The company also implemented an intensive development program for talented employees, the so-called successor program Banka talentov (Talent Bank).

The Graduate Programme is a key programme for practical preparation of young generation. It is aimed at education of successors for technical positions through systematic development and work positions in selected units.University students can participate in the scholarship programme within which they work in our Company during their last years of the study, with a prospect of taking up a specific work position.

4. Occupational Health and Safety

Occupational Health and Safety

Our company has been focusing on systematic development and training of employees in occupational health and safety in the long-run. Considering the nature of works in nergy business, observance of OHS rules is the top priority. In addition to standard trainings required by law, a defensive driving safety course was introduced, in which very employee driving a company car took part. A sum of EUR 4,558 was invested for The company into personal and protective work equipment and tools,Ðbligatory training courses on occupational health and safety, and preventive medical check-ups.

The TRIF comb. indicator – a number of incidents incurred by the employees of the ZSE Group and of contractors per 1 million hours of work for the monitored period Ð is reported in the ZSE Group. In 2018, the TRIF comb. was 3.0.

No registered occupational accident or occupational disease was recorded in ZSE Energia in 2018.

Within the supervisory audit in 2018, the ZSE Group showed improvement of the established System of Integrated Management (SIM) and managed to keep International certificates ISO 14001 and OHSAS 18001. The re-certification agency identified SIM strengths and improvements and came to the conclusion that SIM is in line with the requirements of ISO 14001 and OHSAS 18001 standards, applicable laws and achieves continuous improvement. The audit led to recommendations of the certification agency to continue with the certification.

5. Environmental Protection

Environmental Protection

ZSE Energia offers its customers services supporting solutions to save natural sources and use renewable energy sources, e.g. ZEON Fotovolt, ZEON Solar, ZEON Klima.

ZSE online account brought about many positive changes in 2018 from the perspective of environment. In activating an on-line account, the Company encouraged its customers to use e-invoice and e-payment and, to set-up the account for receiving overpayments. An important environmental aspect of the online account is the possibility of ordering services without any paper documents.

ZSE Energia is an overseer of the portal www.setri.sk, which significantly contributes to the support of environmental public awareness.
In 2018, innovations, saving energy in households and e-mobility were among the most read themes of the portal setri.sk.

As a leader in innovations, the Company keeps on presenting new products and services focusing on energy efficiency and solutions to reduce energy consumption of buildings. Energy certificate is needed for a final approval for your house or sale of the apartment. We offer this service for a good price and with a guarantee of the professional course of the certification. Energy audit is a solution only for large businesses which are required by law to undergo energy audit. The audit leads a complete proposal of measures aimed at energy savings.

6. Products and services

Households

Electricity and gas

Customers in the regulated segment experienced slightly higher prices of electricity as in 2017. Likewise in non-regulated segment, prices went up year-on-year as a result of the rise of electricity price on energy exchange. Non-regulated customers in the corporate segment arranged the prices individually. The price depended on when the customer signed the contract for 2018 and how long for.

In addition, customers could order a free-of-charge non-stop emergency service **Elektrina so zárukou** (Electricity with Benefits) as a part of which electricity failure or breakdowns are removed free-of-charge up to EUR 150. This service is currently used by more than 294,000 customers. The Elektrina so zárukou product also includes the repair of a sparking outlet, broken switch or burnt circuit breaker.

Households and small business (regulated customers) experienced different prices for gas supply - as defined by valid price regulation. For unregulated customers (retail), the prices for gas supply remained unchanged as compared to 2017.

The **Plyn so zárukou** (Gas with Benefits) service also offers a non-stop emergency service and repair of a gas boiler or dripping radiator for free up to EUR 150. This service is currently used by more than 50,000 customers. The Elektrina so zárukou and Plyn so zárukou services saved more than EUR 175,000 to our customers in total.

Additional services and Value-added services

The most popular additional service in 2018 was **ZSE Asistuje Plus** (ZSE Assists Plus). It is a complete emergency service when the Company ensures removal of electricity, gas, water and heating breakdown within a two of hours. Customers do not pay for repairs of appliances (white and brown goods) including spare parts or a broken window. The number of individual payments per year is not limited and the payment limit is EUR 200 per repair. More than 100,000 satisfied customers used this service.

The **ZSE Zdravie** (ZSE Health) healthcare service used already by more than 43,000 customers, includes a family doctor on the phone 24 hours a day and above-standard services in case of hospitalisation up to EUR 200. This service includes, for example, accommodation for a parent with a hospitalised child, payment for hospital stay, a service that will accompany patients to doctors and other.

The **ZSE IT Pomoc** (ZSE IT Assistance) service helps customers install software in computer via remote access, ensures telephone assistance for setting-up a cell phone or brown goods, or recovers data from a broken data carrier

ZSE Balík Domov Komplet

ZSE Poistenie platieb

which a technician picks up directly from the customer. Benefits of ZSE Asistuje Plus, ZSE Zdravie and ZSE IT Pomoc services can be used in one package **ZSE Balík Domov** (ZSE Package Home).

Furthermore, our product portfolio includes **ZSE Balík Domov 2** (ZSE Package Home 2), which, in addition to ZSE Asistuje Plus, offers extended service of ZSE Zdravie plus. In addition to standard service ZSE Zdravie, this service includes a unique service Diagnose.me, i.e. the possibility of asking for a second medical opinion and consulting a diagnose with international medical experts.

More demanding customers could use **ZSE Balík Domov Komplet** (ZSE Package Home Complete) which is getting very popular now. It is a combination of ZSE Asistuje Plus, ZSE Zdravie Plus and ZSE IT Pomoc. More than 28,000 of our customer used favourable packages of services.

The **Poistenie domácností** (Household Insurance) service also enjoys popularity. It is comprehensive insurance of household and liability for damage, without co-insurance and terms, and with the insurance benefits to be paid within 15 days after the insured event end.

As part of the **ZSE Poistenie platieb** (ZSE Payments Insurance) service the customers get insurance of regular monthly payments in case of sick-leave, insurance of assistance services in case of rehabilitation, spa treatment or insurance in case of hospitalisation as a result of an injury. So far, more than 5,500 customers have subscribed to this service.

The newest product is **ZSE Poistenie sedadiel** (ZSE Insurance of Seats) which the Company introduced on the market in the end of the year. It is insurance of health damage which occurs as a result of injury caused when transporting by an insured vehicle.

Complete solutions for homes

ZEON smart energy solutions were offered in 2018 too. This includes smart home, photovoltaic panels, solar collectors or smart cooling.

The **ZEON Smart Domov** (ZSE Smart Home) consists of mutually interconnected devices and sensors controlled by a free ZEON application installed in the smart phone. Customers could choose from 4 different packages depending on the functionality. The **ZEON Smart Domov Komplet** (ZEON Smart Home Complete) offers a complete overview of what is actually happening at home. The package includes a control unit, smart socket, smart extension cable, motion sensor, door sensor, smoke sensor, flood sensor, temperature-humidity sensor, music light bulb and smart button. This year, smart camera was added.

The **ZEON Smart Domov Bezpečnosť** (ZEON Smart Home Safety) package would keep your home safe while out. It includes a control unit, smoke sensor, door sensor, motion sensor, temperature-humidity sensor, flood sensor, smart button and smart camera.

With the **ZEON Smart Domov Úspora** (ZEON Smart Home Savings) the customer is able to control his energy consumption.

Another package of our smart home solutions is **ZEON Smart Home Zábava** (ZEON Smart Home Fun).

Another solution offered under the ZEON brand is **ZEON Fotovolt** (ZEON Photovoltaics). This solution is ideal when a customer wishes to produce electricity for his own consumption, save on energy and be friendly to environment. In selected ZEON Fotovolt solutions, Customers are able to store electricity in a battery and save even more. With this solution the customer gets a free-of-charge application into his smart phone where he can see information about produced and consumed energy. So far, the Company installed almost 200 ZEON photovoltaic systems to its customers.

Furthermore, smart solutions for households include **ZEON Solar** (ZEON Solar). This solution using solar collectors is able to save on water heating costs up to 70% annually. Energy obtained in the form of heated water can be used for customer´s own consumption - washing, heating or for swimming pool. Solar collectors from ZSE have a life-cycle up to 30 years and a warranty of up to 12 years. So far, the Company installed more than 460 ZEON Solar systems to its customers.

Under the ZEON brand, In 2018, the Company extended its offer of smart cooling in the form of **ZEON Klima** product. During the year the Company installed more than 400 ZEON Klima pieces.

This year, the thermal pumps for newly built family housesÚnd houses under reconstruction were added to smart solutions family. This year, the thermal pumps for newly built family housesÚnd houses under reconstruction were added to smart solutions family.. Flats could benefit from smart thermostatic radiator valves controlled by smartphone.

Businesses

Electricity/Commodity Gas

The **E.Benefit** (E.Benefit) offer was designed for segment of regulated customers with the annual electricity consumption of up to 30 MWh at all supply points and unregulated customers with the annual electricity consumptions from 0 to 250 MWh or over 250 MWh, unless the customer has more than 50 supply points. With the E.Benefit product the customer got a percentage discount on a current pricelist for 12 months with the repeated automatic prolongation.

The **Plyn Výhoda** (GasBenefit) product was designed for segment of unregulated customers with the valid contract with tariff products. Customers get percentage discount on a current pricelist depending on their consumption and a term they choose (12, 24 or 36 months). The longest term, the higher discount.

The **Firma Komfort Plyn Plus** (BusinessComfortGasPlus) product offers an attractive low price of the commodity not only for gas supply but also for complete multiple gas services, especially in comparison with prices offered by the dominant gas supplier on the gas market in Slovakia. The product is for unregulated consumers (businesses, entrepreneurs and institutions) with one or more supply points, where consumption at all supply points does not exceed 641,400 MWh in 12 consecutive calendar months and, at the same time, every supply point meets conditions of the ”Retail” category.

Additional Services

Among additional services, the **ZSE Asistuje Firma** (ZSE Assists Business) product was offered to businesses. It is an additional product to electricity or gas supply provided to our customers for free. The product includes: insurance of legal protection and tax assistance with the financial coverage of up to EUR 1,500 per year of insurance, especially for tax and legal purposes; IT support, recovery of data from damaged carriers up to EUR 1,500 and assistance for technology devices; assistance in case of emergencies and repairs (costs of intervention is fully paid by the insured) and personal assistance (costs of the ordered services is fully paid by the insured).

Corporate customers could benefit from **SMART meters**. A manual meter-reading is not needed any longer because data are sent to the distribution company automatically via smart meters, recording the customer´s consumption. The customer has a detailed overview of his consumption over the day thanks to which he can optimise his energy costs, e.g. by shifting a part of consumption to a lower, cheaper tariff. A part of ZSE care for corporate customers were advisory services, e.g. correct setting of reserve capacity, maximum reserve capacity or adherence to power factor.

Big corporate customers could benefit from the **ZSE Chráni product** within which the Company offered UPS devices (uninterruptible power supply), **ZSE Lokálny zdroj** (spare energy source) and **ZSE Optimalizuje** (compensation units; metering and regulation; external energy adviser).

Online account

Households | Businesses
In the end of 2018, the online account was used by more than 160,000 customers. By activating the supply point in the online account, the customer gets an overview of his consumption, payments and bills which he can immediately pay by the payment gateway. He can even activate e-invoice online, change his contact data, the amount of advance payment or payment methods, or set up the account for receiving overpayments. In the online account the customer can change gas supplier, change the owner of the supply point to other consumer or can make a free-of-charge consumption analysis which would recommend an optimum electricity tariff. In 2018, in the on-line account was added a new service Unpaid Advance Payment Reminder. Security of all active operations by the customers is ensured through a text message sent to the customer´s telephone.

Corporate customers can use functionalities such as mass download of bills in the XML or XLS formats, possibility of creating their own views or filter bills by their own criteria. Another new functionality is a possibility of searching for a bill by its number or extended possibilities of filtering by date of creation, due date or payment method.

The online account has important environmental dimension since the customer does not get any papers to sign when he wishes to change or order something and all changes are made automatically and online.

ZSE Chráni

Online účet

7. Corporate Social Responsibility

Skupina ZSE patrí na Slovensku k lídrom v otázkach zodpovedného podnikania a jeho princípy sú súčasťou každodenných rozhodnutí a stratégie podnikania. Zodpovedné podnikanie má priamy vplyv na lojalitu a spokojnosť zamestnancov. Zahŕňa konanie spoločnosti nielen v oblasti energetiky, ale aj prístup k miestnym komunitám a okolitému prostrediu.

Corporate Social Responsibility

In the area of corporate Social responsibility, the aim of ZSE Group is to support education, foster innovation, protect environment and develop communities.

Education

The ZSE Group has been a partner of the **Green School** educational programme for many years.
This programme is designed for kindergartens, primary and secondary schools. It focuses on support of school communities where their members can test both the magic and pitfalls of cooperation. The programme promotes long-term and practical initiatives with real positive impact on schools and environment.

The main coordinator of the programme is ŽIVICA - a centre of environmental and ethical education. The Green School programme has been in place in Slovakia since 2004. In the school year 2018/2019, up to 345 schools were engaged in the programme.

ZSE has been a partner to the **Socrates Institute** for several years. It is an accredited study for university active students and graduates, aimed at training Slovak future leaders. The Institute aims to create conditions for development of personalities, young people who are willing to work on themselves, bear responsibility for what they do and pursue their vision.

Innovations

To support innovations, Impact Hub is our key partner. Impact Hub is a part of an international platform of experts, organisations, teams and individuals who pursue a common objective – **building better conditions for social business development** on local markets and worldwide.

A good example of effective cooperation is Hackhaton format which has been produced by, together with Impact Hub, Západoslovenská distribučná for the second time. It is a unique challenge of such type and scope on the Slovak energy market and in Central Europe, when energy business provided an analysis of anonymised data from real meter-readings to a free community of startupers. The teams involved ran the simulation of energy-sharing community development and alternative energy-sharing model focusing on end customers.

Community Development

Corporate social responsibility directly effects loyalty and satisfaction of employees. Employees can improve their surroundings and develop communities they live in by engaging themselves in a grant programme. The employees - as volunteers - selflessly help directly in schools, community centres or other organizations with trimming courts and gardens, cleaning parks and public spaces, beautifying interiors and in other various activities.

ZSE Foundation

ZSE carries out corporate responsibility activities by its foundation too.
ZSE wishes to create inspiring and innovative environment, making real changes in schools, local communities and society. In 2018 the ZSE Foundation announced the 3rd annual open grant programme **Making Regions Move**, with the intention of supporting community and cultural life in the West Slovakia municipalities. The programme supported local cultural, social, sport and other events, connecting local communities and contributing to the local life, improving personal relationships, mobilizing communities and connecting generations. The sum of EUR 120,000 was allocated and 159 projects were completed within the programme.

In cooperation with the association for helping the handicapped APPA, in 2018 ZSE Foundation opened the second year of grant scheme **We Will Get You To School**. Three schools were supported by the total sum of EUR 24,000, to build barrier-free premises for their disabled students.

In another grant scheme **We Remove Barriers**, we chose 7 charity events proceeds of which was used for improvement of quality of life of disabled people. Financial support of EUR 1,000 was designed for technical organisation of the charity events. Proceeds could have been used for rehabilitation, medicaments, compensation and medical aids, barrier-free reconstructions of flats and other needs to improve life quality

Power station Piešťany

In 2014, ZSE put in operation the renovated Power station Piešťany, which has been gradually transforming into a unique centre for theme education in the area of science, research and arts. Education consists of two programmes. The first programme focuses on the promotion of science for schools, done mainly through interactive exhibitions accompanied by various workshops, quizzes and competitions. The second programme is aimed at laic and technical public. In a funny ways, students and visitors have an opportunity to get more information about electrical, magnetic, solar and hydro power interactive installations. Energy of creative people and artists is presented through discussions, expositions, concerts and less traditional forms of theatre art.

Annex

Financial Statements and Independent Auditor's Report

31 December 2018

Obsah

Statement of Financial Position

Statement of Financial Position			
In thousands of EUR	**Note**	**31 December 2018**	**31 December 2017**
ASSETS			
Non-current assets		98	34
Property, plant and equipment	6	5,507	5,613
Intangible assets		13	13
Investments	13	2,846	7,318
Total non-current assets		**8,464**	**12,978**
Current assets			
Inventories	7	10,896	9,946
Trade and other receivables	8	140,376	114,856
Income tax		4,163	-
Receivables from cash pooling	9	6,787	13,675
Cash and cash equivalents	10	2,521	1,749
Total current assets		**164,743**	**140,226**
TOTAL ASSETS		**173,207**	**153,204**
EQUITY			
Share capital	11	6,639	6,639
Legal reserve fund	12	1,331	1,331
Retained earnings		18,913	12,794
TOTAL EQUITY		**26,883**	**20,764**
LIABILITIES			
Non-current liabilities			
Post-employment defined benefit obligations	14	708	639
Other long term employee benefits	15	214	164
Total non-current liabilities		**922**	**803**
Current liabilities			
Trade and other payables	16	145,402	129,543
Current income tax liabilities		-	2,094
Total current liabilities		**145,402**	**131,637**
TOTAL LIABILITIES		**146,324**	**132,440**
TOTAL LIABILITIES AND EQUITY		**173,207**	**153,204**

These financial statements have been approved for issue by the Board of Directors on 21 March 2019.

Mgr. Juraj Krajcár
Chairman of the Board of Directors

Ing. Mgr. Juraj Bayer, PhD.
Member of the Board of Directors

The accompanying notes 1 to 27 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income			
In thousands of EUR	**Note**	**2018**	**2017**
Revenue from electricity and other revenue	**17**	**744,160**	**681,634**
Revenue from natural gas		**94,449**	**98,973**
Purchases of electricity and related fees	18	(704,564)	(652,915)
Natural gas purchased		(88,381)	(90,183)
Employee benefits	19	(10,258)	(8,336)
Depreciation and amortization	6	(1,760)	(1,326)
Other operating expenses	20	(15,994)	(17,140)
Other operating income		2,405	2,112
Profit from operations		**20,057**	**12,819**
Finance income/(costs)			
Interest income		15	14
Interest and similar expense		(10)	(6)
Finance costs, net		**5**	**8**
Profit before tax		**20,062**	**12,827**
Income tax expense	13	(5,265)	(3,064)
Profit for the year		**14,797**	**9,763**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Actuarial remeasurements of post-employment defined benefit obligations	14	178	(10)
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	13	(37)	2
Total other comprehensive income for the year		**141**	**-8**
Total comprehensive income for the year		**14,938**	**9,755**

The accompanying notes 1 to 27 are an integral part of these financial statements.

Statement of Changes in Equity

Statement of Changes in Equity

In thousands of EUR	Share capital	Legal reserve fund	Retained earnings	Total equity
Balance at 1 January 2017	**6 639**	**1 331**	**14,137**	**22,107**
Profit for the year	-	-	9,763	9,763
Other comprehensive income for the year	-	-	(8)	(8)
Total comprehensive income for 2017	**-**	**-**	**9,755**	**9,755**
Dividends declared and paid (Note 11)	-	-	(11,098)	(11,098)
Balance at 31 December 2017	**6 639**	**1 331**	**12,794**	**20,764**
Change in accounting policies (Note 3 and 8)	-	-	711	711
Adjusted balance at 31 December 2017	**6 639**	**1 331**	**13,505**	**21,475**
Profit for the year	-	-	14,797	14,797
Other comprehensive income for the year	-	-	141	141
Total comprehensive income for 2018	**-**	**-**	**14,938**	**14,938**
Dividends declared and paid (Note 11)	-	-	(9,530)	(9,530)
Balance at 31 December 2018	**6 639**	**1 331**	**18,913**	**26,883**

The accompanying notes 1 to 27 are an integral part of these financial statements.

Statement of Cash Flows

Statement of Cash Flows			
In thousands of EUR	**Note**	**2018**	**2017**
Cash flows from operating activities			
Profit before tax		20,062	12,827
Adjustments for non-cash items:			
– Depreciation of property, plant and equipment		1,760	1,326
– Contract assets - external dealers' services in terms of IFRS 15		(293)	-
– Interest income		(15)	(14)
– Interest and similar expense		10	6
– Other items		2	-
Cash generated from operations before changes in working capital		21,526	14,145
Changes in working capital:			
– Inventories		(950)	(3,233)
– Trade and other receivables		(24,410)	(22,415)
– Receivables from cash pooling		6,888	25,025
– Trade and other payables		15,657	8,032
– Provisions for liabilities and charges and deferred income		286	185
Cash generated from operations before interest and taxes		**18,997**	**21,739**
Interest income received		15	14
Income tax paid	26	(7,087)	(7,498)
Net cash from operating activities		**11,925**	**14,255**
Cash flows from investing activities			
Purchase of property and equipment and intangibles		(1,623)	(2,939)
Other investments		-	(6)
Net cash used in investing activities		**(1,623)**	**(2,945)**
Cash flows from financing activities			
Dividends paid	11	(9,530)	(11,098)
Net cash used in financing activities		**(9,530)**	**(11,098)**
Net change in cash and cash equivalents		**772**	**212**
Cash and cash equivalents at the beginning of the year		1,749	1,537
Cash and cash equivalents at the end of the year	**10**	**2,521**	**1,749**

The accompanying notes 1 to 27 are an integral part of these financial statements.

Notes to the Financial Statements – 31 December 2018

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2018 for ZSE Energia, a.s. (hereinafter "The Company" or "ZSE E").

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 18 August 2006. The Company was incorporated in the Commercial Register of the District Court Bratislava I on 22 September 2006.

Principal activity. The Company provides electricity supply services primarily in the Western Slovakia region. At the end of 2011, the Company's supply business commenced offering gas to large industrial customers and since April 2012 to SMEs and households in addition to electricity.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 36 677 281 and its tax identification number (IČ DPH) is: SK2022249295.

Presentation currency. These financial statements are presented in Euro ("EUR"), rounded to thousands, unless otherwise stated. Negative amounts are presented in brackets.

Ownership structure. Západoslovenská energetika, a.s. owns 100% of the Company's shares. ZSE Energia, a.s. is included in the consolidated financial statements of Západoslovenská energetika, a.s. ("The Parent company").

The Parent company is jointly controlled by E.ON and the Slovak Republic as a result of a shareholders agreement, which requires the parties to act together to direct the activities that significantly affect the returns of the Parent company. The Parent company's governance structure dictates that the parent company Strategic plan shall be approved by representatives of both E.ON and the Slovak Republic. Further, any decisions by general meeting of shareholders must be made jointly by the existing shareholders, because a qualified two thirds majority of votes is required to pass any decision, while restrictions exist for transfer of shares to parties not under control of existing shareholders. Refer to Note 11.

List of members of the Company's board of directors and of the supervisory board is publicly available from the Commercial Register operated by the Ministry of Justice of the Slovak Republic at www.orsr.sk.

Number of employees. The Company employed 261 staff on average during 2018, of which 10 were management (2017: 204 employees on average, of which 11 were management).

2 Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated.

The Board of Directors may propose to the Company's shareholders to amend the financial statements until their approval by the general shareholders meeting. However, § 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity's accounting records after the financial statements are approved by the general shareholders' meeting. If, after the financial statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entities to restate comparative information in the reporting period in which the relevant facts are identified.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised 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. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or costs.

Depreciation. Land and construction in progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Depreciation on other items of property, plant and equipment	Useful lives in years
Machinery and equipment	4 – 15 year

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Intangible assets. Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met: (a) it is technically feasible to complete the software product so that it will be available for use; (b) management intends to complete the software product and use or sell it; (c) there is an ability to use or sell the software product; (d) it can be demonstrated how the software product will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (f) the expenditure attributable to the software product during its development can be reliably measured.

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

At the end of each reporting period management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, management reduces the carrying value to the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

Inventories. Inventories are stated at the lower of acquisition cost and net realizable value. Weighted average method is used for determination of cost of inventories. The cost of material includes purchase price and directly attributable acquisition costs, such as customs duties or transportation costs. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Trade receivables. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, net of provision for impairment.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against impairment losses within "other operating expenses"..

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Provision for loss contracts (measured at fair value through profit or loss (FVTPL)). This represents contracts for delivery or supply of a commodity that is readily convertible to cash, and which are not held for own use, as evidenced by an open market exposure, which was subsequently closed at a loss. These contracts have all three of the following characteristics: (a) the contract's value changes in response to the change in market price of commodity, which is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The asset or liability is carried at fair value through profit or loss.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected. The critical judgements applied by the Company in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Company in performing the SPPI test for its financial assets.

The Company holds only trade receivables, contractual assets and cash equivalents. The nature of financial assets is short-term, and the contractual cash flows represent principal and interest payment that takes into account the time value of money and therefore the Company recognizes these in amortized cost.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for receivables measured at AC and for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.
Receivables measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

Financial assets measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the amount of receivables turnover during the current period, revenues for the current period and the amount of receivables written off.

In 2017 provision for impairment of receivables was established when there was objective evidence that the Company was not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probability that the debtor was enter bankruptcy or financial reorganisation, default or delinquency in payments (more than 1 month overdue) were considered objective evidence that the trade receivable was impaired.
The amount of the provision was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset was reduced using an allowance account, and the amount of the loss was expensed within "other operating expenses".

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

Financial assets - derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets to an unrelated third party.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities designated at FVTPL. The Company may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss because they are held for collection of contractual cash flows and those cash flows represent SPPI.

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the share issue.

Dividends. Dividends are recorded in equity in the period in which they are declared. The financial statements of the Company are the basis for profit distribution and other appropriations.

Legal reserve fund. The legal reserve fund is set up in accordance with the Commercial Code. Contributions to the legal reserve fund were made at 10% of the Company's profit for the year, up to 20% of the share capital. Such funds are not distributable and may only be used to increase share capital or to cover losses.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current income tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Current income tax also includes a special levy on profits in regulated industries at a rate of 8.712% per annum on profits from regulated activities. From 2017 new methodology for calculating of the special levy applies, where the basis for the special levy is calculated as profit before tax * (revenues from regulated activities/total revenues). In 2016 the special levy applied to profits over EUR 3 million from regulated activities at a rate of 4.356% p.a. The rate of special levy used for the calculation for 2017 and 2018 is 8.712% p.a., then for the years 2019 - 2020 the rate 6.540 % p.a. applies and 4.356% will apply from 2021. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the respective reporting period and apply to the period when the related deferred income tax asset will be realised, or the deferred income tax liability will be settled. The special levy on profits is chargeable on profits determined in accordance with Slovak GAAP and hence, a deferred tax in relation to special levy arises only where there is a temporary difference between Slovak GAAP and IFRS carrying values of assets and liabilities. Such deferred taxes arose for the first time in 2016 when the Slovak parliament enacted a law making the levy applicable indefinitely as explained above.

Deferred income tax assets are recognised 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 provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Post-employment and other long term employee benefits. The Company contributes to state and private defined contribution pension and social benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are expensed when incurred.

As agreed with the trade unions, the Company also has (a) a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement, depending on the number of years worked for the Company and (b) an obligation to pay work and life anniversary long service bonuses. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

Actuarial remeasurements on post-employment benefits arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise, and are immediately reclassified to retained earnings in the statement of changes in equity. Actuarial remeasurements of the obligation to pay work and life anniversary long service bonuses are recognised in profit or loss for the year as employee benefits expense when incurred. Past service costs, if any, are expensed when incurred.

As explained in IAS 19, Employee Benefits, paragraph 133, the Company does not distinguish current and non-current portions of defined benefit obligations and presents the estimate as a whole within non-current liabilities.

Trade payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within less than one year, or within the entity's operating cycle. All other accounts payable are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Leases. Leases, in which a significant portion of the risks and rewards of the ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (including incentives received from the lessor) are expensed on a straight-line basis over the period of the lease.

Provisions / Contingent liabilities. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised 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 recognised as interest expense.Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

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

Revenue recognition. Revenue comprises the fair value of the consideration received or receivable for the sale of electricity, natural gas, other goods and services in the ordinary course of the Company's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria will be met for each of the Company's activities as described below. The amount of revenue is not considered reliably measurable until all contingencies relating to the sale have been resolved.

Revenue from sale and distribution of electricity. Revenue from the sale and distribution of electricity is recognised when the electricity is delivered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. The consumption of retail customers in the segment of small businesses was metered during December 2017. The consumption of retail customers in the households' segment is metered and billed on an annual basis and the Company split its household customer base to twelve billing cycles. The billing of electricity supplied in 2017 for all twelve billing cycles will be completed in December 2018. The Company uses the Enersim demand profile data for estimating the delivered but unbilled accrued revenue. Network losses are included in the cost of purchased electricity.

Revenue from the sale of electricity on the spot market and the settlement of variations in consumption and cross - border profile recharges represent sales of electricity purchased on the short-term market for regular customers due to short-term deviations in their consumption diagrams and fees paid by the regular customers for deviating from the planned consumption curve. All these revenues realised on the spot market are recognised when the electricity is delivered or the contract is fulfilled.

Revenue from sale of gas. Revenue from the sale of gas is recognised when the gas is delivered to the customer. Consumption to wholesale customers is metered and billed on a monthly basis. The consumption of retail customers in the households' segment is metered and billed on an annual basis and the Company split its household customer base to twelve billing cycles. The billing of gas supplied in 2017 for all twelve billing cycles will be completed in December 2018.

Sales of services. Sales of services are recognised in the reporting period in which the services are rendered, by reference to completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided.

Interest income. Interest income is recognised on an accrual basis using the effective interest method.

Contractual penalties. Contractual penalties are recognised when the cash payment is received, because contractual penalties relate to contracts with customers who intended to defraud ZSE E and as such are relatively difficult to collect.

Foreign currency translation. These financial statements are presented in thousands of EUR, which is the Company's presentation currency. The functional currency for the Company is EUR.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2018:

IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The Company adopted IFRS 9, Financial Instruments, from 1 January 2018. The Companys elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

The significant new accounting policies applied in the current period are described in Note 8. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 8.

The following table reconciles the carrying amounts of each class of financial assets as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 January 2018.

Carrying amounts

In thousands of EUR	Measurement category		Carrying value under IAS 39 - 31 December 2017	Effect of adopting IFRS 9				Carrying value under IFRS 9 - 1 January 2018
				Reclassification		Remeasurement		
	IAS 39	IFRS 9		Mandatory	Voluntary	ECL	Other	
Cash and cash equivalents	L&R	AC	1,749	-	-	-	-	1,749
Trade and other receivables:								
Trade receivables at FVTPL	L&R	AC	95,241	-	-	-	-	95,241
Other receivables at FVTPL	L&R	AC	19,615	-	-	-	-	19,615
Total trade and other receivables at FVTPL			**116,605**	-	-	-	-	**116,605**
Total financial assets			**116,605**	-	-	-	-	**117,316**

(a) Cash and cash equivalents

All classes of cash and cash equivalents as disclosed in Note 10 were reclassified from loans and receivables ("L&R") measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for cash and cash equivalents balances were insignificant.

(b) Trade and other receivables

All trade receivables and other receivables disclosed in Note 8 were reclassified from the PaP valuation category under IAS 39 to IFRS 9 in accordance with IFRS 9 at the date of application of the Standard. The impact of reclassification on the book value is insignificant.

IFRS 15, Revenue from Customer Contracts (Standard issued on 28 May 2014 and effective in the EU for accounting periods beginning on or after 1 January 2018). This new standard introduces the principle that revenues are to be recorded at the transaction price at the time the goods or services are transferred to the customer. Any bundled goods or services that are distinguishable must be billed separately and discounts or pay-backs from the sales price must be allocated to individual items. If the price is for any reason variable, a minimum value that is highly unlikely to be derecognised must be posted. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed by the Company.

In accordance with the transition provisions in IFRS 15 the Company has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the consolidated financial statements for the year-ending 31 December 2018 which will be the first year when the Company will apply IFRS 15.

The Company applied the practical expedient available for simplified transition method. The Company applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

The adoption of IFRS 15 resulted in changes in accounting policies and adjustments to be recognised in the consolidated financial statements. Based on the analysis of the Company's revenue streams for the year ended 31 December 2018, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, in view of simplified transition method application, the Company assessed impact of this standard on its consolidated financial statements as significant, in particular from capitalization of commissions paid to external agents selling the Company`s products as contract assets. The impact of IFRS 15 adoption including income tax on equity at 1 January 2018 is shown in the consolidated statement of changes in equity.

The following amended standards and interpretations became effective for the Company from 1 January 2018 but did not have a material impact on the Company:

- Amendment to IFRS 15, Revenue from contracts with customers (issued on 12 April 2016 and effective in the EU for accounting periods beginning on or after 1 January 2018).
- Amendment to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective in the EU for annual accounting periods beginning on or after 1 January 2018).
- Improvements to International Financial Reporting Standards for the Period 2014-2016 - Amendments to IFRS 1 and IAS 28 (Amendment issued December 8, 2016 and effective for the EU for annual periods beginning on or after 1 January 2018).
- IFRIC 22, Foreign Currency Transactions and Advance Accounts (Interpretation issued on December 8, 2016 and effective in the EU for annual periods beginning on or after January 1, 2018).

4 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for annual periods beginning on or after 1 January 2019, and which the Company has not early adopted:

IFRS 16, Leases (issued on 13 January 2016 and effective in the EU for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of IFRS 16 on financial statements

The Company has created a project team that has reviewed the Company's lease contracts for the previous period in view of the new lease accounting rules in IFRS 16. This Standard will have an impact on accounting for the Company of Operating Leases. At the balance sheet date, the Company has irrevocable commitments from operating leases of 10,376 thousand EUR (see Note 25). Of these commitments approximately 0 thousand EUR short-term rentals and 0 ths. EUR low value leases, which will be reported on a straight-line basis as an expense in the income statement

For remaining leases, the Company expects to recognize an asset with a right of use of approximately 10,367 thousand (without discounting) as of 1 January 2019. EUR and a lease liability of 10,376 thousand. EUR. (without discounting). Total net assets will not change.

The Company expects the net profit after tax to be reduced by approximately 0 thousand. EUR as a result of the adoption of new accounting policies. It is expected that adjusted EBITDA will increase by approximately 935 thousand EUR, since operating lease costs were included in EBITDA, but the depreciation of the asset with the right to use and interest on the lease liability is excluded in the calculation of this indicator.

Cash flows from operating activities will increase and cash flows from financial activities will decrease by approximately 935 thousand EUR, since repayments of principal as parts of a lease liability are classified as cash flows from financing activities.

The activities of the Company as a lessee are not material and therefore the Company does not expect material impact on the financial statements.

The following table shows the comparison of future payments from operating leases disclosed in Note. 25 to lease liability:

Comparison of future payments from operating leases disclosed

In thousands of EUR	31 December 2018
Total future payments from non-cancellable operating leases (Note 25)	10,376
Total lease liability	**10,376**

Date of application of IFRS 16

The company will apply the Standard from its mandatory date of receipt on January 1, 2019.

The company intends to apply a simplified transition approach and will not review comparative information for the year before the date of first admission. Assets with a right of use will be measured at the amount of the lease liability at the date of initial application (adjusted for any pre-emptive or operative lease commitments).

IFRIC 23 „Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

The following standards, interpretations and amendments are not expected to have any material impact on the Companie's consolidated financial statements:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related 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.

ECL measurement of receivables. The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the amount of receivables turnover during the current period, revenues for the current period and the amount of receivables written off. The Company has considered the expected GDP development in Slovakia and the expected payment discipline for the next 12 months. Based on these indicators, it was decided that the creation of impairment provisions for trade receivables based on historical data is sufficient, as the development of the indicators corresponds to the development of previous years. The expected development of individual macroeconomic indicators has an insignificant impact on the value of expected credit losses.

Unbilled electricity. The unbilled revenue from delivery and distribution represent an accounting estimate based on estimated volume of delivered and distributed electricity expressed in MWh for low voltage network and estimated unit price that will be billed in the future. The Company uses a bespoke customer information system Enersim to estimate the unbilled deliveries based on assumed customer demand profiles. This accounting estimate is based on: (a) the estimated volume delivered and distributed to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period; (b) the consumption estimate utilising the time patterns of consumption of various customer profiles observed on a sample basis; (c) the estimated losses in the distribution network; and (d) the unit price in EUR/MWh, that will be applied to billing the electricity delivery and distribution. For more details please refer to Note 16.

The Company also engaged an independent expert to estimate network losses. Should the estimate of total network losses be lower by 0.1 %, representing approximately 10 GWh of electricity (2017: 10 GWh), with other parameters unchanged, the revenues for commodity and distribution services would increase by EUR 44 thousand (2017: EUR 100 thousand).

6 Intangible Assets

Movements in the carrying amount of intangible assets were as follows:

Movements in the carrying amount of intangible assets

In thousands of EUR	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2017	5,957	1,403	7,360
Accumulated depreciation and impairment losses	(2,441)	-	(2,441)
Carrying amount at 1 January 2017	**3,516**	**1,403**	**4,919**
Additions	-	2,008	2,008
Transfers	1,630	(1,630)	-
Amortisation charge	(1,314)	-	(1,314)
Cost at 31 December 2017	7,586	1,781	9,367
Accumulated depreciation including impairment charge	(3,754)	-	(3,754)
Carrying amount at 31 December 2017	**3,832**	**1,781**	**5,613**
Additions	-	1,642	1,642
Transfers	1,746	(1,746)	0
Amortisation charge	(1,748)	-	(1,748)
Cost at 31 December 2018	9,332	1,677	11,009
Accumulated depreciation and impairment losses	(5,502)	-	(5,502)
Carrying amount at 31 December 2018	**3,830**	**1,677**	**5,507**

Assets not yet available for use primarily include software upgrades and improvement of functionality of the customer information system. Software and similar assets disclosed in table above include individual projects, which are partialy purchased and partialy developed by own employees therefore it is not possible to separate the disclosed amounts to those two categories.

7 Inventories

Inventories

In thousands of EUR	2018	2017
Natural gas	10,555	9,677
Materials and spare parts	24	269
Goods	317	0
Total inventories	**10 896**	**9 946**

Natural gas is held in an underground gas storage facility controlled by a related party under significant influence of the Slovak government.

8 Trade and Other Receivables

Trade and Other Receivables

In thousands of EUR	2018	2017
Trade receivables	150,528	116,267
Less impairment provision for trade receivables	(19,194)	(21,026)
Trade receivables, net	**131,334**	**95,241**
Commodity contracts at FVTPL	858	3,394
Contractual assets	1,004	-
Prepayments	7,180	16,191
Excise tax receivable	-	30
Total trade and other receivables	**140,376**	**114,856**

Movements in the impairment provision for trade receivables are as follows:

Movements in the impairment provision for trade receivables

In thousands of EUR	2018	2017
Provision for impairment at 1 January	**21,026**	**21,002**
Impairment loss expense (Note 20)	(381)	1,008
Amounts written off during the year as uncollectible	(47)	(984)
Sold receivables*	(1,404)	-
Provision for impairment at 31 December	**19,194**	**21,026**

*In 2018, Company sold trade receivables at gross value of EUR 1,433 thousand with impairment provision of EUR 1,404 thousand created at the date of sale, while proceeds from the sale of these receivables amounted to EUR 202 thousand.

The credit quality of trade and other receivables is as follows:

The credit quality of trade and other receivables

In thousands of EUR	2018	2017
Neither past due nor impaired		
– collected by 31 January after the reporting period	53,706	35,204
– not collected by 31 January after the reporting period and not overdue	72,845	52,738
– amounts that became overdue after the reporting period	4,238	4,571
Total neither past due nor impaired	130,789	92,513
Individually impaired		
1 to 30 days past due	2,615	2,898
31 to 60 days past due	313	466
61 to 90 days past due	123	263
91 to 120 days past due	71	167
121 to 180 days past due	91	258
181 to 360 days past due	239	810
Over 360 days past due	16,287	18,892
Total individually impaired before provision for impairment	19,739	23,754
Less provision for impairment	(19,194)	(21,026)
Total trade and other receivables	**131,334**	**95,241**

More details of ECL in relation to trade receivables at 31 December 2018 are as follows:

More details of ECL in relation to trade receivables at 31 December 2018	Loss rate	Gross carrying amount	ECL
Trade receivables			
current	1.74%	130,789	2,278
1 to 30 days past due	6.16%	2,615	161
31 to 60 days past due	26.20%	313	82
61 to 90 days past due	52.03%	123	64
91 to 120 days past due	69.01%	71	49
121 to 180 days past due	64.84%	91	59
181 to 360 days past due	89.54%	239	214
Over 360 days past due	100.00%	16,287	16,287
Total trade receivables (gross carrying amount)		**150,528**	
Credit loss allowance		(19,194)	
Total trade receivables (carrying amount)		**131,334**	

Details of Contract assets movement at 31 December 2018:

Details of Contract assets movement at 31 December 2018

In thousands of EUR	At 31 December 2018	Amortization	Additions	At 1 January 2018	At 31 December 2017
Contract assets - dealers commision costs	1,004	493	786	711	-
Loss allowance	-	-	-	-	-
Total current contract assets	**1,004**	**493**	**786**	**711**	**-**

The maturity analysis of contract assets is as follows at 31 December 2018:

The maturity analysis of contract assets is as follows at 31 December 2018

In thousands of EUR	Less then 1 year	From 1 to 5 years	Over 5 years	Total
Contract assets - dealers commision costs	628	376	-	1,004
Total current contract assets	**628**	**376**	**-**	**1,004**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to services of external vendors. The expected loss rates are calculated based on historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors. The loss allowance calculated based on the expected loss rates was concluded as not material.

The Company has a concentration of credit risk towards related parties of the Slovak government. Refer to Note 26.

9 Receivables from Cash Pooling

Receivables from Cash Pooling		
In thousands of EUR	**2018**	**2017**
Receivables from cash pooling	6,587	13,475
Other loans	200	200
Total receivables from cash pooling and other loans	**6,787**	**13,675**

The Company has concluded with its Parent company cash pooling agreement. Based on this agreement the available cash is managed by the Parent company. In the case of additional financing needs the cash from cash pool is made available to the Company. The interest rate on receivable from cash pooling was 0,4% p.a. (2017: 0.4% p.a.).

Receivables from cash pooling are neither past due nor impaired and management of the Company considers this related party as creditworthy without an increased credit risk. Credit rating of the Parent Company is A- by Standard and Poor's.

10 Cash and Cash Equivalents

Cash and Cash Equivalents		
In thousands of EUR	**2018**	**2017**
Current accounts with banks	2,521	1,749
Total cash and cash equivalents in the statement of financial position	**2,521**	**1,749**

The Company has a concentration of cash and cash equivalents balances towards six banks (2017: six banks).

The credit quality of cash and cash equivalents is as follows:

The credit quality of cash and cash equivalents		
In thousands of EUR	**2018**	**2017**
Neither past due nor impaired		
Credit rating A1 by Moody's	567	38
Credit rating A3 by Moody's	6	6
Credit rating Baa1 by Moody's	1,529	975
Credit rating A- by Fitch	419	230
Unrated	-	500
Total cash and cash equivalents	**2,521**	**1,749**

The Company did not account for the expected losses on cash and cash equivalents because, considering the probability of bankruptcy of bank institutions, the impact of such expected losses on the Company's financial statements would be insignificant.

11 Share Capital

The Company's registered share capital consists of 1 share with a nominal value of EUR 33,194 and 1 share at a nominal value of EUR 6,605,590 in overall value of EUR 6,638,784. As at 31 December 2018 and 31 December 2017 all the issued shares were owned by Západoslovenská energetika, a.s. Each share carries voting right equall to share nominal value.

The general meeting of the Company's shareholders approved the Company's prior year financial statements and declared dividends of EUR 9,530 thousand (2017: dividends of EUR 11,098 thousand). Slovak legislation identifies distributable reserves as retained earnings reported in the financial statements of the Company which amount to EUR 18,913 thousand (2017: EUR 12,794 thousand).

Dividend per share represents EUR 48 thousand per share with the nominal value of EUR 33 thousand (31 December 2017: EUR 55 thousand) and EUR 9,482 thousand per share with the nominal value of EUR 6,606 thousand (31 December 2017: EUR 11,043 thousand).

12 Legal Reserve Fund

The legal reserve fund represents appropriations of profits of the Company required by Slovak legislation. The Company is obliged to appropriate at least 10% of its profit until the legal reserve fund achieves at least 20% of the Company's share capital. This fund is not distributable and exists to.

13 Income Taxes

Income tax expense comprises the following:

Income tax expense

In thousands of EUR	2018	2017
Current tax at standard rate of 21% (2017: 21%)	1,395	6,998
Income tax related to prior periods	(1,271)	-
Special levy on profits from regulated activities	706	512
Deferred tax	4,435	(4,446)
Income tax expense/(credit) for the year	**5 265**	**3 064**

In 2018, the applicable standard income tax rate was 21% (2017: 21%). From 2017 new methodology for calculating of the special levy applies, where the basis for the special levy is calculated as profit before tax per Slovak GAAP* (revenues from regulated activities/total revenues). In 2016 the special levy applied to profits over EUR 3 million from regulated activities at a rate of 4.356% p.a. The rate of special levy used for the calculation for 2017 and 2018 is 8.712% p.a., then for the years 2019 - 2020 the rate 6.54% p.a. applies and 4.356% will apply from 2021.

The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

As a result, the income tax rate applicable to regulated activities is as follows:

Income tax rate applicable to regulated activities

	2018	2017
Standard income tax rate for the year	21,000%	21.000%
Special levy rate	8,712%	8.712%
Effect of deductibility of special levy from standard rate*	(2,381)%	(2.381)%
Tax rate applicable on profits generated by regulated industry operations	**27,331%**	**27,331%**

* the effect is calculated as special levy rate in %*((1- income tax rate in %)/(1+ special levy rate in %) -1)

The Company includes activities taxed at the standard tax rate of 21% or at the 27,331% rate applicable to regulated industry operations. The applicable tax rate of 23,659% (2017: 23.976%) is used in the below effective tax reconciliation and represents a weighted average of the tax rates for regulated and unregulated operations. The applicable tax rate changed compared to prior year due to changes in the special levy rate and in the mix of profits from regulated and unregulated industry operations.

A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates is as follows:

A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates		
In thousands of EUR	**2018**	**2017**
Profit before tax	**20,062**	**12,827**
Theoretical tax charge at applicable tax rate of 23,659% (2017: 23.976%)	4,746	3,075
Non-deductible expenses/(non-taxable income) for which deferred tax was not recognised		
– expenses not deductible for standard tax but deductible for special levy purposes	406	8
Other	113	-19
Income tax expense for the year	**5,265**	**3,064**

The deferred taxes are expected to be recovered or settled after more than twelve months after the end of the reporting period because income tax returns are due annually, that is, the deferred tax outstanding at 31 December 2017, that will become current tax in 2018, will be settled in 2019 upon filing the 2018 tax return. The corporate tax advance payments are calculated based on prior year taxes and are thus unrelated to deferred tax balances or the current tax expense expected for subsequent years.

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

Deferred taxes are attributable to the following temporary differences:

Deferred taxes are attributable to the following temporary differences		
In thousands of EUR	**2018**	**2017**
Differences between tax base and carrying value of property, plant and equipment	(1)	39
Post-employment defined benefit obligation	141	125
Other long term employee benefits	44	33
Other liabilities	2,109	6,144
Provision for impairment of trade receivables	582	790
Other	(29)	187
Total net deferred tax asset	**2,846**	**7,318**

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (37) thousand (2017: EUR 2 thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

14 Post-Employment Defined Benefit Obligations

As agreed with the trade unions, the Company has a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement, depending on the number of years worked for the Company. The movements in the present value of defined benefit obligation are:

Súčasná hodnota zamestnaneckých požitkov	2018	2017
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	**639**	**483**
Current service cost	91	63
Interest cost	10	6
Past service costs due to changes in the defined benefit plan rules	-	80
Total expense (Note 19)	101	149
Actuarial remeasurements:		
- attributable to changes in financial assumptions	(119)	42
- attributable to changes in demographic assumptions	(83)	-
- attributable to experience adjustments	24	(32)
Total actuarial remeasurements recognised in other comprehensive income	178	10
Benefits paid during the year	(1)	(3)
Other changes	147	-
Present value of unfunded post-employment defined benefit obligations at the end of the year	**708**	**639**

The principal actuarial assumptions were as follows:

The principal actuarial assumptions	2018	2017
Number of employees at 31 December	277	208
Staff turnover	5.29% p.a.	4.55% p.a.
Expected salary increases short-term	4.00% p.a.	5.00% p.a.
Expected salary increases long-term	2.00% p.a.	4.00% p.a.
Discount rate	1.50% p.a.	1.30% p.a.

In 2018, Slovak legislation also increased a cap on social security tax payable on the post-employment benefits , which in combination with salary level assumptions resulted in an actuarial loss presented above as a loss attributable to changes in demographic assumptions. Management applied its judgement in determining that the changes in legislation are not past service costs caused by changes in the benefit plan rules and thus recognised the effects in other comprehensive income as an actuarial remeasurement caused by changes in social security tax assumptions.

15 Other Long Term Employee Benefits

The Company makes EUR 1,400 (2017: EUR 1,400) payment to each employee at the age of 50, subject to 5 years (2017:5 year) service vesting condition. In addition, the Company pays regular long term work anniversary bonuses in general every 10 years in amounts between EUR 400 to EUR 1,250 (2017: between EUR 400 to EUR 1,250).

The liability for other long-term employee benefits was estimated using the Projected Unit Credit Method.

16 Trade and Other Payables

Trade and Other Payables		
In thousands of EUR	**2018**	**2017**
Trade payables	64,354	1,967
Other accrued liabilities	9,540	50,487
Commodity contracts at FVTPL	3,127	9,050
Other financial liabilities	1,009	167
Total financial instruments within trade and other payables	**78,030**	**61,671**
Contractual liabilities	48,705	42,594
Employee benefits payable	415	312
Social security on employee benefits	330	213
Accrued staff costs	1,677	1,316
Advance payments	13,340	17,923
Value added tax payable	2,397	4, 963
Other payables	116	101
Accrued expenses	144	439
Excise duty payable	248	11
Total trade and other payables	**145,402**	**129,543**

The Company had overdue trade payables of EUR 414 thousand (2017: EUR 0 thousand). None of the payables are overdue more than 30 days at 31 December 2018.

Details of contract liabilities and reclassifications as at 1 January 2018:

Details of contract liabilities and reclassifications as at 1 January 2018			
In thousands of EUR	**At 31 December 2018**	**At 1 Januar 2018**	**At 31 December 2017**
Current			
Accrued income	-	-	42,594
Contract liabilities	48,705	42,594	-
Total current contract liabilities	48,705	42,988	42,594

The movements in contract liabilities were as follows:

The movements in contract liabilities				
In thousands of EUR	**At 1 January 2018**	**Additions**	**Utilizations**	**At 31 December 2018**
Current				
Contract liabilities	42,594	48,705	42,594	48,705
Total current contract liabilities	**42,594**	**48,705**	**42,594**	**48,705**

The maturity analysis of contract liabilities as at 31 December 2018 is as follows:

The maturity analysis of contract liabilities				
In thousands of EUR	**Less than 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Current				
Contract liabilities	48,705	-	-	48,705
Total current contract liabilities	**48,705**	**-**	**-**	**48,705**

17 Revenue from Electricity and Other Revenue

Revenue from electricity comprises the following:

Revenue from electricity comprises In thousands of EUR	2018	2017
Sales of electricity to industrial and commercial customers	229,077	191,734
Sales of electricity to residential customers	88,983	80,563
Total sales of electricity	318,060	272,297
Distribution fees for electricity to industrial and commercial customers	277,118	261,681
Distribution fees for electricity to residential customers	144,201	143,474
Total distribution fees	421,319	405,155
Other revenue	4,781	4,182
Total revenue from electricity and other revenue	**744,160**	**681,634**

Timing of revenue recognition (for each revenue stream) is as follows:

Timing of revenue recognition (for each revenue stream) In thousands of EUR	2018	2017
At a point in time	2,487	1,860
Over time	741,673	679,774
Total revenue	**744,160**	**681,634**

Slovakia has implemented the European Union electricity market directive, which resulted in a complete liberalisation of the market whereby all customers, including households, became eligible to buy electricity in the open market from 1 July 2007. However, price regulation applies to certain protected groups of customers.

18 Purchases of Electricity and Related Fees

The following amounts have been charged to purchases of electricity and related fees:

The following amounts have been charged to purchases of electricity and related fees In thousands of EUR	2018	2017
Purchase of electricity from: Slovenské elektrárne ("SE")	80,138	73,502
Purchase of electricity from other domestic producers and traders	127,474	112,276
Purchase of electricity on the spot market	73,555	64,639
Total electricity purchases	**281,167**	**250,417**
Electricity transmission fees, system access and ancillary service charges and renewable sources feed-in tariffs	421,887	401,465
Other	1,510	1,033
Total purchases of electricity and related fees	**704,564**	**652,915**

19 Employee Benefits

Employee Benefits		
In thousands of EUR	**2018**	**2017**
Wages and salaries	6,887	5,636
Defined contribution pension costs	1,370	1,037
Post-employment defined benefit plan expense (Note 14)	101	149
Other long-term employee benefit plans – current service and interest cost	23	54
Actuarial remeasurements of other long-term employee benefit plans	27	-8
Other social costs	1,850	1,468
Total employee benefits expense	**10,258**	**8,336**

20 Other Operating Expenses

Other Operating Expenses		
In thousands of EUR	**2018**	**2017**
Customers services	4,508	3,997
Advertising	2,072	1,648
Company administration	123	2,663
Information technology and software maintenance costs	2,800	2,763
Finance services	1,058	1,060
Rental costs	892	610
Advisory services	164	181
Statutory audit	40	41
Impairment loss on trade and other receivables (Note 8)	(381)	1,008
Assignment of receivables	1,202	(9)
Personal leasing and external dealers commission	778	2,030
Other operating expenses	2,738	1,148
Total other operating expenses	**15,994**	**17,140**

21 Financial Risk Management

The Company's activities are exposing it to certain financial risks: market risks, credit risk and liquidity risk. The Company's principal financial instruments comprise trade receivables and payables, cash and cash equivalents and short-term bank deposits.

Foreign exchange risk. The Company operates in the domestic market, and its sales, purchases and short-term deposits are denominated in EUR. Management does not consider foreign exchange risk as a significant exposure for the Company's operations as it has only an immaterial volume of transactions in currency other than EUR. A reasonably possible change in spot exchange rate of EUR against foreign currencies as of the end of the reporting period, would not have any impact on the Company's profit or loss for the year.

Equity price risk. The Company is not exposed to significant equity price risk because it does not have material financial investments in equities.

Interest rate risk. The Company does not have any significant interest rate risk exposure because all of its financial assets and liabilities, carry fixed interest rates. A reasonably possible change in market interest rates, such as Euribor, as of the end of the reporting period, would not have any impact on the Company's profit or loss for the year.

Commodity price risk. In 2018, the Company identified and booked a provision for certain commodity contracts (valued through FVTPL). In general, management is trying to balance the demand for electricity with volumes in related purchase contracts. To manage market risk, the company has implemented a system of volume and financial limits for an open position in commodities that protects the company from unexpected changes in market commodity prices in wholesale markets.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Exposure to credit risk arises as a result of the Company's sales of energy and services on credit terms and other transactions with counterparties giving rise to financial assets. The exposure includes cash and cash equivalents, financial derivatives and deposits with banks and financial institutions, as well as exposures to wholesale and retail customers, including outstanding receivables and transactions made.

To determine the level of credit risk, The Company uses Expected credit loss ("ECL") measurement, which reflects the probability-weighted estimate of the present value of future expected credit losses. The Company applies a simplified approach to trade receivables under IFRS 9, i.e. measures ECL using lifetime expected loss. The Company uses for the calculation of lifetime expected loss for trade receivables a matrix that takes into account the amount of receivables turnover during the current period, revenues for the current period and the amount of receivables written off. Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

When assessment is performed on a portfolio basis, the Company determines the staging of the exposures and measures the loss allowance on a collective basis. The Company analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a Company have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type. In general, ECL is the sum of the multiplications of the credit risk parameters.

As for the banks and financial institutions, the Company has relationships only with those that have a high independent rating assessment. If wholesale customers are independently rated, these ratings are used. If no independent rating is available, management assesses the credit quality of customer, taking into account its financial position, past experience and other factors. Except as disclosed in Note 8, as for trade receivables, the Company does not have a significant concentration of credit risk mainly due to a large number of diverse customers.

The Company uses a system of reminders, which may culminate in a service disconnection, as the prevailing contract enforcement. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Company beyond the provisions already recorded. The credit quality of outstanding balances with banks is presented in Note 10 and credit quality information about trade receivables is included in Note 8.

To manage the credit risk of wholesale activities, the Company has implemented a system of conservative volume and financial credit limits that ensure diversification of credit risk across multiple wholesale partners and use financial guarantees to secure business relationships.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company regularly monitors its liquidity position and uses cash pooling with the Parent company to optimize the use of cash balances within the ZSE Group. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 20 days, on average. Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Company and (b) expected future cash outflows securing operation of the Company and leading to settlement of all liabilities of the Company, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Company to make short-term bank deposits.

The table below analyses the Company's undiscounted amount of financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The maturity analysis is as follows at 31 December 2018:

Company's undiscounted amount of financial liabilities

In thousands of EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Trade payables (Note 16)	63,940	414	-	-	-	64,354
Other accrued liabilities (Note 16)	5,336	257	-	3,947	-	9,540
Other financial liabilities (Note 16)	1,009	-	-	-	-	1,009
Commodity contracts at FVTPL						
- gross notional amount payable*	3,127	-	-	-	-	3,127
- gross notional amount receivable**	(858)	-	-	-	-	(858)
Total future payments, including future principal and interest payments	**72,554**	**671**	**-**	**3,947**	**-**	**77,172**

* The notional amounts payable include the gross pay leg of commodity contracts at FVTPL regardless whether they have positive or negative fair value, i.e. whether they are assets or liabilities. The related non-cash commodity inflow is not included in the analysis.
** The notional amounts receivable represents the gross receivable leg of commodity contracts at FVTPL that have negative fair value, i.e. are a financial liability. The related non-cash commodity outflow is not included in the above liquidity analysis..

The maturity analysis is as follows at 31 December 2017:

The maturity analysis is as follows at 31 December 2017

In thousands of EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Trade payables (Note 16)	1,873	94	-	-	-	**1,967**
Other accrued liabilities (Note 16)	49,818	667	2	-	-	**50,487**
Other financial liabilities (Note 16)	167	-	-	-	-	**167**
Commodity contracts at FVTPL						
- gross notional amount payable*	35,898	-	-	-	-	**35,898**
- gross notional amount receivable**	(30,232)	-	-	-	-	**(30,232)**
Budúce platby spolu, vrátane budúcej istiny a úrokových platieb	**57,524**	**761**	**2**	-	-	**58,287**

* The notional amounts payable include the gross pay leg of commodity contracts at FVTPL regardless whether they have positive or negative fair value, i.e. whether they are assets or liabilities. The related non-cash commodity inflow is not included in the analysis.
** The notional amounts receivable represents the gross receivable leg of commodity contracts at FVTPL that have negative fair value, i.e. are a financial liability. The related non-cash commodity outflow is not included in the above liquidity analysis.

22 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages capital reported under IFRS as equity amounting to EUR 26,883 thousand at 31 December 2018 (31 December 2017: EUR 20,764 thousand).

In managing the capital, the Company's management focuses on maximizing return on invested capital.

The Company is not subject to any externally imposed regulatory capital requirements.

23 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

a) Recurring fair value measurements
Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period:

Financial instruments carried at fair value. The provision for loss contracts represents financial instruments carried in the statement of financial position at their fair value. The fair value measurement belongs to level 2 in the fair value hierarchy and the key input is the spot and forward electricity price per MWh.

b) Assets and liabilities not measured at fair value but for which fair value is disclosed
Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

Fair values

In thousands of EUR	31 December 2018 Level 2 fair value	31 December 2018 Carrying value	31 December 2017 Level 2 fair value	31 December 2017 Carrying value
ASSETS				
Trade receivables, net (Note 8)	131,334	131,334	95,241	95,241
Cash and cash equivalents (Note 10)	2,521	2,521	1,749	1,749
Receivables from cash pooling (Note 9)	6,787	6,787	13,675	13,675
Total Assets	**140,642**	**140,642**	**110,665**	**110,665**
LIABILITIES				
Trade payables (Note 16)	64,354	64,354	1,967	1,967
Other accrued liabilities (Note 16)	9,540	9,540	50,487	50,487
Other financial liabilities (Note 16)	1,009	1,009	167	167
TOTAL LIABILITIES	**74,903**	**74,903**	**52,621**	**52,621**

24 Presentation of Financial Instruments by Measurement Category

For the purpose of measurement under IFRS 9 „Financial Instruments", financial assets are classified into the following categories: (a) FVTPL financial assets; (b) FUNDS debt instruments; (c) FANI equity instruments; and (c) AC financial assets. FVTPL financial assets have two subcategories: (i) assets that are compulsorily valued by FVTPL; and (ii) assets marked as at the initial valuation. In addition, financial leasing receivables are a separate category.

25 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management's interpretation of the Company's business activities may not coincide with the interpretation of these activities by the tax authorities, but the extent of this risk cannot be reasonably quantified. The fiscal years from 2012 to 2017 remain open to tax inspection.

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator and an unquantifiable risk exists that, in the future, such matters may crystallise in an unfavourable manner for the Company.

Capital expenditure commitments. At 31 December 2018, the Company had outstanding contractual commitments for purchases of intangible assets of EUR 71 thousand (2017: EUR 115 thousand).

Operating lease commitments. The future aggregate minimum lease payments under non-cancellable operating leases are due as follows:

The future aggregate minimum lease payments

In thousands of EUR	2018
No later than one year	935
Later than one year and no later than five years	3,072
Later than five years	6,283
Total	**10,376**

The above mentioned are the future minimum payments extended during the estimated rental period determined by taking into account the contractual right if the extension is considered sufficiently certain by the Company. Minimum future payments that cannot be avoided, for example, by not extending the lease term were EUR 953 thousand (2017: EUR 870 thousand).

Operating lease expense for the year is disclosed in Note 20.

26 Balances and Transactions with Related Parties

The primary related parties of the Company are (a) its shareholders which have joint control over the Company as explained in Notes 1 and 11: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel. The Company applies the exemption from disclosing transactions with the Slovak government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, purchases of electricity from an entity in which the Slovak government has a significant shareholding and other transactions presented below.

The related party transactions and outstanding balances were as follows for 2018:

The related party transactions and outstanding balances

In thousands of EUR	Parent company	E.ON Group**	Slovak government	Entities under common control of the Parent company	Subsidiaries	Total
Paid dividends	9,530	-	-	-	-	9,530
Sales	863	32	31,315	26,845	2	59,057
Nákup	3,001	21	394,265	209,956	-	607,243
Purchases	6,658	-	4,782	18,792	200	30,432
Dividends declared and paid	114	-	21,502	20,482	-	42,098

* The Slovak government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak government.
** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

Income taxes are disclosed in the statement of financial position, statement of profit or loss and other comprehensive income, in the statement of cash flows and are also analysed in Note 13. Outstanding value added tax payable is presented in Note 16.

The income tax paid was as follows:

The income tax paid

In thousands of EUR	2018	2017
Current income tax expense at standard rate of 21% (2017: 21%) – refer to Note 13	124	6,998
Special levy on profits from regulated activities (Note 13)	706	512
Income tax refund (receivable)/liability at the beginning of the period	-2,094	2,082
Income tax refund liability/receivable at the end of the reporting period	4,163	-2,094
Income tax paid	**-7,087**	**-7,498**

The related party transactions and outstanding balances were as follows for 2017:

Transakcie a zostatky so spriaznenými stranami boli za rok 2017

In thousands of EUR	Parent company	E.ON Group**	Slovak government*	Entities under common control of the Parent company	Subsidiaries
Výnosy	754	35	20,257	26,788	2
Nákup a náklady	6,451	209	349,757	191,594	-
Pohľadávky iné ako dane	13,538	-	1,664	1,108	200
Záväzky iné ako dane	293	-	27,397	59	-
Schválené a zaplatené dividendy	11,098	-	-	-	-

* The Slovak government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak government.
** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

The tables with related party transactions above and on the previous page exclude individually immaterial transactions such as supplies of electricity to hospitals, schools, to the government ministries and many other government controlled or otherwise government related enterprises on normal commercial terms and conditions. Management did not identify other government related transactions that are collectively, but not individually, significant..

Key management personnel comprises (a) members of the Board of Directors, (b) members of the supervisory board and (c) divisional directors. Key management personnel remuneration comprised:

Key management personnel comprises

In thousands of EUR	**2018**	**2017**
Board of directors and other key management personnel		
Salaries and other short-term employee benefits	362	441
Defined contribution pension costs	56	46
Total remuneration of board of directors and other key management personnel	**418**	**487**
Supervisory board		
Salaries and other short-term employee benefits	62	71
Defined contribution pension costs	9	11
Total remuneration of supervisory board	**71**	**82**

27 Udalosti po konci účtovného obdobia

After 31 december 2018, no significant events have occurred that would require recognition or disclosure in these financial statements.

Management authorised these financial statements for issue on 21 March 2019:

Mgr. Juraj Krajcár
Chairman of the Board of Directors

Ing. Juraj Bayer
Member of the Board of Directors

Compelete annual report here.

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