Západoslovenská energetika, a.s.

Independent Auditor's Report and Separate Financial Statements for the year ended 31 December 2013 prepared in accordance with International Financial Reporting Standards as adopted by European Union

Translation note:

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

Západoslovenská energetika, a.s.

Separate Financial Statements for the year ended 31 December 2013 prepared in accordance with IFRS as adopted by the European Union

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders, the Supervisory Board, and the Board of Directors of Západoslovenská energetika, a.s.:

We have audited the accompanying separate financial statements of Západoslovenská energetika, a.s., which comprise the balance sheet of the company standing alone as at 31 December 2013 and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors responsibility for the separate financial statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
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Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Západoslovenská energetika, a.s. standing alone as at 31 December 2013, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161
In Bratislava, 24 March 2014

Slovenská komora audítorov
SKAU
Č. licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Ing. Eva Hupková, FCCA
SKAU licence No.: 672

Our report has been prepared in Slovak and in English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

Západoslovenská energetika, a.s.

Separate Balance Sheet at 31 December 2013 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

	Note	As at 31 December 2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	49,113	45,839
Intangible assets	7	8,721	12,911
Investments in subsidiaries and associates	8	918,559	918,559
Deferred income tax asset	18	-	1,097
		976,393	**978,406**
Current assets			
Inventories	10	20	1,625
Trade and other receivables	12	1,315	33,474
Receivables from cash pooling	17	3,954	25,511
Current income tax receivables		992	467
Cash and cash equivalents	13	21,598	18,041
		27,879	**79,118**
Assets classified as held for sale	5	42,782	-
Total assets		**1,047,054**	**1,057,524**
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	14	196,969	196,969
Legal reserve fund	14	39,421	39,421
Other funds	14	-	45,467
Other reserves		779	106
Retained earnings	14	97,670	651,846
Total equity		**334,839**	**933,809**
Non-current liabilities			
Issued bonds	16	627,178	-
Pension and other provisions for liabilities and charges	19	2,035	7,524
Deferred income tax liability	198	1,172	-
		630,385	**7,524**
Current liabilities			
Trade and other payables	15	19,704	25,435
Liabilities from cash pooling	17	38,011	73,266
Pension and other provisions for liabilities and charges	19	129	1,202
Issued bonds	16	4,138	-
Bank overdrafts	13	1	16,288
		61,983	**116,191**
Liabilities classified as held for sale	5	19,847	-
Total liabilities		**712,215**	**123,715**
Total equity and liabilities		**1,047,054**	**1,057,524**

These financial statements have been approved for issue by the Board of Directors of the Company on 24 March 2014.

....	....
Jochen Kley	Marian Rusko
Chairman of the Board of Directors and CEO	Member of the Board of Directors

Západoslovenská energetika, a.s.
Separate Statement of Comprehensive Income for the year ended 31 December 2013
prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

	Note	Year ended 31 December 2013	2012
Continuing operations			
Revenues	20	61,290	61,534
Cost of sales	21	(6,181)	(5,959)
Gross profit		**55,109**	**55,575**
Operating expenses	22	(55,004)	(57,179)
Dividend income	23	94,108	98,167
Other operating income	24	3,551	2,979
Profit from operations		**97,764**	**99,542**
Finance costs			
Finance income		155	640
Finance expenses	25	(5,184)	(141)
Net Finance costs		**(5,029)**	**499**
Profit before tax from continuing operations	26	**92,735**	**100,041**
Income tax expense	26	(331)	(97)
Profit for the year from continuing operations		92,404	99,944
Profit for the year from discontinued operations	5	5,263	4,064
Profit for the year		**97,667**	**104,008**
Other comprehensive income (in the future will not be reclassified in statement of comprehensive income)		673	(61)
Total comprehensive income		**98,340**	**103,947**
Total comprehensive income from continuing operations		92,600	99,922
Total comprehensive income from discontinued operations	5	5,740	4,025
Earnings per share (expressed in EUR per share)			
- basic	31	16.457	17.525
from this: from continuing operations		*15.570*	*16.841*
from this: from discontinued operations		*0.887*	*0.684*
- diluted	31	16.457	17.525
from this: from continuing operations		*15.570*	*16.841*
from this: from discontinued operations		*0.887*	*0.684*

Západoslovenská energetika, a.s.

Separate Statement of Changes in Shareholders' Equity for the year ended 31 December 2013 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

	Share capital	Legal reserve fund	Other funds	Other reserves*)	Retained earnings	Total equity
Balance at 1 January 2012	**196,969**	**39,421**	**45,467**	**279**	**709,227**	**991,363**
Comprehensive income						
Profit for the year	-	-	-	-	104,008	104,008
Other comprehensive income	-	-	-	(61)	-	(61)
Total comprehensive income for 2012	-	-	-	**(61)**	**104,008**	**103,947**
Transaction with owners						
Dividends	-	-	-	-	(160,350)	(160,350)
Transaction with owners	-	-	-	-	**(160,350)**	**(160,350)**
Other	-	-	-	(112)	(1,039)	(1,151)
Balance at 31 December 2012	**196,969**	**39,421**	**45,467**	**106**	**651,846**	**933,809**
Comprehensive income						
Profit for the year	-	-	-	-	97,667	97,667
Other comprehensive income	-	-	-	673	-	673
Total comprehensive income for 2013	-	-	-	**673**	**97,667**	**98,340**
Transfers (Note 14)	-	-	(45,467)	-	45,467	-
Transaction with owners						
Dividends (Note 14)	-	-	-	-	(697,312)	(697,312)
Transaction with owners	-	-	-	-	**(697,312)**	**(697,312)**
Other	-	-	-	-	2	2
Balance at 31 December 2013	**196,969**	**39,421**	-	**779**	**97,670**	**334,839**

**) Other reserves include actuarial gains and losses related to unfunded defined benefit plan net of the income tax*

Západoslovenská energetika, a.s.

Separate Cash Flow Statement for the year ended 31 December 2013 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

	Note	Year ended 31 December 2013	2012
Cash flows from operating activities			
Cash generated from operations	29	8,410	(4,389)
Interest paid		(73)	(67)
Interest received		155	640
Income tax paid		(1,986)	(2,344)
Net cash from operating activities		**6,506**	**(6,160)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles		(10,929)	(9,240)
Proceeds from sale of property, plant and equipment	29	842	415
Acquisition of associate	8	-	(160)
Acquisition of part of the business	30	-	(1,414)
Acquisition of short-term investment		-	(20,000)
Proceeds from short-term investments		-	30,000
Investment income		-	177
Dividend received	23	94,108	98,167
Net cash used in investing activities		**84,021**	**97,945**
Cash flows from financing activities			
Proceeds from issued bonds		627 996	-
Other expenditures related to issued bonds		(1 367)	-
Dividends paid	14, 32	(697,312)	(210,350)
Net cash used in financing activities		**(70,683)**	**(210,350)**
Net increase / (decrease) in cash and cash equivalents		**19 844**	**(118,565)**
Cash and cash equivalents at beginning of year	13	**1,753**	**120,318**
Cash and cash equivalents at end of year	13	**21 597**	**1,753**

1 General information

Západoslovenská energetika, a.s. ("the Company", „ZSE"), in its current legal form as a joint stock company, was established on 15 October 2001 and incorporated on 1 November 2001 into the Commercial register of the District Court Bratislava I.

The Company is one of the three legal successors of Západoslovenské energetické závody, štátny podnik, a state owned entity. At 31 October 2001, this state enterprise was wound up without liquidation based on the resolution No. 96/2001 of the Slovak Minister of Economy. One day later, its assets and liabilities were transferred to the National Property Fund ("NPF") of the Slovak Republic in accordance with the privatisation project. On 1 November 2001, the NPF contributed these assets and liabilities to the following joint-stock companies: Západoslovenská energetika, a.s., Bratislavská teplárenská, a.s., and Trnavská teplárenská, a.s.

The assets and liabilities were recorded by the successor companies at historic carrying amounts as reported by the Západoslovenské energetické závody, štátny podnik as at 31 October 2001.

On 5 September 2002, the National Property Fund of Slovak Republic sold 49% of the total share capital of ZSE to E.ON Energie AG, Germany.

On 16 December 2003, E.ON Energie AG transferred 9% of the total share capital of ZSE to European Bank for Reconstruction and Development ("EBRD"). These shares were transferred by EBRD back to E.ON Energie AG on 21 August 2012.

On 27 May 2008, E.ON Energie AG contributed shares representing 40% of ZSE's share capital to its wholly owned subsidiary E.ON Slovensko, a.s. At the end of 2012, E.ON Slovensko a.s. transferred shares representing 1% of ZSE's share capital to E.ON Energie AG.

The described transactions resulted in the following structure of the Company's shareholders at 31 December 2013 and at 31 December 2012:

	Absolute amount in thousands Euros	Interest in share capital in %	Voting rights
National Property Fund (NPF)	100,454	51%	51
E.ON Slovensko, a.s.	76,818	39%	39
E.ON Energie AG	19,697	10%	10
Total	**196,969**	**100%**	**100**

As required by directive of European Union 2003/54/ES and by Energy Law No. 656/2004 Coll. the Company implemented legal unbundling of selected activities from 1 July 2007 onwards. As at 1 July 2007 the electricity distribution business has been contributed into the subsidiary Západoslovenská distribučná, a.s. (till 31 December 2012: ZSE Distribúcia, a.s.; Note 8) and the supply service of electricity has been contributed into the subsidiary ZSE Energia, a.s.

From 1 July 2007, the Company provides supporting services for its subsidiaries ZSE Energia, a.s. and Západoslovenská distribučná, a.s. as investment services, construction works, repair and maintenance services, operation of distribution network, customer service activities, accounting, controlling and general administration services. From April 2009 the Company operates as service organization for one of its shareholders - E.ON Slovensko, a.s. and from 1 April 2010 also for subsidiaries Enermont s.r.o., ZSE Development, s.r.o. (till 3 February 2012: OTC, s.r.o.), E.ON Business Services Slovakia spol. s r. o. (till 30 September 2013: E.ON IT Slovakia spol. s r. o., Note 8) and E.ON Elektrárne s.r.o. in area of finance services, planning and controlling, HR services and facility management.

(All amounts are in thousands of Euro unless stated otherwise)

Throughout these financial statements, ZSE is referred to as "the Company" and together with its subsidiaries is referred to as "the Group".

The National Property Fund of the Slovak Republic, based in Bratislava, owns a 51% shareholding in Company's share capital.

E.ON Slovensko, a.s. which currently owns a 39% shareholding in the Company's share capital is consolidated as a 100% subsidiary by E.ON Energie AG, Munich, Germany. E.ON Energie AG is a subsidiary of E.ON SE, based in Düsseldorf, Germany. E.ON SE prepares the consolidated financial statements for all group companies of the consolidation group and acts as a direct consolidating company. Effectively, ZSE is consolidated by E.ON SE using equity method of consolidation.

The members of the statutory bodies of the Company as at 31 December 2013 and 31 December 2012 were as follows:

Board of Directors:	As at 31 December 2013	As at 31 December 2012
Chairman:	Jochen Kley (appointed on 5 December 2013) Konrad Kreuzer (resigned on 5 December 2013)	Konrad Kreuzer
Vice Chairman:	Ing. Peter Adamec, PhD.	Ing. Peter Adamec, PhD.
Members:	Jochen Kley (resigned on 5 December 2013) Ing. Andrej Devečka (resigned on 1 July 2013) Juraj Krajcár (appointed on 5 December 2013) Ing. Ján Rusnák Marian Rusko (appointed 1 July 2013)	Jochen Kley Ing. Andrej Devečka Ing. Ján Rusnák

Supervisory Board:	As at 31 December 2013	As at 31 December 2012
Chairman:	Ing. Ľubomír Streicher (appointed as Member on 1 July 2013 and as Chairman on 24 September 2013) Ing. Milan Chorvátik (resigned on 1 July 2013)	Ing. Milan Chorvátik
Vice Chairman:	Lars Lagerkvist (appointed as Member on 5 December 2013 and as Vice Chairman on 19 December 2013) Robert Adolf Hienz (resigned on 5 December 2013)	Robert Adolf Hienz
Members:	Silvia Šmátralová Ing. Emil Baxa Ing. Peter Hanulík Ing. Marek Hargaš Ing. Boris Hradecký JUDr. Libor Samec Robert Polakovič	Silvia Šmátralová Ing. Emil Baxa Ing. Peter Hanulík Ing. Marek Hargaš Ing. Boris Hradecký JUDr. Libor Samec Robert Polakovič

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

As part of the sale of 49% of ZSE`s shares to E.ON Energie AG, the National Property Fund of Slovakia and E.ON Energie AG have entered into a Shareholders' Agreement which was subsequently amended in year 2006 during preparation for the unbundling of distribution and supply businesses to separate legal entities. The Shareholders Agreement sets out the areas of responsibility and decision making for the Board of Directors and for the Supervisory Board of the

Company as well as the rules for nomination of members of the boards. The majority of the members of the Board of Directors are nominated by E.ON Energie AG. The National Property Fund appoints the majority of the Supervisory Board. The Supervisory Board has extensive competences, among others to act as the supreme controlling body of the Company and to approve significant transactions of the Company.

According to the Company's Articles of the Association the Supervisory Board has 9 members, two thirds of the members are appointed by the General Meeting of the Company and one third is elected by the Company's employees.

The Board of Directors and Supervisory Board approve the annual Strategic Plan. The Supervisory Board approves significant transactions at variance with the Strategic Plan. The General Meeting adopts decisions with a qualified majority of two thirds of votes.

As a result of the described structure, the Company is jointly controlled by the Slovak Republic and E.ON Energie AG.

The Company employed 1,243 staff on average during 2013, of which 17 were management (2012: 1,260 employees on average, of which 19 were management).

Registered address of the Company:

Čulenova 6
816 47 Bratislava
Slovak Republic

Identification number (IČO) of the Company is: 35 823 551
Tax identification number (IČ DPH) of the Company is: SK2020285256

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are described below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The Act on Accounting of the Slovak Republic No. 431/2002 Coll. as amended requires certain companies to prepare separate financial statements for the year ended 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Company's separate financial statements at 31 December 2013 have been prepared as ordinary financial statements under § 17 Sec. 6 of the Slovak Parliament Act No. 431/2002 Coll. as amended ("Accounting Act") for the accounting period from 1 January 2013 to 31 December 2013.

The separate financial statements have been prepared in compliance with IFRS. The Company applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as adopted by EU, which were in force as of 31 December 2013.

The separate financial statements have been prepared under the historical cost convention, on accrual basis and under the going concern principle.

The Board of Directors may propose to the Company's shareholders to amend the separate financial statements until their approval by the General Shareholders Meeting. However, § 16, points 9 to 11 of the Accounting Act 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 accounting period in which the relevant facts are identified.

The preparation of separate financial statements in conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies on problematic transactions. In the process of applying of accounting policies management of the Company also realizes certain critical decisions.

These financial statements are prepared in thousands of Euros ("EUR").

These separate financial statements have been prepared in addition to the consolidated financial statements of the Group Západoslovenská energetika, a.s. The separate financial statements should be read in conjunction with the consolidated financial statements to obtain a complete understanding of the Company's results and financial position.

2.1.1 Changes in accounting policy and disclosures

(a) New standards, interpretations and amendments adopted by the Company during the financial year ended 31 December 2013

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Company. The following new standards and interpretations became effective for the Company from 1 January 2013:

IFRS 13, Fair Value Measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not have a material impact on the Company's financial statements. This standard was endorsed by the EU on 11 December 2012.

Amendments to IAS 1, Presentation of Financial Statements (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'Statement of profit or loss and other comprehensive income'. The amendment does not have a material impact on measurement of transactions and balances. This amendment was endorsed by the EU on 5 June 2012.

Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The standard does not have a material impact on the Company's financial statements. This amendment was endorsed by the EU on 13 December 2012.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment which is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. These amendments to the standards do not have a material impact on the Company's financial statements. These amendments were endorsed by the EU on 27 March 2013.

Other revised standards and interpretations effective in European Union for annual periods beginning on or after 1 January 2013: Interpretation *IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*, clarifies when and how to account for benefits arising from the stripping activity in the surface mining. Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards - Government Loans, give first-time adopters of IFRSs the same relief as existing preparers. Amendments to *IFRS 1, First-time adoption of International Financial Reporting Standards*, relate to severe hyperinflation and eliminates references to fixed dates for certain exceptions and exemptions. Amendments to *IAS 12, Income taxes*, introduce a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. These interpretations and amendments did not have impact on the Company`s financial statements.

(b) New standards, interpretations and amendments issued but not effective for the financial year beginning 1 January 2013 and not early adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Company has not early adopted:

IFRS 10, Consolidated Financial Statements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014), replaces all of the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special-purpose Entities. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. This standard was endorsed by the EU on 11 December 2012.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014), replaces standard IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Company is currently assessing the impact of the new standard on its financial statements. This standard was endorsed by the EU on 11 December 2012.

IFRS 12, Disclosure of Interests in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company is currently assessing the impact of the new standard on its financial statements. This standard was endorsed by the EU on 11 December 2012.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by *IFRS 10, Consolidated Financial*

Statements. The Company is currently assessing the impact of the amended standard on its financial statements. This standard was endorsed by the EU on 11 December 2012.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014). The amendments to IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Company is currently assessing the impact of the amended standard on its financial statements. This standard was endorsed by the EU on 11 December 2012.

IFRS 9, Financial Instruments, Classification and Measurement. Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in its own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Company is currently assessing the impact of the standard on its financial statements. This standard has not yet been endorsed by the EU.

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Company is currently assessing the impact of the amendment on its financial statements. This amendment was endorsed by the EU on 13 December 2012.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning on or after 1 January 2014). The amendments clarify the transition guidance in *IFRS 10 "Consolidated Financial Statements"*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2013 for a calendar year-end entity that adopts IFRS 10 in 2014) is restated, unless impracticable. The amendments also provide additional transition relief *in IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. These amendments were endorsed by the EU on 4 April 2013.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. These amendments were endorsed by the EU on 20 November 2013.

Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Company is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

Other revised standards and interpretations:

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning on or after 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply to interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Company is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. These amendments were endorsed by the EU on 19 December 2013.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Company is currently assessing the impact of the amendments on its financial statements. These amendments were endorsed by the EU on 19 December 2013.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.
IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
IFRS 3 was amended to clarify that (i) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (ii) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
IFRS 8 was amended to require (i) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported.
The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.
The Company is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.
The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.
The Company is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

Unless otherwise stated above, the new standards, their amendments and interpretations are not expected to have a material effect on the financial statements of the Company.

2.2 Subsidiaries, associates and joint ventures

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

Investments in subsidiaries are carried at cost in these separate financial statements. The cost is represented by the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the subsidiaries at the time of their acquisition. Impairment losses are recognized using an allowance account. Allowances are recognized based on the present value of estimated future cash flows.

(ii) Associates and joint ventures
Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Jointly controlled entities ("joint ventures") are those in which the Company shares control of the operations with its joint venture partners.

Investments in associates and in joint ventures are carried at cost in these separate financial statements. The cost is represented by the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the associates and joint ventures at the time of their acquisition. Impairment losses are recognized using an allowance account. Allowances are recognized based on the present value of estimated future cash flows.

2.3 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(All amounts are in thousands of Euro unless stated otherwise)

These financial statements are presented in EUR, which is the Company's functional and presentation currency in 2013 and 2012.

(ii) 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 recognized in profit or loss.

2.5 Property, plant and equipment

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

(i) Cost
Cost includes expenditure that is directly attributable to the acquisition of the items, including borrowing costs incurred from the date of acquisition until the date the item becomes available for use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The most significant part of property, plant and equipment is represented by office buildings, fixtures and fittings and other equipment.

(ii) Depreciation
The depreciation of property, plant and equipment starts on the first day of the month when the property, plant and equipment is available for use. Property, plant and equipment are depreciated in line with the approved depreciation plan using the straight-line method based on the estimated useful lives and expected wear and tear. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment. Land and assets under construction are not depreciated.

The estimated useful lives of individual groups of assets are as follows:

	Estimated useful lives in years
Office buildings and halls	30 – 50 years
Building sites	40 years
Machinery	4 – 20 years
Fixtures, fittings and equipment	4 – 30 years
Vehicles	4 – 15 years
Other non-current tangible assets	4 – 30 years

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Items that are retired or otherwise disposed of are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized net in the income statement.

2.6 Intangible assets

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

Borrowing costs are capitalized during the period until the asset becomes available for use. The Company does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight-line basis over their useful lives, not exceeding a period of four years.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are capitalized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

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

2.7 Impairment of non-current non-financial assets

Assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortization and are tested for impairment annually. Land, construction in progress and assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

The Company classifies its financial assets according to IAS 39 "Financial Instruments: Recognition and Measurement". The classification depends on the purpose for which the financial assets were acquired, whether they are quoted in an active market and on management intentions.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2.14 and 2.15).

Reconciliation of these categories of financial assets with the balance sheet classes is presented in Note 9.

Purchases and sales of financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of the receivables is described in Note 2.14.

2.9 Financial liabilities

The Company classifies its financial liabilities to subsidiaries according to IAS 39 "Financial Instruments: Recognition and Measurement". The classification depends on the contractual provisions of the instrument and the intentions with which management entered into the contract.

Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at every reporting date. When a financial liability is recognised initially, the Company measures it at its fair value net of transaction costs that are directly attributable to the origination of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method. The gain or loss from financial liabilities is recognized in the income statement when the financial liability is derecognized and through the amortization process.

Financial liability (or a part of a financial liability) is removed from the Company's balance sheet when, and only when it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

2.10 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Leases

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

Operating 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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. 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 cost of completion and selling expenses.

2.13 Construction contracts

The Company is involved on an ongoing basis in construction contracts related mostly to the construction of distribution network for its subsidiary Západoslovenská distribučná, a.s.

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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Company uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred at the end of the reporting period as a percentage of total estimated costs for each contract.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

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

2.14 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of provision for impairment. Revenue recognition policy is described in Note 2.27.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, default or delinquency in payments (more than 1 month overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within "Other operating expenses".

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 "Other operating income" in the income statement.

2.15 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.

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current assets.

2.16 Share capital

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

2.17 Dividends

Dividends` pay-out to the shareholders of the Company are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared before or on the balance sheet date.

2.18 Legal reserve fund

The legal reserve fund is set up in accordance with the Commercial Code. Contributions to the legal reserve fund of the Company were made at 10% of net income based on individual financial statements 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.

2.19 Other funds

The Company has set up additional funds from profits to reserve funding for future capital expenditure as allowed by the Commercial Code and Articles of Association. The allocations to these funds have been approved by the General meeting of shareholders. Such funds are not distributable unless otherwise decided by shareholders.

2.20 Other reserves

The other reserves comprise of re-measurement component of defined pensions plans, which are actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in calculation of pension obligations. The balances are included net of tax.

2.21 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 one year or less. If not, they are presented as non-current liabilities.

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

2.22 Taxation

(i) Deferred tax

Deferred income tax is recognized using the 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 balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Dividend income is generally not subject to income taxes in the Slovak Republic.

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

(ii) Current income tax

Income tax is recognized as an expense in the period in which the Company's tax liability in the accompanying income statement of the Company is calculated on the basis resulting from the profit before tax, which was adjusted for deductible and non-deductible items due to permanent and temporary adjustments to the tax base loss a redemption. The current tax liability is stated net of corporate income tax advances that the Company paid during the year. If corporate income tax advances paid during the year exceed the tax liability for the period, the Company records a tax receivable.

2.23 Grants and contributions

Grants from the government and other similar contributions are recognized at their fair value where there is a reasonable assurance that the grant or contribution will be received and the Company will comply with all attached conditions.

Government grants and similar contributions relating to acquisition of property, plant and equipment are accounted by setting up the grant as deferred income, which is recognized as other income over the life of depreciable asset. Government grants relating to operating expenses are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate. The Company has not recorded any grants and contributions during financial years 2013 a 2012.

2.24 Loans and other borrowings

Loans and other borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and other borrowings are carried at amortized cost using the effective interest method. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized based on cost of the qualifying assets, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Loans and other borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period does not exceed the amount of borrowing costs incurred during that period.

2.25 Provisions / Contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

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

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

(All amounts are in thousands of Euro unless stated otherwise)

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

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

2.26 Employee benefits

The Company has both defined benefit and defined contribution plans.

(i) Pension obligations
A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity 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.

(ii) Unfunded defined benefit pension plans
According to the contract with the Trade Unions for the year 2011 to 2013 the Company is obliged to pay its employees on retirement or disability the average of their monthly salary (2012: average of their monthly salary). Additionally, if the employees decide to resign exactly at the date of retirement, the Company is obliged to pay its employees additional 6 multiples of their average monthly salary (2012: 6 multiples of their average monthly salary).

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

The Company also pays certain life and work jubilees bonuses.

a) Life jubilee benefits are paid by the Company in the amount of 1,700 EUR to each employee at the age of 50 under the condition that employee worked at least 10 years of continuous work for the Company.
b) Work jubilee bonuses (long-term service bonuses) paid by the Company are dependent on the number of year of service for the Company and equals to the following amounts:

10 years	EUR 366
20 years	EUR 664
30 years	EUR 830
35 years	EUR 996
40 years (valid since 1 January 2013)	EUR 1,150

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in expenses.

(iii) Defined contribution pension plans
The Company contributes to the government and private defined contribution pension plans. The Company makes contributions to the government health, retirement benefit, accidental and guarantee insurance and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. Throughout the year, the Company made contributions amounting to 35.2% (2012: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law, to such schemes, together with contributions by employees of a further 13.4% (2012: 13.4%). The cost of these payments is charged to the income statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company makes contributions to the supplementary scheme amounting to 3% (2012: 3%) from the total of monthly tariff wage.

(iv) Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(v) Profit sharing and bonus plans
A liability for employee benefits in the form of profit sharing and bonus plans is recognized within other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and the amount can be determined before the time of issuing the financial statements.

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

2.27 Revenue recognition

The Company provides supporting services for its subsidiaries ZSE Energia, a.s. and Západoslovenská distribučná, a.s. as construction works, repair and maintenance services, services for administration and operation of distribution network, customer service activities, accounting, controlling and general administration services. These services except for construction works, repair and maintenance services are provided also to the other subsidiaries Enermont s.r.o. and ZSE Development, s.r.o. and to the shareholder E.ON Slovensko, a.s. as well as other related parties, E.ON Business Services Slovakia spol. s r.o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.) and E.ON Elektrárne s.r.o.

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

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

The Company sells raw material and spare parts to its subsidiaries for the purpose of repair, maintenance and upgrade of the network. Sale of material is recognized when the Company has delivered the material to the subsidiary and there is no unfulfilled obligation that could affect the subsidiary's acceptance of the material.

Revenue from construction contracts is recognized using the percentage of completion method. Refer to Note 2.13.

Dividend income is recognized when the right to receive the payment is established.

Interest income is recognized on accrual basis in the period when it is incurred, independent from the actual payments of the interest.

2.28 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Company that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

3 Financial risk management

3.1 Financial risk factors

The Company's activities are exposing it to certain financial risks: market risk (including risk of changes in foreign currency exchange rates, interest rate risk and price risk), credit risk and liquidity risk. The Company's principal financial instruments comprise trade receivables and payables, cash and cash equivalents, issued bonds, receivables and payables from cash pooling and short-term bank deposits. The main purpose of these financial instruments is to raise finance or to invest excess liquidity.

Risk management is carried out under policies approved by the Board of Directors of the Company. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and the investment of excess liquidity.

(i) Market risk

(a) Foreign exchange risk

The Company operates mainly in the domestic market, and most of its sales, purchases and short-term deposits are denominated in Euro.

Management does not consider foreign exchange risk as a significant exposure to the Company's operations as it has only small volume of transactions in other currency than Euro.

(b) Price risk

The Company is not exposed to significant price risk, as it does not invest in equities. The Company has subsidiaries which are carried at cost according to IAS 27 as it is described in Note 2.2. IFRS 7 does not mandate price risk, including sensitivity disclosures, relating to subsidiaries carried at cost.

(c) Cash flow and fair value interest rate risk

As the Company has no significant interest earning assets other than short-term bank deposits and cash at bank accounts as of 31 December 2013 and 2012, the operating cash flows are only to a small extent dependent on the market interest rate fluctuations. The short term bank deposits are denominated at fixed interest rates.

During the year 2013 the Company issued bonds in total amount of EUR 630 mil. Bonds have fixed interest rate. Further information about issued bonds including their interest rate are stated in Note 16. The Company had also no bank borrowings during the financial year 2013 and 2012 except for bank overdrafts (Note 13).

(ii) 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 services on credit terms and other transactions with counterparties giving rise to financial assets.

The credit risk arises from cash and cash equivalents, financial derivates and deposits with banks and financial institutions and trade receivables. From 1 July 2007 after legal unbundling, Západoslovenská distribučná, a.s. and ZSE Energia, a.s. are the main customers of the Company.

In order to eliminate the credit risk related to bank accounts and financial instruments, the Company enters into transactions only with banks and financial institutions that have a high independent rating.

(All amounts are in thousands of Euro unless stated otherwise)

The table below shows the credit limit and balance of the major counterparties at the end of the reporting period:

	Counterparty Rating *	31 December 2013		31 December 2012	
		Credit limit	Balance	Credit limit	Balance
Banks rated	A3	75,000	21,591	n/a	18,041
Banks rated	A		7		-
			21,598		18,041

*) *Ratings provided by Moody's, Fitch's at 31 December 2013*

As at 31 December 2013, the Company has agreements with banks about revolving credit facilities amounting to EUR 75,000 thousand (31 December 2012: EUR 0 thousand). As at 31 December 2013 the Company has drawn EUR 1 thousand from these facilities.

The Company is exposed to a concentration of credit risk for Trade and other receivables, which is analysed in Note 12. 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.

(iii) 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 and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company's treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The Company regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 60 days, on average.

The Company monitors movements of financial resources in bank accounts on a regular basis. Expected cash flow is prepared as follows:

1) expected future cash inflows from main operation of the Company; and
2) expected future cash outflows securing operation of the Company and leading to settlement of all liabilities of the Company, including tax payables.

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

(All amounts are in thousands of Euro unless stated otherwise)

The table below places the Company's financial liabilities into relevant maturity groups based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
As at 31 December 2013						
Bank overdrafts (Note 13)	1	-	-	-	-	1
Trade payables (Note 15)	14,648	27	-	-	-	14,675
Liabilities from cash pooling (Note 17)	38,011	-	-	-	-	38,011
Issued bonds (Note 16)	-	-	1,316	315,000	315,000	631,316
	52,660	**27**	**1,316**	**315,000**	**315,000**	**684,003**
As at 31 December 2012						
Bank overdrafts (Note 13)	-	-	16,288	-	-	16,288
Trade payables (Note 15)	16,282	91	15	1	-	16,389
Liabilities from cash pooling (Note 17)	73,266	-	-	-	-	73,266
	89,548	**91**	**16,303**	**1**	**-**	**105,943**

3.2 Capital risk management

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's management manages capital reported under IFRS amounting to, as at 31 December 2013, EUR 334,839 thousand (31 December 2012: EUR 933,809 thousand).

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

The Company's management considers the most relevant indicator of capital management to be the return on average capital employed (ROACE). Management expects return on average capital employed to be higher than cost of capital. Indicator ROACE is calculated as follows: earnings before interest and taxes EBIT (in the Separate statement of comprehensive Income of the Company presented as Profit from operations) / average capital.

3.3 Fair value estimation of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:
(i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
(ii) level 2 measurements are valuations techniques with all material inputs observable for the assets or liabilities, accessible either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
(iii) level 3 measurements are valuations not based on observable market data (i.e. unobservable inputs).
Management applies judgement in categorising financial instruments using the fair value hierarchy.

(All amounts are in thousands of Euro unless stated otherwise)

Assets and liabilities not measured at fair value but for which fair value is disclosed:

At 31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Book value**
Liabilities	**638,366**	**-**	**19,847**	**651,163**
Issued bonds - XS0979598207, series 1	318,313	-	-	315,654
Issued bonds - XS0979598462, series 2	320,053	-	-	315,662
Liabilities classified as held for sale	-	-	19,847	19,847
Assets	**-**	**-**	**44,553**	**42,782**
Assets classified as held for sale	-	-	44,553	42,782

At the balance sheet date, the fair value of assets and liabilities classified as held for sale (Note 5) was determined by using management estimate based on the preliminary expert testimony.

The fair value of issued bonds was determined by the quoted market price of issued bonds by the Company (as stated in Note 16).

At the balance sheet date, the fair values of other financial assets and liabilities approximate their carrying amounts. Non-current trade receivables and trade payables were partially discounted except for where the effect of discounting is negligible.

The nominal value of trade receivables, net of impairment provision for bad and doubtful debts and the nominal value of payables, approximates their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Segment reporting

The Group presents segment information for the current and comparative reporting periods in accordance with IFRS 8 Operating segments.

The Group's operating segments are those used by the Board of Directors to manage the Group's business, allocate resources and make strategic decisions. The Group identifies its segments according to the nature of products and services provided by each segment. The Group's operating segments are (i) electricity distribution, (ii) electricity and gas supply and (iii) other activities as described below. The Group's activities are concentrated in Slovakia.

The main indicators used by the Board of Directors in their decision making are earnings before interests, taxes, depreciation and amortisation (EBITDA) and capital expenditure cash outflows. The Board of Directors separately monitor the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance.

The types of products and services from which each reportable operating segment derives its operating results are:

Electricity distribution
Distribution of electricity using the distribution networks in Western Slovakia. The distribution business is regulated and the Group is required to provide access to its network to third parties on terms approved by RONI.

Electricity and gas supply
Supply of electricity and gas to wholesale and retail customers in Slovakia. This business is open to competition by other suppliers. Pricing for certain classes of customers of the segment is regulated by RONI.

As a result of regulation of the distribution business and partial regulation of the supply business approximately 88% during period ended 31 December 2013 (31 December 2012: approximately 88%) of the Group's EBITDA were generated from the sales to customers who are subject to price regulation.

Other
Segment Other includes activities provided by the Company together with its subsidiary Enermont s.r.o. Board of Directors does not assess activities and results of the Company separately but within segment Other. Segment Other consists mainly of network construction, maintenance testing and calibration of network elements for the Electricity distribution business. The segment also provides headquarter type functions, as central services, customer services, accounting, controlling, HR, IT and other services, to both supply and distribution businesses. The segment generated also some external revenues from construction and maintenance work related to energy assets for third parties.

Transactions with external parties are reported in a manner consistent with that in the consolidated income statement. Transactions between segments are eliminated upon consolidation.

(All amounts are in thousands of Euro unless stated otherwise)

An analysis of revenues, costs, EBITDA, profit before tax and capital expenditures by individual operating segments in the current and comparative reporting period is provided below:

	31 December 2013							
	Distribution	**Supply**	**Other**	**Eliminations**	**Total ZSE Group**	**Deconsolidation of subsidiaries**	**ZSE discontinued operations**	**ZSE continuing operations**
Revenue from external customers	205,924	818,025	12,636	-	**1,036,585**	(1,034,271)	1,481	833
Inter-segment revenues	367,360	72,094	209,668	(649,122)	-	168,652	108,195	60,457
Purchases of electricity, gas and related fees	(343,498)	(845,824)	(83,146)	518,471	**(753,997)**	671,588	(76,228)	(6,181)
Employee benefits expenses	(7,191)	(4,374)	(44,275)	7	**(55,833)**	19,441	(21,223)	(15,169)
Other operating expenses	(87,445)	(24,993)	(82,627)	133,188	**(61,877)**	24,915	(4,046)	(32,916)
Dividend income	-	-	-	-	-	94,108	-	94,108
Other operating income	4,912	2,927	9,713	(2,544)	**15,008**	(11,419)	38	3,551
Earnings before interest tax depreciation and amortisation (EBITDA)	**140,062**	**17,855**	**21,969**	-	**179,886**	**(66,986)**	**8,217**	**104,683**

(All amounts are in thousands of Euro unless stated otherwise)

	31 December 2012							
	Distribution	**Supply**	**Other**	**Eliminations**	**Total ZSE Group**	**Deconsolidation of subsidiaries**	**ZSE discontinued operations**	**ZSE continuing operations**
Revenue from external customers	187,798	835,340	6,849	-	**1,029,987**	(1,028,138)	1,183	666
Inter-segment revenues	362,227	75,858	200,408	(638,493)	-	174,060	113,192	60,868
Purchases of electricity, gas and related fees	(311,388)	(860,761)	(82,211)	519,315	**(735,045)**	645,232	(83,854)	(5,959)
Employee benefits expenses	(5,281)	(3,943)	(43,972)	18	**(53,178)**	17,292	(20,170)	(15,716)
Other operating expenses	(83,372)	(18,861)	(71,129)	122,286	**(51,076)**	13,685	(3,354)	(34,037)
Dividend income	-	-	-	-	-	98,167	-	98,167
Other operating income	2,044	2,095	6,783	(3,126)	**7,796**	(4,770)	47	2,979
Earnings before interest tax depreciation and amortisation (EBITDA)	**152,028**	**29,728**	**16,728**	-	**198,484**	**(84,472)**	**7,044**	**106,968**

(All amounts are in thousands of Euro unless stated otherwise)

Reconciliation of EBITDA to Profit before tax

Reconciliation of Earnings before interest tax depreciation and amortisation (EBITDA) to Profit before tax	Year ended 31 December							
	2013				2012			
	Total ZSE Group	Deconsolida-tion of subsidiaries	ZSE disconti-nued operations	ZSE continuing operations	Total ZSE Group	Deconsolida-tion of subsidiaries	ZSE disconti-nued operations	ZSE continuing operations
EBITDA	**179,886**	**(66,986)**	**8,217**	**104,683**	**198,484**	**(84,472)**	**7,044**	**106,968**
Depreciation and amortisation	(39,153)	31,082	(1,152)	(6,919)	(41,490)	32,927	(1,137)	(7,426)
Interest income	156	(1)	-	155	827	(187)	-	640
Interest expense	(5,101)	87	(187)	(4,827)	(380)	57	(182)	(141)
Other financial expenses	-60	(297)	-	(357)	-	-	-	-
Profit before tax	**135,728**	**(36,115)**	**6,878**	**92,735**	**157,441**	**(51,675)**	**5,725**	**100,041**

	Distribution	Supply	Other	Total ZSE Group	Deconsolidation of subsidiaries	ZSE discontinued operations	ZSE continuing operations
31 December 2013							
Investments (cash effective)	63,411	-	10,963	**74,374**	(63,445)	823	10,106
31 December 2012							
Investments (cash effective)	73,017	-	9,499	**82,516**	(73,276)	566	8,674

(All amounts are in thousands of Euro unless stated otherwise)

		31 December 2013		
Reconciliation of Investments (cash effective) to additions to non-current assets	**Total ZSE Group**	**Deconsolidation of subsidiaries**	**ZSE discontinued operations**	**ZSE continuing operations**
Investments (cash effective)	**74,374**	**(63,445)**	**823**	**10,106**
Assets acquired but not paid for	5,940	(1,673)	-	4,267
Payments to assets acquired in prior periods	6,958	(3,896)	-	3,062
Additions to tangible and intangibles assets	**73,356**	**(61,222)**	**823**	**11,311**

		31 December 2012		
Reconciliation of Investments (cash effective) to additions to non-current assets	**Total ZSE Group**	**Deconsolidation of subsidiaries**	**ZSE discontinued operations**	**ZSE continuing operations**
Investments (cash effective)	**82,516**	**(73,276)**	**566**	**8,674**
Assets acquired but not paid for	11,123	(8,051)	-	3,072
Payments to assets acquired in prior periods	2,662	(808)	-	1,854
Additions to tangible and intangibles assets	**90,977**	**(80,519)**	**566**	**9,892**

(All amounts are in thousands of Euro unless stated otherwise)

5 Non-current assets held for sale and discontinued operations

The requirement to legally unbundle the distribution business from other commercial activities of vertically integrated electricity companies has been established by the European directive No. 2003/54 on common rules for internal market with electricity. The directive has been transposed into Slovak legislation by the Act on energy (No. 656/2004 Coll.) effective until 31 August 2012. The Act prescribed legal unbundling of distribution business by 30 June 2007 at the latest which was met by the Company at that time as vertically integrated company.

Subsequently at the European level was adopted so-called third energy package of the EU in area of electricity by a Directive of EU Parliament and Council 2009/72 dated 13 July 2009 on common rules for internal market with electricity and repealing Directive 2003/54. Directive 2009/72 has been transposed into Slovak legislation by the Act on energy (No.251/2012 Coll.) effective from 1 September 2012 and the Act on regulation in network industries (No. 250/2012 Coll.) equally effective from 1 September 2012. Following the so-called third energy package the overall independence of Západoslovenská distribučná, a.s., as the operator of distribution business and part of vertically integrated company, was strengthened. Strengthening the independence took place by incorporation of „Services for electricity distribution division" ("Distribution services division") as part of the Company into own organizational structure of the operator of distribution business by selling part of the business effective from 1 January 2014.

The assets and liabilities related to Distribution services division of the Company have been presented as held for sale following the Shareholders general meeting decision dated 5 December 2013 where the intention to sell Distribution services division to its subsidiary Západoslovenská distribučná, a.s. was approved. The completion date for the transaction is expected during the year 2014.

	Year ended 31 December	
	2013	**2012**
Cash flows from operating activities	10,984	2,755
Cash flows from investing activities	(823)	(566)
Cash flows from financing activities	-	-
Total cash flows	**10,161**	**2,189**

(a) Assets classified as held for sale

	As at 31 December	
	2013	**2012**
Property, plant and equipment	1,377	-
Intangible assets	3,331	-
Deferred income tax asset	1,595	
Inventories	1,277	-
Trade and other receivables	35,202	-
Total	**42,782**	-

(All amounts are in thousands of Euro unless stated otherwise)

(b) Liabilities classified as held for sale

	As at 31 December 2013	2012
Trade and other payables	14,485	-
Pension and other provisions for liabilities and charges	5,362	-
Total	**19,847**	**-**

(c) Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group

	Year ended 31 December 2013	2012
Revenues	109,676	114,375
Cost of sales	(76,228)	(83,854)
Gross profit	**33,448**	**30,521**
Operating expenses	(26,421)	(24,661)
Other operating income	38	47
Profit from operations	**7,065**	**5,907**
Finance costs		
Interest expenses	(187)	(182)
Net finance costs	**(187)**	**(182)**
Profit before tax from discontinued operations	**6,878**	**5,725**
Income tax expense	(1,615)	(1,661)
Profit for the year from discontinued operations	**5,263**	**4,064**
Other comprehensive income from discontinued operations	477	(39)
Total comprehensive income from discontinued operations	**5,740**	**4,025**

(All amounts are in thousands of Euro unless stated otherwise)

6 Property, plant and equipment

	Land	Buildings, halls, building sites and network constructions	Machinery, fixtures, fittings and equipment, vehicles and other assets	Capital work in progress including advances (CIP)	Total
As at 1 January 2012					
Cost	4,458	40,665	30,952	2,840	78,915
Accumulated depreciation including impairment charge	-	(12,963)	(25,475)	-	(38,438)
Net book value	**4,458**	**27,702**	**5,477**	**2,840**	**40,477**
Year ended 31 December 2012					
Additions	-	-	-	7,326	7,326
Acquisition of business (Note 30)	-	-	846	-	846
Transfers	-	2,447	2,113	(4,560)	-
Depreciation charge	-	(1,060)	(1,730)	-	(2,790)
Disposals	(8)	(1)	(11)	-	(20)
Closing net book value	**4,450**	**29,088**	**6,695**	**5,606**	**45,839**
As at 31 December 2012					
Cost	4,450	43,070	32,684	5,606	85,810
Accumulated depreciation including impairment charge	-	(13,982)	(25,989)	-	(39,971)
Net book value	**4,450**	**29,088**	**6,695**	**5,606**	**45,839**
Year ended 31 December 2013					
Additions	-	-	-	7,964	7,964
Transfers	327	1,636	4,209	(6,172)	-
Depreciation charge	-	(1,189)	(1,852)	-	(3,041)
Transfer to assets held for sale (Note 5)	-	-	(1,288)	(89)	(1,377)
Disposals	(87)	(302)	-	117	(272)
Closing net book value	**4,690**	**29,233**	**7,764**	**7,426**	**49,113**
As at 31 December 2013					
Cost	4,690	43,798	26,874	7,426	82,788
Accumulated depreciation including impairment charge	-	(14,565)	(19,110)	-	(33,675)
Net book value	**4,690**	**29,233**	**7,764**	**7,426**	**49,113**

At 31 December 2013 and at 31 December 2012 the Company did not lease any fixed assets leased as finance lease (where Company is the lessee). At 31 December 2013 and at 31 December 2012 no property, plant and equipment was collateralized or pledged.

Non-current tangible assets are insured in Ergon Insurance Limited against damages caused by natural disasters and water from exchange up to the amount of EUR 242,129 thousand for buildings and building parts and up to amount of EUR 40,445 thousand for the machinery, equipment, fixture, fittings and other assets (2012: EUR 208,210 thousand and 34,537 thousand respectively).

(All amounts are in thousands of Euro unless stated otherwise)

7 Intangible assets

	Computer software and other	Assets not yet available for use	Total
At 1 January 2012			
Cost	39,470	1,377	40,847
Accumulated depreciation and impairment	(25,297)	-	(25,297)
Net book value	**14,173**	**1,377**	**15,550**
Year ended 31 December 2012			
Additions	-	3,132	3,132
Transfers	2,479	(2,479)	-
Disposals	-	-	-
Amortisation charge	(5,771)	-	(5,771)
Closing net book value	**10,881**	**2,030**	**12,911**
At 31 December 2012			
Cost	41,949	2,030	43,979
Accumulated depreciation and impairment	(31,068)	-	(31,068)
Net book value	**10,881**	**2,030**	**12,911**
Year ended 31 December 2013			
Additions	-	4,170	4,170
Transfers	1,637	(1,637)	-
Disposals	-	-	-
Transfer to assets held for sale (Note 5)	(1,795)	(1,536)	(3,331)
Amortisation charge	(5,029)	-	(5,029)
Closing net book value	**5,694**	**3,027**	**8,721**
At 31 December 2013			
Cost	38 465	3,027	41,492
Accumulated depreciation and impairment	(32,771)	-	(32,771)
Net book value	**5,694**	**3,027**	**8,721**

Assets not yet available for use comprise mostly of acquisition of additional software for upgrade and improvement of functionality of the customer and network information system. Assets are expected to be finalized and available for use in 2014.

(All amounts are in thousands of Euro unless stated otherwise)

8 Investment in subsidiaries and associates

	2013	2012
At the beginning of the year	918,559	918,399
Additions	-	160
Disposals	-	-
At the end of the year	**918,559**	**918,559**

The addition during the year 2012 represents acquisition of additional 22 shares in Energotel, a.s. which represent 3.33% of all shares. ZSE previously owned 16.67% of shares of this company; accordingly the ownership interest in company Energotel, a.s. at 31 December 2012 represents 20.00% and the Company classified it as joint venture based on the joint control of the financial and operational policies of Energotel through the shareholders agreement together with its other investors.

Name	Country of incorporation	% Ownership interest and voting rights held	Activities	Amount of investment at 31 December 2013	Amount of investment at 31 December 2012
Enermont s.r.o.	Slovak Republic	100%	Construction	2,200	2,200
ZSE Development, s.r.o. [1)]	Slovak Republic	100%	Trading activities	564	564
ZSE Energia, a.s.	Slovak Republic	100%	Purchase and sale of electricity and gas	6,725	6,725
Západoslovenská distribučná, a.s. [2)]	Slovak Republic	100%	Distribution of electricity	907,368	907,368
Investment in subsidiaries				**916,857**	**916,857**
E.ON Business Services Slovakia spol. s r.o. [3)]	Slovak Republic	49%	IT services	1,105	1,105
Investment in associates				**1,105**	**1,105**
Energotel, a.s.	Slovak Republic	20%	Data and telecommunication services	525	525
Investment in joint ventures				**525**	**525**
Other				72	72
Total				**918,559**	**918,559**

Notes:

1) On 4 February 2012, OTC, s.r.o. was renamed to ZSE Development, s.r.o. and changed its registered address to Čulenova 6, Bratislava. As described in Note 30, ZSE purchased part of business of its subsidiary. Accordingly, ZSE Development, s.r.o. changed its main business activities from meters calibrations to trading activities.

(All amounts are in thousands of Euro unless stated otherwise)

2) Based on the decision of sole shareholder from 19 December 2012, the subsidiary ZSE Distribúcia, a.s. was renamed to Západoslovenská distribučná, a.s. effective from 1 January 2013.

3) On 1 October 2013 E.ON IT Slovakia spol. s r.o. was renamed to E.ON Business Services Slovakia spol. s r.o.

	Assets	Liabilities	Revenues	Profit	% Interest held
2013*					
Enermont s.r.o.	19,504	13,232	51,432	3,826	100%
ZSE Development, s.r.o.	623	9	-	(7)	100%
ZSE Energia, a.s.	158,886	136,014	890,119	12,840	100%
Západoslovenská distribučná, a.s.	1,002,177	237,202	573,284	55,330	100%
E.ON Business Services Slovakia spol. s r.o.	6,922	3,723	16,765	786	49%
Energotel, a.s.	12,841	6,332	12,782	997	20%

	Assets	Liabilities	Revenues	Profit	% Interest held
2012					
Enermont s.r.o.	35,225	8,345	53,039	5,728	100%
ZSE Development, s.r.o.	4,321	108	2,025	340	100%
ZSE Energia, a.s.	159,620	125,778	911,222	23,913	100%
Západoslovenská distribučná, a.s.	989,692	238,264	550,025	46,631	100%
E.ON Business Services Slovakia spol. s r.o.	5,832	2,927	17,596	496	49%
Energotel, a.s.	15,546	8,768	13,167	1,266	20%

*) *As at the date of authorisation of these separate financial statements for issue, the audited financial statements of all subsidiaries, associates and joint ventures for the year ended 31 December 2013 were not available. The table is prepared based on preliminary non-audited financial statements for the year then ended.*

(All amounts are in thousands of Euro unless stated otherwise)

9 Financial instruments by category

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

As at 31 December 2013	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables (Note 12)	1,067	**1,067**
Other receivables including other accrued income (Note 12)	25	**25**
Cash and cash equivalents (Note 13)	21,598	**21,598**
Receivables from cash-pooling (Note 17)	3,954	**3,954**
Total	**26,644**	**26,644**

As at 31 December 2012	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables (Note 12)	9,347	**9,347**
Amounts due from customers for contract work (Note 11, 12)	23,507	**23,507**
Other receivables including other accrued income (Note 12)	353	**353**
Cash and cash equivalents (Note 13)	18,041	**18,041**
Receivables from cash-pooling (Note 17)	25,511	**25,511**
Total	**76,759**	**76,759**

As at 31 December 2013	Other financial liabilities – carried at amortised cost	Total
Liabilities as per balance sheet		
Bank overdrafts (Note 13)	1	**1**
Trade payables (Note 15)	14,675	**14,675**
Issued bonds (Note 16)	631,316	**631,316**
Liabilities from cash-pooling (Note 17)	38,011	**38,011**
Total	**684,003**	**684,003**

As at 31 December 2012	Other financial liabilities – carried at amortised cost	Total
Liabilities as per balance sheet		
Bank overdrafts (Note 13)	16,288	**16,288**
Trade payables (Note 15)	16,389	**16,389**
Liabilities from cash-pooling (Note 17)	73,266	**73,266**
Total	**105,943**	**105,943**

(All amounts are in thousands of Euro unless stated otherwise)

10 Inventories

	As at 31 December	
	2013	2012
Materials and spare parts	20	1,625
Total inventories	**20**	**1,625**

The inventory items are shown after provision for slow-moving materials and spare parts of EUR 2 thousand (31 December 2012: EUR 15 thousand).

Movements in provision for slow-moving items and spare parts for year ended 31 December 2013 are presented below:

	At 1 January 2013	Set-up	Release	At 31 December 2013
Materials and spare parts	15	-	-13	2
Total	**15**	**-**	**-13**	**2**

The cost of inventories recognized as expense and included in 'Cost of sales' (Note 21) amounted to EUR 4,915 thousand (2012: EUR 4,675 thousand).

11 Amounts due from / due to customers for contract work

	As at 31 December	
	2013	2012
The aggregate costs incurred and recognised profits (less recognised losses) to date	-	30,027
Less: Progress billings	-	(6,520)
Total	**-**	**23,507**
Amounts due from customers for contract work (Note 9, 12)	-	23,507
Total	**-**	**23,507**

The contract revenue from continuing operations recognised as revenue in the year ended 31 December 2013 amounted to EUR 0 thousand (2012: EUR 0 thousand).

Amounts due from and due to customers for contract works are all with related parties.

(All amounts are in thousands of Euro unless stated otherwise)

12 Trade and other receivables

	As at 31 December	
	2013	2012
Trade receivables not yet due	273	354
Individually impaired trade receivables	7,320	7,657
Less: Provision for impairment of receivables	(7,275)	(7,627)
Trade receivables – net	318	384
Receivables to subsidiaries not yet due	730	8,887
Receivables to subsidiaries past due but not impaired	19	76
Receivables to subsidiaries – total	749	8,963
Subtotal	**1,067**	**9,347**
Amounts due from customers to contract work (Note 9,11)	-	23,507
	-	23,507
Prepayments	223	267
Other receivables and other accrued income (Note 9)	25	353
Total trade and other receivables	**1,315**	**33,474**

The structure of trade receivables and other receivables by maturity is as follows:

	As at 31 December	
	2013	2012
Receivables within due date	1,251	33,368
Overdue receivables	7,339	7,733
Less: Provision for impairment of receivables	(7,275)	(7,627)
Total trade and other receivables	**1,315**	**33,474**

As of 31 December 2013, trade receivables of EUR 7,320 thousand (2012: EUR 7,657 thousand) were impaired and provided for. The amount of the provision was EUR 7,275 thousand as of 31 December 2013 (2012: EUR 7,627 thousand). The individually impaired receivables mainly relate to customers, which are in difficult economic situations. It was assessed that a portion of these impaired receivables is expected to be recovered.

The ageing of these receivables was as follows:

	As at 31 December	
	2013	2012
1 to 30 days	39	66
31 to 60 days	-	4
61 to 90 days	-	4
91 to 120 days	5	4
121 to 180 days	1	14
181 to 360 days	16	2
Over 360 days	7,259	7,563
Total individually impaired receivables	**7,320**	**7,657**

(All amounts are in thousands of Euro unless stated otherwise)

The movements in the provision for impairment of trade receivables are recognized in the Statement of comprehensive income under Other operating income. Movements are presented in the table below:

	2013	2012
At the beginning of the year	7,627	8,621
Additional provision for receivables impairment	78	99
Unused amounts reversed	(157)	(92)
Transfer to assets classified as held for sale	(81)	-
Receivables written off during the year as uncollectible	(192)	(1,001)
At the end of the year	7,275	7,627

Provision for impairment of receivables is calculated in the amount of 100% of the value of individual receivables from companies in bankruptcy and receivables subject to court proceedings. Provision for impairment of other receivables is calculated based on ageing analysis of individual receivables and the type of the customer.

	As at 31 December	
	2013	2012
Receivables from Západoslovenská distribučná, a.s. (till 31 December 2012: ZSE Distribúcia, a.s.)	355	8,070
Receivables from ZSE Energia, a.s.	58	214
Receivables from Enermont s.r.o.	333	603
Receivables from ZSE Development, s.r.o.	3	76
	749	8,963
Receivables to subsidiaries not yet due	730	8,887
Receivables past due but not impaired	19	76
Receivables to subsidiaries	749	8,963

As of 31 December 2013, receivables to subsidiaries amounting to 19 thousand EUR were past due (at 31 December 2012: EUR 76 thousand), no receivables to subsidiaries are impaired (at 31 December 2012: EUR 0 thousand).

The carrying amounts of trade and other receivables as of 31 December 2013 and 2012 are not substantially different from their fair value.

The maximum exposure to credit risk is limited by the carrying value of receivables. As of 31 December 2013 and 2012, there is a significant concentration of credit risk with respect of receivables within the Group towards Západoslovenská distribučná, a.s. (till 31 December 2012: ZSE Distribúcia, a.s.). and ZSE Energia, a.s. The Company manages this exposure through cash-pooling agreements (Note 17).

The carrying amounts of all the Company's trade and other receivables are denominated in EUR. The Company does not hold any collateral as security of the receivables.

No receivables have been pledged in favour of a bank or a pledge. There are no other restrictions relating to Company's receivables.

(All amounts are in thousands of Euro unless stated otherwise)

13 Cash and cash equivalents

	As at 31 December	
	2013	2012
Cash at bank and in hand	21,465	17,908
Short term bank deposits	133	133
Total (Note 9)	**21,598**	**18,041**

Cash and cash equivalents include the following for the purposes of the cash flows statement:

	As at 31 December	
	2013	2012
Cash at bank and in hand	21 465	17,908
Short term bank deposits	133	133
Bank overdrafts (Note 9)	(1)	(16,288)
Total	**21,597**	**1 753**

The effective interest rate on short term bank deposits was 0.15% (in the year ended 31 December 2012: 0.57%) and these deposits had an average maturity of 1 days (in the year ended 31 December 2012: 10 days). As at 31 December 2013 Cash and cash equivalents were fully available to the Company's use excluding the restricted cash in the amount of EUR 133 thousand (as at 31 December 2012: EUR 133 thousand).

The cash and short-term deposits are kept by the Company in 4 banks (2012: 4 banks). The credit quality of cash in the bank and bank deposits can be assessed by external credit ratings (Moody's and Fitch's) at 31 December 2013:

	As at 31 December	
	2013	2012
Cash at bank		
Banks rates – A3 (Moody's)	21,458	17,908
Banks rates – A (Fitch's)	7	-
	21,465	**17,908**
Short-term bank deposits		
Banks rates – A3 (Moody's)	133	133
	133	**133**
Total cash in the bank and short-term bank deposits	**21,598**	**18,041**

All balances are neither past due nor impaired.

(All amounts are in thousands of Euro unless stated otherwise)

14 Shareholders' equity

The total authorized number of ordinary shares is 5,934,594 shares with a par value of EUR 33.19 per share, representing the share capital of EUR 196,969 thousand. All authorized shares are issued and fully paid in. The Company does not have any share capital subscribed but not recorded in the Commercial Register.

No changes in share capital of the Company occurred during the year 2013 and year 2012. As at 31 December 2013 the total number of 3,026,643 shares (51%) is owned by the National Property Fund of the Slovak Republic; 2,314,492 shares (39%) are owned by E. ON Slovensko, a.s. and 593,459 (10%) shares are owned by E.ON Energie AG, Munich, Germany.

Legal reserve fund is obligatorily created from profit of the Company in accordance with the Slovak Commercial Code, section 67. The minimum prescribed creation of the Legal reserve fund is specified in section 217 of the Commercial Code and it defines that the Company is obliged to create legal reserve fund in the amount of 10% of its share capital at the time of the incorporation of the Company. This amount must be increased annually by at least 10% from net profit, until the Legal reserve fund achieves 20% of the share capital, which was already fulfilled by the Company. Use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. Legal reserve fund amounted to EUR 39,421 thousand as at 31 December 2013 (as at 31 December 2012: EUR 39,421 thousand).

Extraordinary General Meeting of the Company on its session held on 8 November 2013 approved cancellation of the purpose-built Other funds created from profit and transfer of their balance in total amount of EUR 45,467 thousand into the retained earnings. At the date of cancellation, Other funds include the regional development fund amounting to EUR 12,463 thousand (at 31 December 2012: EUR 12,463 thousand), which has been set up in 2004 based on the agreement of Company`s shareholders, the distribution network recovery fund amounting to EUR 9,958 thousand (at 31 December 2012: EUR 9,958 thousand) set up in 2005 based on the agreement of Company`s shareholders and by initiative of Ministry of Economy of Slovak republic, and the investment base fund amounting to EUR 23,046 thousand (at 31 December 2012: EUR 23,046 thousand), which was set up in 2006.

General Meeting of the Company held on 30 May 2013 approved the statutory financial statements for previous accounting period and the distribution of 2012 profit amounting to EUR 104,008 thousand as follows:

Appropriation to the social fund	EUR	1,197	thousand
Dividends paid	EUR	77,811	thousand
Transfer to retained earnings	EUR	25,000	thousand

Extraordinary General Meeting of the Company held on 8 November 2013 approved distribution of accumulated retained earnings of the Company for the payment of an extraordinary dividend to the Company's shareholders in amount of EUR 619,501 thousand. These dividends were paid during November 2013.

Dividend per share represents EUR 117.50 for the year ended 31 December 2013 (2012: EUR 27.02 per share).

The accumulated profits of the Company at 31 December 2013 available for profit distribution amounted to EUR 97,670 thousand (2012: EUR 651,846 thousand). The Decision on the use of the 2013 profit of EUR 97,670 thousand will be made by the General Meeting.

(All amounts are in thousands of Euro unless stated otherwise)

15 Trade and other payables

	As at 31 December	
	2013	2012
Trade payables (Note 9)	14,675	16,389
	14,675	16,389
Other payables and accrued expenses		
Payables to employees	531	1,430
Social security	394	817
Accrued personnel expenses	2,120	4,848
Other accrued liabilities	667	735
VAT payable (Note 32)	951	678
Other payables	366	538
	5,029	9,046
	19 704	**25,435**

Out of the total payables at 31 December 2013, overdue payables are EUR 240 thousand (at 31 December 2012: EUR 584 thousand). All other payables are not yet due.

The fair value of trade and other payables is not significantly different from their carrying amount. The carrying value of Company`s payables is denominated mostly in Euro.

Social fund

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

	Year ended at 31 December	
	2013	2012
Opening balance at 1 January	130	71
Appropriations expensed	1,496	1,677
Usage	(1 602)	(1,618)
Transfer to liabilities classified as held for sale	(16)	-
Closing balance at 31 December	**8**	**130**

16 Issued bonds

An overview of issued bonds is presented in the table below:

	As at 31 December	
	2013	2012
Non-current		
Bonds	627,178	-
Current		
Bonds including unpaid interests	4,138	-
Total	**631,316**	**-**

(All amounts are in thousands of Euro unless stated otherwise)

The Company issued bonds on 14 October 2013 registered in form in name of bearer. Interest revenues from bonds are due on annual basis. They were accepted to quoted regulated market of the Irish Stock Exchange, Dublin. Managers of the bonds issue were following companies: Citigroup Global Markets Limited, London, Great Britain; Raiffeisen Bank International AG, Wien, Austria and Société Générale, Paris, France. More details about issued bonds are presented in the table below:

	Emission amount in thousand EUR	Emission rate	Interest	Maturity date
ISIN: XS0979598207 series 1	315,000	100%	2.875% p.a.	14.10.2018
ISIN: XS0979598462 series 2	315,000	99.814%	4.000% p.a.	14.10.2023
Total	**630,000**			

17 Receivables and Liabilities from cash pooling

	As at 31 December	
	2013	**2012**
Receivables from cash pooling (Note 9, 32)	3,954	25,511
Total	**3,954**	**25,511**

	As at 31 December	
	2013	**2012**
Liabilities from cash pooling (Note 9, 32)	38,011	73,266
Total	**38,011**	**73,266**

The Company has concluded with its subsidiaries and associate a cash-pooling agreement. Based on this agreement the available cash is managed by the Company. If the case of additional financing needs the cash from the cash pool of the Company is made available to subsidiaries and associate.

The fair value of the cash-pooling liabilities approximates their carrying value.

Receivables from cash pooling from subsidiaries:

	As at 31 December	
	2013	**2012**
Enermont s.r.o.	3,954	-
Západoslovenská distribučná, a.s. (Note 32)	-	25,511
Total (Note 32)	**3,954**	**25,511**

(All amounts are in thousands of Euro unless stated otherwise)

Liabilities from cash pooling to subsidiaries and associate:

	As at 31 December	
	2013	2012
Západoslovenská distribučná, a.s.	27	-
ZSE Energia, a.s.	37 368	49,926
Enermont s.r.o.	-	18,747
ZSE Development, s.r.o.	581	4,226
E.ON Business Services Slovakia spol. s r.o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.)	35	367
Total liabilities from cash pooling (Note 32)	38,011	73,266

18 Deferred income taxes

Deferred income taxes are calculated in the whole amount on temporary differences under the balance sheet liability method using a principal tax rate of 22% (2012: 23%).

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

As of year end 2013 the Slovak tax legislation was amended, based on which the corporate income tax rate decreases from 23% to 22%, effective from 1 January 2014.

The offset amounts are as follows:

	As at 31 December	
	2013	2012
Deferred tax asset:		
to be recovered after more than 12 months	538	1,892
to be recovered within 12 months	408	1,271
	946	3,163
Deferred tax liability:		
to be recovered after more than 12 months	(1,982)	(1,824)
to be recovered within 12 months	(136)	(242)
	(2,118)	(2,066)
Total deferred tax (liability)/asset	(1,172)	1,097

(All amounts are in thousands of Euro unless stated otherwise)

The movement in deferred tax assets and liabilities during the year was as follows:

	As at 1 January 2013	(Charged)/ credited to the profit or loss	(Charged)/ credited to other comprehensive income	Transfer to liabilities classified as held for sale	As at 31 December 2013
Non-current tangible assets	(2,066)	(192)	-	140	(2,118)
Pension liability and similar provisions	1,846	-	(190)	(1,179)	477
Other provisions and accrued expenses	1,173	(238)	-	(555)	380
Provisions against bad debts	144	(54)	-	(1)	89
Total	**1,097**	**(484)**	**(190)**	**(1,595)**	**(1,172)**

	As at 1 January 2012	(Charged)/ credited to the profit or loss	(Charged) to other comprehen-sive income	As at 31 December 2012
Non-current tangible assets	(1,562)	(504)	-	(2,066)
Pension liability and similar provisions	1,160	672	14	1,846
Other provisions and accrued expenses	841	332	-	1,173
Provisions against bad debts	97	47	-	144
Total	**536**	**547**	**14**	**1,097**

19 Pension and other provisions for liabilities and charges

	Pensions and other staff benefits (a)	Litigation (b)	Total
As at 1 January 2013	**8,026**	**700**	**8,726**
Additional provisions	-	-	-
Used/paid during year	(407)	(83)	(490)
Reversal on unused provisions	(93)	(617)	(710)
Transfer to liabilities classified held for sale	(5,362)	-	(5,362)
As at 31 December 2013	**2,164**	**-**	**2,164**

Analysis of total provisions	As at 31 December 2013	2012
Non-current	2,035	7,524
Current	129	1,202
	2,164	**8,726**

(All amounts are in thousands of Euro unless stated otherwise)

(a) Pension and other staff benefits

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

(i) post employment benefits

	As at 31 December	
	2013	2012
Present value of unfunded retirement obligations	1,799	6,812
Liability in the balance sheet	**1,799**	**6,812**

The amounts recognised in the profit or loss are as follows:

	Year ended 31 December	
	2013	2012
Current service cost from continuing operations	123	112
Interest expense from continuing operations	55	63
Total charge from continuing operations	**178**	**175**
Current service cost from discontinued operations	299	271
Interest expense from discontinued operations	153	152
Total charge from discontinued operations	**452**	**423**

Movements in the present value of defined benefit obligations are:

	As at 31 December	
	2013	2012
Present value of unfunded retirement obligations at beginning of the year	6,812	5,097
Current service cost from continuing operations	123	112
Interest expense from continuing operations	55	63
Paid	(205)	(22)
Other	(1)	961
Actuarial (gains)/losses from continuing operations	(316)	52
Current service cost from discontinued operations	299	271
Interest expense from discontinued operations	153	152
Actuarial (gains)/losses from discontinued operations	(765)	126
Transfer to liabilities classified as held for sale	(4,356)	-
Present value of unfunded retirement obligations at the end of the year	**1,799**	**6,812**

(All amounts are in thousands of Euro unless stated otherwise)

The principal actuarial assumptions and data to determine the provision for retirement were as follows:

An average number of employees at 31 December 2013	1,243
Percentage of employees, who will terminate their employment with ZSE prior to retirement (withdrawal rate)	4.21% p.a.
Expected salary increases short-term	3.5% p.a.
Expected salary increases long-term	3.3% p.a.
Discount rate	3.5% p.a.

An average number of employees at 31 December 2012	1,260
Percentage of employees, who will terminate their employment with ZSE prior to retirement (withdrawal rate)	4.38% p.a.
Expected salary increases short-term	4.0% p.a.
Expected salary increases long-term	4.5% p.a.
Discount rate	3.1% p.a.

(ii) other long-term benefits (life and work jubilee bonuses)

	As at 31 December	
	2013	**2012**
Present value of unfunded obligations	365	1,214
Liability in the balance sheet	**365**	**1,214**

The amounts recognised in the profit or loss are as follows:

	Year ended 31 December	
	2013	**2012**
Current service cost from continuing operations	25	21
Interest expense from continuing operations	12	11
Total charge from continuing operations	**37**	**32**
Current service cost from discontinued operations	69	59
Interest expense from discontinued operations	34	30
Total charge from discontinued operations	**103**	**89**

(All amounts are in thousands of Euro unless stated otherwise)

Movements in the present value of defined benefit obligation are:

	As at 31 December	
	2013	**2012**
Present value of the obligation at beginning of the year	1 214	1 006
Current service cost from continuing operations	25	21
Interest expense from continuing operations	12	11
Paid	(202)	-
Other	-	190
Actuarial (gains)/losses from continuing operations	64	(27)
Current service cost from discontinued operations	69	59
Interest expense from discontinued operations	34	30
Actuarial (gains)/losses from discontinued operations	154	(76)
Transfer to liabilities classified as held for sale	(1,005)	-
Present value of unfunded retirement obligations at the end of the year	**365**	**1,214**

	Year ended 31 December	
	2013	**2012**
Remeasurement component - actuarial (gain)/loss from continuing operations recognized in other comprehensive income		
- on post employment benefits	(316)	52
- on other long-term benefits	64	(27)
Total from continuing operations	**(252)**	**25**
Remeasurement component - actuarial (gain)/loss from discontinued operations recognized in other comprehensive income		
- on post employment benefits	(765)	126
- on other long-term benefits	154	(76)
Total from discontinued operations	**(611)**	**50**

(b) Provision for litigation

Provision for litigation was related to the legal case with a supplier's employee, who suffered a serious work-related accident whilst working for the Company. The provision was set up in the amount of the assumed compensation quantified by the Company's lawyer. As the litigation has ended, EUR 83 thousand from the provision was used during the year 2013 and the remaining part of the provision was released.

(All amounts are in thousands of Euro unless stated otherwise)

20 Revenues

Revenues include the following:

	Year ended 31 December	
	2013	2012
Services provided to subsidiaries, associates and to the shareholder	58,584	58,734
Revenue from sale of electrometers and other material to subsidiaries	2,146	2,086
Other revenues	560	714
	61,290	61,534

21 Cost of sales

The following amounts have been charged to cost of sales:

	Year ended 31 December	
	2013	2012
Cost of equipment and spare parts	4,915	4,675
Other	1,266	1,284
	6,181	5,959

(All amounts are in thousands of Euro unless stated otherwise)

22 Operating expenses

	Year ended 31 December	
	2013	2012
Wages and salaries	10,155	9,985
Pension costs – defined contribution plans	1,461	1,873
Other social costs	3,553	3,858
	15,169	**15,716**
IT maintenance fees	10,332	11,053
Depreciation (Note 6)	2,764	2,398
Amortisation (Note 7)	4,153	5,026
Rental costs	4,497	4,804
Post and telecommunication costs	3,266	2,923
Call centre services	2,888	2,924
Advisory services	2,005	1,555
Other repairs and maintenance	808	1,242
Other operating expenses	451	1,077
Advertising	606	1,449
Security services	1,172	1,163
Energotel services	612	598
Travel expenses	165	169
Repairs and maintenance of electrical network related assets	375	373
GIS services	-	295
Audit of financial statements	105	112
Other non-audit services	346	21
Other purchased services	5,292	4,281
	55,004	**57,179**

23 Dividend income

The Company had dividend income from following companies:

	Year ended 31 December	
	2013	2012
Západoslovenská distribučná, a.s. (till 31 December 2012: ZSE Distribúcia, a.s.)	41,823	63,106
ZSE Energia, a.s.	23,811	28,505
Enermont s.r.o.	24,433	5,506
E.ON Business Services Slovakia spol. s r.o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.)	233	734
ZSE Development, s.r.o.	3,534	130
Other	274	186
	94 108	**98,167**

(All amounts are in thousands of Euro unless stated otherwise)

24 Other operating income

	Year ended 31 December	
	2013	2012
Income from rental and from social facilities	1,613	1,511
Gain on disposal of fixed assets	570	283
Other	1,368	1,185
	3,551	2,979

25 Finance expenses

	Year ended 31 December	
	2013	2012
Interest expenses:		
- Interests from bonds	4,687	-
- other interests	140	141
Other finance expenses:		
- finance expenses related to bonds	128	-
- other	229	-
	5,184	141

26 Income tax expense

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

	Year ended 31 December	
	2013	2012
Income before tax, from this:	99,613	105,766
income before tax from continuing operations	*92,735*	*100,041*
income before tax from discontinued operations	*6,878*	*5,725*
Theoretical income tax at 23% (2012: 19%)	22,911	20,096
Dividend income not subject to tax	(21,645)	(18,652)
Income tax related to prior period	2	231
Effect of change of the tax rate to 22% (2012: 23%)	19	191
Effect of not recognized deferred tax asset	-	(293)
Effect of other comprehensive income to deferred tax	(190)	-
Other tax non-deductible items	849	185
Total recognized income tax expense	**1,946**	**1,758**
The tax charge for the period comprises:		
Deferred tax charge/(credit) (Note 18)	484	(547)
Tax charge in respect of current period	1,460	2,074
Income tax related to prior period	2	231
Total, from this:	**1,946**	**1,758**
the tax charge from continuing operations	*331*	*97*
the tax charge from discontinued operations	*1,615*	*1,661*

(All amounts are in thousands of Euro unless stated otherwise)

27 Contingencies

Taxation

Due to the fact that Slovak tax law contains certain provisions allowing for more than one interpretation, as well as the practice, developed in the generally unstable environment by the tax authority of making arbitrary judgements on business activities, management's interpretation of the Company's business activities may not coincide with the interpretation of these activities by the tax authorities. The fiscal years from 2008 through to 2013 remain open to tax inspection.

28 Commitments

(i) Capital commitments

At 31 December 2013 the Company concluded contracts for purchase of non-current assets in amount of EUR 4,288 thousand which are effective after this date (31. December 2012: EUR 2,542 thousand).

(ii) Operating lease commitments – the Company as lessee

The operating lease payments in year 2013 amounted to EUR 4,506 thousand (2012: EUR 4,822 thousand). These lease payments are recorded as expenses in the statement of comprehensive income on a straight-line basis over the lease term.

The future aggregate minimum lease payments under non-cancellable operating leases for rach of the following periods are due as follows:

	Year ended 31 December	
	2013	**2012**
No later than one year	2,466	3,550
Later than one year and no later than five years	5,770	5,246
Later than five years	438	35
	8,674	**8,831**

As at 31 December 2013 and as at 31 December 2012 the Company leases cars and various premises for business and administrative purposes under operating leasing contracts.

(All amounts are in thousands of Euro unless stated otherwise)

29 Cash generated from operating activities

	Note	Year ended 31 December 2013	2012
Profit before tax		99,613	105,766
Adjustments for:			
Depreciation	6	3,041	2,790
Amortisation	7	5,029	5,771
Profit on sale of property, plant and equipment		(448)	(395)
Interest income		(155)	(640)
Interest expense		5,014	323
Dividend income	23	(94,108)	(98,167)
Net movements in provisions		(591)	1,592
Other non-cash items movements		-	(1,151)
Changes in working capital:			
Inventories	10	328	(237)
Trade and other receivables		(3,043)	(1,185)
Receivables/Liabilities from cash pooling		(13,698)	(17,303)
Trade and other payables		7,428	(1,553)
Cash generated from operating activities		**8,410**	**(4,389)**

	Year ended 31 December 2013	2012
Net book value of sold asset	394	20
Profit on sale of property and equipment	448	395
Proceeds from sale of property and equipment	**842**	**415**

30 Acquisitions

The Company concluded with its subsidiary ZSE Development, s.r.o. (till 3 February 2012: OTC, s.r.o.) agreement on purchase of part of the business, a separate division "Maintenance of electrometers and metering centre", which became effective on 1 January 2012. The agreed purchase consideration amounted to EUR 1,414 thousand.

Recognized amounts of acquired assets and liabilities as at 1 January 2012	
Property, plant and equipment (Note 6)	846
Trade receivables	691
Other assets	51
	1,588
Trade and other payables	(174)
Total identifiable net assets	**1,414**

The purchase price of EUR 1,414 thousand was settled during 2012.

(All amounts are in thousands of Euro unless stated otherwise)

31 Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares in issue during the year.

Earnings per share are calculated as follows:

	2013	2012
Profit for the year	97,667	104,008
Weighted average number of ordinary shares in issue (Note 14)	5,934,594	5,934,594
Basic earnings per share (EUR per share)	**16.457**	**17.525**

(ii) Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Company has no potential ordinary shares as of 31 December 2013 and 2012, and diluted earnings per share are the same as basic earnings per share.

32 Related party transactions

During the periods presented in these financial statements, the Company had transactions with following related parties:

(i) Shareholders
- The Slovak Republic represented by National Property Fund
- E.ON Slovensko, a.s.
- E.ON Energie AG

(ii) Entities under common control of E.ON Group
- E.ON Czech republic
- E.ON Energie Human Resources International GmbH, Munich
- E.ON Risk Consulting, Munich
- E.ON IT GmbH, Hannover
- E.ON Elektrárne s.r.o.
- E.ON SE
- Bioplyn Ladzany, s. r. o.
- Bioplyn Cetín, s. r. o.
- Bioplyn Hont, s.r.o.
- Bioplyn Horovce, s. r. o.

(iii) Subsidiaries
- Západoslovenská distribučná, a.s. (till 31 December 2012: ZSE Distribúcia, a.s.)
- ZSE Energia, a.s.
- Enermont s.r.o.
- ZSE Development, s.r.o. (till 3 February 2012: OTC, s.r.o.)

(All amounts are in thousands of Euro unless stated otherwise)

(iv) Associates and joint ventures
- E.ON Business Services Slovakia spol. s r. o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.)
- Energotel, a.s.

(v) Government related entities

The Slovak Government significantly influences the financial and operating policy decisions of the Company through its ownership of 51% of the shares of the Company by the National Property Fund of the Slovak Republic subject to arrangements agreed in the Shareholders Agreement. Therefore the Slovak Government and the companies controlled, jointly controlled or significantly influenced by the Slovak Government are classified as related parties of the Company ("Government related entities").

Routine trading transactions with the Slovak government, including its departments and agencies, and transactions between state-controlled entities, which are providers of public utilities and services, for which standard commercial terms and conditions have been applied, and which do not represent a significant portion of a type of transaction, are excluded from the scope of related party disclosures.

In case of disclosure of transactions with government related parties the Company has applied exemption under IAS 24 paragraph 25.

These financial statements contain aggregate information about significant transactions with government institutions and companies which are described below.

	Year ended 31 December	
	2013	**2012**
Payment of dividends to related parties		
(i) Shareholders		
National Property Fund (NPF)	355,629	107,279
E.ON Slovensko, a.s.	271,952	84,140
Payment of dividends to other shareholders	69,731	18,931
	697,312	**210,350**

(All amounts are in thousands of Euro unless stated otherwise)

	Year ended 31 December	
	2013	2012
Sales		
(i) Shareholders		
E.ON Slovensko, a.s.	894	913
	894	**913**
(ii) Entities under common control of E.ON Group		
E.ON Elektrárne s.r.o.	12	16
E.ON Energie Human Resources International GmbH, Munich	61	25
Bioplyn Ladzany, s. r. o	3	2
Bioplyn Cetín, s. r. o	5	-
Bioplyn Hont, s.r.o	-	1
Bioplyn Horovce, s. r. o	2	-
E.ON Energie AG	1	-
E.ON SE	-	12
	84	**56**
(iii) Subsidiaries		
ZSE Energia, a.s.	13,758	14,036
Západoslovenská distribučná, a.s. *)	148,108	153,611
ZSE Development, s.r.o.	9	92
Enermont s.r.o.	6,904	6,775
	168,779	**174,514**
(iv) Associates and joint ventures		
E.ON Business Services Slovakia spol. s r.o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.)	588	488
Energotel, a.s.	1,102	1,101
	1,690	**1,589**
(v) Government related entities		
Total	585	542
Total	**172,032**	**177,614**

**) This amount represents total billings towards Západoslovenská distribučná, a.s. which also includes deferred revenues amounting to EUR -922 thousand (31 December 2012: EUR 4,948 thousand) from construction work.*

The Company's sales related mainly to supporting services provided to subsidiaries and construction works to Západoslovenská distribučná, a.s. The services sold to the subsidiaries and the shareholder are provided based on service level agreements concluded for indefinite time period with cancellation notice of 3 months. The amount of services to be provided by the Company under such arrangements in 2014 is expected to be EUR 60 million.

There are no other sales commitments with related parties as of 31 December 2013 other than disclosed above.

(All amounts are in thousands of Euro unless stated otherwise)

	Year ended 31 December	
	2013	2012
Purchases		
(i) Shareholders		
E.ON Slovensko, a.s.	-	1
	-	**1**
(ii) Entities under common control of E.ON Group		
E.ON Energie Human Resources International GmbH, Munich	1,801	758
E.ON Risk Consulting, Munich	66	47
E.ON Czech republic	9	-
E.ON Elektrárne s.r.o.	5	10
	1,881	**815**
(iii) Subsidiaries		
ZSE Energia, a.s.	818	842
Západoslovenská distribučná, a.s.	1,068	1,057
Enermont s.r.o.	43,699	46,491
	45,585	**48,390**
(iv) Associates and joint ventures		
EFR CEE Kft.	301	294
E.ON Business Services Slovakia spol. s r.o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.)	15,575	16,235
Energotel, a.s.	1,772	1,817
	17,648	**18,346**
(v) Government related entities		
Total	531	523
(vi) Taxes		
Income tax (Note 26)	1,462	2,305
Property and motor vehicle tax	200	169
	1,662	**2,474**
Total	**67,307**	**70,549**

(All amounts are in thousands of Euro unless stated otherwise)

	As at 31 December	
	2013	2012
Receivables		
(i) Shareholders		
E.ON Slovensko, a.s.	57	46
	57	**46**
(ii) Entities under common control of E.ON Group		
E.ON SE	-	12
E.ON Energie AG	1	-
E.ON IT GmbH Hannover	-	3
	1	**15**
(iii) Subsidiaries		
ZSE Energia, a.s.	67	214
Západoslovenská distribučná, a.s. – trade receivables	10,979	8,070
Západoslovenská distribučná, a.s. – amounts due from customers from contract work	24,429	23,507
Západoslovenská distribučná, a.s. – receivable from cash-pooling (Note 17)	-	25,511
Enermont s.r.o. – trade receivables	335	603
Enermont s.r.o. – receivable from cash-pooling (Note 17)	3,954	-
ZSE Development, s.r.o.	3	76
	39,767	**57,981**
(iv) Associates and joint ventures		
E.ON Business Services Slovakia spol. s r.o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.)	48	47
Energotel, a.s.	107	107
	155	**154**
(v) Government related entities		
Total	105	114
(vi) Taxes		
Income tax receivable	992	467
	992	**467**
Total	**41,077**	**58,777**

(All amounts are in thousands of Euro unless stated otherwise)

	As at 31 December	
	2013	2012
Payables		
(i) Entities under common control of E.ON Group		
E.ON Energie Human Resources International GmbH, Munich	-	438
E.ON Elektrárne s.r.o.	-	1
	-	439
(ii) Subsidiaries		
ZSE Energia, a.s. – trade payables	46	122
ZSE Energia, a.s – liabilities from cash-pooling (Note 17)	37,368	49,926
Západoslovenská distribučná, a.s.– liabilities from cash-pooling (Note 17)	27	-
Enermont s.r.o. – trade payables	8,765	2,740
Enermont s.r.o. – liabilities from cash-pooling (Note 17)	-	18,747
ZSE Development, s.r.o. – liabilities from cash-pooling (Note 17)	581	4,226
	46,787	**75,761**
(iii) Associates and joint ventures		
E.ON Business Services Slovakia spol. s r.o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.) – trade payables	6,084	3,283
E.ON Business Services Slovakia spol. s r.o. – liabilities from cash-pooling (Note 17)	35	367
Energotel, a.s.	128	504
	6,247	**4,154**
(iv) Government related entities		
Total	58	47
(v) Taxes		
VAT tax payable (Note 15)	951	678
	951	**678**
Total	**54,043**	**81,079**

(vi) key management personnel of the Company or its parent

Members of the Board of Directors
Members of the Supervisory Board
Divisional directors

	Year ended 31 December	
	2013	2012
Board of directors and key management personnel		
Salaries and short-term employee benefits	620	411
Pension costs – defined contribution plans	83	52
Total	**703**	**463**
Supervisory board		
Salaries and short-term employee benefits	108	96
Pension costs – defined contribution plans	34	31
Total	**142**	**127**

33 Events after the end of the reporting period

General Meeting of shareholders of the Company on its session held on 5 December 2013 approved the sale of "Services for electricity distribution division" to the subsidiary Západoslovenská distribučná, a.s. effective from 1 January 2014. Core business activities of the Division are mainly electricity network construction, maintenance and calibration of network elements for company Západoslovenská distribučná, a.s. The transfer of employees of the Division will be also part of this transaction. The completion date for the transaction is expected during the year 2014.

After 31 December 2013, no other significant events have occurred that would require recognition or disclosure in the 2013 financial statements.

....	....
Jochen Kley	Marian Rusko
Chairman of the Board of Directors and CEO	Member of the Board of Directors
Written record of members of entity´s statutory body	Written record of members of entity´s statutory body