Západoslovenská energetika, a.s.

Annual Report ended 31 December 2013 and Report on Verifying Consistency of Annual report with the separate Financial Statements

April 2014

Report on Verifying Consistency of the Annual Report with the Financial Statements, as required by § 23 of Act No. 540/2007 Coll.
(Addendum to the Auditor's Report)

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

We have audited the separate financial statements of Západoslovenská energetika, a.s. ("the Company") at 31 December 2013, on which we issued Independent Auditor's Report on 24 March 2014 and on which we expressed an unqualified audit opinion as follows:

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.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's Annual Report at 31 December 2013 is consistent with the audited financial statements referred to above.

The Board of Directors Responsibility for the Annual Report

The Board of Directors are responsible for the preparation, accuracy, and completeness of the Annual Report in accordance with the Slovak Accounting Act.

Auditor's Responsibility for Verifying Consistency of the Annual Report with the Financial Statements

Our responsibility is to express an opinion on whether the accounting information presented in the Annual Report is consistent, in all material respects, with the Company's audited financial statements. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the accounting information presented in the Annual Report is consistent, in all material respects, with the Company's audited financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the Annual Report is consistent with the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the Annual Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. We did not verify those data and information in the Annual Report that were not derived from the financial statements.

We believe that the verification performed provides sufficient and appropriate basis for our opinion.

Opinion

In our opinion, the accounting information presented in the Company's Annual Report prepared for the year ended on 31 December 2013 is consistent, in all material respects, with the audited financial statements referred to above.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161

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

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

Bratislava, 22 April 2014

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.
2013 Annual Report

Bratislava, April 2014

Contents

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1. Company Bodies

The structure of statutory and supervisory bodies of Západoslovenská energetika, a.s. (hereinafter as "the Company", "ZSE") in 2013 was as follows:

1.1 Statutory Body

Board of Directors	
As of December 31, 2013	
Chairman	Jochen Kley (appointed on December 5, 2013)
	Konrad Kreuzer (appointed on September 4, 2010, resigned on December 5, 2013)
Vice Chairman	Peter Adamec (appointed on June 1, 2012)
Members	Ján Rusnák (appointed on June 1, 2012)
	Marian Rusko (appointed on July 1, 2013)
	Juraj Krajcár (appointed on December 5, 2013)
	Andrej Devečka (appointed on October 31, 2009, resigned on July 1, 2013)
	Jochen Kley (appointed on June 1, 2012, resigned on December 5, 2013)

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1.2 Supervisory Body

Supervisory Board	
As of December 31. 2013	
Chairman	Ľubomír Streicher (appointed as member on July 1, 2013 and as chairman on September 24, 2013)
	Milan Chorvátik (appointed on August 3, 2012, resigned on July 1, 2013)
Vice Chairman	Lars Lagerkvist (appointed as member on December 5, 2013 and as vice chairman on December 19, 2013)
	Robert Adolf Hienz (appointed on September 19, 2011, resigned on December 5, 2013)
Members	Ing. Peter Hanulík (appointed on August 3, 2012)
	Marek Hargaš (appointed on August 3, 2012)
	Boris Hradecký (appointed on August 3, 2012)
	Libor Samec (appointed on August 3, 2012)
	Robert Polakovič (appointed on November 21, 2012)
	Silvia Šmátralová (appointed on April 20, 2011)
	Emil Baxa (appointed on April 20, 2011)

1.3 Shareholders Structure

The shareholders structure of Západoslovenská energetika, a.s. as of December 31, 2013 was as follows:

Shareholders Structure			
As of December 31, 2013	Absolute Value in € thousand	Share in Registered 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

1.4 Corporate Governance Declaration

The methods and principles of corporate governance are defined in the Articles of Association of the Company that are publicly available by means of the Collection of Documents of respective court – District Court Bratislava I. The Organisational structure of the Company defines the principles of the Company and internal corporate governance. The corporate governance model also includes internal management documentation including the Board Directives, Heads of Divisions Directives, Guidelines and Procedures.

The Organisational structure of the Company also includes the internal audit team that:
- makes assessments of adequacy and effectiveness of the system of internal supervision, financial, operational and information systems, corporate governance processes and the quality of tasks assigned and performed;
- makes identification and assessment of operational risks of the Company by using adequate methodology;
- bears responsibility for making and updating of documentation with the Business Compliance Programme;
- conducts activities relating to verification of the Ethics Code.

The outputs of such activities are re-evaluated on the regular basis and proposals for improvement are put into practice in individual areas of corporate governance.

In 2013 the Company proved the improvement of the system of integrated management ("SIM") within the recertification audit and adhered to the international standards of ISO 14001 and OH 18001. The certification company identified only strengths and SIM improvements and came to conclusion that SIM is in compliance with the requirements of Standards of ISO 14001 and OHSAS 18001, the requirements arising out of legal regulations and achieves the permanent improvement. The outcome of the audit was the issuance of recommendations made by the certification company advising to continue in the certification process and to issue new certificates valid for the period of upcoming three years.

1.5 Corporate Management Methods and Bodies

The Shareholders shall exercise their rights by means of the General Assembly in accordance with the amendments made in the Articles of Association of the Company as follows:

General Assembly

1. The General Assembly is the supreme body of the Company. It shall take decisions concerning the matters relating to the activities of the corporate regulations which are set forth by the Commercial Code or specific act. A shareholder may exercise their rights in the General Assembly in person or in representation under the written power of attorney. The General Assembly shall summon the Board of Directors unless regulations or the Commercial Code specify otherwise. The Board of Directors has an obligation to summon the General Assembly within a period of two months since the date of submission of tax return to the tax authority.
2. The Board of Directors shall summon the General Assembly by sending an invitation to the General Assembly that must be sent to all shareholders in the form of registered mail directly to the address specified in the list at least 30 days prior to the General Assembly.
3. The General Assembly is usually held in the Company's headquarters, however, it may be held in a different place as well. The sessions are obviously visited by the members of the Board of Directors and the Supervisory Board, or other persons invited.
4. The number of votes of a shareholder is determined by the nominal value of their shares. There is one vote attributed to every € 33.19.
5. An invitation to the General Assembly shall contain all the particulars set out by legal regulations and the information claiming that the documents which will be discussed at the General Assembly will be made available at the Company's headquarters not later than 3 calendar days prior to the General Assembly. The invitation to the General Assembly shall be sent by the Board of Directors to every member of the Supervisory Board to their given address along with the documents intended for the discussions at the General Assembly at least 30 days prior to the General Assembly. If otherwise stated, it is allowed to use the address specified as a place of residence in the extract from the Commercial Register.
6. The General Assembly shall make its decisions with the two-thirds majority of votes of all the shareholders. Any decision made by the General Assembly on the changes of the rights associated with certain type of shares shall require the approval of two-thirds votes of shareholders. For this reason the shareholders being the owners of these shares at the same time shall firstly vote for changes in the rights and after that it is the General Assembly of all the shareholders.
7. The General Assembly shall make decisions on the following corporate affairs:

a) Change of regulations;
b) Decisions concerning any increase and decrease in share capital, empowering the Board of Directors to raise capital stock in accordance with the Commercial Code and the issuance of bonds;
c) Decisions concerning the revocation of the business entity by splitting, merging or transforming to a different form of business partnership or cooperative;
d) Decisions concerning the revocation of the business entity by liquidation, appointment of the liquidator, setting reward for the liquidator;
e) Election and withdrawal of members of Supervisory Board except for the members of the Supervisory Board elected and withdrawn by employees themselves;
f) Election and withdrawal of the members of the Board of Directors and appointment of the Board's Chairman and Vice-Chairman;

The Board of Directors

1. The Board of Directors is a statutory body of the Company. It shall act on behalf of the Company against the third persons. The Board shall control the corporate activities and take decisions in all the matters associated with the performance of the Company.
2. The Board consists of five (5) members that are appointed and withdrawn by the General Assembly, whereas the Chairman and Vice-Chairman are elected as well. The service term for board members shall last four (4) years. Any board member shall have the right to give up their position; however, they shall be obliged to report such act to the Board of Directors and Supervisory Board in writing.
3. Unless the number of Board members decreased by half, the Board of Directors shall have the right to appoint substitute members until the time of the nearest General Assembly of the Company.
4. The Board shall be the quorum provided that the majority of board members are present at its meeting. During its meetings the Board of Directors shall make decisions based upon the number greater half in the event of the equal number of votes at the time of voting. The Board members may vote either using this form of communication or writing declaration provided they are not physically present in a place where the largest number of members gathers whereas the place of meeting shall be considered to be such place.
5. A member of the Company's Board of Directors may not be a member of the Board of Directors of the company Západoslovenská distribučná, a.s.

Structure and Performance of the Board of Directors

In 2013 the Board of Directors of the Company worked in the following structure:
Chairman:
Jochen Kley – Board Chairman since December 5, 2013, until December 5, 2013 a member of the Board of Directors
Konrad Kreuzer – Board Chairman until December 5, 2013

Board Vice-Chairman:	Ing. Peter Adamec, PhD.
Board members:	Ing. Ján Rusnák
	Juraj Krajcár since December 5, 2013
	Ing. Andrej Devečka until July 1, 2013
	Marian Rusko since July 1, 2013

In 2013 the Board of Directors acted and meeting were held in accordance with the corporate regulations.

A control body is represented by the Supervisory Board. Resolutions and tasks assigned to the Supervisory Board by the Board of Directors were accomplished properly. The Supervisory Board regularly conducted monitoring and assessment activities during its meetings.

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1.6 Information pursuant to Article 20, Para 7 of the Act No. 431/2002 Coll. on Accounting

a) Capital stock of the Company at the amount of € 196,969,174.86 consists of 5,934,594 pieces of listed equity personal shares in the paper form having the nominal value per share being € 33.19. The shares are publicly tradable. The total amount of capital stock was issued and fully paid out. The Company does not register any underwritten capital stock not recorded in the Commercial Register.

b) The Company's bonds are freely transferable.

c) The following companies enjoy the qualified stake in capital stock (at least 10% stake):

National Property Fund (NPF)	51%
E.ON Slovensko, a.s.	39%
E.ON Energie AG	10%

d) There are no persons exercising special control right among the owners of the Company's bonds.

e) The corporate regulations do not include any provisions on restrictions of voting rights.

f) The Company is not familiar with any agreements among the owners of Company's bonds that might lead to any restrictions as regards the transferability of bonds or restriction of voting rights.

g) The rules governing the appointing and withdrawal of individual members of statutory body and changes in regulations:

Members of the statutory body – Board of Directors shall be elected and withdrawn by the General Assembly. The General Assembly shall have the right to withdraw the Board member at any time. In addition, it shall also appoint the Chairman or Vice-Chairman of the Board of Directors. The service term of board members shall last four (4) year.

The General Assembly shall make decisions concerning the amendment and supplement of regulations provided that it has two thirds majority of votes of all the shareholders. The full wording of the proposed supplements and alternations in regulations shall be available to shareholders in the Company's headquarters within a period of time necessary for calling the General Assembly, as stated by regulations. The Board of Directors shall ensure that every shareholder will obtain such wording when making entry in the attendance sheet. In order to adopt or alter regulations the presence of the notary shall be required to confirm that such decisions is considered to be the change of regulations and the notarial deed shall be made accordingly. If the General Assembly makes decision the consequence of which will be the change in regulations such decision will be considered the change of regulations provided that it was adopted in a manner that by law or regulations requires the adoption of a decision on changing regulations. Following such change the Board of Directors shall make without any undue delay the full wording of regulations and moreover, it shall bear respective responsibility for complete and correct wording.

h) The powers of the statutory body – the Board of Directors shall be defined in the corporate regulations. The Board of Directors of the Company shall have no right for making decisions concerning the emission of shares or share repurchase.

i) The Company has no agreements concluded that are binding to change its conditions in relation to potential offer for takeover.

j) There are no agreements on reimbursement concluded between the Company and the members of its bodies once their service term comes to an end. Reimbursement to Company employees whose employment contract is terminated is subject to the Collective Agreement and internal employment directives.

2. A Look into History

September 30, 1901
The municipal power plant in Bratislava started operation. On the Main Square and Promenade, the first electric street lamps were switched on.
December 20, 1921
The first General Assembly of Západoslovenská elektrárna.
June 1, 1922
Západoslovenská elektrárna is established as a legal entity.
February 11, 1942
Západoslovenská elektrárna starts operating the first 100kV line between Trnava and Bratislava including 100/22kV terminals.
December 7, 1952
The first 110kV international connection between Nové Zámky and Kisigmand (Hungary) was put into operation.
June 11, 1970
ZSE's VHV network was connected to the 400kV national transmission system thus making electricity supply more reliable.
September 3, 1990
Západoslovenské energetické závody was declared an independent state company.
November 1, 2001
After 55 years, ZSE became a joint-stock company again.
June 13, 2002
Representatives of the Slovak government and the German E.ON Group based in Munich signed an agreement on transferring a 49% share in ZSE to E.ON Energie AG at a price of € 330 million.
September 5, 2002
The 49% share in ZSE was transferred to E.ON Energie AG.
November 19, 2003
The European Bank for Reconstruction and Development ("EBRD") and E.ON Energie AG signed an agreement on selling a 9% share in ZSE.

December 16, 2003
The 9% share of E.ON Energie AG in ZSE was transferred to the EBRD.
April 1, 2004
ZSE harmonised its graphics with the graphic design of E.ON Energie AG and added the text "člen skupiny E.ON" (Member of the E.ON Group) to its logo.
July 1, 2007
Date of the legal unbundling of ZSE. Transfer of distribution system operations to the subsidiary Záapadoslovenská distribučná, a.s. (till December 31, 2012: ZSE Distribúcia, a.s.) and business activities to the subsidiary ZSE Energia, a.s. Západoslovenská energetika, a.s. is the 100% owner of newly established subsidiares. This is the date of ZSE Group establishing.
May 27, 2008
E.ON Energie AG (Munich) transfers the 40% share in ZSE to its fully owned subsidiary E.ON Slovensko, a.s.
December 13, 2012
Conclusion of the Company's shares transfer:

- 9% of the Company's share held previously by EBRD London to E.ON Energie AG realized on August 21, 2012,
- 1% of the Company's share held by E.ON Slovensko, a.s. to E.ON Energie AG approved by the General Assembly on December 19, 2012.

October 14, 2013
The Company emitted bonds in the total nominal value of € 630 million.

3. Scope of Business

3.1 Company Profile and Scope of Business

Západoslovenská energetika, a.s., Business ID 35 823 551, registered office at Čulenova 6, 816 47 Bratislava, was established on October 15, 2001 and registered with the Companies Register on November 1, 2001. The Company is registered with the Companies Register of the District Court Bratislava I, Section: Sa, entry No.: 2852/B.

ZSE was incorporated by the Letter of Incorporation on October 15, 2001 in accordance with the Government resolution No. 4278/2001-1000-010 of June 20, 2001 on the privatisation of Západoslovenské energetické závody, š.p. which was dissolved without liquidation by the resolution No. 96/2001 of the Minister of Economy of the Slovak Republic No. 4278/2001-1000-010. All assets, rights, duties and obligation (including those unknown) except for rights under the § 16 of Act No. 92/1991 Coll. were transferred to the National Property Fund who on November 1, 2001 put the assets of the state Company to the following joint-stock companies: Západoslovenská energetika, a.s. Bratislava, Bratislavská teplárenská, a.s. Bratislava and Trnavská teplárenská, a.s. Trnava.

On September 5, 2002 National Property Fund sold a 49% interest in equity of ZSE to E.ON Energie AG, Germany. On December 16, 2003 E.ON Energie transferred its 9% interest on equity to the EBRD.

On July 1, 2003, based on the resolution of the General Assembly of June 27, 2003, the Company sold the following parts of the business: the divisions of construction and information technologies and the center for transformers repair and electrometers calibration verification.

Effective as of July 1, 2007, ZSE unbundled selected operations and activities in accordance with the EU Directive No. 2003/54/EC and Energy Act No. 656/2004 Coll. The Company operates under the license granted under Energy Act (energy license). On July 1, 2007 the distribution system operations were transferred to the daughter company Západoslovenská distribučná, a.s. (till December 31, 2012: ZSE Distribúcia, a.s.), and sales and supply activities to the daughter company ZSE Energia, a.s.

E.ON Energie AG owned 40% share in Západoslovenská energetika, a.s. until May 27, 2008 when it transferred this share into the fully owned subsidiary E.ON Slovensko, a.s. as an in-kind contribution in order to increase the registered capital of E.ON Slovensko, a.s.

From July 1, 2007, the Západoslovenská energetika, a.s. provides supporting services for its subsidiaries ZSE Energia, a.s. and Západoslovenská distribučná, a.s. (till December 31, 2012: ZSE Distribúcia, 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. From April 2009 the Company operates as service organization for one of the shareholders of the Company - E.ON Slovensko, a.s. and from 1 April 2010 also for subsidiaries Enermont s.r.o., ZSE Development, s.r.o. (till February 3, 2012: OTC, s.r.o.) and other related parties E.ON Business Services Slovakia spol. s r. o. (till September 30, 2013: E.ON IT Slovakia spol. s r.o.) and E.ON Elektrárne, s.r.o. in area of finance services, planning and controlling, HR services and facility management.

There were following changes in the structure of the Company's shareholders during 2012. The transfer of 534,113 shares representing 9% of the Companys share capital held previously by EBRD London to E.ON Energie AG, Munich, Germany came into force as at 21 August 2012. The General Assembly held on 19 December 2012 approved the transfer of 59,346 shares representing 1% of the Company's share capital held by E.ON Slovensko, a.s. to E.ON Energie AG, Munich, Germany. The transfer of shares was concluded on 13 December 2012.

On October 14, 2013 the Company emitted the securities – listed bearer bonds in the total nominal value of € 630 million that were accepted at the listed regulated stock exchange market in Dublin, Ireland. Bonds were emitted in two series: ISIN XS0979598207 at the value of € 315 million with the maturity period of 5 years and an interest rate of 2.875% p. a. and ISIN XS0979598462 at the value of € 315 million with the maturity period of 10 years and an interest rate of 4% p. a. Interest from bonds is paid out annually.

3.2 Main Scope of Business According to the Abstract of the Companies Register:

- Maintenance, service, and operation of electrical distribution networks and transformer stations
- Provision of services related to the operation and maintenance of electrical stations and 22kV power lines
- Assembly, repair and maintenance of electrical equipment (both below and above 1,000V)
- Installation of measuring sets and their replacement
- Assembly, maintenance and repair, technical inspection and testing of electrical equipment
- Assembly, maintenance and repair of telecommunications equipment
- Purchase of goods for the resale to end customers (retail)
- Purchase of goods for the resale to other trade licence holders (wholesale)
- Mediation activities under a free trade licence
- Consulting and advisory activities in the electrical energy sector
- Technical inspections and tests of gas equipment
- Technical inspections and tests of pressure equipment
- Technical inspections and tests of lifting equipment
- Consultancy, education, and training in work safety
- Work safety technician
- Fire protection technician
- Lease of machines, devices, equipment and mechanisms
- Repair of machinery, road motor vehicles and bodyworks
- Provision of services related to real estate administration
- Accommodation services, including catering activities in these facilities
- Operation of physical therapy facilities
- Massage services
- Domestic irregular bus transport
- Domestic road freight transport
- Production of LV switchgear
- Informational measurement of physical quantities
- Meter reading under a free trade licence
- Installation of designated metering equipment
- Engineering – investment activities in building industry
- Software provision – sale of complete programs based on contracts with authors
- Computer network administration under a free trade licence
- Activities in waste disposal except the dangerous waste
- Lease of vehicles and movables under a free trade license
- Cleaning of vehicles
- Real estate brokerage and lease
- Procurement activities connected with real estate administration and maintenance
- Lease of real estates with the provision of additional services
- Operation of garages and parking spaces for at least 5 vehicles belonging to other persons than owners or hirers

- Development of documentation and projects for simple buildings, small buildings and changes thereof
- Activities of entrepreneurial, organizational, economic and accounting advisors
- Book-keeping
- Consulting services in management and marketing
- Personnel consultancy excluding personnel leasing
- Administration services
- Economic and wage agenda administration
- Registry administration
- Public procurement
- Operating of warehouses except public warehouses
- Market research and analysis, public opinion research
- Consultancy in information technologies and telecommunications under a free trade license
- Lease of computers, machines and equipment
- Installation, maintenance, repair, administration of computer networks and information technology to the extent of safe voltage
- Storage of documents of non-archive nature
- Lecturing activities under a free trade licence
- Organizational (including technical) of courses, trainings and seminars under a free trade license
- Marketing, advertising and promotion activities
- Activities in the area of public relations
- Organization of cultural, sports and social events under a free trade license
- Provision of publicly available information
- Construction site supervision
- Authorized safety technician
- Safety technology services
- Safety coordination activities
- Realization of simple buildings, small buildings and changes thereof
- Activities of construction-site supervisor
- Computer graphic works under a free trade license
- Water management activities
- Activities in dangerous waste disposal
- Repairs of designated meters
- Certification of designated meters.

4. Basic Organizational Structure

As of December 31, 2013 the basic organisation structure of ZSE consisted of:

- Corporate Affairs Division
- Services for Electricity Distribution Division
- Customer Services
- Finance Division
- Human Resources Division
- IT/LDM via SLA
- Internal Audit
- Quality Control Department
- Logistics Department
- Facility Management Department
- Legal Affairs Department
- Corporate Development Department
- Regulation Department

All these divisions/organizational units are a part of Západoslovenská energetika, a.s. located on Čulenova 6, 816 47 Bratislava.
The Company's organizational structure consists of 4 levels of management – division/ organizational unit, department, team and coordinators.

As of December 31, 2013, Západoslovenská energetika, a.s. had five subsidiaries, which together with parent company ZSE ("Parent company") comprise ZSE Group ("ZSE Group"):

- 100% equity share in Enermont s.r.o., Business ID: 35 859 423, located at Hraničná 14, 827 14 Bratislava,
- 100% equity share in ZSE Development, s.r.o., Business ID: 36 254 711, located at M. R. Štefánika 85, 920 01 Hlohovec,
- 100% equity share in ZSE prenos, spol. s r.o., Business ID: 35 927 593, located at Čulenova 6, 816 47 Bratislava.

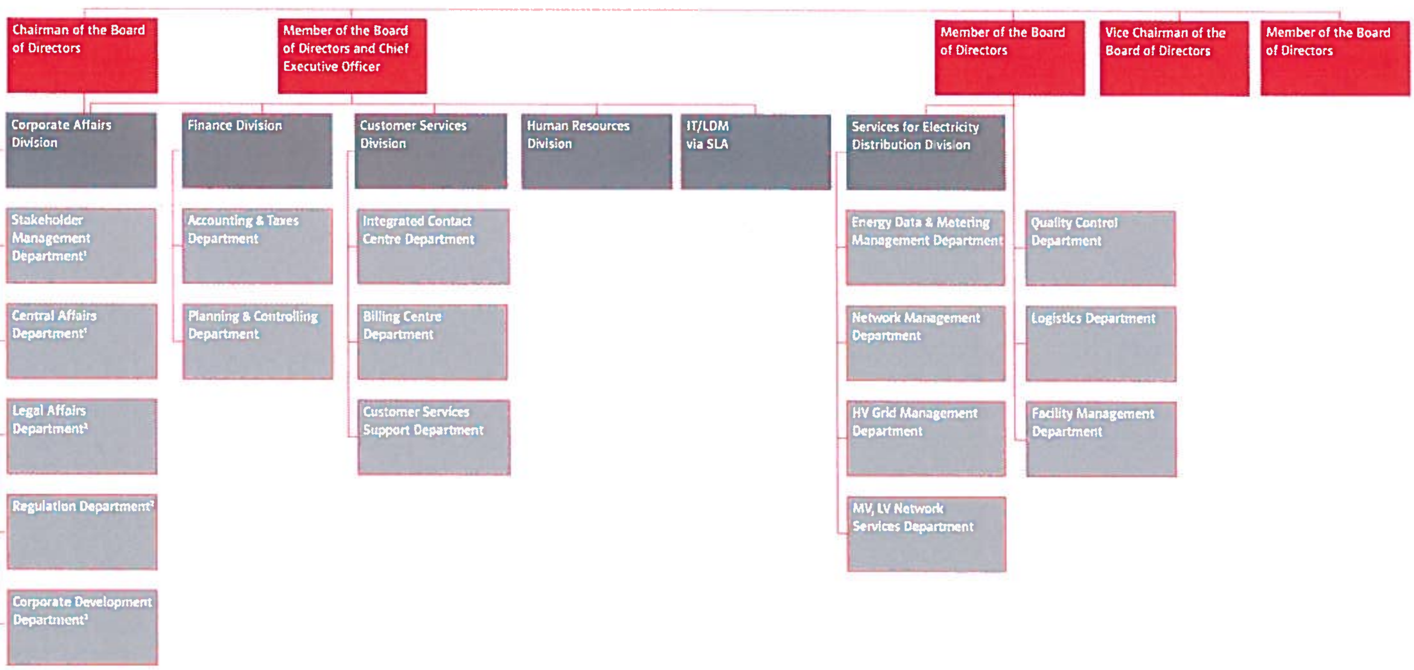
On April 20, 2006 ZSE founded another 100% subsidiary called Západoslovenská distribučná, a.s. (till December 31, 2012: ZSE Distribúcia, a.s.), Business ID: 36 361 518, with its headquarters at Čulenova 6, 816 47 Bratislava (incorporated on May 20, 2006). The company was incorporated due to the changes instituted in the Energy Act following the unbundling model that was approved by the ZSE's executive bodies.

On August 18, 2006 ZSE founded another 100% daughter company called ZSE Energia, a.s., Business ID: 36 677 281, with its headquarters at Čulenova 6, 816 47 Bratislava (incorporated on September 22, 2006). The company was incorporated due to the changes instituted in the Energy Act following the unbundling model that was approved by the ZSE's executive bodies.

ZSE owns shares also in the following companies:

- 49% equity share in E.ON Business Services Slovakia spol. s r. o. (till September 30, 2013: E.ON IT Slovakia spol. s r.o.), Business ID: 31 404 600, located at Čulenova 5, 811 09 Bratislava
- One-third of the shares of SPX, s.r.o. , Business ID: 36 427 012, located at Pri Rajčianke 4B, 010 47 Žilina
- 20% share in Energotel, a.s. , Business ID: 35 785 217, located at Miletičova 7, 821 08 Bratislava
- 12% share in EFR CEE Kft. located at Széchenyi rkp. 8, H-1054 Budapest, Hungary

Organizational Scheme as of December 31, 2013



5. Employee Structure

As of December 31, 2013, Západoslovenská energetika, a.s. had on average 1,243 employee, of which are 17 managers (as of December 31, 2012: on average 1,260 employee, of which 19 managers).

Employee Structure		
As of December 31	2013	2012
Increase	**75**	**140**
Of which:		
Transfer due to unbundling	-	-
Free recruitment	54	80
Return from maternity leave	14	7
Transfer within ZSE Group	7	53
Terminated contracts	**104**	**97**
Of which:		
Mutual agreement	49	20
Notice	4	6
Contracts for definite period of time	4	2
Retirement or disability to work	16	21
Death	2	6
Probation period	2	10
Maternity leave	11	16
Breach of discipline	1	1
Health reasons	7	7
Transfer within ZSE Group	8	8
Transfer due to unbundling	-	-
Total	**1,226**	**1,255**

Employee Structure by Gender				
As of December 31	2013	%	2012	%
Women	373	30.4	400	31.9
Men	853	69.6	855	68.1
Total	**1,226**	**100.0**	**1,255**	**100.0**

Employee Structure by Education				
As of December 31	2013	%	2012	%
Elementary	3	0.2	3	0.2
Secondary vocational	300	24.5	321	25.6
Secondary complete	618	50.4	625	49.8
University	305	24.9	306	24.4
Total	**1,226**	**100.0**	**1,255**	**100.0**

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Employee Structure by Age				
As of December 31	2013	%	2012	%
Below 20	0	0.0	1	0.1
21-25	14	1.1	10	0.8
26-30	77	6.3	92	7.3
31-35	143	11.7	154	12.3
35-40	179	14.6	182	14.5
41-45	199	16.2	197	15.7
46-50	224	18.2	240	19.1
51-55	181	14.8	179	14.3
56-60	175	14.3	171	13.6
Above 60	34	2.8	29	2.3
Total	**1,226**	**100.0**	**1,255**	**100.0**

6. Economy

In 2013 the Company achieved the total profit of € 97,667 thousand with the costs spent in the volume of € 169,205 thousand from continuing and discontinued operations (see point 6.8). Key figures according to the International Financial Reporting Standards as adopted by European Union:

Company's Key Figures as of December 31		
€ Thousand	2013	2012
Non-current assets	976,393	978,406
Current assets	27,879	79,118
Assets classified as held for sale	42,782	-
Total assets	**1,047,054**	**1,057,524**
Equity	334,839	933,809
Non-current liabilities	630,385	7,524
Current liabilities	61,983	116,191
Liabilities classified as held for sale	19,847	-
Total equity and liabilities	**1,047,054**	**1,057,524**
Continuing operations:		
Revenues	61,290	61,534
EBIT (Operating income)	**97,764**	**99,542**
EBITDA	104,683	106,968
Income from continuing operations	159,104	163,320
Costs from continuing operations	66,369	63,279
Profit before tax from continuing operations	92,735	100,041
Net profit from continuing operations	**92,404**	**99,944**
Net profit from discontinued operations	5,263	4,064
Net profit	**97,667**	**104,008**
Other 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	5,740	4,025
Cash affected capital expenditures	10,929	9,240
Average number of employees	1,243	1,260

ZSE

6.1 Finances

The Company increased value of its free resources in 2013 mainly through short-term deposits and short-term finance assets, achieving the interest income of € 155 thousand.

6.2 Credits

Západoslovenská energetika, a.s. has been granted a five-year committed credit line of € 20 million by Slovenská sporiteľňa, a.s. and a credit line of € 55 million by Tatra banka, a.s. Credit lines are also available to the subsidiaries Západoslovenská distribučná, a.s., ZSE Energia, a.s. and Enermont s.r.o. but only after approval of Parent company.

6.3 Profit to Be Appropriated

The General Assembly of Západoslovenská energetika, a.s. held on May 30, 2013 approved the proposal for the appropriation of profit achieved in 2012 in amount of € 104,008 thousand. In June 2013 the Company's shareholders - National Property Fund, E.ON Slovensko, a.s. and E.ON Energie AG, were paid dividends from 2012 profit in total amount of € 77,811 thousand. Dividends were paid out in €. At the same time, € 25,000 thousand from 2012 profit were transferred to the Retained earnings from previous years and € 1,197 thousand were allocated as contribution to social fund from profit.

Extraordinary General Assembly of the Company held on November 8, 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 € 619,501 thousand. These dividends were paid during November 2013.
For year 2012 the dividend per share amounted to € 117.50 (2011: € 27.02 per share).

6.4 Trade Receivables and Payables

Trade Receivables and Payables		
€ Thousand	December 31, 2013	December 31, 2012
Trade and other receivables after valuation allowance ("VA")	1,315	33,474
of which: overdue before VA	7,339	7,733
of which: trade receivables before VA	7,593	8,011
Trade and other payables	19,704	25,435
of which: overdue	240	584
of which: trade payables	14,675	16,389

6.5 Investments

The volume of cash expenditures for investments of Parent company for 2013 totaled € 10,929 thousand.

Investments in 2013	
€ Thousand	2013
IT, Telecommunications	3,542
Facility Management	4,222
Services for Distribution	2,007
of which: telecommunications	*1,112*
Logistic	0
Other	1,158
Total	**10,929**

The Most Important Constructions of ZSE	
€ Thousand	2013
Power plant Piešťany - preservation of cultural heritage	1,015
PO Dunajská Streda - area revitalization	777
Reconstruction of Elektrovod Čulenova building	604
PO Trnava – area revitalization	419

Constructions to be continued in 2014:

The Most Important Constructions of ZSE	
€ Thousand	2014
Power plant Piešťany - preservation of cultural heritage	1,140
PO Nitra, Novozámocká – area revitalization	700
PO Nové Zámky area revitalization	500

6.6 Outlook for 2014

Západoslovenská energetika, a.s. will continue to fulfill its function of a service company for daughter companies ZSE Energia, a.s. and Západoslovenská distribučná, a.s., as well as the functional platform for sharing services (e.g. human resources, facility management, logistics, etc.) with the daughter company Enermont s.r.o. and with the companies it operates in Slovakia or those that will be established in the future by the minor shareholder ZSE, E.ON Slovensko, a.s. and its parent company E.ON Energie AG.

Západoslovenská energetika, a.s. has made long term efforts to improve efficiency of services provided, mainly due to intensifying pressure of a market competition and simultaneously social demand for providing high quality, modern and affordable customer services. Such requirements will be realized under the conditions of a liberalised electricity market. At the same time, it will face competitive pressures imposed by the current economic situation in Slovakia.

6.6.1 Strategic development of ZSE Group

In 2011 the strategic process was outlined as a result of which ZSE Group shareholders established strategic objectives of ZSE Group for the upcoming period. The outcome of such process is the setting of strategic development tracks in a period of 2012 - 2015.

Západoslovenská energetika, a.s. outlined the strategic development for a period of 2012 – 2015 with an aim to support the core business including electricity distribution, electricity sales and decentralised generation, the strategies of which are functionally decentralised in daughter companies.

The main goal of the distribution system operator is to ensure safe and reliable operation of the distribution system, to rise the attitude to customers when linking consumers and producers, development of asset management or promotion of effective processes and operation of the distribution system.

Regarding electricity sales, one of the areas of interest is delivery of two commodities for the mass segment, which means household electricity and gas supplies along with provision of related high quality services.

The Company is planning to build new DG plants, thus contributing to meeting the renewable energy target, which accounts for a 14% share in Slovakia's total consumption until the year 2020.

A new strategic orientation will allow the Company to achieve a more intensified development, when spending capital effectively, and to face challenges arising out of the macro-economic and market conditions.

6.6.2 Development of the Company in the field of innovations

Electromobility

One of the development priorities of ZSE Group is promotion of electromobility through implementing pilot and innovative projects. In this regard, a surely attractive activity appears to be the VIBRATe project between Vienna and Bratislava, in which ZSE Group is one of the main partners. The project objective is to transfer the benefits of pure and energy efficient electromobility into everyday life and to increase public awareness in this area. The project will be dealing with the setting of possibilities of the electromobility complex system on a cross-border level, ranging from the construction of first charging stations, through testing the operation of vehicles, demonstration of electromobility in public transport, to the running of charging stations, consumption monitoring and the payment system.

Competence Centre

The Competence Centre is a scientific research project and a platform for co-operation between academic and industrial partners in the energy industry with a focus given to smart networks. This project was approved for co-funding from the EU funds in 2011, with the official start date on August 1, 2011. The allocation of responsibilities and the main work started from the beginning of 2012. The Competence Centre is the external project in which several ZSE Group employees will be involved.

6.7 Risks and Uncertainties

Západoslovenská energetika, a.s. being in the role of the service center for subsidiaries of ZSE Group and the companies established by the minor shareholder ZSE (E.ON Slovensko, a.s.) and its parent Company E.ON AG (customer services, financial services, accounting, controlling, occupational health and safety, HR, general administrative services, etc.), will be exposed, from the risk management perspective, mainly to challenges arising from the macro-economic conditions as well as the market and internal changes in the Company.

6.8 Important Events after the End of 2013

As of January 1, 2014 an organisational change was completed after a long term planning that resulted from the transposition of the 3rd Liberalisation Package into Slovak legislation by means of a new Act on the Energy Industry and a new Act on Regulation in Network Industries. Such organisational changes made possible the centralised implementation of the activities related to the operation of the distribution system by shifting the activities related to the operation of the distribution system from Západoslovenská energetika, a.s. and Enermont s.r.o. to Západoslovenská distribučná, a.s., i.e. shifting the activities, assets, employees and changes in the organisational structure of the Company.

7. The 2013 Activity Report of the Supervisory Board of ZSE

The Report gives account of activities in the following areas:

1. Supervisory Board members
2. Sessions of the Supervisory Board according to the Plan of Activities
3. Performance of the Plan of Activities of the Supervisory Board in 2013
4. Evaluation of the performance of activities of the Board of Directors

7.1 Supervisory Board members

The members of the Supervisory Board ("SB") have changed compared to 2012. On September 24 the SB elected Mr. Ľubomír Streicher as the Chairman. Based on the National Property Fund's nomination, Mr. Streicher replaced Mr. Milan Chorvátik, who left due to health issues. On December 13, 2013 Mr. Lars Lagerkvist became the new Vice Chairman of the Supervisory Board, replacing Mr. Robert Adolf Hienz. The position of the Vice Chairman is held by the minority shareholder's nominee. Mr. Hienz left because due to his promotion within the E.ON Group.

7.2 Sessions of the Supervisory Board according to the 2013 Plan of Activities

The Supervisory Board was carrying out its supervision according to the approved plan. There were four ordinary sessions of the SB held in accordance with the plan. Apart from that, two extraordinary sessions were held (on February 5 and June 5, 2013), necessitated by the financial statement timetable and energy legislation.

On the first extraordinary session, the Group's 2013 – 2015 Strategic Plan and 2013 Investment Plan were approved. The approval of both these documents was delayed compared to the originally planned deadline of December 2012 due to the delay in the announcement of the tariff for system operation by the Regulatory Office (ÚRSO).

On June's extraordinary session, the members approved organizational changes in the ZSE Group, arising from the 3rd energy package. Transfers within the ZSE Group meant that the majority of Parent company employees went to Západoslovenská distribučná, a.s. along with the transfer of rights and obligations. The change did not signify an automatic decrease in the number of employees within the ZSE Group.

The approved agenda of sessions was supplemented according to the current requests of the Supervisory Board members and individual consultations of members with the Company management.

7.3 Performance of the Plan of Activities of the Supervisory Board in 2013

In 2013 the ZSE Group was affected mostly by the implementation of the 3rd European Union energy package and the related organization change – most extensive since 2007. In October, based on shareholder agreement, the Company issued its historically first bond, which brought extraordinary revenue of € 630 million for the shareholders. At the beginning of December Mr. Konrad Kreuzer left the management of the ZSE Group after eleven years. He was replaced by Mr. Jochen Kley.

The first session of the Supervisory Board on March 25, 2013 was marked by the absence of Mr. Milan Chorvátik, who wasn't able to participate for health related reasons. The session focused mainly on economic issues – the review of the financial statement for 2012, the Independent Auditor's Report and the submission of the proposal for distribution of profit. The Report on the Activities for 2012 was also formally approved.

The second session held on June 24 focused not only on the economic results in Q1, but also on the performance of obligations from the Collective Agreement concluded for 2011 to 2013.

On the autumn's session held on September 24 the Supervisory Board elected the new Vice Chairman, Mr. Ľubomír Streicher, at the request of the National Property Fund. Mr. Streicher replaced Mr. Milan Chorvátik, who left for health related reasons.

Apart from the standard agenda, the Supervisory Board once again discussed the evaluation and approval of the 2012 financial statements. This was due to amendments to the statements related to the prepared issue of extraordinary bond of the Company.

On the final session held on December 19, the SB elected new Vice Chairman, Mr. Lars Lagerkvist, who replaced Mr. Hienz.

The main topics of the agenda were ZSE 2014 – 2016 Strategic Plan and 2014 Investment Plan. The Board members acknowledged the report on organizational change as from January 1, 2014 and the use of issued bonds (issued in October). The 2014 Plan of Activities was approved on this session and the report on activities to support the ZSE brand in the region (sponsorship and community investments) was acknowledged.

Among the constant topics on the agenda of all the Supervisory Board sessions were reports on the OHS, contracts concluded under Article 3.9 of the Shareholders' Agreement (the agreements between the Company and subsidiaries of the E.ON Group) and the contracts related to provision of advisory and consultancy services. Another constant topic was the financial framework for the provision of parent company guarantee for ZSE Energia, a.s. The Supervisory Board was also continuously presented with information about the development of receivables and liabilities, including the debt of state hospitals.

7.4 Evaluation of the performance of activities of the Board of Directors

The control function of the Supervisory Board was carried out also through personal meetings of the SB members with the Company's representatives, as necessary. The Supervisory Board thus states that the management of the holding, as well as the managements of the subsidiaries have adopted sustainable and conscious business policies, which resulted in the fulfilment and even exceeding of the planned economic results. The Supervisory Board would therefore like to express its acknowledgement to the management of the Parent company as well as to the managements of the subsidiaries, and its appreciation of the working efforts of all the employees.

In Bratislava, March 17, 2014

Ľubomír Streicher, signed in person
Chairman of the Supervisory Board of ZSE

7.5 Appropriation of Profit for 2013

On March 24, 2014 the Board of Directors of Západoslovenská energetika, a. s. acknowledged the proposal for profit distribution and recommended the Supervisory Board to negotiate about it:

Proposal for the Appropriation of Profit of ZSE for 2013	
Acknowledged by the Board of Directors on March 24, 2014	€
Net profit for distribution	**97,667,000**
Contribution to social fund	453,565
Dividends	52,213,435
Transfer to Retained earnings from previous years	45,000,000
Total distribution of profit	**97,667,000**

8. Corporate responsibility

8.1 Strategy of Corporate Responsibility in ZSE

Západoslovenská energetika, a. s. ranks among the leaders of corporate responsibility in Slovakia and through its Foundation it thoughtfully supports social, cultural, environmental, sports and health-related projects implemented in the region of Western Slovakia.

In 2004 Západoslovenská energetika, a.s. acted as a founding member of Business Leaders Forum, an informal association of companies, that strives to promote the principles of corporate responsibility. One of our goals is to help to protect the environment and by means of various projects to contribute to the protection of natural beauties and landscape.

Even at the time when the consequences of the economic crises show, to what extent Slovak companies perform in a responsible manner, we can claim that we belong to those complying with our commitments. Every year we try to influence our surroundings not only by means of partnerships, but mainly by efforts and involvement of employees in voluntary activities such as donating blood, collecting clothing for various organisations. Furthermore, our employees take part in the project called Our Bratislava organised in co-operation with Pontis Foundation and in many other voluntary activities. They do all this in their working or leisure time. Together with the Pontis Foundation and Slovak Scouting we also undertake the project called Disenchanting of Castles which has been since its very beginning aimed to help castle ruins. Slovak scouts and employees of Západoslovenská energetika, a.s. carry out voluntary work, the result of which are the clean premises of the castles of Dobrá Voda Čachtice, Ostrý kameň, Korlát, Biely Kameň and Plavecký hrad. As a patron of the project we won the prize for corporate philanthropy and corporate responsibility Via Bona in the category of the Prize for Courage to Support Innovative Project seven years ago.

Západoslovenská energetika, a.s. regularly evaluates the effects of its business activities on the environment, the society and the country which we live in and work for. This is also done using an effective tool of measuring donation provided by the methodology Communal Investment Standard.

On the occasion of the awards to companies for their activities and voluntary schemes Západoslovenská energetika, a.s. has been awarded the main prize for large-scale companies at the Forum of Corporate Philanthropy. Employee Volunteering Award Slovakia has been received for the Best Idea Project. This project has become an inseparable part of the Earth World Day at Company which is held on April 22 on an annual basis. The project covering a wide range of activities helps young people, students, put their ideas and projects into practice. At the same time, they are taught to think environmentally, since the projects are obviously created in harmony with nature and permanently sustainable development. The prize gives an opportunity for both large and small businesses to become visible, thus presenting their work beyond traditional business framework.

Corporate responsibility is primarily a way of our thinking that we apply on a day-to day running of the business. It also represents the underlying inner values of the Company. Through taking actions and promoting specific projects aimed at developing and helping the community we demonstrate our pro-social orientation and we believe that these actions are beneficial for our society as well as ourselves.

Corporate responsibility is part of our everyday decisions and business strategies. The aim is to ensure the dissemination of benefits acquired from the processes and business results to the widest possible community of people. Corporate responsibility has a direct impact on employees' loyalty, reduction of fluctuation rate and increase in productivity. It involves performance of the Company not only within the energy sector, but also in relation to local communities and the environment. We consider it essential to motivate people to actions thereby making the world we live in a better place.

8.2 Protection of the Environment

The environmental protection ranks among the top priorities of ZSE Group. We desire to protect and improve the quality of the environment by taking preventive measures in all the activities carried out by our employees and in all the premises operated by the ZSE Group.

We constantly pay a due attention to the protection of soil and water, nature and landscape and, last but not least, to the atmospheric protection. Regarding ecological projects we take proactive approach thus ensuring safe avifauna and preventing any soil and water pollution.

An overview of the investments of ZSE Group made into ecological projects and plant maintenance in 2013:

Ecological Projects	
2013	€ Thousand
Costs of ecological operation and maintenance of facilities of ZSE Group including waste processing	739
Investments into ecological projects made in Západoslovenská energetika, a.s.	240

As regards the environmental protection, investments were made to the operation of plants and equipment in compliance with legal requirements in order to eliminate any risks associated with the pollution of underground water, soil and air, the construction of appropriate storage facilities as well as drills aiming to monitor the pollution that had been caused at the time of reconstruction of a plant in Piešťany.

While taking measures for the protection of bird species, we carried out the project for our daughter company Západoslovenská distribučná, a.s. aiming to protect avifauna entitled EU LIFE09 NAT/H/000384 „The Protection of Saker Falcon", thus cutting down any risk associated with the mortality of protected bird species when sitting on electric power poles. In 2013 more than 720 poles were equipped with protective console cases which makes more than 60 km of high voltage lines. In Southern Slovakian villages new nest cases were installed on 16 electric power poles on which storks usually build their nests.

As a result of the separate waste collection scheme and careful separation of waste originating from administrative activities carried out in the course of 2013 our company successfully separated from municipal waste more than 1.4 t of plastic material, 5.4 t of paper for the purpose of recycling. Owing to the thorough separation of waste produced from repairs of power generating stations and constructions the Company processed 613 t of scrap material collected. Due to our maximum effort to utilise waste effectively the Company managed to effectively process and utilise 80 % of the total waste.

An attention was given to the equipment filled with SF6 gas that was classified as fluorinated greenhouse gas. Západoslovenská energetika, a.s. is a holder of the Certificate on Expert Competence allowing to manipulate with fluorinated greenhouse gases that fill some of the power generating equipment. Our employees are holders of the Certificates on Expert Competence allowing them to work with SF6 gas-filled equipment. Any gas leakage is closely monitored and recorded. Obligations arising out of the Act on Fluorinated Greenhouse Gases have to be complied with in relation to the operation of air conditioning in the plants owned by ZSE Group.

All the outputs achieved in this area in 2013 are in compliance with the approved document entitled „The Policy of Occupational Health and the Environmental Protection of ZSE Group aiming to eliminate the substantial environmental impact under ISO 14001.

providing regular information by means of articles, reports and data on the environmental issues, giving a possibility to participate in the activities organised by ZSE Group in the field of the environment.

Traditionally, the month of April is the time celebrating the Earth Day – the Green Academy organised in the premises of Design Factory. An inseparable part of such event is also a competition called „The Best Idea“ that is organised for secondary school students presenting their best ideas in the field of renewable energy.

8.3 Occupational Health and Safety

The Health, Safety and Environment Improvement Plan (hereinafter only „HSE IP) commits E.ON to meet annual targets in the field of occupational health, safety and the environment. The purpose is to establish and reinforce the culture of safety and environmental protection, plus the conditions leading to better results. The relevant conditions are specified in the work procedure No. 6.BOZP.14 (6.121.14).

An independent indicator is TRIF combine that was determined for E.ON SE at the value of 1.8 in 2013. Apart from the data provided by internal employees such indicator also includes the data provided by suppliers. This indicator achieved the value of 1.4 in the reference period.

The data subject to TRIF combine indicator are reported to the HSE E.ON SE headquarters by means of SW application Prevent! Any incidents are reported on a monthly basis via SW GRIDS.

The activities performed by the launched SIM system are described in a specific document entitled „The Report on Exploration of Environmental Management Systems and Occupational Health and Safety Management (SIM) in Západoslovenská energetika in 2013.

The OHS Commission had only one meeting, which was held in the month of December. The following issues were mainly discussed at the meeting - occupational accidents and fire, Safety Pyramid, SIM internal audits, recertification auditing and new E.ON regulations.

The internal management documentation relating to occupational safety and health was updated in accordance with the requirements raised within E.ON SE company.

In a period from September to December 2013 training courses were held repeatedly for managers and other employees to provide them with the relevant information relating to occupational health and safety as well as the use of protective work equipment (hereinafter only „PWE“).

In 2013 ZSE made investments worth approximately 402,635 € in connection with ensuring occupational health and safety (personal and protective work equipment, legislative training courses relating to occupational health and safety and preventive health check-ups).

In 2013 Západoslovenská energetika, a. s. registered 1 occupational injury. In 2013 ZSE registered neither fatal occupational injury nor occupational disease in the reference period.

In 2013 state inspection authorities made no inspection regarding occupational health and safety protection in ZSE Group.

In 2013 the employees of delivery companies or ZSE Group-owned facilities spent **1,045,563** at work. No occupational injury of employees working for delivery company was reported in the reference period (i.e. TRIF = 0,0).

Statistical Indicators of Occupational Injuries in 2011, 2012 and 2013									
	Number of registered occupational injuries			Lost calendar days due to ROI			Average number of employees		
Year	2011	2012	2013	2011	2012	2013	2011	2012	2013
ZSE	2	4	1	60	107	81	1,228	1, 260	1,237
LTIF (Lost Time Injury Frequency) in 2013: 0.5									
TRIF (Total Recordable Incidents) in 2013: 1.4									
TRIF comb (TRIF combined with TRIF suppliers) in year 2013: 1.4									

Note:

ROI – registered occupational injury

LTIF – the number of occupational injuries per one million of hours worked in the monitored period in ZSE

TRIF – the number of accidents included in LTIF, fatalities, accidents without any lost calendar days, which required medical attendance and cases where work could be done only to limited extent per one million of hours worked in the monitored period in ZSE

9. Separate Financial Statements for the Year Ended December 31, 2013

Separate Financial Statements prepared for the year ended December 31, 2013 in accordance with International Financial Reporting Standards as adopted by European Union are included in appendix.

10. Independent Auditor's Report

Independent Auditor's Report to the Separate Financial Statements for the year 2013 is included in appendix.

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

Index to the Financial Statements

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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.

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

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*

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*

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)	Jochen Kley
	Ing. Andrej Devečka (resigned on 1 July 2013)	Ing. Andrej Devečka
	Juraj Krajcár (appointed on 5 December 2013)	
	Ing. Ján Rusnák	Ing. Ján Rusnák
	Marian Rusko (appointed 1 July 2013)	

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	Silvia Šmátralová
	Ing. Emil Baxa	Ing. Emil Baxa
	Ing. Peter Hanulík	Ing. Peter Hanulík
	Ing. Marek Hargaš	Ing. Marek Hargaš
	Ing. Boris Hradecký	Ing. Boris Hradecký
	JUDr. Libor Samec	JUDr. Libor Samec
	Robert Polakovič	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 Credit limit	31 December 2013 Balance	31 December 2012 Credit limit	31 December 2012 Balance
Banks rated	A3	75,000	21,591		18,041
Banks rated	A		7	n/a	-
			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**	**Deconsolida-tion 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 comprehensive 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)

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)

	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	As at 31 December 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	Year ended 31 December 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