Consolidated Annual Report 2014

Západoslovenská energetika, a.s.

ZSE

Contents

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 of Západoslovenská energetika, a.s.:

We have audited the consolidated financial statements of Západoslovenská energetika, a.s. ("the Company") and its subsidiaries ("the Group") at 31 December 2014, on which we issued Independent Auditor's Report on 25 March 2015 and on which we expressed an unqualified audit opinion as follows:

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Západoslovenská energetika, a.s. and its subsidiaries as at 31 December 2014 and their consolidated financial performance and 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 Group's Annual Report at 31 December 2014 is consistent with the Group's audited financial statements referred to above.

The Board of Directors Responsibility for the Group's Annual Report

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

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

Our responsibility is to express an opinion on whether the accounting information presented in the Group's Annual Report is consistent, in all material respects, with the Group'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 Group's Annual Report is consistent, in all material respects, with the Group's audited financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the Group's Annual Report is consistent with the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the Group's 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 Group's 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 Group's Annual Report that were not derived from the consolidated financial statements.

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

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The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnost je zapísaná v Obchodnom registri Okresného sudu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

Opinion

In our opinion, the accounting information presented in the Group's Annual Report prepared for the year ended on 31 December 2014 is consistent, in all material respects, with the Group's audited financial statements referred to above.

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

Bratislava, 21 April 2015

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

Ing. Eva Hupková, FCCA
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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.

01 Západoslovenská energetika, a.s. – the Company Profile

Company Bodies

In 2014 the structure of governing and supervisory bodies of Západoslovenská energetika, a.s. (hereinafter only „the Company“ or „ZSE“) was as follows:

Governing Body

Board of Directors	
As of 31 December 2014	
Chairman:	Jochen Kley (start of the term of office on 5 December 2013)
Vice-chairman:	Peter Adamec, PhD. (start of the term of office on 1 June 2012)
Members:	Ján Rusnák (start of the term of office on 1 June 2012)
	Marian Rusko (start of the term of office on 1 July 2013)
	Juraj Krajcár, MA (start of the term of office on 5 December 2013)

Supervisory Body

Supervisory Board	
As of 31 December 2014	
Chairman:	Ľubomír Streicher (start of the term of office of the member on 1 July 2013 and elected as Chairman on 24 September 2013)
Vice-chairman:	Lars Lagerkvist (start of the term of office as the member on 5 December 2013 and a Vice chairman on 19 December 2013)
Members:	Peter Hanulík (start of the term of office on 3 August 2012)
	Marek Hargaš (start of the term of officeon 3 August 2012)
	Boris Hradecký (start of the term of office on 3 August 2012)
	Dr. Libor Samec (start of the term of office on 3 August 2012)
	Robert Polakovič (start of the term of office on 3 August 2012)
	Silvia Šmátralová (start of the term of office on 20 April 2011 and end of the term of office on 7 November 2014)
	Silvia Šmátralová (start of the term of office on 8 November 2014)
	Martin Mislovič (start of the term of office on 17 December 2014)
	Emil Baxa (start of the term of office on 20 April 2011 and end of the term of office on 16 December 2014)

Audit Committee

On the basis of the Decision of the General Meeting of the Company dated 12 December 2014 and Article 19(a) of the Act No. 431/2002 Z.z. on Accounting in the wording of latter provisions in connection with Article 173 (1)(f) of the Commercial Code, the Company set up the Audit Committee comprising three members elected and recalled by the General Meeting of the Company.

Shareholders´Structure

The structure of shareholders in Západoslovenská energetika, a.s. as of 31 December 2014 was as follows:

Shareholders´ structure			
As of December 31, 2014	Absolute value in ths. of €	Share in fixed assets (%)	Voting rights
Slovak Republic represented by Ministry of Economy	100,454	51 %	51
E.ON Slovensko, a.s.	76,818	39 %	39
E.ON Energie AG	19,697	10 %	10

Corporate Governance Declaration

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

The organisational structure of the Company also includes an internal auditing team whose role is to:

- Make assessments of the adequacy and effectiveness of the system of internal supervision, the financial, operational and information systems, the corporate governance processes and the quality of assigned and performed tasks;
- Make identification and assessment of the operational risks of the Company by using the adequate methodology;
- Bear responsibility for making and updating documentation related to the Business Compliance Programme;
- Conduct activities related to investigating violations of the Ethical Code.

In April 2014 ZSE Energia, a.s. introduced and certified the quality management system in accordance with ISO 9001 Standards. At the time of auditing the certification company identified only strengths and a high level of implementation of the quality management system in accordance with ISO 9001 Standards. The certification company also issued the recommendation to certify the launched quality management system and issued the certificate ISO 9001 with the validity for the following three (3) years.

In October 2014 the certification company performed the first inspection audit during which ZSE Energia, a.s. demonstrated the improvements in the integrated quality management system (SIM) and maintained the international certificates ISO 9001, ISO 14001 and OHSAS 18001. During the audit only strong sides were identified including the improvements in SIM, the compliance with requirements arising out of ISO 9001, ISO 14001 and OHSAS 18001 Standards, requirements arising out of legal regulations and a high level of SIM improvements. The outcome of the audit was the publication of the recommendations of the certification company to further continue with the certification process.

Governance Methods and Company Bodies
The shareholders enforce their rights by means of the General Meeting in accordance with the amendments made in the Company by-laws as follows:

General Meeting
1. The General Meeting is the supreme body of the Company. It shall take decisions on the issues related to the activities of the Company following the by-laws, the Commercial Code or a specific act. A shareholder may apply its rights in the General Meeting in person or in representation under the written power of attorney. The General Meeting shall convene the Board of Directors unless regulations or the Commercial Code specify otherwise. The Board of Directors shall have an obligation to convene the General Meeting within a period of two months since the date of submission of tax return to the tax authority.
2. The Board of Directors shall convene the General Meeting by forwarding an invitation to the General Meeting that must be delivered to all shareholders in the form of registered mail directly to the address specified in the list at least 30 days prior the General Meeting.
3. The General Meeting is usually held in the Company headquarters, however, it may be organised in a different place, as well. The meetings are obviously visited by the members of the Board of Directors, the Supervisory Body, or other persons invited.
4. The number of votes of a shareholder is determined by the nominal value of their shares. One vote is allocated to every EUR 33.19.
5. An invitation to the General Meeting shall comprise all the particulars set out by legal regulations and the information claiming that the documents to be discussed at the General Meeting will be made available at the corporate headquarters not later than 3 calendar days prior to the General Meeting. The invitation to the General Meeting shall be delivered by the Board of Directors to every member of the Supervisory Body to the address provided together with the documents to be used for the purpose of discussions at the General Meeting at least 30 days prior to the General Meeting. If otherwise stated, the address specified as a place of residence in the extract from the Companies Register may be of use.
6. The General Meetingshall take decisions by a two-thirds majority of the votes of all the shareholders. Any decision made by the General Meeting on any alterations of the rights associated with a certain type of shares shall require the consent of two-thirds of the votes of shareholders. For this reason, the shareholders, who are the owners of such shares, shall first vote for changes to the rights and only then the General Meetingof all the shareholders.
7. The General Meeting shall make decisions on the following company affairs:

Change to by-laws;
b) Decisions concerning any increase and decrease in the share capital, empowering the Board of Directors to raise the capital stock, in accordance with the Commercial Code and the issuance of bonds;
c) Decisions concerning the winding up of the business entity by splitting, merging or transformation to a different form of business partnership or cooperative;
d) Decisions concerning the winding up of the business entity by liquidation, appointment of a liquidator, setting of the remuneration for a liquidator;
e) Election and removal of members of the Supervisory Body, except for members of the Supervisory Body elected and removed by employees;
f) Election and removal of the members of the Board of Directors and election of Board Chairman and Vice- Chairman;

g) Approval of proper, extraordinary or consolidated financial statements, decisions concerning profit distribution or coverage of loss, including the fixing of fees;
h) Approval of the Annual Report;
i) Approval of the principles and techniques of negotiations held by the Supervisory Body of the Company;
j) Approval of an agreement on the performance of the responsibilities of board members and their remuneration based upon proposals made by the Board of Directors and the Supervisory Body;
k) Decisions concerning the changes to the rights allocated to the different types of shares;
l) Decisions concerning the approval of the Company Transfer Agreement or the Partial Company Transfer Agreement;
m)Decisions concerning changes in the form of shares;
n) Decisions concerning the approval of a transfer of the Company assets, the market value of which exceeds 20% of the Company turnover in the immediately prior accounting period or the sale of which relates to 20% of Company employees;
o) Decisions concerning the start or termination of trading with Company stock on the stock exchange;
p) Decisions concerning the emission of shares, options or other securities or financial instruments that provide the rights for shares or other equity stake in the Company, or right for their underwriting, or decisions allowing the Company to grant any right for share acquisition or for equity stakes in the Company;
q) Approval of a share transfer in accordance with the by-laws;
r) Appointment and removal of a decision making person;
s) Approval of proposals rejected by the Supervisory Body in accordance with the by-laws;
t) Decision concerning other matters that are subject to the performance of the General Meeting, as stated by law or the Company by-laws;
u) Prior approval with the matters related to Západoslovenská distribučná, a.s. and ZSE Energia, a.s. specified in more detail in the Company by-laws.
w) Prior approval with any changes/amendments/supplements in the Agreement on Innovation, whose full wording was approved by the General Meeting on 30 May 2014;
(x) Election and removal of members of the audit committee of the Company, approval of an agreement on the performance of individual functions by audit committee members and their remuneration and approval of a negotiation order for the audit committee of the Company.

Rights and Duties´s of Shareholders

1. A Company shareholder may be either a Slovak or a foreign legal or individual.
2. By making the entry of the Company or an increase in the capital stock in the Companies Registry a share underwriter shall receive the rights of a shareholder, and thus become a partner of the joint stock company corresponding to the shares underwritten.
3. The fundamental rights of a shareholder shall include the right to participate in the Company´s management, to share in profit and liquidation balance following the dissolution of the Company with liquidation. The right to participate in corporate governance shall be exercised by a shareholder through their participation and voting at the General Meeting.
4. The rights and obligations of the shareholders are defined in more detail both in the Company by-laws and the Commercial Code.

The Board of Directors

1. The Board of Directors is a governing body of the Company. It shall be authorized to act on behalf of the Company against the third persons. The Board shall manage the corporate activities and take decisions in all matters associated with the performance of the Company.
2. The Board shall consist of five (5) members that are appointed and removed by the General Meeting, which shall also elect the Chairman and Vice-Chairman. The service term for board members shall last four (4) years. Any board member shall have the right to resign their position; however, they shall be obliged to report in writing such act to the Board of Directors and Supervisory Body.
3. Should the number of oard members decline under one half, the Board of Directors shall have the right to appoint replacement members until the time of the next General Meeting of the Company.
4. The Board shall have a quorum provided that a majority of board members are present at its meeting. During the meetings the Board of Directors shall make decisions based upon a greater than half majority of the members present at the time of voting. Neither Chairman nor Vice-Chairman have right to make decisive vote in case of equal value of votes at the time of voting. The board members may vote either using this form of communication or a written declaration provided they are not physically present in a place where the largest number of members have gathered whereas the place of meeting shall be considered to be such place. In addition to a meeting of the Board of Directors a decision of the Board may also be adopted in the form of decision taken by the board members outside the Board meeting room ("Decision per rollam")
5. A member of the Company´s Board of Directors may not be a member of the Board of Directors of Západoslovenská distribučná, a.s.

Structure and Performance of the Board

In 2014 the Company´s Board of Directors worked in the following structure:

Board chairman:	Jochen Kley
Board Vice-chairman:	Peter Adamec, PhD
Board members:	Ján Rusnák
	Juraj Krajcár,MA
	Marian Rusko

In 2014 the Board of Directors acted upon and meetings were held in accordance with the company by-laws and the Commercial Code.

A control body is represented by the Supervisory Body. Resolutions and tasks assigned to the Supervisory Body by the

Board of Directors were accomplished properly. The Supervisory Body regularly conducted the monitoring and assessment activities during its meetings.

Information pursuant to Article 20(7) of the Act No. 431/2002 Z.z. on Accounting in the wording of latter provisions:

a) The share capital of the Company in the amount of EUR 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 EUR 33.19. The shares are publicly tradable. The total amount of share capital was issued and fully paid out. The Company does not register any underwritten share capital not recorded in the Companies Registry.

b) The Company´s shares are freely transferrable

c) The following companies own qualified stake in share capital (at least 10 % stake):
•Slovak Republic represented by Ministry of Economy 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 corporate shares. The Company did not issue any employee shares.

e) The Company by-laws do not comprise any provisions on restrictions of voting rights.

f) The Company is not familiar with any agreements among shareholders that may lead to any restrictions regarding the transferability of shares or restriction of voting rights.

g) The rules governing the appointment and removal of individual members of the governing body and changes to the by-laws.:

Members of the governing body – the Board of Directors shall be elected and removed by the General Meeting. The General Meeting shall have the right to remove a board member any time. In addition, the Meeting shall also elect the Chairman or Vice-Chairman of the Board of Directors. The service term of board members shall last four (4) years.

The General Meeting shall make decisions concerning the amendment and supplement of regulations provided that it has two third majority of the votes of all the shareholders. The full wording of the proposed supplements and alternations in by-laws shall be made available to shareholders in the Company headquarters within a period of time required for calling the General Assembly, as stated by the by-laws. 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 the by-laws the presence of the notary shall be required to confirm that such decision is considered to be the change to the by-laws and the notarial deed shall be made accordingly. If the General Meeting makes decision the consequence of which will be the alteration in the by-laws such decision will be considered the change provided that it was adopted in a manner that by law or based on the company by-laws 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 the by-laws and moreover, it shall bear respective responsibility for the complete and correct wording.

h) Powers of the governing body – the Board of Directors – are presented in the Commercial Code and Company by-laws.

The Company Board of Directors shall exercise the right to act on behalf of the Company, to represent the Company in relation to the third persons. The Board shall govern the activities performed by the Company and take decisions in all relevant matters as long as they are not legal regulations or by-laws exclusively limited to the competences of other bodies of the Company

The Company´s Board of Directors is mainly in charge of the following:

(i) Performing the commercial management of the Company and ensuring all its operational and organisational rights and duties;
(ii) Exercising the employment rights and duties;
(iii) Summoning the General Meeting;
(iv) Outlining the Strategic Plan of the Company and submitting the plan for approval to the Supervisory Body of the Company;
(v) Implementing the resolutions of the General Meeting;
(vi) Keeping the prescribed accounting and other records, accounting books and other documents relevant for the Company;
(vii) Submitting for approval of the General Meeting:
- Proposals for amendments of the by-laws;
- Proposals for increasing and decreasing the fixed assets and issuance of bonds;
- Proper, extraordinary and consolidated annual closing of account books, proposal for breaking down the earned profit, including the setting of the size and manner of the paying out of the bonuses, in the event of reporting any loss, to make proposal for its balancing
- Proposal for dissolving the Company or alteration of its legal form;
- Proposal of the remuneration for performing the function of a board member Západoslovenská distribučná, a.s. and ZSE Energia, a.s.;
- Proposals related to the decisions concerning matters of Západoslovenská distribučná, a.s. and ZSE Energia, a.s. where the relevant decision taken by the General Meeting of Západoslovenská distribučná, a.s or the General Meeting of ZSE Energia, a.s. shall require the prior approval of the General Meeting of the Company to be made in accordance with respective valid regulations and by-laws of the Company.

The Company´s Board shall have no right to make decision on the issuance of shares or share re-acquisition.

i) The Company shall have no agreements concluded that are binding to amend its conditions in relation to a potential offer for takeover.

j) No agreements on reimbursement shall be concluded between the Company and the body members, once their service term comes to an end. Reimbursement to Company employees whose employment contract is terminated is subject to the Labour Code, collective agreement and internal employment directives.

Objects of Activities

ZSE Group Data and Objects of Activities

Západoslovenská energetika, a.s., IČO: 35 823 551, with the registered office in Čulenova 6, 816 47 Bratislava, was established on 15 October 2001 and entered into the Commercial Register on 1 November 2001. The Company is registered in the Commercial Register District Court Bratislava I, Section: Sa, Entry No. 2852/B.

ZSE was established by the Deed of Foundation on 15 October 2001 on the basis of the decision of the Government of the Slovak Republic on privatisation of Západoslovenské energetické závody, š.p., a state-owned company, dated on 20 June 2001 dissolved without liquidation through Decision No. 96/2001 of the Ministry of Economy of the Slovak Republic No. 4278/2001-1000-010. All the assets, rights, duties and commitments (both familiar and unfamiliar), apart from the rights under Article 16 of the Act No. 92/1991 Z.z. on the Conditions of State Property Transfer to Other Persons were transferred to the National Property Fund of the Slovak Republic that on 1 November 2001 deposited the property of the state-owned company into the following joint stock companies: Západoslovenská energetika, a.s., Bratislava, Bratislavská teplárenská, a.s., Bratislava and Trnavská teplárenská, a.s., Trnava.

On 5 September 2002 the National Property Fund of the Slovak Republic transferred its 49% stake in the fixed assets of ZSE to E.ON Energie AG, Germany. On 16 December 2003 E.ON Energie AG transferred its 9%-share in the fixed assets to the European Bank for Reconstruction and Development (EBRD).

On the basis of the decision of the General Meeting of the Company dated 27 June 2003, on 1 July 2003 ZSE sold part of the company comprising the divisions of construction, information technologies and the center for repairing transformers and inspection of the electric meters.

Following the Directive of the European Union 2003/54/EC and the Act No. 656/2004 Z.z.. on the Energy Sector and Amendment and Supplement of some acts by which the directive was transposed into legislation of the Slovak Republic, ZSE being a vertically integrated company with the date of effect from 1 July 2007 legally unbundled the activities in the areas of power engineering – electricity supply and operation of the distribution system – into independent subsidiaries ZSE Energia, a.s. (an electricity and gas supplier) and Západoslovenská distribučná, a.s. (an operator of the distribution system). Both subsidiaries are included into the consolidated closing of account books based on the method of full consolidation.

Západoslovenská energetika, a.s. together with its subsidiaries Západoslovenská distribučná, a.s., ZSE Energia, a.s., ZSE Development, s.r.o. and ZSE Energy Solutions, s.r.o.(till 13 August 2013: Enermont, s.r.o.) are in consolidated annual report referred to as the "ZSE Group" or "the Group".

The ZSE Group provides services connected with distribution and supply of electric power mostly in the Western Slovakian region. At the end of 2011, the Company started offering gas to large industrial customers and from April 2012 to small and medium-sized enterprises and households. The ZSE Group does not own any electricity generation facilities except small hydroelectric power plants. Certain aspects of relations between the ZSE Group and its customers, including price-making for services provided to selected groups of customers, are regulated by the national regulator RONI (Regulatory Office for Network Industries).

Until 27 May 2008 E.ON Energie AG owned 40% of the shares of Západoslovenská energetika, a.s. On 27 May 2008 E.ON Energie AG deposited its shares into its 100 % subsidiary E.ON Slovensko, a.s. as non-monetary deposit for the paying out of the higher equity of E.ON Slovensko, a.s.

During 2012 the following changes were made to the structure of Company´s shareholders: The sale of 534,113 shares of the Company represents 9 % of its fixed assets, originally owned by EBOR London, E.ON Energie AG, Munchen, Germany, entered into effect on 21 August 2012. The General Meeting of the Company held on 19 December 2012 approved transfer of 59,346 shares of the Company representing 1% of its fixed assets, originally owned by E.ON Energie AG, Munich, Germany. The transfer of the shares entered into effect on 13 December 2012.

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

Neither Západoslovenská energetika, a.s. nor her subsidiaries are unlimited corporations in some other accounting units.

The Strategic Development and Innovations

The energy sector has lately undergone rather intensive but at the same time inevitable transformation. Owing to the several factors including the influence of environmental goals and the energy policies, plus the digitalisation trends, the implementation of advanced technological solutions and last, but not least, the changes in consumer behaviour, it can be pointed out that an overall view on the energy sector has been changing and "the original world" of the energy industries can be divided into the two worlds featuring two different development trends. The strategic development of the ZSE Group is actively reflected through the market changes and it is expected that in the upcoming years the focus will be given on stabilisation and reinforcement of the existing business activities, especially on the support and development of the core business activities related to electricity distribution, gas and electricity sales and the development of new customer- oriented solutions.

The primary role of the distribution system operator will continue to be the provision of a safe and reliable operation of the distribution system, ensuring the compliance with all the existing legal commitments arising out of valid legislation, the implementation of smart metering, meeting the quality standards and last but not least, the improvement of approach towards customers with regard to connecting consumers and generators.

In terms of the long-term strategy, the distribution system operation will be focused on raising the effectiveness of distribution processes and gradual introduction of active elements in the process of system automatisation and continual transition to the smart network regulation and effective utilisation of smart data and digitalisation of customer relations.

Delivery of electricity and gas commodities is gradually extended with new services making the customer´s life easier. Taking into consideration the main role which is to improve the quality of people´s lives the ZSE Group is planning to focus strategically on the services related to energy efficiency improvement and the value added services that will correspond to such intentions. A new portfolio of products was introduced in 2013, including ZSE Health and ZSE Assist and the plan is to add the other VAS and energy efficient solutions in the near future. Regarding the segment of industrial customers the Group also wishes to focus on improving energy efficiency.

Obviously, there is still a necessity to improve the quality for customer care through new channels, a simplified way of dealing with customer´s requests and a more efficient sale. In summer 2014 Live Agent service was launched and as a result of this, customers can communicate with the Company online from the comfort of their homes or offices.

In 2014 a subsidiary ZSE Energy Solutions, s.r.o. was subject to re-branding that reflected the organisational changes in the ZSE Group and defined a new position of the daughter company.

From the point of view of the Group stability the most important thing will be to set the flexible and effective internal processes in order to become successful on the competitive field and provide a new service portfolio aimed at the development and implementation of energy efficient solutions. It is the goal of the Company to strengthen its position in relation to the constructions of energy generation plants for retail and corporate customers, the operation of transformer stations and design preparations of constructions. In addition to that, the Company seeks to provide the services aimed at improving energy efficiency.

Electromobility

The ZSE Group actively promotes the development of electromobility in Slovakia. The year 2014 brought an end to "The Vibrate Project", dealing with the setting of the complex system of the electromobility on a cross-border level between the towns of Vienna and Bratislava. At the moment the evaluation of data acquired from the car testing, the operation of charging stations, the consumption monitoring and the payment system is underway.

A European project „TENT" (Transeuropean Network) is aimed at developing the infrastructure and the ZSE Group wants to become involved in the construction of new charging stations, the development of support systems needed for the e-mobility service, thereby providing further support to electromobility as one of the alternatives in the sector of transportation.

ZSE is a partner in "the Crossing Borders Project" in which the Company, in association with Austrian partners, is working on the IT system solutions for the electromobility.

Competence Center

The Competence Center is a scientific research project and a platform of the co-operation among academic and industrial partners in the energy sector targeted on intelligent networks. In August 2011 the project was approved for co-funding from the EU funds, officially starting on 1 August 2011. Individual partners share their responsibilities and the main work has been underway since 2012.

In 2014 the scientific and research activities were performed with the focus on intelligent system solutions for the smart grids in co-operation with external partners and the academic community. The project will achieve its final stage in 2015 and subsequently, its benefits and outputs will be evaluated.

Risks and Uncertainties

Apart from the role the service center played with regard to daughter companies of the ZSE Group, Západoslovenská energetika will also bear responsibility for the development and innovative solutions that will promote and fulfil new strategic development trends of the ZSE Group, thereby responding the challenges from the external macroeconomic and market changes.

02 Economy

Economy

Structure of Electric Power Distribution

Structure of Electric Power Distribution				
In GWh	As of Dec. 31, 2014	(In %)	As of Dec. 31, 2013	(In %)
Commercial consumers – Wholesale	5,265	59.94	5,244	59.63
Commercial consumers – Retail	1,314	14.96	1,349	15.34
Residential consumers – Households	2,205	25.10	2,201	25.03

Structure of Electric Power Supply				
In GWh	As of Dec. 31, 2014	(In %)	As of Dec. 31, 2013	(In %)
Commercial consumers – Wholesale	6,614	100	7,011	100
Commercial consumers – Retail	1,912	29	1,977	28
Residential consumers – Households	4,702	71	5,034	72

Consumed Supply of Electric Power (GWh)	
Year	Total
2014	6,614
2013	7,011

Distribution of Electric Power (GWh)			
Year	Total	Of which wholesale	Of which retail
2014	8,784	5,265	3,519
2013	8,794	5,244	3,550

In 2014 ZSE Group achieved the profit of EUR 84,148 thousand and spent the costs in the volume of EUR 925,822 thousand.

Key figures of the ZSE Group according to the International Financial Reporting Standards as adopted by the European Union:

Key Figures as of December 31		
€ Thousand	2014	2013
Non-current assets	702,814	669,072
Current assets	138,415	151,896
Total assets	**841,229**	**820,968**
Equity	(66,554)	(96,417)
Non-current liabilities	738,897	730,834
Current liabilities	168,886	186,551
Total equity and liabilities	**841,229**	**820,968**
Revenues	1,013,018	1,036,585
EBIT (Operating income)	**137,304**	**140,733**
EBITDA	183,088	179,886
Incomes	1,041,084	1,065,657
Costs	925,822	929,929
Profit before tax	115,262	135,728
Net profit	**84,148**	**102,345**
Other comprehensive income	(675)	884
Total comprehensive income	**83,473**	**103,229**
Average number of employees	**1,817**	**1,846**

Data on revenues for distributed electricity:

Data on revenues for distributed electricity:		
As of 31 December	2014	2013
Volume of electricity distributed (GWh)	8,784	8,794
Revenues for electricity distributed (€ Thousand)	426,342	568,951
Area covered (km2)	14,928	14,928
110kV lines (km)	2,851	2,853
22kV lines (km)	13,363	13,300
0.4kV lines (km)	21,228	21,060
Number of supplypoints	1,093,412	1,082,601

Data on revenues for electricity supply to customers:

Indicators of ZSE Energia, a.s.		
As of 31 December	2014	2013
Volume of electricity sold (GWh)	6,614	7,011
Revenues of electricity sold (€ Thousand)	779,046	858,083
Volume of electricity purchased (GWh)	6,611	7,005
Volume of electricity generated (GWh)	3	6
Number of supply points	957,415	949,448

Data on revenues of the ZSE Group**:**

Indicators of ZSE Group		
As of 31 December	2014	2013
Volume of electricity sold (GWh)	6,614	7,011
Volume of electricity distributed (GWh)	8,784	8,794
Revenues from the sale and distribution od electricit (€ Thousand)*	952,045	988,285
Volume of electricity purchased (GWh)	6,611	7,005
Volume of electricity generated (GWh)	3	6

*Revenues include distribution fees from distribution system operators outside of the ZSE Group

Data on revenues for gas supply to customers:

Indicators		
As of 31 December	2014	2013
Revenues of gas sold (€ Thousand)*	49,811	31,324
Volume of gas sold (GWh)	1,143	754
Number of supply points	42,068	31,741

Profit to be Distributed for 2013

The General Meetingof Západoslovenská energetika, a. s. held on 30 May 2014 approved the proposal for the distribution of profit achieved in 2013 in the amount of EUR 97,667 thousand. In June 2014 the Company's shareholders - National Property Fund, E.ON Slovensko, a.s. and E.ON Energie AG, were paid dividends from 2013 profit in total amount of EUR 52,213 thousand.

Dividends were paid out in EUR. At the same time, EUR 45,000 thousand from 2013 profit were transferred to the etained earnings from previous years and EUR 454 thousand were allocated as contribution to the social fund from profit.

Proposal for the Appropriation of Profit of ZSE for 2014	
Acknowledged by the Board of Directors on 25 March 2015	in ths. €
Net profit	61,361
Contribution to social fund	403
Dividends	42,958
Transfer to retained earnings from previous years	18,000
Total distribution of profit	**61,361**

The Strategic Development and Innovations

The energy sector has lately undergone rather intensive but at the same time inevitable transformation. Owing to the several factors including the influence of environmental goals and the energy policies, plus the digitalisation trends, the implementation of advanced technological solutions and last, but not least, the changes in consumer behaviour, it can be pointed out that an overall view on the energy sector has been changing and „the original world" of the energy industries can be divided into the two worlds featuring two different development trends. The strategic development of the ZSE Group is actively reflected through the market changes and it is expected that in the upcoming years the focus will be given on stabilisation and reinforcement of the existing business activities, especially on the support and development of the core business activities related to electricity distribution, gas and electricity sales and the development of new customer- oriented solutions.

The primary role of the distribution system operator will continue to be the provision of a safe and reliable operation of the distribution system, ensuring the compliance with all the existing legal commitments arising out of valid legislation, the implementation of smart metering, meeting the quality standards and last but not least, the improvement of approach towards customers with regard to connecting consumers and generators.

In terms of the long-term strategy, the distribution system operation will be focused on raising the effectiveness of distribution processes and gradual introduction of active elements in the process of system automatisation and continual transition to the smart network regulation and effective utilisation of smart data and digitalisation of customer relations.

Delivery of electricity and gas commodities is gradually extended with new services making the customer´s life easier. Taking into consideration the main role which is to improve the quality of people´s lives the ZSE Group is planning to focus strategically on the services related to energy efficiency improvement and the value added services that will correspond to such intentions. A new portfolio of products was introduced in 2013, including ZSE Health and ZSE Assist and the plan is to add the other VAS and energy efficient solutions in the near future. Regarding the segment of industrial customers the Group also wishes to focus on improving energy efficiency.

Obviously, there is still a necessity to improve the quality for customer care through new channels, a simplified way of dealing with customer´s requests and a more efficient sale. In summer 2014 Live Agent service was launched and as a result of this, customers can communicate with the Company online from the comfort of their homes or offices.

In 2014 a subsidiary ZSE Energy Solutions, s.r.o. was subject to re-branding that reflected the organisational changes in the ZSE Group and defined a new position of the daughter company.

From the point of view of the Group stability the most important thing will be to set the flexible and effective internal processes in order to become successful on the competitive field and provide a new service portfolio aimed at the development and implementation of energy efficient solutions. It is the goal of the Company to strengthen its position in relation to the constructions of energy generation plants for retail and corporate customers, the operation of transformer stations and design preparations of constructions. In addition to that, the Company seeks to provide the services aimed at improving energy efficiency.

Electromobility

The ZSE Group actively promotes the development of electromobility in Slovakia. The year 2014 brought an end to „The Vibrate Project", dealing with the setting of the complex system of the electromobility on a cross-border level between the towns of Vienna and Bratislava. At the moment the evaluation of data acquired from the car testing, the operation of charging stations, the consumption monitoring and the payment system is underway.

A European project „TENT" (Transeuropean Network) is aimed at developing the infrastructure and the ZSE Group wants to become involved in the construction of new charging stations, the development of support systems needed for the e-mobility service, thereby providing further support to electromobility as one of the alternatives in the sector of transportation.
ZSE is a partner in „the Crossing Borders Project" in which the Company, in association with Austrian partners, is working on the IT system solutions for the electromobility.

Competence Center

The Competence Center is a scientific research project and a platform of the co-operation among academic and industrial partners in the energy sector targeted on intelligent networks.

In August 2011 the project was approved for co-funding from the EU funds, officially starting on 1 August 2011. Individual partners share their responsibilities and the main work has been underway since 2012.

In 2014 the scientific and research activities were performed with the focus on intelligent system solutions for the smart grids in co-operation with external partners and the academic community. The project will achieve its final stage in 2015 and subsequently, its benefits and outputs will be evaluated.

Risks and Uncertainties

Apart from the role the service center played with regard to daughter companies of the ZSE Group, Západoslovenská energetika will also bear responsibility for the development and innovative solutions that will promote and fulfil new strategic development trends of the ZSE Group, thereby responding the challenges from the external macroeconomic and market changes.

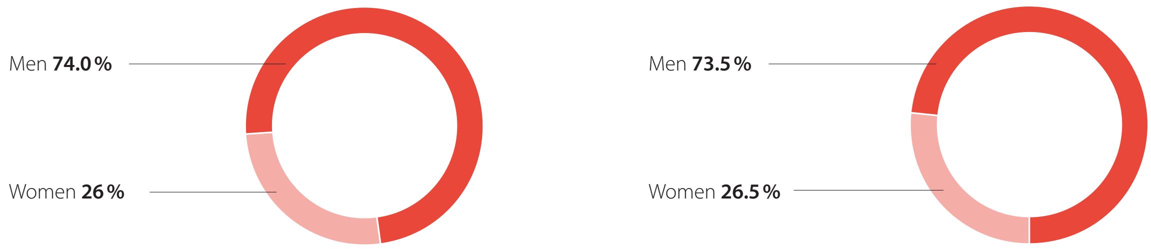
03 Human Resources

Employee Structure

As of 31 December 2014 the ZSE Group employed 1,817 employees, including 34 members of managing staff. The average age of an employee in the Group was 44.8 years. The share of women was somewhat stabilised in the monitored period. As far as the educational structure is concerned, there was a slight increase in the number of those employees holding university diplomas.

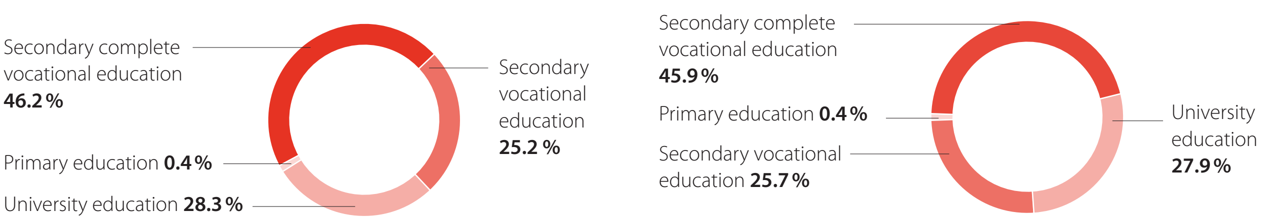
The share of women and men working for the Company

As of 31 December 2014 | As of 31 December 2013



The share of university educated employees in the company

As of 31 December 2014 | As of 31 December 2013



Employees Remuneration

In compliance with the commitments in the collective agreement, the Company ensured the average increase in wages and salaries, including the fixed and variable components, by 2.48 %. The employees were also remunerated based on their performance which had a direct impact on the paying out of the variable component of the salary and extraordinary bonuses.

Employee Benefits

The Company provided its employees with contributions from the Social Fund for the purpose of recreation, relaxation, cultural events and health care. In 2014 the Company continued with its provision of the above-standard preventive medical check-ups to its employees . In order to encourage its employees to take better care of their own health and to live a healthy life style, the Company organised „The Health Days“. In addition to that, the Company also organised a summer camp for employees´ children. In 2014 the employer made contributions to a supplementary pension savings scheme. Every employee was entitled to 5 extra days of holiday.

Training of Employees

In 2014 740 educational activities were organised by the Company. The average costs per employee was EUR 280 and on average every employee spent 4.9 days on an educational or training activity. As far as the soft skills development was concerned, the year 2014 focused on the promotion of a pro-customer orientation. Sales representatives and business staff took part in a training course aimed at improving their selling and business skills. Some of the employees coming into contact with customers participated in a training course aimed at communication with the customer. In order to extend their specialised knowledge those employees holding the electrotechnical qualification used an e-learning program for continuing education.

As part of „The Talent Pool„ programme for technicians and the succession programme, we continued to develop management skills for selected employees.

Co-operation with Schools

The year 2014 meant even stronger relations between the Company and the student community. After receiving positive feedbacks, the Company organised the second round of „the ZSE Open". On that day 250 students and teachers from secondary vocational schools with electrotechnical specialisation had an opportunity to spend one day in the Company . Traditionally, the best projects included the conteststhe Best EKO Idea and 4E.ON. Last year 200 students were involved in the Best EKO Idea, which supports innovative business ideas of young people aimed at nature and energy conservation, of which 14 projects received the Company´s support. The purpose of 4E.ON contest was to encourage the production of interactive teaching aids for primary and secondary schools. Secondary students can also take part in specialised internships in the Company.

University students can be awarded with a scholarship. This study program allows them to be employed by the Company during the last two years of their university studies, with the perspective of receiving a specific job. Any talented university graduates may participate in the so-called "Trainee Program" the purpose of which is to train the potential employees for key positions within the Company by means of systematic development and job rotations.

As regards the education of primary school students the Company continued to organise an educational project called "Energy Experience Project", involving 12,000 pupils studying at 40 primary schools. Since November a follow-up project organised at the Piešťany power plant has been performed in parallel with the project entitled "Children´s Town of Professions" in Bratislava.

04 Corporate Responsibility

Occupational Health and Safety

ZSE Energia, a.s. gives special attention to the working and social conditions of its employees, primarily to their occupational health and safety. In 2014 the Company also ended several activities aimed at raising the awareness of employees as far as the occupational health and safety are concerned. For example, employees could discuss the issue of occupational health and safety as part of „The Safety Hour".„Talking Safety" a book on effective communication was published, dealing with the occupational health and safety. Five Company representatives in charge of safety issues were repeatedly trained to obtain an up-to-date knowledge in this regard. There was an update made to the coding system of preventive medical check-ups and the categorisation of work for the workers of Západoslovenská energetika as well as daughter companies Západoslovenská distribučná, a.s., ZSE Energia, a.s. and ZSE MVE, s. r. o.. In 2014 ZSE Energia, a.s. won the certificate of Quality Management System under ISO 9001 Standard.

In 2014 the ZSE Group made investments into improving the occupational health and safety (personal and protective work equipment and tools, legislative trainings dealing with the issue of occupational health and safety and preventive medical check-ups) amounting to approx. EUR 715,075.

On the basis of a decision made by the Regional Public Health Care Authorities in Bratislava and Nitra the working positions including a middle voltage dispatch manager, a co-ordinator of the middle voltage dispatch centre and a high voltage dispatch manager from the section of Dispatch Control Department were categorised into the 3. category of hazardous work.. This means that they are in the same category as emergency units, pilots or flight dispatch managers. Due to higher mental and sensoric burden they have to take part in the simulation tests on the training machine quarterly. In addition, every two years they are retrained and after the training they have to pass the test of the Nuclear Research Research Institute. For technicians providing middle voltage and low voltage network services the system of psychological trainings was prepared with the aim to identify any risks imposing threat on health, while working with live electrical equipment or being nearby.

During„ The HSE Day" the company employees had a possibility to participate in the lectures given on healthy nutrition, proper physical movement activities and prevention against any injuries. They could also get rid of their dysfunctional mobile phones and run-out batteries.

The Occupational Health and Safety Committee held its session only once in 2014 in order to discuss the following issues: the number of occupational injuries and the rate of fire events, SIM Internal Audits, the results from the 1. Supervisory SIM Audit, an updated register of dangerous and threatening situations, etc.

The state control administrative authorities did not perform any inspections of occupational health and safety in the ZSE Group in 2014.

A special indicator in the ZSE group is TRIF combine – it represents the number of incidents occurring to employees of the ZSE Group and the contractor´s staff working within the ZSE Group, per 1 m hours worked in the monitored period. In the monitored period of 2014 the TRIFcombine indicator achieved the value of 0.5 (there was neither occupational injury nor occupational illness reported , only two occupational injuries occurring to the company employees). TRIF indicator is reported separately for the contractor´s staff. In 2014 the contractor´s employeesworked on workplaces of the ZSE Group for 636,422 hours. No occupational injury occurred to the contractor´s staff in the monitored period.

Statistical indicators of occupational injury in 2012, 2013 and 2014

	Number of ROI			Lost calendar days due to ROI			Average number of employees		
Year	2012	2013	2014	2012	2013	2014	2012	2013	2014
ZSE Group	4	4	2	107	389	362	1,856	1,846	1,820

LTIF (Lost Time Injury Frequency) in 2014: 0.7
TRIF (Total Recordable Incidents Frequency) in 2014: 0.7
TRIF comb (TRIF combined with TRIF of suppliers) in 2014: 0.4

Notes:
ROI - Registered occupational injury
LTIF - Number of occupational injuries per one million of hours worked in the monitored period in the ZSE Group
TRIF - Number of occupational injuries included into LTIF, fatal occupational injuries, injuries without the lost calendar days which required specialised medical treatment and the cases when the work could be done only up to a limited extent, per one million of hours worked in the monitored period in the ZSE Group.
TRIF comb - Number of incidents that occurred to employees of the ZSE Group and subcontractors that perform their work on a power generating plant or on-site of the ZSE Group, per one million of hours worked in the monitored period.

Corporate Responsibility Strategy in the ZSE Group

The ZSE Group ranks among the top leaders in Slovakia regarding the issues related to corporate responsibility and its principles are part of everyday decision making process and corporate strategy. Corporate responsibility has a direct impact on loyalty of the employees, reduction of a fluctuation rate and an increased level of productivity. It also includes the performance of the Company not only in the energy field, but also in relation to the local communities and the surrounding area. It is essential to inspire people to do such activities, thus making contributions to making our world even a better place for living.

In 2004 Západoslovenská energetika, a.s. became one of the founding members of the Business Leader Forum that is an informal association of business companies with the main motive to follow the principles of corporate responsibility and their dissemination. The companies united by this association share the common goal that is to assist and protect the environment and through various projects make contribution to the nature and landscape protection.

The Company seeks to influence the community through various partnerships, but primarily through the efforts made and a pro-active approach taken by its employees. Together with the Pontis Foundation and the Engage Group, whose member the Company is, the ZSE Group is actively involved in the corporate voluntary event "**Naša Bratislava**" (Our Bratislava). The volunteers provide free assistance directly within the community organisations, including the services such as cleaning courtyards, gardens, parks and public space or decorating indoor premises. Apart from the manual activities they may also provide their experience and know-how in the areas of law, marketing, communication, IT and HR skills.

In association with the Slovak Scout Association it has been 10 years since ZSE began to organise the project called „Bringing Castles to Life", from its very beginning focused on providing assistance to renovate the castle ruins through voluntary work. As a result of such project efforts one can see clean surroundings of several castles such as Branč, Dobrá voda and Korlátko. The ZSE Group, being the patron of the project, won the Via Bona Award for courage to support innovative project in 2015.

Since 2009 the Company has been organising the programme "**Energia zblízka**" (The Energy Experience Project) that includes activities bringing together primary school children (2-9 school graders), primary school teachers, education, energy and environmental issues. Simple explanations of physical principles by means of demonstrations and information exchange in the form of games and competitions are one of the approaches how to find among young generation of the pupils that appear to be interested in further education in this field. The Energy Experience Project has an aspiration to provide a more detailed picture of the electricity cycle, starting from the phase of its electricity production to electricity distribution to the power socket with all its consequences.

The Company also won „The Employee Volunteering Award Slovakia" for „The Best Idea" that has become an inseparable part of „The Earth World Day" in ZSE organised in the Company every year on 22 April. The project itself combines several different activities helping young people bring their projects and ideas into reality. They are also learning how to think in terms of the environment, as the projects are implemented in harmony with the nature and the sustainable development.

The purpose of **the Živá Energia Fund**, which is established and administered by the Ekopolis Foundation, is to promote the development of renewable energy sources and to support actions leading to higher energy efficiency and reasonable energyuse . The fund encourages such approach especially in the areas that are associated with the public work, charities or educational activities performed by the supported organisations. A long-term interest of the Fund is to promote the good relations within the communities and to raise the awareness in the environmental issues.

Since its foundation in 2009 during six annual events the Fund supported 76 projects in the total amount of EUR 441,868. In 2014 21 projects received financial support in the amount of EUR 107,500.

As an example of the successful implementation of the project we can also mention a project of the municipality Devínska Nová Ves. On the roof of the Primary School I.Bukovčana 3 the photovoltaic cells with power output being 4.5 kWp have been installed. Electricity generated this way will be primarily used for covering demand of the primary school. Any excess electricity will be supplied back into the distribution system operated by Západoslovenská distribučná, a.s.. The system is linked to the computer and the primary school has then a possibility to regularly monitor and evaluate any electricity generated from solar power. Apart from energy savings the project objective is also to provide students with the access to the information on alternative solar power sources and promote a greater interest in technical education using innovative and interactive teaching aids.

The Power Plant Piešťany, which was reconstructed by ZSE and in September 2014 officially opened as the Interactive Centre of Science and Technologies received two prizes Building of the Year and the Cultural Momument of the Year.

The renovation of the building started in 2009, based on the design developed by the 4th graders of the Faculty of Architecture of the Slovak University of Technology, Michal Ganobjak and Vladimír Hain, who won the Student´s Contest organised by the ZSE company. Nowadays the objective of the contest is to represent the latest trends in the efficient use of energy in architecture. The original building was handed over for use in 1906 and since 1996 it has been registered in the list of cultural heritage monuments.

The reconstructed building combines the elements of history with state-of-the art technologies. One part of the building was intentionally preserved and turned into a museum that would provide a historical overview of technical equipment and devices used in the original power plant. One can find there an interactive centre for students where they can practically test their theoretical knowledge learnt at school. Visitors can compare the new forms of generation, utilisation and conservation of energy with those used in the past. Nowadays the power plant organises educational activities for primary and secondary schools. During the weekends the institution also opens its gates to the general public.

Environmental Protection

Protection of the environment ranks among the top priorities of the ZSE Group. In order to protect and improve the quality of the environment, the Company takes preventive measures in all areas of business activities performed by its employees in all the premises and power generating plants operated by the ZSE Group.

Care is constantly provided to the protection of soil and water, nature and landscape conservation and, last but not least, to airprotection. By implementing environmental projects, the Company takes a pro-active approach to ensuring the protection of avifauna, avoiding soil and water contamination and adopting measures aimed at reducing noise in the surroundings of the Company´s buildings and operating premises.

An overview of the investments made by the ZSE Group on environmental projects in 2014:

Environmental projects	
2014	In ths. €
Total costs on environmental structures and repairs of the power installations in the ZSE Group	1,265
Costs on environmental operation, maintenance and repairs of the power installations of the ZSE including waste disposal	404*

* The costs including the Combined Cycle Plant in Malženice that was „decommissioned“ in 2014 for economic reasons. During this time the maintenance of all equipment was carried out in the power plant in compliance with the requirements arising out of legislative regulations governing environmental issues.

Investments in the area of protection of underground water and soil resources were made for the improvement of the environmental performance of electrical substation transformers, the upgrading of waste water systems in operating premises with the intention to reduce risks associated with the contamination of underground water resources, the construction of suitable storage facilities, as well as the monitoring of contamination following from redevelopment work on the Piešťany power plant. In addition, parking lots in the operating premises were also renovated, including waste water runoff through crude oil filters. The Company also dealt separately with reducing noise levels in the surroundings of our power plants, where rather costly measures were taken, involving the replacement of transformers.

Investments were also made into the installation of protective console cases on high voltage lines in protected bird territories. The Company co-operated in a project aimed at the protection of avifauna entitled EU LIFE09 NAT/H/000384 „The Protection of the Saker Falcon". All these activities are aimed at eliminating any risks of mortality of the protected species of birds caused by their sitting on electric power line poles. In 2014 more than 250 poles were equipped with protective console cases. A separate project was the upgrading of stork nests situated on the low voltage support points, which treated 17 such nests.

Our Company introduced individual collection and a thorough separation of municipal waste and in 2014 we separated from municipal waste more than 4.43 t of plastic and 4.82 t of paper collected for the purpose of recycling. By a thorough separation of waste materials produced from repairs of power installations and structures, 1,064 t of scrap was collected for recovery.

Attention was also given to the maintenance of equipment containing SF6 gas, which belongs among fluorinated greenhouse gases. Západoslovenská energetika, a.s. is the holder of Certificate on Expert Competence allowing the handling of fluorinated greenhouse gases which fill some of the energy installations. Our employees are the holders of the Certificate on Expert Competence allowing them to work with equipment using SF6. All gas leakages are properly monitored and registered and the amount of emissions originating from this greenhouse gas decreased by 35%, compared to 2013. The obligations arising out of the Act on Fluorinated Greenhouse Gases are also fulfilled in relation to the operation of air conditioning systems in the ZSE Group premises.

Employees are regularly trained and properly informed by means of articles, reports and data concerning the environment. Also, in 2014 they had an opportunity to get involved in the collection of used mobile phones and used batteries during the Week of Occupational Health and Safety and Environmental Protection. As a result of the collection of mobile phones an amount of EUR 146 as collected for the civic association Children´s Action and 30 kg of used batteries were collected in total.

All the results achieved in 2014 are in compliance with the officially approved documents entitled "The Occupational Health and Safety and Environmental Protection Policy" of Západoslovenská energetika, a.s., ZSE Energia, a.s., and Západoslovenská distribučná, a.s., and the "Policy of Integrated Management System" of ZSE Energy Solutions, s.r.o with the target of reducing significant impacts on the environment under ISO 14001.

05 Financial Statements

Independent Auditor's Report and Consolidated Financial Statements

for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Index to the financial statements

Independent auditor's report

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

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 consolidated financial statements of Západoslovenská energetika, a.s. and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2014 and the consolidated statements of comprehensive income, changes in 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 consolidated financial statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Západoslovenská energetika, a.s. and its subsidiaries as at 31 December 2014 and their consolidated financial performance and 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

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

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

In Bratislava, 25 March 2015

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The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

Consolidated balance sheet

Západoslovenská energetika, a.s.

Consolidated balance sheet at 31 December 2014 prepared in accordance with IFRS as adopted by the European Union

	Note	As at 31 December 2014	As at 31 December 2013
ASSETS			
Property, plant and equipment	7	689,542	654,528
Intangible assets	8	10,874	12,146
Other non-current asset		2,398	2,398
		702,814	669,072
Current assets			
Inventories	10	10,302	7,435
Trade and other receivables	11	92,002	113,813
Current income tax receivables		4,067	7,871
Cash and cash equivalents	12	32,044	22,777
		138,415	151,896
Total assets		**841,229**	**820,968**
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	13	196,969	196,969
Legal reserve fund	13	39,421	39,421
Other reserves		(915)	(240)
Retained earnings		(302,029)	(332,567)
Total equity		(66,554)	(96,417)
Non-current liabilities			
Issued bonds	16	627,775	627,178
Pension and other provisions for liabilities and charges	18	11,677	10,844
Deferred revenues	14	79,769	78,320
Deferred income tax liabilities	17	19,676	14,492
		738,897	730,834
Current liabilities			
Issued bonds	16	4,114	4,138
Trade and other payables	15	158,251	175,786
Deferred revenues	14	5,940	5,926
Pension and other provisions for liabilities and charges	18	581	701
		168,886	186,551
Total liabilities		**907,783**	**917,385**
Total equity and liabilities		**841,229**	**820,968**

These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2015.

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Jochen Kley

Chairman of the Board of Directors and CEO

....

Marian Rusko

Member of the Board of Directors

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

The notes on pages 33 to 77 form an integral part of these financial statements.

Consolidated statement of comprehensive income

Západoslovenská energetika, a.s.

Consolidated statement of comprehensive income for the year ended 31 December 2014 prepared in accordance with IFRS as adopted by the European Union

	Note	Year ended 31 December 2014	2013
Revenues	19	1,013,018	1,036,585
Purchase of electricity, gas and related fees	20	(751,228)	(762,167)
Employee benefits	21	(54,905)	(56,697)
Depreciation and amortization	21	(45,784)	(39,153)
Other operating expenses	21	(51,695)	(66,751)
Other operating income	22	10,237	15,008
Own work capitalised		17,661	13,908
Profit from operations		**137,304**	**140,733**
Finance income			
Interest income		168	156
Interest expense and other finance expenses	23	(22,210)	(5,161)
Net finance income		**(22,042)**	**(5,005)**
Profit before tax		**115,262**	**135,728**
Income tax expense	24	(31,114)	(33,383)
Net profit		**84,148**	**102,345**
Other comprehensive income (items that will not subsequently be reclassified to profit or loss):		(675)	884
Total comprehensive income		**83,473**	**103,229**
Earnings per share (expressed in EUR per share)			
- basic	28	14.179	17,245
- diluted	28	14.179	17,245

(All amounts are in thousands of Euro unless stated otherwise)
The notes on pages 33 to 77 form an integral part of these financial statements.

Consolidated statement of changes in equity

Západoslovenská energetika, a.s.
Consolidated statement of changes in equity for the year ended 31 December 2014 prepared in accordance with IFRS as adopted by the European Union

	Share capital	Legal reserve fund	Other fund	Other reserves*)	Retained earnings	Total
Balance at 1 January 2013	**196,969**	**39,421**	**45,467**	**(1,124)**	**216,933**	**497,666**
Comprehensive income						
Profit for the year	-	-	-	-	102,345	102,345
Other comprehensive income	-	-	-	884	-	884
Total comprehensive income for year 2013	**-**	**-**	**-**	**884**	**102,345**	**103,229**
Transfers (Note 13)	-	-	(45,467)	-	45,467	-
Transaction with owners						
Dividends	-	-	-	-	(697,312)	(697,312)
Transaction with owners	**-**	**-**	**-**	**-**	**(697,312)**	**(697,312)**
Balance at 31 December 2013	**196,969**	**39,421**	**-**	**(240)**	**(332,567)**	**(96,417)**
Comprehensive income						
Profit for the year	-	-	-	-	84,148	84,148
Other comprehensive income	-	-	-	(675)	-	(675)
Total comprehensive income for year 2014	**-**	**-**	**-**	**(675)**	**84,148**	**83,473**
Transaction with owners	-	-	-	-	(52,213)	(52,213)
Dividends (Note 13)**)	**-**	**-**	**-**	**-**	**(52,213)**	**(52,213)**
Other	-	-	-	-	(1,397)	(1,397)
Balance at 31 December 2014	**196,969**	**39,421**	**-**	**(915)**	**(302,029)**	**(66,554)**

*) Other reserves include remeasurements post-employment benefit obligations net of tax.
**) Dividends are paid on the basis of separate financial statements of Západoslovenská energetika, a.s. The distributable retained earnings of Západoslovenská energetika, a.s. are disclosed in Note 13.

(All amounts are in thousands of Euro unless stated otherwise)
The notes on pages 33 to 77 form an integral part of these financial statements.

Consolidated cash flow statement

Západoslovenská energetika, a.s.

Consolidated cash flow statement for the year ended 31 December 2014 prepared in accordance with IFRS as adopted by the European Union

		Year ended 31 December	
	Note	2014	2013
Cash flows from operating activities			
Cash generated from operations	25	173,709	191,771
Interest received		168	156
Interest paid		(21,070)	(72)
Income tax paid		(21,933)	(34,714)
Net cash from operating activities		**130,874**	**157,141**
Cash flows from investing activities			
Purchase of property and equipment and intangibles		(70,503)	(74,374)
Dividends received	22	629	4,041
Proceeds from sale of short-term investment		480	-
Proceeds from sale of property and equipment	25	-	1,223
Net cash used in investing activities		**(69,394)**	**(69,110)**
Cash flows from financing activities			
Proceeds from issued bonds		-	627,996
Other expenditures related to issued bonds		-	(1,367)
Dividends paid	13, 29	(52,213)	(697,312)
Net cash used in financing activities		**(52,213)**	**(70,683)**
Net increase in cash and cash equivalents		**9,267**	**17,348**
Cash and cash equivalents at beginning of year	12	**22,644**	**5,296**
Cash and cash equivalents at end of year	12	**31,911**	**22,644**

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

Notes to the consolidated financial statements

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 successors of Západoslovenské energetické závody, štátny podnik, a state owned entity. On 31 October 2001, this state enterprise was wound up on a solvent basis, 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 relevant privatisation project. On 1 November 2001, the NPF contributed the assets and liabilities them 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 historical carrying amounts as reported by Západoslovenské energetické závody, štátny podnik as at 31 October 2001.

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

On 16 December 2003, E.ON Energie AG transferred 9% of 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. At the end of 2012, E.ON Slovensko transferred shares representing 1% of ZSE´s share capital to E.ON Energie AG.

According to the Act No. 197/2014 Coll. by which the Act No. 92/1991 Coll. on transfer conditions of state property to another person as amended is amending, on 1 August 2014 all the Shares held by the National Property Fund of the Slovak Republic in the Company representing 51% share of registered capital of the Company, were assigned to the state (Slovak Republic) on behalf of which the Ministry of Economy of the Slovak Republic is acting.

The described transactions resulted in the following structure of the Company's shareholders at 31 December 2014:

	Absolute amount in thousands Euros	Interest in share capital in %	Voting rights
Ministry of Economics of Slovak Republic	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**

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

	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**

The Group provides electricity distribution and supply services primarily in the Western Slovakia region. At the end of 2011, the Group's supply business commenced offering gas to large industrial customers and since April 2012 to SMEs and households in addition to electricity. The Group also operates two small hydroelectric plants which do not represent significant part of total revenues and is engaged in some ancillary activities such as small scale electricity network construction and maintenance related projects for the third parties.

The Regulatory Office of Network Industries ("RONI") regulates certain aspects of the Group's relationships with its customers, including the pricing of electricity and gas and services provided to certain classes of the Group's customers.

As required by the directive of European Union 2003/54/ES and by Energy Law No. 656/2004 Coll., the Company separated its distribution networks and its supply business to separate subsidiaries, Západoslovenská distribučná, a.s. and ZSE Energia, a.s. with effect from 1 July 2007. Further information on the Group structure is provided in Note 5.

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

Throughout these consolidated financial statements, ZSE together with its subsidiaries (see Note 5), is referred to as the "Group".Ministry of Economics of Slovak Republic, based in Bratislava, owns 51% of the Company's registered capital.

E.ON Slovensko, a.s. which currently owns a 39% shareholding in the Company's registered capital is consolidated as a 100% subsidiary by E.ON Energie AG, Munich, Germany. E.ON Energie AG which owns 10% of the Company's shares 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.

The members of the statutory bodies during the years ended 31 December 2014 and 31 December 2013 were as follows:

Board of Directors:	As at 31 December 2014	As at 31 December 2013
Chairman:	Jochen Kley	Jochen Kley
Vice Chairman:	Ing. Peter Adamec, PhD.	Ing. Peter Adamec, PhD.
Members:	Mgr. Juraj Krajcár	Mgr. Juraj Krajcár
	Ing. Ján Rusnák	Ing. Ján Rusnák
	Marian Rusko	Marian Rusko

Supervisory Board:	As at 31 December 2014	As at 31 December 2013
Chairman:	Ing. Ľubomír Streicher	Ing. Ľubomír Streicher
Vice Chairman:	Lars Lagerkvist	Lars Lagerkvist
Members:	Silvia Šmátralová	Silvia Šmátralová
	Ing. Emil Baxa (resigned on 16 December 2014)	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
	Ing. Martin Mislovič (appointed on 17 December 2014)	-

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

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

As part of the sale of 49% of 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 preparation for the unbundling of distribution and supply to separate legal entities. The current shareholders of the Company are party to the amended Shareholders Agreement which sets out among others the areas of responsibility and decision making for the General Meeting, 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 in addition to the powers given to it by Slovak corporate law. The Supervisory Board acts as the supreme controlling body 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 Group is jointly controlled by the Slovak Republic and E.ON SE.

The Group employed 1, 817 staff on average during 2014, of which 34 were management (2013: 1,846 employees on average, of which 40 were management).

Registered address:
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 consolidated financial statements are described below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Act on Accounting of the Slovak republic No. 431/2002 Coll. as amended requires the Group to prepare consolidated financial statements for the year ended 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Group's consolidated financial statements at 31 December 2014 have been prepared as ordinary consolidated financial statements in accordance with the Slovak Act No. 431/ 2002 Coll. ("Accounting Act") for the accounting period from 1 January 2014 to 31 December 2014.

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as adopted by European Union on going concern basis of the Group. The Group applies all IFRS and interpretations issued by International Accounting Standards Board (herein after "IASB") as adopted by the European Union, which were in force as of 31 December 2014.

The consolidated financial statements were prepared on an accrual basis and under the going concern principle. The consolidated financial statements have been prepared under the historical cost convention.

The Board of Directors may propose to the Company's shareholders to amend the consolidated 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 consolidated 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 Group's accounting policies on problematic transactions. In the process of applying of accounting policies management of the Company also realizes certain critical decisions. The areas involving a higher degree of complexity of judgement, or areas where assumptions and estimates are significant for the financial statements are disclosed in Note 4.

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

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 20144

The following new standards and interpretations became effective for the Group from 1 January 2014:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32, Financial instruments: Presentation (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. This amendment does not have a material impact on the Group's financial statements. This amendment was endorsed by the EU on 13 December 2012.

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. The standard does not have a material impact on the Group's financial statements. 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 Ventures. 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 standard does not have a material impact on the Group's 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, summarized financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The standard does not have a material impact on the Group's financial statements. This standard was endorsed by the EU on 11 December 2012.

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (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 to the standards do not have a material impact on the Group's financial statements. These amendments were endorsed by the EU on 20 November 2013.

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 to the standards do not have a material impact on the Group's financial statements. These amendments were endorsed by the EU on 4 April 2013.

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 amendment to the standard does not have a material impact on the Group's financial statements. This amendment 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 amendment to the standard does not have a material impact on the Group's financial statements. This amendment was endorsed by the EU on 11 December 2012.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-financial Assets (issued in May 2013 and effective for annual periods beginning on or after 1 January 2014). 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. The amendment to the standard does not have a material impact on the Group's financial statements. This amendment was endorsed by the EU on 19 December 2013.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued in June 2013 and effective for annual periods beginning on or after 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 amendment to the standard does not have a material impact on the Group's financial statements. This amendment was endorsed by the EU on 19 December 2013.

(b) New standards, interpretations and amendments issued but not effective for the financial year beginning 1 January 2014 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 2015 or later, and which the Group has not early adopted:

IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018).
Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- 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 own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- 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 Group is currently assessing the impact of the new standard on its financial statements. This standard has not yet been endorsed by the EU.

IFRIC 21 - Levies (issued on 20 May 2013 and effective in EU for annual periods beginning on or after 17 June 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 Group is currently assessing the impact of the interpretation on its financial statements. This interpretation was endorsed by the EU on 13 June 2014.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (issued in November 2013 and effective for annual periods beginning on or after 1 July 2014). The amendment allows entities to recognize 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 Group is currently assessing the impact of the amendment on its financial statements. This amendment was endorsed by the EU on 17 December 2014.

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 Group is currently assessing the impact of the amendments on its financial statements. These amendments were endorsed by the EU on 17 December 2014.

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 Group is currently assessing the impact of the amendments on its financial statements. These amendments were endorsed by the EU on 18 December 2014.

IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendment on its financial statements. This amendment has not yet been endorsed by the EU.

Clarification of Acceptable Methods of Depreciation and Amortization - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortized over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements. This standard has not yet been endorsed by the EU.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The standard is expected to have no impact on the Group's financial statements. The produce growing on bearer plants will remain within the scope of IAS 41. These amendments have not yet been endorsed by the EU.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing the impact of the amendment on its financial statements. This amendment has not yet been endorsed by the EU.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group 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 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendment on its financial statements. This amendment has not yet been endorsed by the EU.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The standards were amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The Group is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

2.2 Consolidation

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

2.4 Foreign currency translation

(i) Presentation currency

These financial statements are presented in thousands of EUR,which is the Group's presentation currency. The functional currency of all entities within the Group is EUR.currency of all entities within the Group is EUR.

(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 recognised in the 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

(ii) Depreciation

The depreciation of property, plant and equipment starts at the first date in 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. The 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:

	Useful lives in years
Network buildings	30 – 50 years
Office buildings	30 – 50 years
Power lines	15 – 40 years
Switching stations	4 – 20 years
Other network equipment	4 – 20 years
Vehicles	4 – 15 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset 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 Group 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).

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

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 recognised net in the statement of comprehensive income.

2.6 Intangible assets

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

Borrowing costs are capitalised during the period from acquisition until the asset becomes available for use. The Group does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight-line basis over their useful lives, not exceeding a period of 4 years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised 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 recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

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 amortisation and are tested for impairment annually. Land, construction in progress and assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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.

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

2.8 Financial assets

The Group 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 at the intention of management.

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 Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2.13 and 2.15).

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

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value and transaction costs are expensed in the profit and loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method. The Group assesses at each year-end 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 2.13.

2.9 Financial liabilities

The Group classifies its financial liabilities 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 Group measures it at its fair value net of transaction costs that are directly attributable to the origination of the financial liability.

After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method. The gain or loss from financial liabilities is recognised in the statement of comprehensive income when the financial liability is derecognised and through the amortisation process.

Financial liability (or a part of a financial liability) is removed from the Group'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

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 statement of comprehensive income on a straight-line basis over the period of the lease.

2.12 Inventories

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

2.13 Trade receivables

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

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, 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 recognised in the statement of comprehensive income 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 statement of comprehensive income.

2.14 Construction contracts

The Group has an ancillary business related to construction of energy assets for third parties.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised 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 recognised 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 Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise 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.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

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 include 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 equity. 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 Dividend distribution

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 Group were made at 10% of net income of the Company, 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 Group 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Taxation

(i) Deferred tax

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Dividend income is currently not subject to income taxes in the Slovak Republic.

The Group offsets deferred tax assets and deferred tax liabilities where the Group has a legally enforceable right to set off 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 recognised as an expense in the period in which the Group's tax liability in the accompanying income statement of the Group 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. The current tax liability is stated net of corporate income tax advances that the Group paid during the year. If corporate income tax advances paid during the year exceed the tax liability for the period, the Group records a tax receivable.

(iii) Special levy on business in regulated industries

Since 1 September 2012, the Group is obliged to pay the special levy on business in regulated industries, which generally includes licensed distribution of electricity and supply of electricity and gas. The levy is payable, if the revenues from licensed activities achieve at least 50% of the total revenues of the individual companies of the Group for the respective accounting period. The Group's obligation to pay the levy arises when the profit before tax for the accounting period is at least EUR 3 million. The levy rate is 4.356% per annum.

The levy is calculated as the multiple of the given rate and the accounting profit before tax determined under Slovak GAAP exceeding EUR 3 million. The Group has accounted for the levy as for the profit tax and included it, in accordance with IAS 12, within the income tax expense.

2.23 Contributions related to acquisition of property and equipment

Over time, the Group and its predecessor have received contributions for the construction of the electricity distribution network, in particular for the new municipal connections and networks. Certain customers of the Company contributed towards the cost of their connection.

Customer contributions are recognised at their fair value where there is a reasonable assurance that the contribution will be received.

Customer contributions relating to the acquisition of property and equipment during the process of connection of the customers to the grid are recognised over the life of acquired depreciable asset with the amount not yet recognised in the statement of comprehensive income recorded as deferred revenues within the current and non-current liabilities. Both the fixed assets and deferred revenue are recorded at fair value at acquisition.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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 capitalised 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.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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 capitalised during a period does not exceed the amount of borrowing costs incurred during that period.

Borrowing costs are capitalized by the Group only if they are related to financing of own construction projects with realisation period more than 6 months .

2.25 Provisions / Contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

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

2.26 Employee benefits

The Group 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 Group 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 years 2014 to 2016, the Group is obliged to pay its employees on retirement or disability the average of their monthly salary (2013: average of their monthly salary). Additionally, if the employees decide to resign exactly at the date of retirement, the Group is obliged to pay its employees an additional 6 multiples of their average monthly salary (2013: 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 Group also pays certain life and work long term service bonuses.

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

10 years	EUR 370
20 years	EUR 665
30 years	EUR 830
35 years	EUR 1,000
40 years	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.

Remeasurements on post-employment benefits arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in expenses.

(iii) Defined contribution pension plans

The Group contributes to the government and private defined contribution pension plans.

The Group 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 Group made contributions amounting to 35.2% (2013: 35.2%) of gross salaries up to a monthly salary cap, which is defined by the relevant law, to such schemes, together with contributions by employees of a further 13.4% (2013: 13.4%). The cost of these payments is charged to the profit and loss in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Group makes contributions to the supplementary scheme amounting to 3% (2013: 3%) from the total of monthly tariff wage.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal. 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 recognised 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.

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

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

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

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

(i) Revenue from sale and distribution of electricity

Revenue from the sale and distribution of electricity is recognised when the electricity is delivered to the customer.

Consumption to wholesale customers is metered and billed on a monthly basis. The consumption of retail customers in the segment of small businesses was metered during December 2014.

The consumption of retail customers in the households' segment is metered and billed on an annual basis and the Group split its household customer base to twelve billing cycles. The billing of electricity supplied in 2014 for all twelve billing cycles will be completed in December 2015. The Group now uses the Enersim demand profile data for the billing purposes. Network losses are included in the cost of purchased electricity.

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

(ii) Connection fees

ZSE receives a contribution from their customers to connect them to the electricity network – connection fees. Revenue from such contributions is recognised as deferred revenue and is released to revenues over the useful life of the asset (approximately 20 years).

(iii) Sales of services

Sales of services are recognised 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.

(iv) Dividend income

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

(v) Interest income

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

(vi) Contractual penalties

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

(vii) Sales to hospitals

Hospitals pay with significant time delays. The Group recognises sales to some hospitals at estimated fair value of expected cash inflows.

2.28 Comparatives

Some comparatives for the prior accounting period in the Group's current-year consolidated financial statements were adjusted in order to ensure better comparability with data shown for the current accounting period. The changes in presentation and disclosure of comparatives did not affect the total amount of assets, liabilities, equity or the result of operations of the Group in the prior accounting period.

In 2014 the Group adjusted presentation and disclosure for the expenses which are capitalised as property, plant and equipment and are associated with investment activities of the Group. Until 2013, the capitalisation was disclosed by the Group in the consolidated statement as deduction from the individual line items of expenses.

From 2014, to ensure more relevant and reliable presentation of these transactions, the Group reassessed the presentation and disclosure of capitalised expenses and classified the own work capitalised as a separate line item in the consolidated statement of comprehensive income and in the notes to the consolidated financial statements. At the same time, the individual expenses are presented and disclosed in the full amount without decreasing by the portion related to the own work capitalised. The impact of the reclassification was as follows:

	As reported	Change	Restated
Year ended 31 December 2013			
Purchase of electricity, gas and related fees	(753,997)	(8,170)	(762,167)
Employee benefits	(55,833)	(864)	(56 697)
Own work capitalised	0	13,908	13,908
Other operating expenses	(61,877)	(4,874)	(66,751)

3. Financial risk management

3.1 Financial risk factors

The Group's activities are exposing it to certain financial risks: market risk (including the risk of changes in foreign currency exchange rates and interest rate risk), credit risk and liquidity risk. The Group's principal financial instruments comprise trade receivables and payables, cash, issued bonds and short-term bank deposits.

Risk management is carried out under policies approved by the Board of Directors. 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 Group 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 Group's operations as it has only small volume of transactions in currency other than EUR.

(b) Price risk

The Group is not exposed to significant price risk, as it does not invest in equities.

(c) Cash flow and fair value interest rate risk

As the Group has no significant interest earning assets other than short-term bank deposits, short- term bonds and cash at bank accounts as of 31 December 2014 and 2013, 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 rates. Further information about issued bonds including their interest rate are stated in Note 16.

(ii) Credit risk

The Group 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 Group'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, as well as credit exposures to wholesale and retail customers, including outstanding receivables and transactions made.

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

The Group uses a system of reminders, which may culminate in a service disconnection, as the prevailing contract enforcement. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

(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 balance sheet date:

		31 December 2014		31 December 2013	
	Counterparty Rating *	Credit limit	Balance at bank account	Credit limit	Balance at bank account
Banks rated	A 3		1,350	55,000	22,500
Banks rated	A 1		12,212		54
Banks rated	Baa1	55,000	18,102		44
Banks rated	Baa2		244		-
Banks rated	Fitch A	20,000	55	20,000	-
		75,000	**31,963**	**75,000**	**22,598**
Banks not rated			81		177
			32,044		**22,775**

*) Rating provided by Moody's and Fitch at 31 December 2014

(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 Group's Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The Group regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Group also uses the advantages of commercial terms between the Group and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 20 days, on average.

The Group 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 Group; and
2) expected future cash outflows securing operation of the Group and leading to settlement of all liabilities of the Group, 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 Group to make term deposits.

The table below places the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than one month	1 – 3 months	3 months to 1 year	1 - 5 years	More than 5 years	Total
At 31 December 2014						
Trade payables (Note 15)	77,229	6,993	800	-	-	85,022
Other accrued liabilities (Note 15)	3,250	1,435	185	-	-	4,870
Issued bonds including interest	-	-	21,656	392,569	365,400	779,625
Other financial liabilities (Note 15)	7,327	-	-	-	-	7,327
	87,806	**8,428**	**22,641**	**392,569**	**365,400**	**876,844**
At 31 December 2013						
Trade payables (Note 15)	77,210	9,087	2,364	-	-	88,661
Other accrued liabilities (Note 15)	1,175	20,583	1,415	-	-	23,173
Issued bonds including interest	-	-	21,656	401,625	378,000	801,281
Other financial liabilities (Note 15)	4,876	-	-	-	-	4,876
	83,261	**29,670**	**25,435**	**401,625**	**378,000**	**917,991**

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

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group's management manages capital reported under IFRS as equity amounting to, as at 31 December 2014, EUR (66,554) thousand (31 December 2013: EUR (96,417) thousand).

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

The Group'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 Consolidated statement of comprehensive Income of the Group presented as Profit from operations) / average capital.

3.3 Fair value estimation

Fair value measurements are analysed by level in the fair value hierarchy as follows:
(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
(iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If for fair value measurements are necessary significant adjustments of observable inputs measurement is included in level 3. Assessing the significance of valuation inputs is considered in relation to the overall fair value measurement

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

	Level 1	Level 2	Level 3	Carrying value
At 31 December 2014:				
Financial liabilities	**704,696**	**-**	**-**	**631,889**
Issued bonds – XS0979598207, series 1	337,356	-	-	315,926
Issued bonds – XS0979598462, series 2	367,340	-	-	315,963
At 31 December 2013:				
Financial liabilities	**638,366**	**-**	**-**	**631,316**
Issued bonds – XS0979598207, series 1	318,313	-	-	315,654
Issued bonds – XS0979598462, series 2	320,053	-	-	315,663

The fair value of issued bonds was determined by quoted market price of bonds issued by the Company (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 Group for similar financial instruments.

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

4. Critical accounting estimates and judgements

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

(i) Unbilled electricity

In 2011, the Group implemented a new customer information system which contributed to improved accuracy of the existing system of expected electricity demand (Enersim) through expected electricity demand profiles in time. Implementation of this system improvement allows for making more accurate estimates of unbilled revenues from delivery and distribution, as described below. The Group now uses the Enersim demand profile data for the billing purposes.

The unbilled revenues from delivery and distribution represent an accounting estimate based on estimated volume of delivered and distributed electricity expressed in MWh for low voltage network and estimated unit price that will be billed in the future. This accounting estimate is based on:

- the estimated volume delivered and distributed to households in technical units (MWh) between the date of the last meter reading and the end of the accounting period; the consumption estimate utilises the time patterns of consumption of various customer profiles observed on a sample basis;
- the estimated losses in the distribution network; and
- the estimated unit price in EUR/MWh, that will be applied to billing the electricity delivery and distribution in the future. The price is based on actual average tariffs applicable in a given calendar year.

The Group applied the method of estimated network losses. This method is consistent with that applied in prior accounting periods and is based on an expert report. Should the estimate of total network losses be lower by 0.1 %, representing 9 GWh of electricity, with other parameters being unchanged, the revenues for commodity and distribution services would increase by EUR 946 thousand (2013: EUR 1,233 thousand). The estimate of unbilled revenues is by EUR 7,543 thousand higher compared to the same period last year.

(ii) Estimated useful life of network

The useful life of network assets was based on accounting estimates described in Note 2.5 and their carrying values as of 31 December 2014 and 31 December 2013 are disclosed in Note 7. If the estimated useful life of network assets had been shorter by 10% than management's estimates at 31 December 2014, the Group would have recognised an additional depreciation of network assets of EUR 4,527 thousand (2013: EUR 3,332 thousand).

5. Group structure

The Group structure as of 31 December 2014 and as of 31 December 2013 was as follows:

Name	Country of incorporation	Percentage of shareholding in the ordinary share capital	Principal activities
Západoslovenská distribučná, a.s.	Slovakia	100%	Distribution of electricity
ZSE Energia, a.s.	Slovakia	100%	Purchase and supply of electricity and of gas
ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont, s.r.o.)	Slovakia	100%	Construction works
ZSE Development, s.r.o.	Slovakia	100%	Trading activities
ZSE MVE, s.r.o. (till 14 August 2014: ZSE prenos, s.r.o.)	Slovakia	100%	Electricity generation

The requirement to unbundle legally the distribution business from other commercial activities of integrated electricity companies has been established by the European Directive 2003/54 on common rules for the internal market with electricity. The Directive has been transposed into Slovak legislation by the Act on Energy (656/2004) issued in 2004. The Act prescribed legal unbundling by 30 June 2007 at the latest.

ZSE has chosen to unbundle distribution through a model of new distribution business subsidiary resulting in the transfer of all core activities of distribution to Západoslovenská distribučná, a.s.. The energy supply business has been transferred to ZSE Energia, a.s.

Západoslovenská distribučná, a.s. (till 31 December 2012: ZSE Distribúcia, a.s.) was established on 20 April 2006 and incorporated in the Trade Register on 20 May 2006 as a company fully owned by ZSE. Since 1 July 2007, the company engages in the distribution of electricity in the region of Western Slovakia.

ZSE Energia, a.s. was established on 18 August 2006 and incorporated in the trade register on 22 September 2006 as a company fully owned by ZSE. Since 1 July 2007, the company engages in the supply of electricity and gas mainly in the region of Western Slovakia.

ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont, s.r.o.) was established on 14 April 2003 and incorporated on 10 June 2003 as a company fully owned by ZSE. On 1 July 2003, ZSE transferred to ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont, s.r.o.) part of its business relating to the construction of electricity distribution structures.

ZSE Development, s.r.o. was established on 14 April 2003 and incorporated in the Commercial Register on 2 June 2003 as a private company fully owned by ZSE. On 1 July 2003, ZSE transferred to ZSE Development, s.r.o. part of its business relating to the calibration of electricity metering equipment. Effective 1 January 2012, ZSE Development, s.r.o. sold its calibration and metering business back to ZSE and sold its switching equipment maintenance business to ZSE Energy Solutions, s.r.o. and became a dormant company. ZSE Development was not consolidated on a full basis in these financial statements on materiality grounds but was included at cost within other non-current assets.

ZSE MVE, s.r.o. (till 14 August 2014: ZSE prenos, s.r.o.) was established on 9 February 2005 and incorporated in the Commercial Register on 25 March 2005 as a company owned by ZSE. Based on the decision of the sole shareholder from 26 June 2014, the subsidiary ZSE Prenos, s.r.o. was renamed to ZSE MVE, s.r.o. effective from 14 August 2014. ZSE MVE, s.r.o. ZSE MVE, s.r.o. generates electricity in two small hydroelectric plants. On 26 June 2014, the Company sold part of its shareholding in the subsidiary ZSE MVE, s. r. o. in amount of EUR 6 thousands to the subsidiary ZSE Energy Solutions, s.r.o. Change in shareholdings was incorporated into the Commercial Register on 15 July 2014.

ZSE Development, s.r.o., ZSE MVE, s.r.o. (till 14 August 2014: ZSE prenos, s.r.o.), Západoslovenská distribučná, a.s. and ZSE Energia, a.s. don't have any subsidiaries of their own. ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont, s.r.o.) owns 88,7% share in the company ZSE MVE, s.r.o.

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

6. 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 interest, taxes, depreciation and amortisation (EBITDA) and capital investment. 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 92% during period ended 31 December 2014 (31 December 2013: approximately 88%) of the Group's EBITDA were generated from the sales to customers who are subject to the price regulation.

Other
Segment Other includes activities provided by the Parent company together with its subsidiaries ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.) and ZSE MVE, s. r. o. (till 14 August 2014: ZSE prenos, s. r. o. Segment Other provides mainly headquarter type functions, as central services, customer services, accounting, controlling, HR, IT and other services, to both supply and distribution businesses. The segment realizes also electricity production in two small hydroelectric plants and generates also some external revenues from projecting and engineering activities in investment construction for third parties. Till 31 December 2013 segment Other consisted mainly of network construction, maintenance testing and calibration of network elements for the Electricity distribution business, while these activities have been contributed from 1 January 2014 into the segment Electricity distribution.

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

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 2014				
	Distribution	Supply	Other	Eliminations	Total
Revenue from external customers	222,395	786,055	4,568	-	**1,013,018**
Inter-segment revenues	210,549	43,384	57,507	(311,440)	**-**
Purchases of electricity, gas and related fees	(201,197)	(790,704)	(7,905)	248,578	**(751,228)**
Employee benefits expenses	(35,524)	(5,797)	(13,600)	16	**(54,905)**
Other operating expenses	(63,105)	(24,627)	(29,700)	65,737	**(51,695)**
Other operating income	2,527	3,823	6,865	(2,978)	**10,237**
Own work capitalised	18,278	-	-	(617)	**17,661**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**153,923**	**12,134**	**17,735**	**(704)**	**183,088**

	31 December 2013				
	Distribution	Supply	Other	Eliminations	Total
Revenue from external customers	205,924	818,025	12,636	-	**1,036,585**
Inter-segment revenues	367,360	72,094	209,668	(649,122)	**-**
Purchases of electricity, gas and related fees	(343,498)	(845,824)	(83,146)	510,301	**(762,167)**
Employee benefits expenses	(7,191)	(4,374)	(44,275)	(857)	**(56,697)**
Other operating expenses	(87,445)	(24,993)	(82,627)	128,314	**(66,751)**
Other operating income	4,912	2,927	9,713	(2,544)	**15,008)**
Own work capitalised	-	-	-	13,908	**13,908**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**140,062**	**17,855**	**21,969**	**-**	**179,886**

Reconciliation of Earnings before interest, taxes, depreciation and amortization (EBITDA) to Profit before tax	Year ended 31 December	
	2014	2013
EBITDA	**183,088**	**179,886**
Depreciation and amortisation	(45,784)	(39,153)
Interest income	168	156
Interest expense	(21,445)	(5,101)
Other financial expenses	(765)	(60)
Profit before tax	**115,262**	**135,728**

	Distribution	Supply	Other	Eliminations	Total
31 December 2014					
Capital investment	77,192	-	8,241	(3,299)	**82,134**
31 December 2013					
Capital investment	72,878	5	12,158	(10,041)	**75,000**

Reconciliation of Capital investment to Purchase of property, plant and equipment (PP&E) and intangibles (cash effective)	31 December 2014	31 December 2013
Capital investment	82,134	**75,000**
Assets acquired but not paid for	(15,622)	(5,940)
Payments to assets acquired in prior periods	4,276	5,314
Purchase of PP&E and intangibles (cash effective)	**70,788**	**74,374**

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

7. Property, plant and equipment

	Land	Network buildings	Power lines	Switching stations and similar network equipment	Machinery, non-network and administration buildings, vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 1 January 2013							
Cost	17,833	58,065	505,489	282,144	127,599	39,582	1,030,712
Accumulated depreciation including impairment charge	-	(19,442)	(196,059)	(127,039)	(67,757)	(621)	(410,918)
Net book value	**17,833**	**38,623**	**309,430**	**155,105**	**59,842**	**38,961**	**619,794**
Year ended 31 December 2013							
Additions	-	-	-	-	-	69,162	69,162
Transfers	1,370	3,103	42,621	16,463	6,400	(69,957)	-
Depreciation charge (Note 21)	-	(1,383)	(13,096)	(13,422)	(6,197)	-	(34,098)
Disposals (Note 25)	(87)	-	(5)	(15)	(328)	107	(328)
Impairment (charge)/release (Note 21)	-	-	-	-	(2)	-	(2)
At 31 December 2013 net book value	19,116	40,343	338,950	158,131	59,715	38,273	654,528

	Land	Network buildings	Power lines	Switching stations and similar network equipment	Machinery, non-network and administration buildings, vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 31 December 2013							
Cost	19,116	61,168	548,532	290,872	123,011	38,273	1,080,972
Accumulated depreciation including impairment charge	-	(20,825)	(209,582)	(132,741)	(63,296)	-	(426,444)
Net book value	19,116	40,343	338,950	158,131	59,715	38,273	654,528
Year ended 31 December 2014							
Additions	-	-	-	-	-	75,843	75,843
Transfers	1,141	8,410	28,249	23,661	14,237	(75,698)	-
Depreciation charge (Note 21)	-	(1,290)	(14,980)	(17,118)	(7,352)	-	(40,740)
Disposals (Note 25)	(14)	(33)	-	(7)	(162)	(24)	(240)
Other	-	-	-	-	-	155	155
Impairment (charge)/release (Note 21)	-	-	-	-	-	(4)	(4)
Closing net book value	**20,243**	**47,430**	**352,219**	**164,667**	**66,438**	**38,545**	**689,542**
At 31 December 2014							
Cost	20,243	70,011	566,307	315,346	136,300	38,547	1,146,754
Accumulated depreciation including impairment charge	-	(22,581)	(214,088)	(150,579)	(69,862)	(2)	(457,212)
Net book value	**20,243**	**47,430**	**352,219**	**164,667**	**66,438**	**38,545**	**689,542**

The impairment charge to Capital work in progress relates to projects which have been started, where the finalisation of those assets is uncertain.

Property plant and equipment includes the capitalised interest on debt apportioned to the construction period of qualifying assets as part of their cost of acquisition in amount of EUR 676 thousand in 2014 (2013: EUR 297 thousand).

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

During the year ended 31 December 2014, the Group received from customers fixed assets and cash to finance the construction of fixed assets at fair value of EUR 600 thousand (during the year ended 31 December 2013: EUR 512 thousand). As at 31 December 2014, the cost and net book value of fixed assets financed through contributions amounts to EUR 63,618 thousand and EUR 29,458 thousand respectively (as at 31 December 2013: EUR 63,018 thousand and EUR 29,111 thousand respectively).

At 31 December 2014 and 2013, no property, plant and equipment were collaterised 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 559,324 thousand for buildings and building parts and up to amount of EUR 522,806 thousand for machinery, equipment, fixtures, fittings and other assets (2013: EUR 541,121 thousand and 490,916 thousand respectively).

8. Intangible assets

	Computer software and other	Assets not yet available for use	Total
At 1 January 2013			
Cost	42,012	2,115	44,127
Accumulated depreciation including impairment charge	(31,120)	-	(31,120)
Net book value	**10,892**	**2,115**	**13,007**
Year ended 31 December 2013			
Additions	-	4,194	4,194
Transfers	1,745	(1,745)	-
Disposals	-	-	-
Amortisation charge (Note 21)	(5,055)	-	(5,055)
Closing net book value	**7,582**	**4,564**	**12,146**
At 31 December 2013			
Cost	43,706	4,564	48,270
Accumulated depreciation including impairment charge	(36,124)	-	(36,124)
Net book value	**7,582**	**4,564**	**12,146**
Year ended 31 December 2014			
Additions	17	3,755	3,772
Transfers	5,490	(5,490)	-
Amortisation charge (Note 21)	(5,044)	-	(5,044)
Closing net book value	**8,045**	**2,829**	**10,874**
At 31 December 2014			
Cost	43,989	2,829	46,818
Accumulated depreciation including impairment charge	(35,944)	-	(35,944)
Net book value	**8,045**	**2,829**	**10,874**

Assets not yet available for use comprise mostly the acquisition of additional software for upgrade and improvement of functionality of the customer and the graphical information system. Assets are expected to be finalised and available for use in 2015.

(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 2014	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables (Note 11)	90,761	**90,761**
Amounts due from customers to contract work – third parties (Note 11)	724	**724**
Cash and cash equivalents (Note 12)	32,044	**32,044**
Total	**123,529**	**123,529**

As at 31 December 2013	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables (Note 11)	112,245	**112,245**
Amounts due from customers to contract work – third parties (Note 11)	524	**524**
Cash and cash equivalents (Note 12)	22,777	**22,777**
Total	**135,546**	**135,546**

As at 31 December 2014	Other financial liabilities – carried at amortised cost	Total
Liabilities as per balance sheet		
Issued bonds (Note 16)	631,889	**631,889**
Trade payables (Note 15)	85,022	**85,022**
Other accrued liabilities (Note 15)	4,870	**4,870**
Other financial liabilities (Note 15)	7,327	**7,327**
Total	**729,108**	**729,108**

As at 31 December 2013	Other financial liabilities – carried at amortised cost	Total
Liabilities as per balance sheet		
Issued bonds (Note 16)	631,316	**631,316**
Trade payables (Note 15)	88,661	**88,661**
Other accrued liabilities (Note 15)	23,173	**23,173**
Other financial liabilities (Note 15)	4,876	**4,876**
Total	**748,026**	**748,026**

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

10. Inventories

	As at 31 December	
	2014	2013
Natural gas	9,089	6,138
Materials and spare parts	1,213	1,297
Total inventories	**10,302**	**7,435**

The inventory items are shown after provision for slow-moving materials and spare parts of EUR 22 thousand (2013: EUR 2 thousand).

Movements in provision for slow-moving items for year ended 31 December 2014 are presented below:

	At 1 January 2014	Set-up	Release	At 31 December 2014
Materials and spare parts	2	20	-	22
Total	**2**	**20**	**-**	**22**

11. Trade and other receivables

	As at 31 December	
	2014	2013
Trade receivables within the due date and not impaired	84,513	101,421
Individually impaired trade receivables	37,560	45,555
from this: Receivables towards hospitals	*2,171*	*7,603*
Less: Provision for impairment of receivables	(31,312)	(34,731)
from this: Provisions for receivables towards hospitals	*(256)*	*(2,615)*
Trade receivables – net	**90,791**	**112,245**
Amounts due from customers for contract work – third parties	724	524
Total financial assets (Note 9)	**91,485**	***112,769***
Prepayments	517	309
Excise tax receivable (Note 29)	-	735
Total trade and other receivables	**92,002**	**113,813**

The structure of trade receivables and other receivables (including receivables for uninvoiced electricity) by maturity is shown in the following table:

	As at 31 December	
	2014	2013
Trade receivables and accrued revenues - neither past due nor impaired	85,754	101,421
from this: receivables collected as of 31 January 2015	77,956	89,091
receivables that became overdue after the balance sheet date	7,798	12,330
Overdue receivables	37,560	45,555
Less: Provision for impairment of receivables	(31,312)	(34,731)
Total trade and other receivables	**92,002**	**112,245**

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

As of 31 December 2014, Group's trade receivables of EUR 37,560 thousand (31 December 2013: EUR 45,555 thousand) were impaired and fully or partially provided for. The amount of the provision was EUR 31,312 thousand as of 31 December 2014 (31 December 2013: EUR 34,731 thousand). The individually impaired receivables mainly relate to businesses and individuals which entered in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	As at 31 December	
	2014	2013
1 to 30 days after due date	5,051	6,074
31 to 60 days after due date	1,091	928
61 to 90 days after due date	849	810
91 to 120 days after due date	1,789	658
121 to 180 days after due date	4,662	934
181 to 360 days after due date	5,472	4,484
Over 360 days after due date	18,646	31,667
Total individually impaired receivables	**37,560**	**45,555**

The movements in the provision for impairment of trade receivables are presented below:

	2014	2013
At the beginning of the year	34,731	30,141
Additional/reversal provision for receivables impairment	7,471	6,326
Receivables written off during the year as uncollectible	(10,890)	(1,736)
At end of the year	**31,312**	**34,731**

Bad debt provision is calculated in the amount of 100% of the value of individual receivables from companies in bankruptcy and receivables subject to court proceedings. Bad debt provision is calculated based on the ageing analysis of individual receivables and the type of the customer.

The Group constructs properties for third parties. Amounts recognised in respect of contracts in progress at the balance sheet date are:

	As at 31 December	
	2014	2013
Costs incurred and recognised profits (less recognised losses) to date	787	1,498
Less progress billings	(63)	(974)
Amounts due from/(to) customers for contract work (Note 9)	**724**	**524**

Amounts due from customers for contract work are neither past due nor impaired and will be invoiced upon achievement of agreed construction contract milestones.

Amounts due to customers for contract work are expected to be settled by deliveries of construction services.

The carrying amount of trade and other receivables as of 31 December 2014 and 2013 is not substantially different from their fair value. The maximum exposure to credit risk is limited by the carrying value of receivables. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The carrying amounts of the entire Group's trade and other receivables are denominated in EUR. The Group 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 the Group's receivables.

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

12. Cash and cash equivalents

	As at 31 December	
	2014	2013
Cash at bank and in hand	26,911	22,644
Short-term bank deposits	5,133	133
Total	**32,044**	**22,777**

Cash and cash equivalents included in the cash flow statement are as follows:

	As at 31 December	
	2014	2013
Cash at bank and in hand	26,911	22,644
Total	**26,911**	**22,644**

The effective interest rate on short-term bank deposits was 0.1% (year ended 31 December 2013: 0.15%) and these deposits have an average maturity of 1 day (year ended 31 December 2013: 1 day). As at 31 December 2014, the restricted cash amounted to EUR 133 thousand (as at 31 December 2013: EUR 133 thousand) and was excluded from cash and cash equivalents for the purposes of the cash flow statement.

The cash and short-term deposits are kept by the Group in 6 banks. The credit quality of cash in the bank and bank deposits can be assessed by external credit ratings (Moody's and Fitch) at 31 December 2014:

	As at 31 December	
	2014	2013
Cash at bank		
Banks rated – A3 (Moody's)	1,350	22,367
Banks rated – A1 (Moody's)	12,212	-
Banks rated – Baa1 (Moody's)	12,969	44
Banks rated – Baa2 (Moody's)	244	-
Banks rated – A (Fitch)	55	54
Not rated banks	81	177
	26,911	**22,642**
Short-term bank deposits		
Banks rated – Baa1 (Moody's)	**5,133**	-
Banks rated – A3 (Moody's)	-	133
	5,133	**133**
Other		
Stamps	-	2
	-	2
Total cash in the bank and short-term bank deposits	**32 044**	**22,777**

These balances are neither past due nor impaired.

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

13. Shareholders' equity

The total authorised number of ordinary shares of the parent company of the Group ("the Company") is 5,934,594 shares (2013: 5,934,594) with a par value of EUR 33.19 per share, representing share capital of EUR 196,969 thousand. All authorised shares are issued and fully paid. The Company does not have any share capital subscribed but not recorded in the Commercial Register.

No changes in the share capital of the Company occurred during the year 2014 and year 2013.
As at 31 December 2014 the total number of 3,026,643 shares (51%) is owned by the Ministry of Economics of the Slovak Republic, acting on behalf of the Slovak republic (till 31 July 2014: National Property Fund of the Slovak Republic, Note 1); 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.

A Legal reserve fund is obligatorily created from the profit of the Company in accordance with the Slovak Commercial Code, paragraph 67. The minimum prescribed creation of the Legal reserve fund is specified in paragraph 217 of the Commercial Code and it defines that the Company is obliged to create a 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. Use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. The Legal reserve fund amounted to EUR 39,421 thousand as at 31 December 2014 (as at 31 December 2013: 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 included the regional development fund amounting to 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 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, which was set up in 2006.

The 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.

The General Meeting of the Company held on 30 May 2014 approved the statutory financial statements for the previous accounting period and the distribution of 2013 profit amounting to EUR 97,667 thousand as follows:

Appropriation to the social fund	EUR 454 thousand
Dividends paid	EUR 52,213 thousand
Transfer to retained earnings	EUR 45,000 thousand

Dividend per share represents EUR 8.80 for the year ended 31 December 2014 (2013: EUR 117.50 per share).

The distributable retained earnings of the Company at 31 December 2014 determined with reference to the Company's standalone financial statements amounted to EUR 106,750 thousand (2013: EUR 97,670 thousand). The decision on the appropriation of the 2014 profit of EUR 61,297 thousand will be made by the General Meeting.

14. Deferred revenues

	As at 31 December	
	2014	2013
Non-current		
Contributions – long-term portion (a)	33,120	34,502
Connection fee – long-term portion (b)	46,649	43,818
	79,769	**78,320**
Current		
Contributions – current portion (a)	2,517	2,517
Connection fee – short-term portion (b)	3,423	3,409
	5,940	**5,926**

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

(a) Contributions are paid primarily by customers for capital expenditures made on their behalf, and access network assets transferred to the Company by its customers free of charge. The contributions are non-refundable and are recognised in revenue in line with the depreciation lives of the related assets.

b) Connection fees are paid by customers to connect them to a network. Contribution is recognised as deferred revenue and is released to revenues over the useful life of the asset (approximately 20 years).

15. Trade and other payables

	As at 31 December	
	2014	2013
Current trade and other payables		
Trade payables	85,022	88,661
Other accrued liabilities	4,870	23,173
Other financial liabilities	7,327	4,876
Financial liabilities (Note 9)	**97,219**	**116,710**
Other current payables and accrued expenses		
Deferred revenues – unbilled electricity and distribution	32,044	36,326
Payables to employees	2,487	1,997
Social security	1,661	1,437
Accrued personnel expenses	7,417	7,941
Advance payments	8,882	7,349
VAT payable (Note 29)	2,406	2,961
Other payables	5,934	1,065
Excise duty – liability (Note 29)	201	-
	61,032	59,076
Total	**158,251**	**175,786**

Out of the total payables at 31 December 2014, overdue trade payables are EUR 211 thousand (at 31 December 2013: EUR 5,313 thousand). All other payables are within the due date.

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

The carrying value of payables is denominated mostly in Euro.

16. Issued bonds

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

	As at 31 December	
	2014	2013
Non-current		
Bonds	627,775	627,178
Current		
Bonds including unpaid interests	4,114	4,138
Total	**631,889**	**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 October 2018
ISIN: XS0979598462 series 2	315,000	99.814%	4.000% p.a.	14 October 2023
Total	**630,000**			

17. Deferred income taxes

The Group's deferred income taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 22% (2013: 22%).

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

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

The deferred tax liability can be analysed as follows:

	As at 31 December	
	2014	2013
Deferred tax asset:		
to be recovered after more than 12 months	(1,977)	(2,309)
to be recovered within 12 months	(3,518)	(4,110)
	(5,495)	(6,419)
Deferred tax liability:		
to be paid after more than 12 months	17,555	14,584
to be paid within 12 months	7,616	6,327
	25,171	20,911
Total deferred tax liability	**19,676**	**14,492**

The movements in deferred tax liability during the year are as follows:

	As at 1 January 2014	Credited/ (charged) to profit and loss	Credited to other comprehensive income	As at 31 December 2014
Property, plant and equipment	20,911	4,260	-	25,171
Pension liability and other liabilities	(3,911)	1,567	(193)	**(2,537)**
Provisions against bad debts	(2,508)	(450)	-	**(2,958)**
Total	**14,492**	**5,377**	**(193)**	**19,676**

	As at 1 January 2013	Credited/ (charged) to profit and loss	Credited to other comprehensive income	As at 31 December 2013
Property, plant and equipment	17,645	3,266	-	20,911
Pension liability and other liabilities	(4,115)	(41)	245	(3,911)
Provisions against bad debts	(2,357)	(151)	-	(2,508)
Total	**11,173**	**3,074**	**245**	**14,492**

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

18. Pension and other provisions for liabilities and charges

	Pensions and other staff benefits (a)	Total
At 1 January 2014	11,545	**11,545**
Additional provisions	1,516	1,516
Used/paid during year	(612)	(612)
Release of unused provision	(191)	**(191)**
At 31 December 2014	**12,258**	**12,258**

Analysis of total provisions	As at 31 December	
	2014	2013
Non-current	11,677	10,844
Current	581	701
	12,258	**11,545**

(a) Pension and other staff benefits

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

(i) post employment benefits

	As at 31 December	
	2014	2013
Present value of unfunded retirement obligations	10,206	9,346
Liability in the balance sheet	**10,206**	**9,346**

The amounts recognised in profit and loss are as follows:

	Year ended 31 December	
	2014	2013
Current service cost	148	592
Past service cost	-	1,258
Interest expense	298	269
Total	**446**	**2,119**

Movements in the present value of defined benefit obligation are:

	As at 31 December	
	2014	2013
Present value of unfunded retirement obligations at beginning of the year	9,346	8,781
Current service cost	148	592
Interest expense	298	269
Past service cost	-	1,258
Paid	(336)	(227)
Remeasurements of pension obligation	750	(1,327)
Present value of unfunded retirement obligations at the end of the year	**10,206**	**9,346**

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

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

Average number of employees at 31 December 2014	1,817
Percentage of employees, who will terminate their employment with the Group prior to retirement (staff turnover)	4.65% p.a.
Expected salary increases short-term	3.5% p.a.
Expected salary increases long-term	3.3% p.a.
Discount rate	2.0% p.a.

Average number of employees at 31 December 2013	1,846
Percentage of employees, who will terminate their employment with the Group prior to retirement (staff turnover)	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.

(ii) other long-term benefits (life and work awards)

	As at 31 December	
	2014	2013
Present value of unfunded obligations	2,032	2,199
Liability in the balance sheet	**2,032**	**2,199**

The amounts recognised in profit and loss are as follows:

	Year ended 31 December	
	2014	2013
Current service cost	(116)	221
Interest expense	75	73
Total charge/(credit), included in costs	**(41)**	**294**

Movements in the present value of defined benefit obligation are:

	As at 31 December	
	2014	2013
Present value of the obligation at beginning of the year	2,199	1,978
Current service cost	(116)	221
Interest expense	75	73
Paid	(276)	(263)
Remeasurements of pension obligation	150	190
Present value of unfunded retirement obligations at the end of the year	**2,032**	**2,199**

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

	Year ended 31 December	
	2014	2013
Remeasurements of pension obligation recognised in other comprehensive income		
- on post employment benefits,	750	(1,327)
- on other long-term benefits	150	190
Total	**900**	**(1,137)**

19. Revenues

Revenues include the following:

	Year ended 31 December	
	2014	2013
Electricity sales:		
Sales of electricity to industrial and commercial customers	207,873	246,076
Sales of electricity to residential customers	103,737	126,451
Distribution charges related to:		
Sales of electricity to industrial and commercial customers	375,514	448,767
Sales of electricity to residential customers	157,417	166,991
Tariff for system operation and system services – OKTE, a.s.*)	97,604	-
Revenues for reserved capacity	9,900	-
Other revenue:		
Sales of gas	49,811	31,324
Revenues for connection works and testing fees	3,784	3,410
Revenue for construction work	3,175	9,537
Other	4,203	4,029
	1,013,018	**1,036,585**

The Group provides access to the distribution network at regulated prices. Slovakia has implemented the European Union electricity market directive, which resulted in a complete liberalisation of the market whereby all customers, including households, became eligible to buy electricity in the open market from 1 July 2007.

*) Effective 1 January 2014, OKTE, a.s. collects system operation tariff ("Tarifa za prevádzkovanie systému") and system service tariffs ("Tarifa za systémové služby") from the licensed suppliers of electricity with respect to their customers. Previously such tariffs were charged by the distribution system operator to licensed suppliers of electricity and relevant producers of electricity. This change therefore caused a decrease in revenues from distribution charges related to the distribution of electricity, transmission fees, system services fees and renewable sources and coal support costs. The distribution system operator continues to be responsible for payments of renewable energy feed-in tariffs to the producers of renewable energy connected to its distribution grid and collects certain part of system operation tariff from OKTE, a.s. for these purposes. The relevant revenue from OKTE earned from 1 January 2014 is shown under revenues from Tariff for system operation and system services

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

20. Purchases of electricity, gas and related fees

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

	Year ended 31 December	
	2014	2013
Purchases of electricity from:		
Slovenské elektrárne ("SE") (Note 29)	140,737	219,787
Other domestic electricity producers and traders	275,743	285,852
Purchases on the spot market	9,773	26,701
Electricity transmission fees, system access and ancillary service charges and renewable sources feed-in tariffs (see also Note 19)	263,659	187,583
Cost of purchased gas	47,850	30,418
Other	13,466	11 826
	751,228	**762,167**

21. Operating expenses

	Year ended 31 December	
	2014	2013
Employee benefit costs		
Wages and salaries	36,598	35,621
Pension costs – defined contribution plans	5,811	7,511
Other social costs	12,496	13,565
	54,905	**56,697**
Depreciation and amortisation		
Depreciation (Note 7)	40,740	34,098
Amortisation (Note 8)	5,044	5,055
	45,784	**39,153**
Operating expenses		
Repairs and maintenance of machinery	2,282	13,425
IT maintenance fees	11,568	12,484
Advisory services	2,024	2,702
Rental costs	3,783	4,589
Other repairs and maintenance	1,856	829
Advertising	1,160	1,524
Call centre services	2,881	2,888
Post and telecommunication costs	3,297	3,317
Security services	1,260	1,229
Energotel services	674	612
External services	72	879
Travel expenses	878	1,041
Audit of financial statements	192	233
Other non-audit services	48	238
Other services	8,579	13,196
Bad debt expense (Note 11)	7,471	6,326
Impairment of non-current assets	(4)	(2)
Other operating expenses	3,674	1,241
	51,695	**66,751**

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

22. Other operating income

	Year ended 31 December	
	2014	2013
Customer grants	1,678	1,678
Income from rental	615	736
Gain on disposal of fixed assets	248	904
Dividend income	629	4,041
Income from contractual penalties	1,263	1,571
Income from unauthorized consumption of electricity	787	2,567
Fees for payment reminders	2,371	1,510
Other	2,646	2,001
	10,237	**15,008**

During the year 2013 the Company received dividends amounting to EUR 3,534 thousand from ZSE Development Ltd. Dividends accounted for one-time distribution of a substantial part of the available funds accumulated during the past years as long as the subsidiary did not carry out the reorganization and termination of its business activities (Note 5). A subsidiary is not within these accounts fully consolidated on the basis of significance, but it is recognised under non-current assets at cost.

23. Interest expense and other finance expenses

	Year ended 31 December	
	2014	2013
Interest expenses:		
- Interest from bonds	20,980	4,687
- other interest	465	354
Other finance expenses:		
- finance expenses related to bonds	765	60
- other	-	60
	22,210	**5,161**

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

24. Income tax expense

In 2013 the Slovak tax legislation was enacted the income tax rate 22%, effective from 1 January 2014. The rate on special levy on the profit over EUR 3 mil. in regulated industries was 4.356%, and the levy rate was effective from September 2012 and is deductible when calculating income tax.

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

	Year ended 31 December	
	2014	2013
Profit before tax	115,262	135,728
Theoretical income tax related to current period at 24,73% included Special levy 2,73 % (2012: 25,56%)	28,505	34,694
Income tax related to prior periods	370	16
Effect of change of the tax rate to 22%	-	(659)
Effect of other comprehensive income to deferred tax	193	(245)
Other tax non-deductible items	2,046	(677)
Other	-	254
Income tax expense for the period	**31,114**	**33,383**
The tax charge for the period comprises:		
Deferred tax charge/ (credit) (Note 17)	5,377	3,074
Current tax charge in respect of current period	22,220	26,816
Special levy on business in regulated industries	3,147	3,477
Income tax related to prior periods	370	16
Income tax expense for the period	**31,114**	**33,383**

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

25. Cash generated from operations

	Note	Year ended 31 December 2014	2013
Profit before tax		115,262	135,728
Adjustments for:			
Depreciation	7, 21	40,740	34,098
Amortisation	8, 21	5,044	5,055
Net movements in provisions		338	-
Loss/(Gain) on sale of property and equipment		(248)	(904)
Interest income		(168)	(156)
Interest expense	23	21,445	5,101
Dividend income	22	(629)	(4,041)
Net movements in provisions and deferred revenues		(2,039)	5,627
Other expenditures related to issued bonds		573	-
Other non-cash transactions		(2,265)	1,128
Changes in working capital			
Inventories	10	(2,867)	(3,416)
Trade and other receivables		21,811	(2,187)
Trade and other payables		(23,288)	15,738
Cash generated from operations		**173,709**	**191,771**

	Year ended 31 December 2014	2013
Net book amount of disposals	232	319
Gain/(Loss) on disposal of property, plant and equipment	248	904
Proceeds from disposals	**480**	**1,223**

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

26. 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 2009 to 2014 remain open to tax inspection.

27. Commitments

(i) Capital commitments

At 31 December 2014, the Group concluded contracts for the purchase of non-current assets totaling EUR 1,962 thousand which will become effective after this date (2013: EUR 4,288 thousand).

(ii) Operating lease commitments – the Group as lessee

The operating lease payments amounted to EUR 3,783 thousand (2013: EUR 4,038 thousand). These lease payments are recorded as expenses on a straight-line basis over the lease term.

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

	Year ended 31 December	
	2014	2013
No later than one year	2,646	2,466
Later than one year and no later than five years	5,880	5,770
Later than five years	819	438
	9,345	**8,674**

As at 31 December 2014 and 31 December 2013, the Group leases cars and various premises for business and administrative purposes under operating leasing contracts.

28. Earnings per share

(i) Basic

Basic earnings per share are 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:

	2014	2013
Profit for the year	84,148	102,345
Weighted average number of ordinary shares in issue	5,934,594	5,934,594
Basic earnings per share (EUR per share)	**14.179**	**17.245**

(ii) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no potential ordinary shares as of 31 December 2014 and 2013, and diluted earnings per share are the same as basic earnings per share.

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

29. Related party transactions

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

(i) Shareholders

- The Slovak Republic represented by the National Property Fund
- E.ON Slovensko, a.s.
- E.ON Energie AG

(ii) Entities under common control of the shareholder E.ON Slovensko, a.s. and E.ON SE Group

- E.ON SE
- E.ON Česká republika
- E.ON Elektrárne, s.r.o.
- E.ON Energie AG
- E.ON Energie, a.s., České Budějovice
- E.ON Global Commodities SE
- E.ON Human Resources International GmbH, Hannover
- E.ON Inhouse Consulting GmbH, Essen
- E.ON Business Services Slovakia spol. s r. o. (till 30 September 2013: E.ON IT Slovakia spol. s r.o.)
- E.ON Risk Consulting
- Energotel, a.s.
- Bioplyn Cetín, s.r.o.*
- Bioplyn Ladzany, s.r.o.*
- Bioplyn Hont, s.r.o.*
- Bioplyn Horovce, s.r.o.*
- E.ON Trend s.r.o.

(iii) Government related entities

The Slovak Government influences the financial and operating policy decisions of the Group through its ownership of 51% of the shares of the Group 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 Group ("Government related entities").

The Group also purchases services and goods from Government related entities in the normal course of business.

In case of disclosures of transactions with government entities Slovak Republic Company has applied the exemption under IAS 24, paragraph 25.

These consolidated financial statements disclose summarised significant operations with government bodies and other non-government entities:

	Year ended 31 December	
	2014	2013
Payment of dividends to related parties)*		
(i) Shareholders		
National Property Fund (NPF) (from 1 August 2014: Ministry of Economics of the Slovak Republic)	26,629	355,629
E.ON Slovensko, a.s.	20,363	271,952
Payment of dividends to other shareholders	5,221	69,731
	52,213	**697,312**

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

	Year ended 31 December	
	2014	2013
Sales		
(i) Shareholders		
E.ON Slovensko a.s.	606	894
	606	894
(ii) Entities under common control with E.ON Slovensko and E.ON SE Group		
E.ON Elektrárne s.r.o.	71	61
E.ON Human Resources International GmbH, Hannover	55	61
Bioplyn Ladzany s.r.o.*	-	3
Bioplyn Cetín s.r.o.*	-	5
Bioplyn Horovce, s.r.o.*	-	2
E.ON Energie AG	-	1
E.ON Global Commodities SE – sale of electricity	7,355	608
E.ON Energie, a.s. České Budějovice	24	49
E.ON Business Services Slovakia spol. s.r.o.	635	588
Energotel, a.s.	1,102	1,102
E.ON SE	4	-
	9,246	2,480
(iii) Government related entities		
SEPS, a.s. . sale of electricity	726	4,896
OKTE, a.s. - deviations	112,732	2,894
Železnice Slovenskej republiky, a.s. – sale of electricity	5,922	6,702
Stredoslovenská energetika, a.s.	37	179
Bratislavská teplárenská, a.s.	3	-
Trnavská teplárenská, a.s.	1	-
SVP, š.p.	1	11
Slovenské elektrárne, a.s.	9,153	140
SPP – distribúcia, a.s.	211	165
	128,786	14,987
Total	**138,638**	**18,361**

*) valid till 31 December 2013

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

	Year ended 31 December	
	2014	2013
Purchases and expenses		
(i) Shareholders		
E.ON Slovensko, a.s.	-	-
	-	**-**
(ii) Entities under common control with E.ON Slovensko and E.ON SE Group		
E.ON SE	20	-
E.ON Česká republika	-	9
E.ON Human Resources International GmbH, Hannover	16	1,801
E.ON Risk Consulting	111	99
E.ON Global Commodities SE – purchase of electricity	3,930	20,597
Bioplyn Cetín, s.r.o.*	-	1,027
E.ON Elektrárne s.r.o.	4	5
E.ON Trend s.r.o.	3	-
E.ON Business Services Slovakia spol. S r.o. (till 30 September 2013: E.ON IT Slovakia spol. S r.o.) – IT services	12,735	16,070
Energotel, a.s.	1,697	1,772
E.ON Energie, a.s. České Budějovice - purchase of gas	7,180	334
	25,696	41,714
(iii) Government related entities		
Slovenské elektrárne, a. s., Bratislava (Note 19) – purchase of electricity	140,737	219,787
Slovenské elektrárne, a. s., Bratislava - other purchases	4,474	3,242
SEPS, a.s. – transmission services	69,747	167,720
OKTE, a.s. (see also Note 19)	244,560	20,290
Stredoslovenská energetika, a.s. – purchase of electricity	1,130	1,878
Stredoslovenská energetika Distribúcia, a.s. – distribution cost	6,844	16,293
Východoslovenská energetika, a.s.	517	173
Východoslovenská distribučná, a.s – distribution cost	6,799	19,927
SVP, š.p.	677	738
Bratislavská teplárenská, a.s. – purchase of electricity	9,926	6,279
Slovenský plynárenský priemysel, a.s.	12,348	2,192
SPP - distribúcia, a.s. - distribution cost	-	8,677
	497,759	467,196
(iv) Taxes		
Income tax (Note 24)	25,737	30,309
Property and motor vehicle tax	621	632
	26,358	30,941
Total	**549,813**	**538,851**

*) valid till 31 December 2013

The Group purchased from E.ON Business Services Slovakia spol. s r.o. IT services and the acquisition of intangible assets. The services from E.ON Business Services Slovakia spol. s r.o. are provided based on a frame contract concluded for an indefinite period with cancellation notice of 12 months. The amounts of services to be provided to the Group under such arrangements are expected in 2014 to be on the same level as in year 2013.

There are no other purchase or sales commitments with related parties as of 31 December 2014, other than disclosed above.

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

	As at 31 December 2014	2013
Receivables		
(i) Shareholders		
E.ON Slovensko, a.s.	-	57
	-	**57**
(ii) Entities under common control with E.ON Slovensko and E.ON SE Group		
E.ON Energie AG	-	1
E.ON Elektrárne, s.r.o.	16	-
E.ON Human Resources International GmbH, Hannover	1,530	-
E.ON Global Commodities SE - sale of electricity	1,235	161
E.ON Energie, a.s. České Budějovice	4	-
	2,785	162
(iii) Government related entities		
SEPS, a.s. - sale of electricity	69	1,008
OKTE, a.s. (see also Note 19)	9,267	231
Stredoslovenská energetika, a.s.	2	18
Železnice Slovenskej republiky, a.s. - sale of electricity	285	382
Slovenské elektrárne, a.s., Bratislava	482	7
SPP - distribúcia, a.s.	126	3
	10,231	1,649
(iv) Taxes		
Excise tax receivable (Note 11)	-	735
Income tax receivable	4,067	7,871
	4,067	8,606
Total	**17,083**	**10,474**

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

	As at 31 December	
	2014	2013
Payables		
(i) Entities under common control with E.ON Slovensko and E.ON SE Group		
E.ON Slovensko, a.s.	4	-
Bioplyn Cetín, s.r.o.*	-	98
E.ON Global Commodities SE – purchase of electricity	682	1,859
E.ON Business Services Slovakia spol. S r.o. – liabilities from cash-pooling	595	35
E.ON Business Services Slovakia spol. S r.o. (till 30 September 2013: E.ON IT Slovakia spol. S r.o.) – trade payables	2,707	6,132
Energotel, a.s.	-	128
E.ON Energie, a.s., České Budejovice	468	307
	4,486	8,559
(ii) Government related entities		
Slovenské elektrárne, a.s. Bratislava - purchase of electricity	19,891	24,725
Stredoslovenská energetika, a.s. - purchase of electricity	9	85
Stredoslovenská energetika Distribúcia, a.s. – distribution cost	197	584
Východoslovenská distribučná, a.s. – distribution cost	111	804
Východoslovenská energetika, a.s. - purchase of electricity	-	331
SEPS, a.s. – transmission services	6,630	15,830
SVP, š.p.	95	131
Bratislavská teplárenská, a.s.	627	1,059
SPP - distribúcia, a.s.	-	1,044
OKTE, a.s.	9,576	1,818
	38,168	46,411
(iii) Taxes		
VAT tax payable (Note 15)	2,406	2,961
Excise duty – liability (Note 15)	201	-
	2,607	2,961
Total	**45,261**	**57,931**

(iv) Key management personnel of the entity or its parent

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

	Year ended 31 December	
	2014	2013
Board of directors and other key management personnel		
Salaries and short-term employee benefits	1,304	1,675
Pension costs – defined contribution plans	123	231
Total	**1,427**	**1,906**
Supervisory board		
Salaries and short-term employee benefits	278	254
Pension costs – defined contribution plans	41	73
Total	**319**	**327**

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

30. Events after the end of the reporting period

After 31 December 2014, no significant events have occurred that would require recognition or disclosure in the 2014 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

Contact information:
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