



Annual Report

2015

Západoslovenská energetika, a.s.

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Independent Auditor's Report and Separate Financial Statements as at 31 December 2015 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union are included in appendix.

The annex can be found:

<http://www.skupinazse.sk/en/Investors/Economic-Results/Zapadoslovenska-energetika-a.s.>

Independent Auditor's Report and Consolidated Financial Statements as at 31 December 2015 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union are included in appendix.

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01 Introduction of the Západoslovenská energetika, a.s. Group

Profile and Structure of the Západoslovenská energetika, a.s. Group

The Západoslovenská energetika, a.s. Group (hereinafter the "ZSE Group") is a leading electricity group in Slovakia whose parent company is Západoslovenská energetika, a.s.

The ZSE Group comprises the parent company, Západoslovenská energetika, a.s., and its subsidiaries: Západoslovenská distribučná, a.s., ZSE Energia, a.s., ZSE Development, s.r.o., ZSE Energy Solutions, s.r.o. and ZSE MVE, s.r.o.

Západoslovenská energetika, a.s. is also the sole founder of Nadácia ZSE (ZSE Foundation).

The parent company, Západoslovenská energetika, a.s., Company ID: 35 823 551, with its seat at Čulenova 6, 816 47 Bratislava (hereinafter the "Company"), was established on 15 October 2001 and incorporated in the Commercial Register on 1 November 2001. The Company is registered with the Commercial Register of the Bratislava I District Court, Section: Sa, File No.: 2852/B.

The mission of the ZSE Group is to carry out electricity and gas supplies and electricity distribution and to provide comprehensive energy-related services to all categories of customers – households, SMEs and strategic enterprises in the Slovak economy. Services are provided in the long-term and reliably, at affordable prices, in an environmentally-friendly manner and in accordance with the EU regulations. The ZSE Group provides services related to electricity distribution and electricity and gas supplies primarily in the region of western Slovakia. Apart from two small water power plants, the ZSE Group has no other facilities for electricity generation in its portfolio. Certain aspects of the relationship between the ZSE Group and its customers with respect to electricity distribution, and electricity and gas supplies, including the pricing of services provided to certain groups of customers, are regulated by the Regulatory Office for Network Industries (ÚRSO). Electricity distribution is subject to regulation, price or factual, to the largest extent.

Company Bodies

The structure of statutory and supervisory bodies of ZSE in 2015 was as follows:

Statutory Body

Board of Directors	
As at 31 December 2015	
Chairman	Jochen Kley (start of office on 5 December 2013)
Vice-Chairman	Ing. Peter Adamec, PhD. (start of office on 1 June 2012)
Members	Ing. Ján Rusnák (start of office on 1 June 2012)
	Marian Rusko (start of office on 1 July 2013)
	Mgr. Juraj Krajcár (start of office on 5 December 2013)

Supervisory Body

Supervisory Board	
As at 31 December 2015	
Chairman	Ing. Ľubomír Streicher (start of office as a Member on 1 July 2013 and as the Chairman on 24 September 2013)
Vice-Chairman	Lars Lagerkvist (start of office as a Member on 5 December 2013 and as the Vice-Chairman on 19 December 2013)
Members	Ing. Peter Hanulík (start of office on 3 August 2012)
	Ing. Marek Hargaš (start of office on 3 August 2012)
	Ing. Boris Hradecký (start of office on 3 August 2012)
	JUDr. Libor Samec (start of office on 3 August 2012)
	Robert Polakovič (start of office on 21 November 2012)
	Silvia Šmátralová (start of office on 8 November 2014)
	Ing. Martin Mislovič (start of office on 17 December 2014)

Audit Committee

The Audit Committee was established by a decision of the Company's General Meeting dated 12 December 2014 based on Article 19a of Act No. 431/2002 Coll. on Accounting, as amended, in conjunction with Article 173 (1) (f) of the Commercial Code. The Audit Committee has three members elected and dismissed by the Company's General Meeting.

Shareholders' Structure

The shareholders' structure in Západoslovenská energetika, a.s. as at 31 December 2015 was as follows:

Shareholders' Structure			
As at 31 December 2015	Absolute amount in € thousand	Equity share in the share capital in %	Voting rights
Slovak Republic represented by the Ministry of Economy of the Slovak Republic	100,454	51%	51
E.ON Slovensko, a.s.	76,818	39%	39
E.ON Beteiligungen GmbH	19,697	10%	10

Corporate Governance Declaration

The methods and principles of corporate governance are comprised in the Articles of Association of the Company. The Articles of Association are available in the Collection of Documents of the relevant court - District Court Bratislava I and on the website of the Company www.skupinazse.sk, section Investors - Corporate Affairs.

The Organizational Manual of the Company sets out the principles of the Company's organisation and internal management of the Company and is the basic and supreme organisational and managing document on the top level in the Company except for the Articles of Association of the Company.

The corporate governance model of the Company includes also internal managing documents which contains orders of the Board of Directors, orders of a member of the Board of Directors, orders of the Chief Executive Officer, orders of a director of a division, directives, manuals and procedures.

The organisational structure of the Company also includes the Department of Internal Audit whose role is to:

- make assessments of adequacy and effectiveness of the system of internal supervision, financial, operational and information systems, corporate governance processes and the quality of tasks assigned and performed;
- make identification and assessment of operational risks of the Company by using the adequate methodology;

- be responsible for planning and conducting audit of IT systems, their functionalities and equipment including diverse and global environment of information technologies, operation systems and applications;
- conduct audit of information systems and IT infrastructure safety;
- be responsible for risk assessment and the conducting of investigations based on risk assessment;
- investigate crucial suspicions of embezzlement and fraud within companies of the Group;
- bear responsibility for making and updating of the documentation with the Business Compliance Programme;
- conduct the activities relating to verification of the breach of the Ethical Code.

Results of its activities have been regularly assessed and proposals for improvements applied to individual areas of the governance of the Company. Efficiency of internal control and risk managements systems in the Company have been monitored by the Audit Committee too.

Governance Methods and Bodies of the Company

The shareholders exercise their rights by means of the General Meeting in accordance with the regulation contained in the Commercial Code and the Articles of Association of the Company as follows:

General Meeting

1. The General Meeting is the supreme body of the Company. It shall take decisions on the issues relating to the activities of the Company which the Articles of Association, Commercial Code or a specific act place within its authority.
2. A shareholder may exercise its rights in the General Meeting in person or in representation under the written power of attorney.
3. The General Meeting shall be convened by the Board of Directors unless the Articles of Association or Commercial Code provide otherwise. The Board of Directors shall be obliged to convene an ordinary General Meeting within 2 months of the tax return submission. The Board of Directors shall be obliged to convene an extraordinary General Meeting especially due to reasons under Article III(3) of the Articles of Association. The Supervisory Board shall convene an extraordinary General Meeting due to reasons under Article XX(2) of the Articles of Association.

4. The Board of Directors shall convene the General Meeting by an invitation to the General Meeting that must be delivered to all shareholders in the form of a registered mail directly to the address specified in the list of shareholders at least 30 days prior the General Meeting. The invitation to the General Meeting must contain all formalities laid down by applicable laws including information that documents which will be discussed at the General Meeting will be available to shareholders for viewing in the seat of the Company no later than 3 calendar days prior to the meeting of the General Meeting. The invitation to the General Meeting with documents which will be discussed at the meeting shall be sent by the Board of Directors no later than 30 days prior to the General Meeting also to every member of the Supervisory Board to the address specified by him/her, or to the address specified as permanent residence in the Extract from the Companies' Register of the Company.
5. The General Meeting is usually held in the Company's seat, however, it may be organised in a different place too. The General Meeting is attended by the members of the Board of Directors, the Supervisory Board and/or other persons.
6. The number of votes of a shareholder is determined by the nominal value of their shares. One vote is attributed to every EUR 33.19.
7. The General Meeting shall take decisions with the two-thirds majority of votes of all the shareholders. Any decision made by the General Meeting on any alterations of the rights associated with a certain type of the shares shall require the approval of two-thirds votes of shareholders. For this reason, the shareholders, being the owners of such shares, simultaneously, at first, shall vote for changes in the rights and then it is the General Meeting of all the shareholders.
8. The General Meeting shall make decisions on the following corporate affairs:
 - a) Change of the Articles of Association;
 - 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 revocation of the business entity by splitting, merging or transformation to a different form of business partnership or cooperative;
 - d) Decisions concerning the revocation of the business entity by liquidation, appointment of the liquidator, setting the remuneration for the liquidator;
 - e) Election and removal of members of the Supervisory Board, except for the members of the Supervisory Board elected and removed by employees;

- f) Election and removal of the members of the Board of Directors and designation of the Board Chairman and Vice-Chairman;
- g) Approval of proper, extraordinary or consolidated financial statements, decisions concerning profit distribution or loss coverage, including the fixing of directors' fees;
- h) Approval of the Annual Report;
- i) Approval of the principles and techniques of negotiations held by the Supervisory Board of the Company;
- j) Approval of the agreement on performance of responsibilities of board members and their rewarding based upon proposals made by the Board of Directors and the Supervisory Board;
- k) Decisions concerning the changes in rights attributed 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 the changes in the form of shares;
- n) Decisions concerning the approval of transfer of the Company assets, the market value of which exceeds 20% of the Company turnover in the immediate prior accounting period or the sale of which refers to 20% of Company employees;
- o) Decisions concerning the beginning or termination of trading with the Company stock at 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 equity stakes in the Company;
- q) Approval of the share transfer in accordance with the Articles of Association;
- r) Appointment and removal of a decision making person;
- s) Approval of proposals rejected by the Supervisory Board in accordance with the Articles of Association;
- t) Decision concerning other matters that are subject to the performance of the General Meeting as stated by law or the Articles of Association;
- u) Prior approval with the matters relating to Západoslovenská distribučná, a.s. and ZSE Energia, a.s. specified in more detail in the Articles of Association;
- w) Prior approval with any changes/amendments/supplements in the Agreement on Innovation, whose full wording was approved by the General Meeting on May 30, 2014;
- (x) Election and removal of members of the audit commission of the Company, approval of the agreement on performance of individual functions by audit commission members and their remuneration and approval of the negotiation order for the audit commission of the Company.

Rights and Duties of Shareholders

1. A Company shareholder may be Slovak or foreign legal or natural person.
2. By making the entry of the Company or of an increase in the registered capital in the Companies Register a share underwriter shall obtain the rights of a shareholder as a partner of the joint stock company corresponding to the shares underwritten.
3. Fundamental rights of a shareholder shall include the right to participate in Company's management activities, in profit sharing 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 detail in the Articles of Association and the Commercial Code.

The Board of Directors

1. The Board of Directors is a statutory body of the Company. It shall act on behalf of the Company in relation to the third persons. The Board shall control the corporate activities and take decisions in all the matters associated with the Company unless applicable laws or the Articles of Association place them within the authority of other bodies of the Company.
2. The Board of the Company consists of five (5) members. The members of the Board of Directors are elected and removed by the General Meeting, whereas the Chairman and Vice-Chairman of the Board of Directors are elected too. The term of office of the members of the Board of Directors shall be four (4) years; the term of office is renewable. Any member of the Board of Directors shall have the right to give up his/her position; however, he/she shall be obliged to report such act to the Board of Directors and Supervisory Board in writing. A member of the Board of Directors of the Company may not be a member of the Board of Directors of the subsidiary Západoslovenská distribučná, a.s. The performance of the office of the member of the Board of Directors may not be delegated.
3. If the number of members of the Board of Directors is not less than half, the Board of Directors shall have the right to appoint alternates until the time of the nearest General Meeting of the Company.
4. The Board of Directors has a quorum if the absolute majority of its members are present at the meeting. The Board of Directors shall adopt resolutions by absolute

majority of votes of the members present at the meeting. Neither Chairman nor Vice-Chairman shall have the casting vote in case of a tie. The members of the Supervisory Board may vote by this form of communication or by a written declaration if they are not present in person at a venue where the majority of members are gathered, whereas such venue shall be considered as a venue of the meeting. The resolutions of the Board of Directors may be adopted, in addition to meetings of the Board of Directors, by members of the Board of Directors, out of the meeting of the Board of Directors ("per rollam resolution").

5. E.ON, a shareholder of the Company, shall be obliged to exercise all its rights in order to make sure that the Board of Directors of the Company will not adopt any resolution if not a single member nominated by the Ministry of Economy of the Slovak Republic (only the "Ministry") as a shareholder of the Company is present at the relevant meeting. If a member nominated by the Ministry is absent from two consecutive, regularly convened meetings of the Board of Directors, the above stated shall not apply to the second of these meetings.

Structure and activities of the Board of Directors

In 2015 the Board of Directors of the Company had the following structure:

Chairman of the Board of Directors:	Jochen Kley
Vice-chairman of the Board of Directors:	Ing. Peter Adamec, PhD.
Members of the Board of Directors:	Ing. Ján Rusnák Mgr. Juraj Krajcár Marian Rusko

The activities of the Board of Directors were performed in line with the Articles of Association and Commercial Code; in 2015 the Board of Directors held meetings regularly and in line with Articles of Association, and in line with Article XVIII(7) of the Articles of Association the Board of Directors adopted several resolutions out of the meeting of the Board of Directors ("per rollam resolutions") in 2015.

Supervisory Board

1. The Supervisory Board is the supervisory body of the Company which oversees the activities of the Board of Directors and business activities of the Company. Resolutions and duties charged with the Board of Directors by the Supervisory Board were performed, and regularly reviewed and assessed at the meetings of the Supervisory Board. The activities of the Supervisory Board are explained in detail in Article XX of the Articles of Association.

2. The Supervisory Board of the Company has nine (9) members. Two thirds of members of the Supervisory Board shall be elected and removed by the General Meeting of the Company and one third by the Company's employees. The term of office of the members of the Supervisory Board shall be three (3) years. The term of office is renewable. The Chairman and Vice-chairman of the Supervisory Board of the Company shall be elected and removed by the members of the Supervisory Board; the persons concerned shall also vote. The office of the Chairman and Vice-chairman of the Supervisory Board shall commence on the day of their election and end upon their removal by the Supervisory Board. Neither Chairman nor Vice-Chairman shall have the casting vote in case of a tie. Performance of the office of the member of the Supervisory Board of the Company may not be delegated.
3. The meeting of the Supervisory Board of the Company shall be convened by a written invitation sent to every member of the Supervisory Board to the address specified by him/her or to the address of the seat of the Company no later than 15 days prior to every meeting. The invitation must include date, time, venue and the agenda of the meeting.
4. The Supervisory Board has a quorum if the absolute majority of its members are present at the meeting. The Supervisory Board shall adopt resolutions by absolute majority of votes of all members of the Supervisory Board. The members of the Supervisory Board may participate in the meetings of the Supervisory Board in any form of communication during which all participants hear one another. The members of the Supervisory Board may vote by this form of communication or by a written declaration if they are not present in person at a venue where the majority of members are gathered, whereas such venue shall be considered as a venue of the meeting. The resolutions of the Supervisory Board may be adopted, in addition to meetings of the Supervisory Board, by members of the Supervisory Board out of the meeting of the Supervisory Board ("per rollam resolution").
5. The Slovak Republic, a shareholder of the Company, shall be obliged to exercise all its rights in order to make sure that the Supervisory Board of the Company will not adopt any resolution if not a single member nominated by E.ON is present at the relevant meeting. If a member of the Supervisory Board of the Company nominated by E.ON Slovensko, a.s. is absent from two consecutive, regularly convened meetings of the Supervisory Board, the above stated shall not apply to the second of these meetings.

In 2015 the Supervisory Board of the Company held four regular meetings in line with the Articles of Association; in line with Article XXII(8) of the Articles of Association the Supervisory Board of the Company adopted a resolution out of the meeting of the Supervisory Board ("per rollam resolutions") in 2015.

Audit Committee

1. Without prejudice to responsibilities of the members of the Board of Directors and the Supervisory Board of the Company, the Audit Committee is a body of the Company in charge of the following activities:
 - a) monitors the drawing-up of the financial statements (individual and consolidated) and compliance with special regulations;
 - b) monitors the efficiency of internal audits and risk management systems in the Company;
 - c) monitors the audit of the individual and consolidated financial statements;
 - d) verifies and oversees the independence of the auditor, in particular services provided by the auditor under the special regulation;
 - e) recommends the auditor for the Company;
 - f) sets him/her deadlines for presenting a declaration on honour on his/her independence.
2. The Audit Committee has three (3) members elected and removed by the General Meeting on a proposal from the Board of Directors or shareholders of the Company. At least one member of the Audit Committee must have 5 years of professional experience in accounting or auditing and must be independent of the Company according to the special regulation regulating Audit Committee. Performance of the office of the member of the Audit Committee may not be delegated.

Information pursuant to Section 20(7) of the Act No 431/2002 Z. z. on Accounting as amended:

- a) The registered capital of the Company of EUR 196,969,174.86 is composed of 5,934,594 pieces of booked ordinary shares of the nominal value of EUR 33.19 per share. Shares are not publicly negotiable. The whole amount of registered capital of the Company was issued and paid in full. The Company has no subscribed registered capital which would not be listed in the Companies Register
- b) The Company's shares are freely transferrable.

- c) The following companies own qualified share in the registered capital:
(at least 10% share):
- Slovak Republic represented by the Ministry of Economy of the Slovak Republic - 51% share in the registered capital of the Company;
 - E.ON Slovensko, a.s. - 39% share in the registered capital of the Company;
 - E.ON Beteiligungen GmbH - 10% share in the registered capital of the Company.
- d) There are no persons exercising special control rights among the owners of the bonds.
- e) The Articles of Association do not contain any provisions on restrictions of voting rights.
- f) The Company is not familiar with any agreements among the owners of the bonds of the Company that might lead to any restrictions as regards the transferability of the bonds or restriction of voting rights.
- g) The rules governing the appointment and removal of the members of the Board of Directors as a statutory body of the Company and changes to the Articles of Association:

Members of the Board of Directors as a statutory body of the Company shall be elected and removed by the General Meeting of the Company. The General Meeting may anytime remove any member of the Board of Directors of the Company. Also, the General Meeting shall also appoint the Chairman or Vice-Chairman of the Board of Directors of the Company. The term of office of the members of the Board of Directors of the Company shall be four (4) years.

The General Meeting shall make decisions concerning the amendment of the Articles of Association by two-third majority of votes of all shareholders. The full wording of the proposed amendments of the Articles of Association shall be available to shareholders for viewing at the Company's seat within a period of time required for the convocation of the General Meeting, as stated in the Articles of Association. A Notarial Deed must be established about the resolution of the General Meeting to amend the Articles of Association. If the General Meeting adopts a resolution the consequence of which will be the amendment of the Articles of Association such resolution shall be considered the amendment of the Articles of Association provided that it was adopted in a manner which is by law or the Articles of Association required for the adoption of the resolution about the amendment of the Articles of Association. Following such amendment the

Board of Directors shall be obliged to make without undue delay the full wording of the Articles of Association for the completeness and correctness shall be fully responsible.

- h) Powers of the statutory body - the Board of Directors - are presented in the Commercial Code and the Articles of Association.

The Company's Board of Directors shall exercise the right to act on behalf of the Company, represent the Company in relation to the third persons. The Board shall govern the activities performed by the Company and take decisions in all the relevant matters unless applicable laws or Articles of Association place them within the authority 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) Convening the General Meeting;
- (iv) Outlining the Strategy Plan of the Company and submitting the plan for approval to the Supervisory Board 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 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 showing the loss, 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 the 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 relevant provisions of the applicable Articles of Association 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) There shall be no agreements on reimbursement concluded between the Company and the body members of its bodies, once their service term comes to an end. Reimbursement to Company's employees whose employment contract is terminated is subject to the Labour Code, collective agreement and in-house employment directives.

02 Strategic Direction and Innovation

Development on the Energy Market

In terms of price developments, energy markets saw a continued decrease in energy commodity prices on international stock exchanges. In 2015, the average price of electricity on the European market, according to the Power Exchange Central Europe (PXE), varied around € 33.1 per MWh*, ending the year 2015 at approximately € 31.6 per MWh. Electricity price developments throughout the year were not homogeneous. In the first half-year, the electricity price varied around € 33.9 per MWh, while in the second half-year it fell below € 32.4 per MWh. This trend partly reflected the development in prices of fossil fuels, especially crude oil, the price of which exceeded \$ 65 per barrel in May 2015, followed by a sharp decline and closing the year at around \$ 37 per barrel.

Another major aspect was the announced EU initiative to develop the Energy Union, which aims to better link energy markets of the EU Member States. The purpose of the Energy Union is to contribute to reducing the EU Member States' dependence on energy fuels and to promote economic growth, economic competitiveness and employment. The establishment of the Energy Union should also bring safe, sustainable and affordable energy to the EU citizens and businesses.

The third major event was the UN climate conference COP 21 held in December 2015 in Paris, at which world politicians and leaders in science and research discussed climate targets which must be achieved for preserving the climate change. The World Conference resulted in a formal agreement to jointly address global warming and climate change.

Change dynamics on global energy markets has also affected the European energy sector and influenced decisions of investors and key market players.

With respect to ZSE, it is necessary to state that the need for a different approach on the energy market, mainly in relation to renewable energy sources and customer solutions, when compared to the one currently used has resulted into a decision of one of the shareholders, E.ON, to divide its portfolio and create a new company, Uniper, which was established as at 1 January 2016.

Despite dynamic developments in the external environment, the ZSE Group continued to fulfil its mission to be a stable and reliable electricity distributor and electricity and gas supplier to its customers. In 2015, the distribution system operator, Západoslovenská distribučná, distributed more than 9 TWh of electricity and the supply

company, ZSE Energia, supplied nearly 5.7 TWh of electricity and 1.9 TWh of gas to its customers.

Besides quality and available customer care, the ZSE Group plans to focus primarily on providing comprehensive energy solutions for all customer segments.

In the autumn 2015, the ZSE Group launched a portfolio of new comprehensive solutions in the field of renewable energy sources and non-commodity services, which can make customers' lives easier and help them in the case of unforeseen events.

In 2016, the ZSE Group will continue to focus on gradual and sustainable improvement of internal processes with a positive impact on customer satisfaction and the Group's success in the competitive environment.

Anticipated Development in 2016

The presidency of three countries (Netherlands - Slovakia - Malta) in the EU Council started in 2016. The strategic importance of energy in 2016 is enhanced by the fact that it is one of the key priorities of Slovakia's Presidency in the EU Council.

The direction of the EU energy sector in 2016 should help achieve its environmental goals and reduce the energy intensity of the economy. Changes in addressing the security of gas and electricity supplies and the revision of the EU Directive on the promotion of renewable energy sources and the EU directive on energy efficiency are expected in 2016.

Innovations

In 2015, the ZSE Group was actively involved in the development of electromobility in Slovakia, mainly through its own initiatives as part of international projects and by construction of the charging infrastructure for private investors.

In 2015, ZSE Group carried out 3 projects aimed at developing electromobility: Central European Green Corridors (CEGC), Crossing Borders and Cotevos. These projects resulted in the construction of three rapid-charging stations for the public, active participation with more than 10 partners in the preparation of studies to promote e-mobility as well as testing of mutual communication and interoperability of components within the SmartGrid architecture.

In 2016, ZSE launched the FAST-E SK/CZ project, which plans to build up to 14 rapid-charging stations on major routes within western Slovakia and to prepare a comprehensive charging service for e-vehicle drivers.

By means of these activities, ZSE aims to help to gradually eliminate barriers preventing expansion of electric vehicles in Slovakia and to ensure that e-mobility is at least an equal alternative to the traditional drive.

Risks and Uncertainties

ZSE Group will continue to be in charge of developing new projects and innovative solutions that will reflect the strategic direction of the ZSE Group facing the challenges resulting from the macro-economic and market changes.

The significant events occurred after the end of 2015 requiring recognition or disclosure in the Annual report

After 31 December 2015, no significant events have occurred that would require disclosure in the 2015 annual report.

03 Economy

Selected Data from the Separate Financial Statements

In 2015, the parent company Západoslovenská energetika generated a profit of EUR 57,935 thousand and incurred costs totaling EUR 64,171 thousand.

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

Key Figures as at 31 December		
€ thousand	2015	2014
Non-current assets	969,974	974,707
Current assets	53,415	38,285
Total assets	1,023,389	1,012,992
Equity	341,144	344,112
Non-current liabilities	631,401	631,120
Current liabilities	50,844	37,760
Total equity and liabilities	1,023,389	1,012,992
Sales	44,196	58,239
EBIT (profit from operating activities)	60,457	76,843
EBITDA	64,127	83,975
Income	124,132	140,464
Expenses	64,171	76,838
Profit before tax	59,961	63,626
Net profit	57,935	61,361
Other comprehensive income	55	123
Total comprehensive income	57,990	61,484
Capital expenditures	5,453	10,004
Full-time equivalent of employees	309	367

Distribution of the 2014 Profit

The extraordinary General Meeting of Západoslovenská energetika, a.s. held on 28 October 2015 approved the proposal for the distribution of the 2014 profit of EUR 61,361 thousand. In November 2015, the Company's shareholders were paid dividends from the 2014 profit in the total amount of EUR 60,958 thousand.

Also, the amount of EUR 403 thousand from the 2014 profit were earmarked as an appropriation to the social fund from profit. In 2015, the dividend per share amounted to EUR 10.27 (2014: EUR 8.80 per share).

Decision on the 2015 Profit Distribution

At its meeting on 23 March 2016 the Board of Directors of Západoslovenská energetika, a.s., acknowledged, and recommended to the Supervisory Board of Západoslovenská energetika, a.s. to discuss, the following proposal for the distribution of the Company's profit for 2015.

Proposal for Distribution of ZSE's 2015 Profit	
Submitted to the Board of Directors of ZSE on 23 March 2016	€ thousand
Profit/loss for the year	57,935
Appropriation to the social fund	365
Dividends	57,570
Total distribution of profit	57,935

Selected Data from the Consolidated Financial Statements

Structure of Electricity Sources and Use

Structure of Electricity Distribution

In GWh	As at 31 December 2015	Share (%)	As at 31 December 2014	Share (%)
Wholesale	5,548	60,56	5,265	59,94
Retail - businesses	1,367	14,92	1,314	14,96
Retail - households	2,247	24,52	2,205	25,10

Structure of Electricity Supplies

In GWh	As at 31 December 2015	Share (%)	As at 31 December 2014	Share (%)
Volume of electricity supplied including losses (GWh)	6,314	100	6,614	100
Of which: supplies to households (GWh)	1,875	30	1,912	29
Of which: supplies excluding households (GWh)	4,439	70	4,702	71

Useful electricity supply (GWh)

Year	Total
2015	6,314
2014	6,614

Distributed electricity (GWh)

Year	Total	Of which: wholesale	Of which: retail
2015	9,162	5,548	3,614
2014	8,784	5,265	3,519

In 2015, the ZSE Group generated a profit of EUR 87,982 thousand and incurred costs totaling EUR 918,131 thousand.

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

Key figures about the ZSE Group as at 31 December

€ thousand	2015	2014
Non-current assets	735,785	702,814
Current assets	138,851	138,415
Total assets	874,636	841,229
Equity	(39,035)	(66,554)
Non-current liabilities	745,638	739,736
Current liabilities	168,033	168,047
Total equity and liabilities	874,636	841,229
Sales	1,009,024	1,013,018
EBIT (profit from operating activities)	139,241	137,304
EBITDA	186,272	183,088
Revenues	1,035,346	1,041,084
Expenses	918,131	925,822
Profit before tax	117,215	115,262
Net profit	87,982	84,148
Other comprehensive income	495	(675)
Total comprehensive income	88,477	83,473
Full-time equivalent of employees	1,767	1,817

Information on sales in monetary and Gwh terms from electricity distribution:

Indicators of Západoslovenská distribučná, a.s.

As at 31 December	2015	2014
Volume of electricity distributed (GWh)	9,162	8,784
Sales from electricity distribution (€'000)	447,714	426,342
Number of supply points	1,106,517	1,093,412

Information on sales in monetary and GWh terms from electricity supply to customers:

Indicators of ZSE Energia, a.s.		
As at 31 December	2015	2014
Volume of electricity sold (GWh)	6,314	6,614
Revenues from the sale of electricity (€ thousand)*	714,334	779,046
Volume of electricity purchased (GWh)	6,314	6,611
Volume of electricity generated (GWh)	0	3
Number of supply points	936,326	957,415

Information on sales in monetary terms for the ZSE Group:

Indicators of the ZSE Group		
As at 31 December	2015	2014
Volume of electricity sold (GWh)	6,314	6,614
Volume of electricity distributed (GWh)	9,162	8,784
Revenues from the sale and distribution of electricity (€ thousand)*	921,227	952,045
Volume of electricity purchased (GWh)	6,309	6,611
Volume of electricity generated (GWh)	5	3

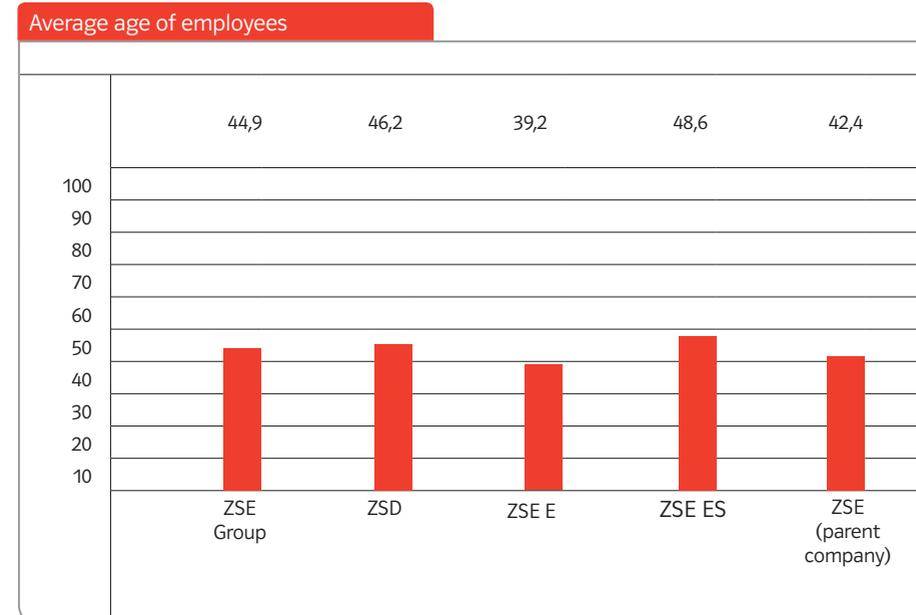
*Sales include distribution charges from distribution system operators outside the ZSE Group

Information on sales in monetary terms from gas supply to customers:

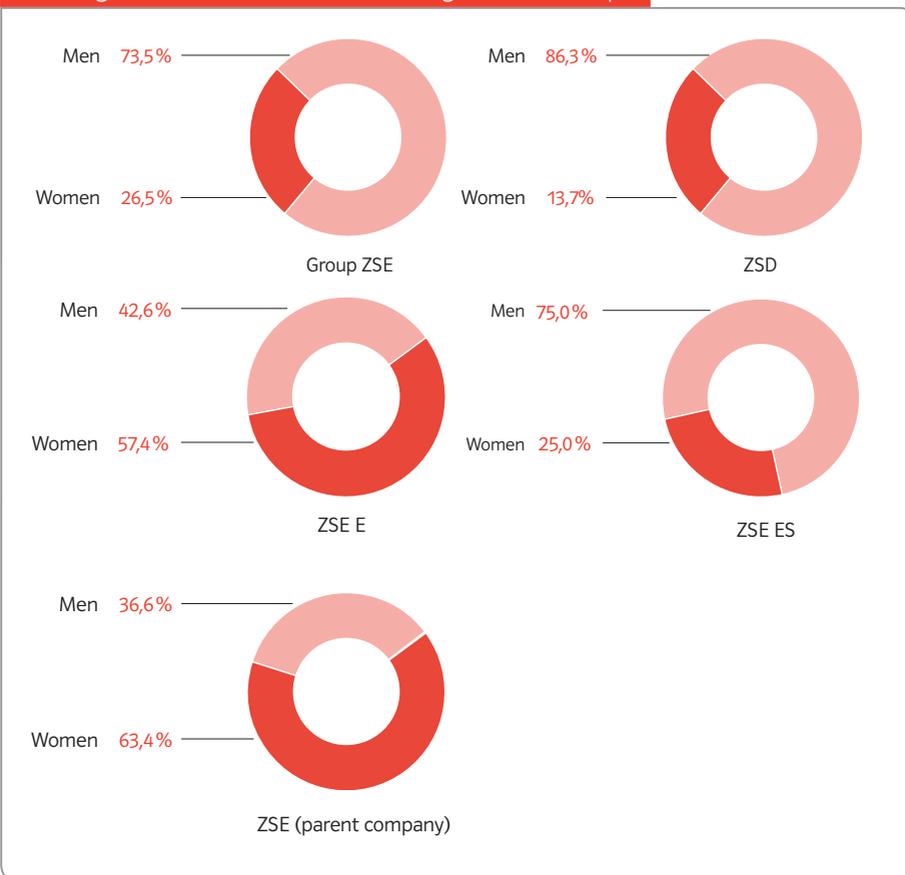
Indicators of ZSE Energia, a.s.		
As at 31. 12.	2015	2014
Revenues from the sale of gas (€ thousand)*	77,373	49,811
Volume of gas supplied (GWh)	1,901	1,143
Number of supply points	50,953	42,068

04 Human Resources

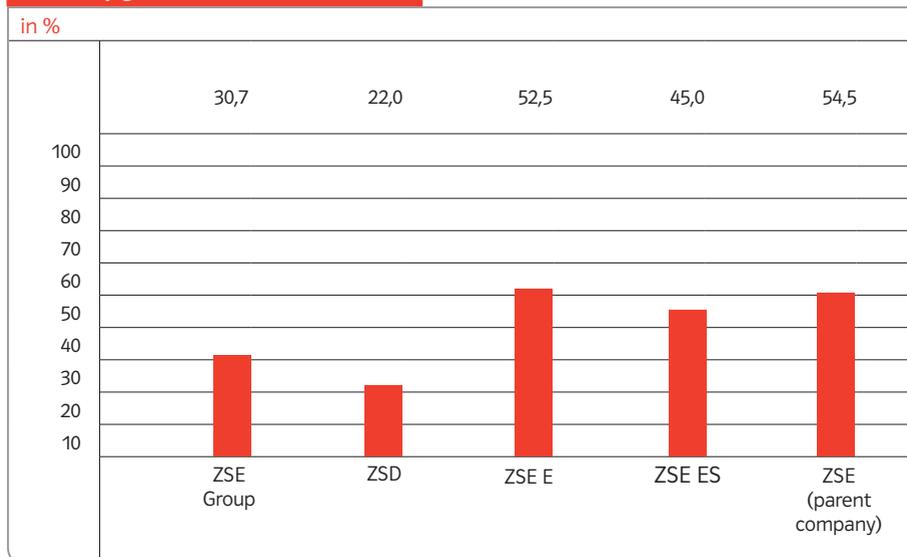
In 2015, the average number of the ZSE Group's employees was 1,767. During the period, Západoslovenská distribučná had in average 1,247 employees, ZSE Energia 179 employees, ZSE Energy Solutions 25 employees, ZSE MVE 7 employees and the parent company ZSE 309 employees.



Percentage share of men and women working in the ZSE Group



University graduates:



Remuneration and Employee Benefits: In compliance with the obligations arising from the collective agreement, the ZSE Group companies increased wages and salaries comprising fixed and variable components on average by 2.02%. The employees were remunerated based on their work performance, which had a direct impact on the amount of variable salary components and extraordinary bonuses.

All employees of the Group were provided with Social Fund contributions for recuperation, relaxation, cultural events and entertainment. The Company continued to provide above-standard preventative medical check-ups to its employees. The employer also continued to make contributions to the supplementary pension savings scheme. Each employee was entitled to 5 extra vacation days on top of their entitlement under the Labour Code.

Training: In 2015, the ZSE Group carried out 1,504 educational activities. The average training costs per employee amounted to EUR 361 and, on average, 4.9 training days per employee were provided.

The bulk of training sessions was driven by legislative requirements. For other training needs, an emphasis was placed on a customized approach. Specialists in electric facilities management at all locations were trained in communication skills. To facilitate

the transition from the position of coaches to the position of trainers, the development of training and lecturing skills was the key focus area. A two-year intensive development program for ZSD's talented employees was completed under the "Talent Pool" succession program.

ZSE also creates room for secondary-school and university students. A scholarship program has been prepared for university students; as part of this program, students work in the Company for the last two years of their studies with an opportunity to join the Company at specific job positions. Talented university graduates may participate in the so-called "Trainee Program", which is aimed at training potential successors for the Company's key positions by their systematic development and job rotation.

Numerous projects are also prepared for secondary-school students, with the traditional ZSE Open event being the largest one. During the event, secondary electrical-engineering school students and teachers have an opportunity to spend one day in the Company's premises. The Best EKO Idea and 4E.ON development and competition projects also continued. As part of the projects, the Company supported 10 projects aimed at implementing business ideas focusing on energy savings and environmental protection, and 10 projects aimed at creating interactive educational tools for secondary schools.

With respect to education of primary school pupils, the Young Electric Technician project continued in Elektrárňa Piešťany together with the Children's Town of Professions project in Bratislava. For several years, the company is preparing for secondary school students Competition Najlepší nápad (Best Idea). The program aims to inspire young people to start their own business.

05 Occupational Health and Safety

In terms of occupational health and safety, close attention was paid to the working and social conditions of its employees. Through various activities it successfully raised awareness of employees with respect to occupational health and safety, healthy lifestyle, fitness and flexibility enhancement. More than EUR 650,000 were invested for all ZSE Group companies into personal and protective work equipment and tools, training courses on occupational health and safety, and preventative medical check-ups.

The so-called TRIF comb. indicator is reported separately in the ZSE Group in the long-term - it is the number of incidents that occurred with respect to the employees and those of contractors per 1 million hours worked during the monitored period. In 2015, the TRIF comb. reached 0.6.

The TRIF index is reported separately for the contractors' employees. In 2015, the contractors' employees worked a total of 603,936 hours at the ZSE Group facilities or worksites. No occupational injury was suffered by contractors' employees during the monitored period.

06 Environmental Protection

Environmental protection is one of ZSE's top priorities. With the aim to protect and improve the quality of environment, the Company takes preventative measures in all business activities performed.

By implementing specific environmental projects, ZSE 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 vicinity of its operations.

In 2015, the ZSE Group companies invested more than EUR 650,000 in ecological structures and repairs. Nearly EUR 300,000 were allocated to ecological operations, equipment maintenance and facilities repairs, including waste disposal. Specifically, drainage systems at operational facilities were reconstructed and new parking areas and suitable storage premises were developed. Facilities were operated and equipment serviced to reduce the risk of underground water and soil pollution.

With the aim to eliminate the risk of death of protected species of birds as they land on electric line masts, 188 high-voltage line masts were equipped with console cases. Also, preparatory works on the "LIFE Energy in Countryside" project were underway, in which the Company closely cooperated with the "Raptor Protection of Slovakia" NGO.

Due to waste separation introduction and its consistent monitoring more than 30 tons of paper were separated and handed over for recycling in 2015. Due to consistent separation of waste generated when repairing energy facilities and structures, 542 tons of scrap was handed over for recycling. Special attention was paid to the maintenance of equipment containing SF6 gas, which is classified as a fluorinated greenhouse gas. Gas leaks are consistently monitored and recorded.

07 Corporate Responsibility

The ZSE Group is one of the leaders in Slovakia in terms of corporate responsibility, and its principles are part of the Company's everyday decisions and business strategy. Corporate responsibility has a direct impact on the loyalty and satisfaction of the employees. It covers the Company's conduct not only in terms of energy, but also in relation to local communities and environment. The ZSE Group considers it essential to encourage people to participate and contribute to making the world we create a better place for living.

ZSE focuses its activities primarily on education, innovation and environment.

Green Schools: ZSE Helps Make Schools Green

In 2015, ZSE became the general partner of the Green School program. It is an educational program designed for nursery, primary and secondary schools that wish to change themselves and their surroundings. The program aims to support school communities whose members try out the magic and traps of cooperation. Students, with the help of teachers and parents, address the actual needs of their schools and surroundings, and thus contribute to a positive change. It is insufficient to only learn about environmental issues; it is imperative to change one's behaviour too. Waste production can be given as an example. No matter how interesting teachers' presentation of the topic to children is, if schools fail to introduce a program aimed at minimizing waste production, lecturing only will have no effect. Therefore, the program motivates the implementation of long-term and hands-on activities that have a real positive impact on the environment of schools and their surroundings. The main coordinator of the program is the Živica Centre for Environmental and Ethical Education. The Živica team believes that schools can offer children more than just formal education. Živica supports schools with a variety of inspirational and experiential workshops, materials and information service. Professional personal consultants and platforms for sharing experience with other schools provide schools with practical support.



It is a network of people who inspire a change. As many as 450 schools participated in the program during its 10-year existence. Inspiration for changes in education is available here: <http://www.zelenaskola.sk/> and here: <http://www.zivica.sk/>.



ZSE Supplies Energy for Development of Young Talents at the Socrates Institute

The Socrates Institute is an accredited educational program for university students. It is a one-year study program consisting of 10 interactive learning workshops. The Institute was established to create conditions for the development of talents, young people who are not afraid to work on their improvement, to take responsibility for their decisions and to pursue their vision. The Socrates Institute is open to students or graduates of any specialization; as a result, scientists, lawyers, economists, doctors, journalists and artists study together. ZSE has been a partner of the Socrates Institute for several years. It allows young ambitious students to study free of charge.



Impact Hub

Innovations help improve the quality of life, make our lives easier and contribute to sustainable development. ZSE believes that changes in our surroundings can be made by common efforts. Therefore, the Company has chosen the Impact Hub as a key partner in promoting innovation. The Impact Hub is an international co-working platform aimed at promoting innovative and socially-responsible ideas. ZSE aims to develop and support key topics - sustainability, energy efficiency, and green technologies. The Company is committed to supporting new businesses and startups that focus on innovative approaches in these areas.



Elektrárňa Piešťany (Piešťany Power Plant)

ZSE refurbished this former municipal power plant registered in the list of national cultural monuments and put it into operation in 2014. Since then it has served as an educational centre for primary and secondary schools. By means of interactive facilities visitors learn, for example, why electricity gives a shock, how a solar-powered car would work, or how much electricity there is in one kilogram of coal. They can try hands-on physical experiments or learn how electrical circuits work and how energy-efficient household appliances are.



Return of Eagles

Due to the nature of ZSE's business, it is natural that the Company is eagerly interested in environmental protection. For more than 20 years it has cooperated on several projects with the "Raptor Protection of Slovakia" NGO with the aim to make power lines more environmentally-friendly. These efforts are aimed at installing eco-barriers on power line mast structures or the so-called diversion elements that minimize the risk of collisions with power lines even in bad weather conditions. The Company has so far invested nearly one million euros in these activities.



In addition, ZSE has prepared the "Return of Eagles" campaign in cooperation with the Raptor Protection of Slovakia NGO. Its purpose is to provide information about eagles and promote the involvement of the public in the initiative to improve conditions for endangered birds of prey and their return to the countryside. The campaign was inspired by the story of an adopted young eagle Karol. After he was abandoned by his parents due to extensive mining work directly beneath the nest, the young eagle was fed for several days in captivity. Then he was given a second home with adoptive eagle parents which took a good care of him and in early August he flew from the nest.

Donations could be made during the "Return of Eagles" campaign to support the protection of this endangered species. Donors receive an original T-shirt with a picture of Karol as a gift for their contributions.

ZSE Employees Disenchanting Castles

In association with the Slovak Scout Association it has been 10 years since the Company began to organize the "Disenchanting of Castles" project, which since its origin has focused on helping castle ruins through voluntary work. In 2015, 103 employees who worked more than 618 volunteer hours per year participated in the restoration of castles.



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 separate and consolidated financial statements of Západoslovenská energetika, a.s. ("the Company") for the year ended 31 December 2015, on which we issued Independent Auditor's Report on 23 March 2016 and on which we expressed an unqualified audit opinions as follows:

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Západoslovenská energetika, a.s. as a company standing alone as at 31 December 2015, and their financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Západoslovenská energetika, a.s. and its subsidiaries as at 31 December 2015, and their 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 Company's annual report for the year ended 31 December 2015 is consistent with the audited financial statements referred to above.

Management's Responsibility for the Annual Report

The Company's management is responsible for the preparation, accuracy, and completeness of the annual report in accordance with the Slovak Accounting Act.

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

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

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

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

PricewaterhouseCoopers Slovensko, s.r.o., Karadžičova 2, Bratislava - mestská časť Staré Mesto 815 32,
Slovak Republic
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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 číslo 061161/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 annual report of Západoslovenská energetika, a.s. prepared for the year ended on 31 December 2015 is consistent, in all material respects, with the financial statements referred to above.

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



Bratislava, 20 April 2016

Juraj Tučný
Mgr. Juraj Tučný, FCCA
UDVA licence No. 1059

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

Západoslovenská energetika, a.s.

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