Annual report 2014

Západoslovenská distribučná, a.s.

Content

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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 Shareholder, the Supervisory Board, and the Board of Directors of Západoslovenská distribučná, a.s.:

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Západoslovenská distribučná, a.s. as at 31 December 2014, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's Annual Report at 31 December 2014 is consistent with the audited financial statements referred to above.

The Board of Directors Responsibility for the Annual Report

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

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

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

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

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

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Opinion

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

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

Bratislava, 22 April 2015

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

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

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

01 Profile of Západoslovenská distribučná, a.s.

Foreword of the Chairman of the Board of Directors

Andrej Juris
Chairman of the Board of Directors

2014 was a year when we made considerable investments in our customers. We have accomplished several projects aimed at facilitating the customers´ communication with our company, we carried on upgrading our distribution system and started implementing smart metering systems.

In term of finances, 2014 was a successful year. Our net profit was EUR 53.1m, which is almost EUR 2m above the plan. By targeted optimisation activities across the entire company we managed to save EUR 11.2m in planned controllable costs, which had positive impact on the economic results. In 2014 we invested EUR 75.6m in the development and upgrade of the distribution system, automated elements, including remote localisation of failures and distribution system element control ("smart grid elements"). One of the most significant investments was the modernisation and extension of the substation Stupava and installation of meters, including smart metering systems. Investments of approx. EUR 71m, equal to the total depreciation, are expected this year too, placing emphasis not only on the development and extension of the distribution system. We will be also gradually modernising existing lines and facilities.

In August we started installing smart metering systems. By the end of the year we put into operation a part of information systems responsible for the communication, collection and processing of data from smart meters. We installed first "smart meters". Our aim is to install approx. 20,000 meters for the biggest customers in 2015 and 2016.

The purpose of introducing smart metering systems is to create good conditions for active consumption control by the end consumers, integration of distributed energy sources and efficient control of the distribution system with the developing e-mobility and increasing use of renewable energy sources.

End users have a tool through which they can reduce their consumption and save money, e.g. by balancing the consumption diagram through shifting their partial consumption to off-peak times. The system will give them a simple non-stop online access to the up-to-date metered data based on which they can adopt specific measures to save energy. At the same time, the smart metering system will enable us to monitor the distribution system more efficiently, help detect unlawful consumptions, and contribute to faster identification of failures and their removal. The system is fully automated, therefore the number of meter readings performed by meter readers will be significantly reduced, thus eliminating burdens placed both on us and our customers.

Other technological innovations include unmanned aerial vehicles, also called "drones" which support HV or MV lines control. On one hand, the use of drones will lead to extra safety of employees; on the other hand the number of planned outages will go down. In fact, the use of drones enables us to carry out several control activities without the need of interrupting electricity supply. Discomfort of customers is therefore eased.

We have innovated our information systems with the aim of making communication with our customers easier. Customers may send an application for connection or change to the connection via internet. More than 40% of customers used this possibility in 2014. We would like to further strengthen online model communication. This year we plan to add new functionalities to our website, e.g. a list of recommended electricians who will help customers with practical matters such as establishment of connection. Mayors may for example receive text message notifications about failures and if they wish so, they can place our banner on their websites with links to our website with information on planned outages or the process of connection.

In 2014 we have optimised our internal model of managing the work of field workers, both in terms of costs and service quality. By implementing major organisational changes in the departments of production and network services, applicable from 1 January 2015, we seek to achieve better coordination of works, strengthen specialised activities such as live-line working, and improve the process of planning and preparing works. Following this change, we plan to launch a new system tool for operative management of works of all field workers. Customers will be served more efficiently and without interruptions.

We pay attention to continuous training of your employees too. In 2014 more than 600 training activities were carried out, and the biggest part of trainings focused on improving hard skills of our technicians. In order to support customer orientation, more than 100 employees were trained on communication skills. Also, qualified electrical workers mastered their hard skills by e-learnings. As a part of "Talent Pool" programme for technicians and succession planning programme, we continued to develop management skills for selected employees.

We implemented the measures mentioned above with respect to the customer. At the same time, we pursue to meet requirements of the Regulatory Office for Network Industries that, inter alia, monitors the quality of services through quality standards. We have been improving these indicators already five years, which is a natural indicator of the increasing quality of distribution to customers. In the next period we will focus on improving the SAIDI and SAIFI indicators which express the average period of electricity interruption per year, i.e. average number of interruptions of electricity per year.

In this Annual Report you may also find information about our activities in the environment which belongs to our top priorities. We proactively implement environmental projects to protect avifauna and prevent soil and water pollution. In particular, we reduce noise level in the neighbourhoods of our substations where were replace transformers, which is financially very demanding. Several years we have been cooperating with the organisation Protection of Birds of Prey in Slovakia. Specifically, last year we joined the LIFE 13 – Energy in the Country project which deals with the collision of birds with electrical lines. Within this project, we will invest EUR 120,000 over the next five years.

During the year we experienced changes which brought about several opportunities to achieve better results. I believe that we will exploit our potential to actively increase efficiency of our activities. Finally, I would like to thank our customers for giving us the opportunity to offer them our services. Bearing in mind the responsibility resulting from our position on the market, we wish to build mutual trust with our customers by continuous improvement of our services quality. Also, I want to thank our employees for contributing to our success in 2014.

Andrej Juris
Chairman of the Board of Directors

Company Bodiest

In 2014 the structure of statutory and supervisory bodies governing Západoslovenská distribučná, a.s was as follows:

Governing body

Board of Directors	
As of 31 December 2014	
Chairman:	Andrej Juris (start of the term of office on 20 September 2011)
Vice-chairman:	Ľuboš Majdán (start of the term of office on 16 October 2012)
Members:	Jozef Voštinár (start of the term of office on 20 September 2011, end of the term of office on 30 April 2014)
	Tomáš Turek, PhD. (start of the term of office on 1 May 2014)
	Marián Kapec (start of the term of office on 21 March 2012)
	Peter Palmaj (start of the term of office on 16 October 2012)

Supervisory Body

Supervisory Board	
As of 31 December 2014	
Chairman:	Andrej Glézl, PhD., LL.M (start of the term of office on 16 October 2012)
Vice-chairman:	Andrej Devečka (start of the term of office on 19 July 2012, end of the term of office on 1 February 2014)
	Marian Rusko (start of the term of office of the member on 1 February 2014, elected as Vice-chairman on 2 April 2014)
Members:	Ján Zvonár, MD (start of the term of office on 16 October 2012)
	Miroslav Struž (start of the term of office on 16 October 2012)
	Kamil Panák (start of the term of office on 16 October 2012)
	Petr Ivánek (start of the term of office on 16 October 2012)
	Rudolf Gašparovič (start of the term of office on 5 April 2011, end of the term of office on 1 July 2014)
	Robert Polakovič (start of the term of office on 2 July 2014)
	Silvia Šmátralová (start of the term of office on 5 April 2011, end of the term of office on 1 July 2014)
	Silvia Šmátralová (start of the term of office on 2 July 2014)
	Petr Skalický (start of the term of office on 5 April 2011, end of the term of office 1 July 2014)
	Milan Sobolčiak (start of the term of office 2 July 2014)

Shareholders´ Structure

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

Shareholders´ Structure			
As of 31 December 2014	Absolute value in €	Share in fixed assets	Voting rights
Západoslovenská energetika, a.s.	33,227,119	100 %	100 %

Objects of Activities

Company Data and objects of activities
Západoslovenská distribučná, a.s. (hereinafter only "the Company"), with business ID: 36 361 518, registered office in Čulenova 6, 816 47 Bratislava, was established on 20 April 2006 and registered with the Companies Register on 20 May 2006. The Company is registered in the Companies Register, District Court Bratislava I, Section Sa, Entry No. 3879/B.

The Company was founded by the Deed of Foundation on 20 April 2006, made in the form of Notary Deed N 137/2006, Nz 15077/2006 in accordance with the relevant provisions of the Act No. 513/1991 Z. z. the Commercial Code. The purpose of establishing the Company was to comply with the legal requirements related to the process of unbundling of electricity distribution from other businesses of the companies providing integrated services in the electricity sector, as defined by the Directive of the European Union No. 2003/54/EC concerning common rules for the internal market in electricity, which was transposed into Slovak legislation via the Act No. 656/2004 Z. z. on the Energy. The act mentioned above stipulated the date of 1 July 2007 as the latest date for unbundling the operation of the distribution system. Západoslovenská energetika, a.s. separated a part of the company in charge of the key distribution activities and put it into Západoslovenská distribučná, a.s.

Starting from 1 July 2007 the Company began to perform electricity distribution as the core business.

Západoslovenská distribučná, a.s. together with its parent company Západoslovenská energetika, a.s and subsidiaries ZSE Energia a.s., ZSE Energy Solutions, s.r.o., ZSE Development, s.r.o. and ZSE MVE, s. r. o., form consolidated ZSE Group ("the Group").

The objects under the Companies Register
- Electricity distribution
- Lease of machines, equipment, mechanisms and tangible assets in accordance with business license
- Lease of the estates together with the provision of other than basic services linked with the lease
- Purchase of the goods for the purpose of its sale to the final customer (retail)
- Purchase of the goods for the purpose of its sale to other operators holding business licenses (wholesale)
- Trading in accordance with business license
- Complex architectonic and engineering services and related technical advisory services – performance of the complex services and related counselling with the exception of architectonic services
- Provision of services in the category of Engineer for technical, technological and power fittings of the building constructions
- Designing and construction of electrical installations
- Assembly, reconstruction, maintenance of unspecified technical devices
- Informative testing, measuring, analysing and inspections
- Making the building constructions and other structural alterations
- Locksmithery
- Repairs, technical inspections and supervisions of specific electrical installations
- Technical inspections and supervisions of specific jacking equipment
- Repair and assembly of specific metering equipment
- Performance of the role of construction supervisor – engineering constructions – power and other line structures, - technical, technological and power fittings of the building constructions – electrical installations, thermal installations
- Performing the role of a construction supervisor – civil engineering
- Assembly, reconstruction and maintenance of specific electrical installations
- Education and training courses related to occupational health and protection – education and training courses of electricians, independent electricians and electricians responsible for supervision and regulation of the operational process

The Major Events after the End of 2014
As to 1 January 2015 the Company underwent another organisational change arising out of the transposition of the 3rd liberalisation package into the Slovak legislation, which was another step towards the centralisation of the activities related to the distribution system operated by Západoslovenská distribučná, a.s. as the operator of the distribution system. The change consisted in transferring activities related to customer services provided to the operator of the distribution system, including technical support, property and employees, from Západoslovenská energetika, a.s, to Západoslovenská distribučná, a.s., by selling a part of the company.

02 Economy

Economy

In 2014 Západoslovenská distribučná, a.s. achieved the comprehensive income of EUR 52,177 thousand with revenues of EUR 432,944 thousand and spent the costs in the volume of EUR 383,481 thousand.

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

Key Figures as of 31 December 2014

€ Thousand	2014	2013
Non-current assets	975,676	939,810
Current assets	24,521	62,367
Total assets	**1,000,197**	**1,002,177**
Equity	134,267	764,975
Non-current liabilities	794,418	158,304
Current liabilities	71,512	78,898
Total equity and liabilities	**1,000,197**	**1,002,177**
Revenues	432,944	573,284
EBIT (Operating Income)	**79,721**	**68,698**
EBITDA	153,923	140,062
Revenues	453,766	578,197
Costs	383,481	509,557
Profit before tax	70,285	**68,640**
Net profit	**53,108**	**55,330**
Other comprehensive income	(931)	40
Total comprehensive income	**52,177**	**55,370**
Cash flow of capital expenditures	**60,983**	**72,767**
Average number of employees (FTE)	**1,271**	**150**

Data on revenues for distributed electricity:

Indicators		
As of December 31	2014	2013
Volume of electricity distributed (GWh)	8,784	8,794
Revenues for electricity distributed (€ ths.)	426,341	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 supply points	1,093,412	1,082,601

Loans

Západoslovenská distribučná, a.s. did not take out bank loans in 2014, it took out an intragroup loan of EUR 630,000 thousand.

Profit to Be Distributed

By the resolution of the sole shareholder, exercising the powers of the General Meeting, dated 18 June 2014, the distribution of 2013 profit amounting to EUR 55,330 thousand was approved and dividends in the amount of EUR 48,630 thousand were paid out.

Trade Receivables and Payables

Trade Receivables and Payables		
€ Thousand	31.12.2014	31.12.2013
Trade receivables and other receivables	21,711	58,902
Of which: overdue	9,053	9,447
Trade payables and other payables	66,340	75,347
Of which: overdue	0	3,229

Cash flow of capital expenditures to Investments

The volume of cash flow of capital expenditures to investments of Západoslovenská distribučná, a.s. in 2014 achieved EUR 60,983 thousand.

Investments in 2014	
€ Thousand	2014
Connection of new LV and MV customers	8,848
Development and improvement of networks	36,022
Measuring devices	3,909
Protection	682
Network Automation	1,822
Current investment assets	487
Purchase of energy devices	1,630
Other	7,583
Total	**60,983**

The Most Important Constructions of Západoslovenská distribučná, a.s.	
€ Thousand	2014
VVN_reconstruction ES Trenčín Skalka	6,870
VVN_TR Stupava-dostavba RZ 110 kV,T402	5,839
VVN_ES Čulenova - reconstruction RZ110 kV	2,977
VVN_Dubnica-nová rozvodňa 22 kV v R9261	2,307
VVN_ reconstruction TR 110/22kV Holíč	941

The most important constructions planned in 2015:

The Most Important Constructions of Západoslovenská distribučná, a.s.	
€ Thousand	2015
VVN_Rek.TR 110/22kV Zlaté Moravce,RIS	4,600
VVN_Rek.TR 110/22kV Pezinok, RIS	4,660
VVN_ES Veľké Kostoľany,pre EBO	4,000
VVN_Kráľová nad Váhom,TR 110/22 kV	4,000
VVN_náhrada stož.ved.,Križov-GA-N.Zámky	2,500

Distribution of Profit for 2014

On 26 March 2015, the Board of Directors of Západoslovenská distribučná, a.s. acknowledged the proposal for profit distribution and recommended the Supervisory Board of Západoslovenská distribučná, a.s. to negotiate about it:

Proposal for profit distribution of Západoslovenská distribučná, a.s. for 2014	
Acknowledged by the Board of Directors on 26 March 2015	€ Thousand
Net profit	**53,108**
Purchase of part of business (3rd energy package) disclosed to retained earnings	-3,570
Distributable net profit	**49,538**
Contribution to reserve fund	5,311
Contribution to social fund	1,244
Dividends	42,983
Total distribution of profit	**49,538**

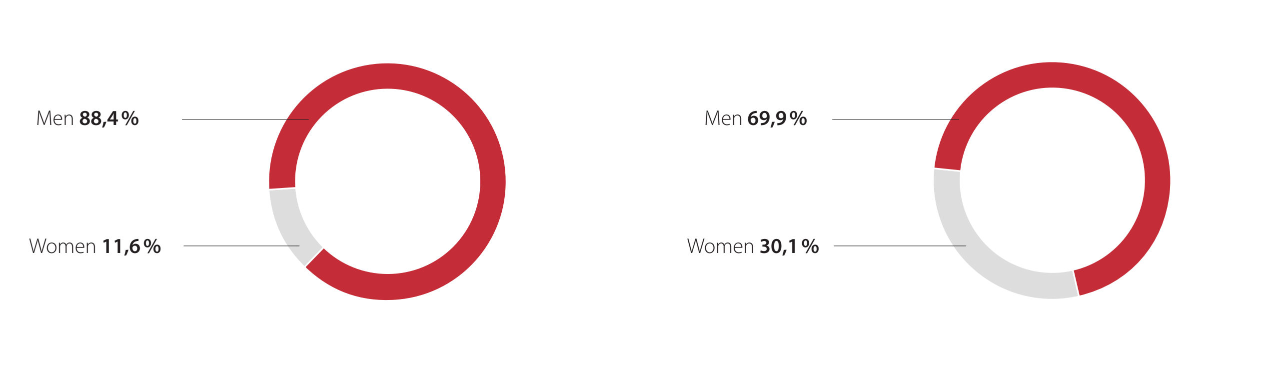
03 Human Resources

Human Resources

As of 31 December 2014 Západoslovenská distribučná, a.s. employed 1,271 people on average, including 12 managers. The average age of employees was 46.2 years. The employment structure was significantly affected by the so-called "unbundling process", in particular the 3rd energy package, as a result of which the activities related to electricity distribution were transferred to Západoslovenská distribučná, a.s. This involved mainly technical positions from the parent company Západoslovenská energetika, a.s. and one of its subsidiaries Energy Solutions, a.s. As a result of such changes, the share of women working for the Company decreased by 18.5% and at the same time, the share of employees holding university diplomas decreased by 41.7%.

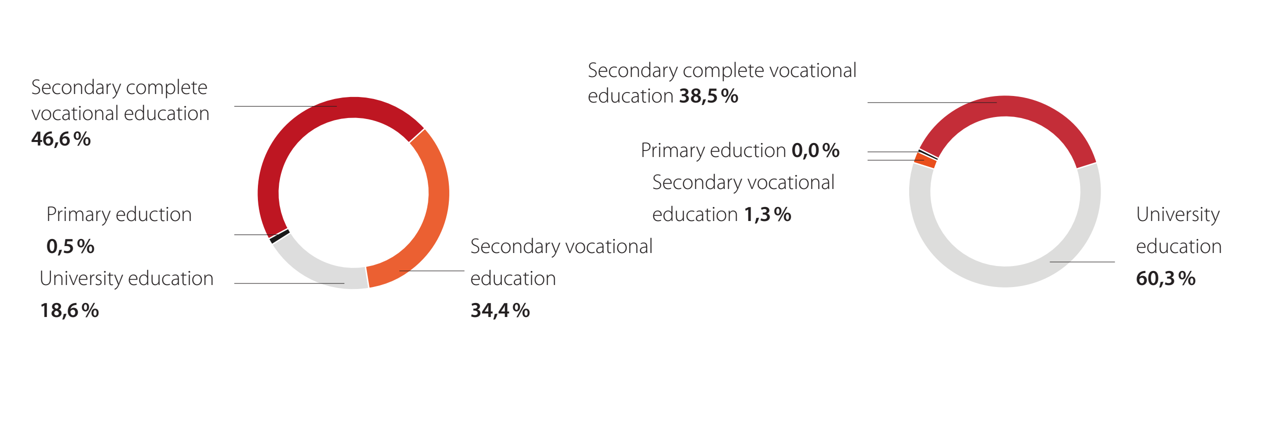
The share of women and men working for the Company

As of December 31, 2014 | As of December 31, 2013



The share of university educated employees in the company

As of December 31, 2014 | As of December 31, 2013



Employees Remuneration

In compliance with the commitments in the collective agreements, the company ensured the average increase in wages and salaries, including the fixed and variable components, by at least 2.5%. The employees were also remunerated based on their performance that had a direct impact on the payment of the variable component of the salary and extraordinary bonuses.

Employee Benefits

The company provided to its employees contributions from the Social Fund for the purpose of recreation, relaxation, cultural events and health care. In 2014 the company continued to provide 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 live a healthy lifestyle, the company organised the event called "Health Days". In addition to that, the company also organised a summer camp for employees´ children. In 2014 the company made contributions to a supplementary pension savings scheme. Every employee was entitled to 5 extra days off.

Training of the Employees

In 2014, 601 educational activities were organised by the Company. The average costs per employee were EUR 272 and on average one employee spent 5.4 days on an educational or training activity. The major part of training sessions related to the requirements is required by legislation. In order to support pro-customer orientation, employees coming into contact with the customers were trained on communication skills. Also, qualified electrical workers mastered their hard skills by e-learnings.

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

Cooperation with Schools

2014 meant even stronger relations between the company and student community. After receiving the positive feedback the company organised the second round of ZSE Open. During this day 250 students and teachers from secondary vocational schools with electrotechnical specialisation had an opportunity to spend a day in the company. Traditionally, the event included the contests 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 conservation and energy saving. 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 getting 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 program 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

Západoslovenská distribučná, a.s. has been giving special attention to the working and social conditions of its employees, primarily to occupational health and safety. In 2014 the company accomplished 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 "Safety Hour". "Talking Safety", a book on effective communication in occupational health and safety was published. In total, 46 employees´ representatives in charge of safety issues were repeatedly retrained. The coding system of preventive medical check-ups and the categorisation of works has been updated.

In 2014 Západoslovenská distribučná, a.s. made investments into improving the occupational health and safety (personal and protective work equipment and tools, legislative trainings on occupational health and safety and preventive medical check-ups) amounting to approx. EUR 700,122

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 of the Dispatch Control Department were categorised into the 3rd category of hazardous works. This means that they are in the same category as emergency units, pilots or flight dispatch managers. Due to increased mental and sensoric burden they have to take part in the simulated tests every quarter. Apart from this, every two years they are retrained and after the training they have to pass the test of the Nuclear Research Institute. For technicians of the middle voltage and low voltage network services the system of psychological trainings was prepared with the aim to identify all risks imposing threat on health in working with live electrical equipment and in the surrounds.

During the "HSE Day" the 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 1st Supervisory SIM Audit, an updated register of dangerous and threatening situations, etc.

In 2014 the state occupational safety authorities made no inspections. The Regional Public Health Care Authority in Nitra carried out one inspection aimed at the compliance with the Act of National Council of the Slovak Republic No. 377/2004 Z. z. on the Protection of Non-Smokers. No shortcomings were identified.

A special indicator in the ZSE Group is TRIFcombine – it represents the number of incidents occurring to employees of the ZSE Group and the contractor´s staff, that perform work on workplaces within the ZSE Group, per 1m hours worked in the monitored period. In the monitored period of 2014 TRIFcombine was 0.5 (no occupational injury or occupational illness was registered; only two registered occupational injuries occurred.).

TRIF indicator is reported separately in case of the contractor´s staff. In 2014 the employees of contractors worked on the workplaces of the ZSE Group 636,422 hours. No occupational injury occurred to the contractor´s staff in the monitored period.

The individual subsidiaries report a separate indicator. The chart below presents the relevant data for Západoslovenská distribučná, a.s.

Statistical indicators of occupational injuries in 2012, 2013 and 2014

	Number of ROI			Lost calendar days for ROI			Average number of employees		
Year	2012	2013	2014	2012	2013	2014	2012	2013	2014
Západoslovenská distribučná, a.s.	0	0	2	0	0	362	145	152	1,271

LTIF (Lost Time Injury Frequency) in 2014: 0.7
TRIF (Total Recordable Incidents) in 2014: 0.7
TRIFcomb (TRIF combined with TRIF of contractors) in 2014: 0.5

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 special 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.
TRIFcomb - Number of incidents that occurred to employees of the ZSE Group and contractor´s staff that perform work on workplaces of the ZSE Group, per 1m 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 decisions and business 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 fulfil 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 its community through various partnerships, but primarily through efforts and engagement of 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 of the indoor premises. Apart from the manual activities, employees may also offer 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 the ZSE Group began to organise the project called "Disenchanting of Castles", which is from its very beginning focused on providing assistance to renovate the castle ruins through voluntary work. As a result, 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 carrying out the programme "**Energia zblízka**" (The Energy Experience Project) that includes activities that bring 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 "The Best Idea" project 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. At the same time, 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 rational energy use. 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 about 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 connected 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 greater interest in technical education using innovative and interactive teaching aids.

The Elektráňa Piešťany (Power Plant Piešťany), which was reconstructed by Západoslovenská energetika, a.s. and officially opened in September 2014 as an Interactive Centre of Science and Technology, won two prizes: Building of the Year and Cultural Monument of the Year. The reconstruction of the building started in 2009, based on the design made by the then students of the Faculty of Architecture of the Slovak University of Technology, Michal Ganobjak and Vladimír Hain who won the Student´s Competition organised by Západoslovenská energetika, a.s. Its current shape presents 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 as a museum, providing a historical overview of technical equipment and devices used of the original power plant. There is also an interactive centre for students where they can practically test their theoretical knowledge learnt at schools. Visitors can compare the new forms of generation, use 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 public.

Environmental Protection

Protection of the environment ranks among the top priorities of Západoslovenská distribučná, a.s. In order to protect and improve the quality of 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 given to the protection of soil and water, nature and landscape conservation and, last but not least, to air protection. 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 vicinity of the company´s buildings and operating premises.

The large investments are annually made into the gradual environmental improvement of the operation of power generating plants. In 2014 the Company completed the environmental constructions and repairs in order to eliminate all adverse environmental impacts with the total amount of EUR 1,181,000. Apart from this, the costs on environmentally-friendly operation and maintenance of operating premises, including waste disposal, achieved EUR 166,000.

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 to reduce risks associated with the contamination of underground water resources. As regards the protection of the nature and landscape, investments were made into the installation of protective console cases on middle 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 supporting pillars. As a result 17 such nests were treated.

By a thorough collection and separation of waste produced from the repairs made on power generating plants the Company processed 1,064t of scrap. Attention is provided to the equipment filled with SF6 gas that belongs among fluorinated greenhouse gases. Any gas leakage is properly monitored and recorded. In comparison to 2013 the Company reduced the level of greenhouse gas emission production by 35%.
All the results achieved in 2014 are in compliance with the officially approved documents entitled "The Occupational Health and Safety and Environmental Protection Policy in Západoslovenská distribučná, a.s.", with the target of reducing significant impacts on the environment under ISO 14001.

Employees are regularly trained and properly informed by means of articles, reports and data concerning the environment. Also, they have a possibility to get involved in the environmental activities carried out by the ZSE Group.

05 Financial Statements

Západoslovenská distribučná, a.s.

Independent Auditor's Report and Financial Statements

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

Translation note:

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

Index to the financial statements

Independent Auditor's Report

To the Shareholder, the Supervisory Board, and the Board of Directors of Západoslovenská distribučná, a.s.:

pwc

INDEPENDENT AUDITOR'S REPORT

To the Shareholder, the Supervisory Board, and the Board of Directors of Západoslovenská distribučná, a.s.:

We have audited the accompanying financial statements of Západoslovenská distribučná, a.s, which comprise the balance sheet as at 31 December 2014 and the statements of comprehensive income, changes in shareholder's 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 financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 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 financial statements present fairly, in all material respects, the financial position of Západoslovenská distribučná, a.s. as at 31 December 2014, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

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

In Bratislava, 31 March 2015

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.

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

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.

Balance sheet

Západoslovenská distribučná, a.s.
Balance sheet for the year ended 31 December 2014 prepared in accordance with IFRS as adopted by the European Union

		As at 31 December	
	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	971,884	939,718
Intangible assets		3,792	92
		975,676	**939,810**
Current assets			
Inventories	9	1,161	-
Trade and other receivables	10	21,711	58,902
Current income tax receivable		1,356	3,345
Cash and cash equivalents	11	293	93
Receivables from cash-pooling		-	27
		24,521	**62,367**
Total assets		**1,000,197**	**1,002,177**
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	12	33,227	663,912
Legal reserve fund	12	48,578	43,045
Other reserves		(1,025)	(94)
Retained earnings	12	53,487	58,112
Total equity		**134,267**	**764,975**
Non-current liabilities			
Borrowings received	7	630,000	-
Pensions and provisions for liabilities and charges	16	9,224	2,043
Deferred revenues	13	55,374	52,264
Deferred income tax liability	15	99,820	103,997
		794,418	**158,304**
Current liabilities			
Trade and other payables	14	66,340	75,347
Deferred revenues	13	3,423	3,409
Liabilities from cash-pooling		1,356	-
Pensions and provisions for other liabilities and charges	16	393	142
		71,512	**78,898**
Total liabilities		**865,930**	**237,202**
Total equity and liabilities		**1,000,197**	**1,002,177**

These financial statements have been approved for issue by the Board of Directors on 31 March 2015.

....
Ing. Andrej Juris
Chairman of the Board of Directors

....
Ing. Marian Kapec
Member of the Board of Directors

The notes on pages 28 to 66 form an integral part of these financial statements.
(All amounts are in thousands of Euro unless stated otherwise)

Statement of comprehensive income

Západoslovenská distribučná, a.s.

Statement of comprehensive income 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
Revenues	17	432,944	573,284
Transmission fees payable to SEPS* and charges for electricity produced from renewable sources		(56,180)	(200,519)
Purchases of electricity for losses and other purchases		(145,017)	(142,979)
Operating expenses	18	(98,629)	(94,636)
Depreciation and amortisation	18	(74,202)	(71,364)
Capitalisation		18,278	-
Other operating income	19	2,527	4,912
Operating profit		**79,721**	**68,698**
Finance income			
Interest income		17	1
Interests cost	20	(9,453)	(59)
Net Finance income		**(9,436)**	**(58)**
Profit before tax		**70,285**	**68,640**
Income tax expense	21	(17,177)	(13,310)
Net profit		**53,108**	**55,330**
Other comprehensive income (items that will not subsequently be reclassified to profit or loss)		(931)	40
Total comprehensive income		**52,177**	**55,370**

*) Transmission fees payable to SEPS include fees for access to the network, fees for losses and reserved capacity. (For the year 2013 the transmission fees payable to SEPS include fees for system operation, system fees, fees for access to the network, fees for losses and reserved capacity.) (Note 17)

The notes on pages 28 to 66 form an integral part of these financial statements.
(All amounts are in thousands of Euro unless stated otherwise)

Statement of changes in shareholders' equity

Západoslovenská distribučná, a.s.

Statement of changes in shareholders' 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 reserves*	Retained earnings	Total equity
Balance at 1 January 2013	**663,912**	**38,382**	**(134)**	**49,268**	**751,428**
Comprehensive income					
Profit for the year	-	-	-	55,330	55,330
Other comprehensive income	-	-	40	-	40
Total comprehensive income for 2013	**-**	**-**	**40**	**55,330**	**55,370**
Transaction with owners					
Dividends	-	-	-	(41,823)	(41,823)
Contribution to legal reserve fund	-	4,663	-	(4,663)	-
Transaction with owners	**-**	**4,663**	**-**	**(46,486)**	**(41,823)**
Balance at 31 December 2013	**663,912**	**43,045**	**(94)**	**58,112**	**764,975**
Comprehensive income					
Profit for the year	-	-	-	53,108	53,108
Other comprehensive income	-	-	(931)	-	(931)
Total comprehensive income for 2014	**-**	**-**	**(931)**	**53,108**	**52,177**
Transaction with owners					
Dividends (Note 12)				(48,630)	(48,630)
Contribution to legal reserve fund (Note 12)	-	5,533	-	(5,533)	-
Transaction with owners	**-**	**5,533**	**-**	**(54,163)**	**(48,630)**
Decrease of share capital	(630,685)	-	-	-	(630,685)
Purchase of part of the business **) (Note 25)	-	-	-	(3,570)	(3,570)
Balance at 31 December 2014	**33,227**	**48,578**	**(1,025)**	**53,487**	**134,267**

*) Other reserves include actuarial gains / (losses) on post-employment benefit obligations net of tax.
**) The amount represents difference between the value identified by the valuator and additions on assets and liabilities, which were measured and recognized by applying predecessor's values.

The notes on pages 28 to 66 form an integral part of these financial statements.
(All amounts are in thousands of Euro unless stated otherwise)

Property, plant and equipment

Západoslovenská distribučná, a.s.

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	22	172,927	136,827
Interest received		17	1
Interest paid		(9,174)	(32)
Income tax paid		(19,103)	(23,873)
Net cash from operating activities		**144,667)**	**112,923**
Cash flows from investing activities			
Purchase of property and equipment		(60,983)	(72,767)
Other expenditures related to purchase of part of the business	25	(34,251)	-
Proceeds from sale of property and equipment	22	82	496
Net cash used in investing activities		**(95,152)**	**(72,271)**
Cash flows from financing activities			
Dividends paid	12	(48,630)	(41,823)
Other expenditures related to decrease of share capital		(685)	-
Net cash used in financing activities		**(49,315)**	**(41,823)**
Net (decrease) in cash and cash equivalents		**200**	**(1,171)**
Cash and cash equivalents at beginning of year	11	93	1,264
Cash and cash equivalents at end of year	**11**	**293**	**93**

The notes on pages 28 to 66 form an integral part of these financial statements.
(All amounts are in thousands of Euro unless stated otherwise)

Notes to the Financial Statements:

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

1. General information

Západoslovenská distribučná, a.s. ("the Company"), in its current legal form as a joint stock company, was established on 20 April 2006 and incorporated on 20 May 2006 into the Commercial register.

The Company has been founded with the purpose to comply with the legal requirement to unbundle the distribution business from other commercial activities of integrated electricity companies established by the European directive 2003/54/ES on common rules for internal market with electricity. The directive has been transferred into Slovak legislation by the Act on energy No. 656/2004 Coll. issued in 2004. The act prescribed legal unbundling of distribution activities by 30 June 2007 at the latest. The company Západoslovenská energetika, a.s. has carved out a part of its business that conducted principal distribution activities and contributed it to Západoslovenská distribučná, a.s. The Company started at 1 July 2007 to provide distribution of electricity as its core business activity.

Pursuant to Act No 309/2009 Z. z. on Promotion of Renewable Energy Sources and High-efficiency Cogeneration and on Amendments of Certain Acts as amended (only as "Act on RES"), the Company, as the operator of the regional distribution system, is obliged, with effect from 1 January 2010, to pay out additional payments to electricity producers who are entitled to the support (electricity producers who meet conditions for getting support by means of additional payment pursuant to Section 3 of Act on RES) whose electricity production facilities are connected to the regional distribution system of the Company or are located on its delineated territory, in a way and under conditions stipulated by Act on RES. The Company reports the additional payments described above in the summary profit and loss statement in the position of additional payments to the system operator and additional payments for electricity produced from renewable energy sources.

With effect from 1 January 2011, the Company, as the operator of the regional distribution system, is obliged to charge a levy pursuant to Section 7(1)(b) of Act No 238/2006 Z. z. on the National Nuclear Fund for Decommissioning of Nuclear Facilities and Management of Spent Nuclear Fuel and Radioactive Waste (Act on Nuclear Fund) and Amendments of Certain Acts as amended. The stated obligation is prescribed, as from 1 September 2012, by the Act No 251/2012 Z. z. on Energy and on Amendments to Certain Act as amended in connection with the Regulation of the Government of the Slovak Republic No 426/2010 Z.z. stipulating levy on the electricity supply to end consumers for the National Nuclear Fund for Decommissioning of Nuclear Facilities and Management of Spent Nuclear Fuel and Radioactive Waste (until 31 August 2012, this obligations was prescribed by Act No 656/2004 Z. z. on Energy in connection to the stated regulation of the Government). Until 31 December 2012 The Company was obliged to remit this levy to the account of the National Property Fund for Decommissioning of Nuclear Facilities and Management of Spent Nuclear Fuel and Radioactive Waste. With effect from 1 January 2013 the Company is obliged to remit this levy to the income budgetary account of the Ministry of the Economy of the Slovak Republic. The Company reports this levy in the balance sheet as a part of trade payables and other payables.

From 1 January 2014 has been providing investment services, construction, repair, maintenance and operation of the distribution network committed by Parent company to the subsidiary Západoslovenská distribučná, a.s. in the purchase / sale of the part of company (Note 25).

The structure of the Company's shareholders at 31 December 2014 was as follows:

	Absolute amount in thousands of Euros	Interest in share capital in %	Voting right
Západoslovenská energetika, a.s.	33,227	100%	100
Total (Note 12)	**33,227**	**100%**	**100**

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

	Absolute amount in thousands of Euros	Interest in share capital in %	Voting rights
Západoslovenská energetika, a.s.	663,912	100%	100
Total (Note 12)	**663,912**	**100%**	**100**

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

Západoslovenská distribučná, a.s. is included in the consolidated financial statements of Západoslovenská energetika, a.s ("Parent company").

The Ministry of Economy of the Slovak Republic, acting on behalf of the Slovak Republic, based in Bratislava, owns a 51% shareholding in Parent company's registered capital. E.ON Slovensko, a.s. which currently owns a 39% shareholding in the Parent company's registered capital (at 31 December 2013: 39% shareholding in the Parent company's registered capital) is consolidated as a 100% subsidiary by E.ON Energie AG, Munich, Germany, which owns 10% shareholding in Parent company's registered capital.

As part of the sale of 49% of shares of Parent company to E.ON Energie AG, the National Property Fund of Slovakia and E.ON Energie AG have entered into a Shareholder's Agreement which was subsequently amended during preparation for the unbundling of distribution and supply businesses to separate legal entities in 2006. The current shareholders of the Parent 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 Parent company as well as the rules for nomination of members of the boards. The majority of the members of the Board of Directors of Parent Company are nominated by E.ON. The Ministry of economy Fund appoints the majority of the Supervisory Board of Parent Company. The Supervisory Board of Parent Company has extensive competences in addition to the powers given to it by Slovak corporate law. The Supervisory Board of Parent Company acts among others to act as the supreme controlling body of the Parent company.

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

The Board of Directors of Parent Company and Supervisory Board of Parent Company approve the annual Strategic Plan. The Supervisory Board of Parent Company 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 Parent company is jointly controlled by the Slovak Republic and E.ON SE.

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

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

Board of Directors:	At 31 December 2014	At 31 December 2013
Chairman:	Ing. Andrej Juris	Ing. Andrej Juris
Vice Chairman:	Ing. Ľuboš Majdán	Ing. Ľuboš Majdán
Members:	Ing. Jozef Voštinár (resigned on 30 April 2014)	Ing. Jozef Voštinár
	Ing. Marian Kapec	Ing. Marian Kapec
	Ing. Peter Palmaj	Ing. Peter Palmaj
	Ing. Tomáš Turek Ph.D. (appointed on 1 May 2014)	

Supervisory Board:	At 31 December 2014	At 31 December 2013
Chairman:	Mgr. Andrej Glézl, PhD. LL.M	Mgr. Andrej Glézl, PhD. LL.M
Vice Chairman:	Ing. Andrej Devečka (resigned on 1 February 2014	Ing. Andrej Devečka
	Marian Rusko (appointed as a Member on 1 February 2014 and as a Vice Chairman on 2 April 2014)	
Members:	Silvia Šmátralová	Silvia Šmátralová
	Rudolf Gašparovič (resigned on 1 July 2014)	Rudolf Gašparovič
	Ing. Petr Skalický (resigned on 1 July 2014)	Ing. Petr Skalický
	Ing. Petr Ivánek	
	Ing. Petr Ivánek	
	Ing. Kamil Panák	Ing. Kamil Panák
	Ing. Miroslav Struž	Ing. Miroslav Struž
	MUDr. Ján Zvonár, CSc.	MUDr. Ján Zvonár, CSc.
	Robert Polakovič (appointed on 2 July 2014)	
	Milan Sobolčiak (appointed on 2 July 2014)	

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

At 31 December 2014, the Company employed 1 269 persons, of which 12 were management (31 December 2013: 156 persons, of which 6 were management).

Registered address:
Čulenova 6
816 47 Bratislava
Slovak Republic

Identification number (IČO) of the Company is: 36 361 518
Tax identification number (IČ DPH) of the Company is: SK202218904

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The Company's financial statements at 31 December 2014 have been prepared as ordinary financial statements under § 17 Sec. 6 of the Slovak Act No. 431/ 2002 Coll. ("Accounting Act") for the accounting period from 1 January 2014 to 31 December 2014.

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of the financial assets and financial liabilities at fair value.

The financial statements were prepared on accrual basis and under the going concern principle.

The Board of Directors may propose to the Company's shareholders to amend the financial statements until their approval by the General Shareholders Meeting. However, § 16, points 9 to 11 of the Accounting Act prohibit reopening an entity's accounting records after the financial statements are approved. 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 financial statements in conformity with IFRS as adopted by EU requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant for the financial statements are disclosed in Note 4.

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

2.1.1 Changes in accounting policy and disclosures

a) New standards, amendments and interpretations adopted by the Company during the financial year ended 31 December 2014

The following new standards and interpretations became effective for the Company 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 Company'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 Company'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 Company'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, summarised 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 Company'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 Company'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 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) 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 Company'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 Company'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 Company'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 Company'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

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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 Company'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 Company 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 amortised 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 amortised 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.

- 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.

- 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.

- 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 Company 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 Company 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 recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Company is currently assessing the impact of the 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

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contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (ii) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (i) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Company is currently assessing the impact of the amendments on its financial statements. These amendments 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 Company 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 recognise 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 recognise 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. The Company is currently assessing the impact of the new standard on its financial statements. 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 Company 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 Amortisation - 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 Company 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 amortised over the period when the benefits of the contract are consumed. The Company 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

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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 produce growing on bearer plants will remain within the scope of IAS 41. The Company is currently assessing the impact of the amendments on its financial statements. The standard is expected to have no impact on the Group's financial statements. 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 Company 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 Company is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

Annual Improvements to IFRSs 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 Company 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 Company 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 Company is currently assessing the impact of the amendments on its financial statements. These amendments have not yet been endorsed by the EU.

2.2 Foreign currency translation

(i) Functional and presentation currency

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

These financial statements are presented in thousand Euro ("EUR"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

2.3 Property, plant and equipment

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

(i) Cost

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

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

Property, plant and equipment purchased as a part of business are valuating at predecessors values.

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

(ii) Depreciation

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

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 Company allocates the amount initially recognized 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 recognized net in the income statement.

2.4 Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Borrowing costs are capitalized during the period until the asset becomes available for use. The Company does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight-line basis over their useful lives, not exceeding a period of four years.

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

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

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

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

2.5 Impairment of non-current non-financial assets

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

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

2.6 Financial assets

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

(i) 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 balance sheet date. These are classified as non-current assets.

The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2.11 and 2.12).

Reconciliation of these categories of financial assets with the balance sheet classes is presented in Note 8.

Purchases and sales of financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of the receivables is described in Note 2.11.

2.7 Financial liabilities

The Company 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 Company measures all financial liabilities at amortised cost using the effective interest method. The gain or loss from financial liabilities is recognised in the income statement when the financial liability is derecognised and through the amortisation process.

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

2.8 Offsetting financial instruments

Financial assets and 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.

2.9 Leases

(i) 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

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

2.10 Inventories
Inventories are stated at the lower of 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.

2.11 Trade receivables
Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of provision for impairment. Revenue recognition policy is described in Note 2.23.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, default or delinquency in payments (more than 1 month overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Creation and release of provision for the year ended 31 December 2014 is recognized in the income statement within "Other operating expenses" (2013: within "Other operating expenses").

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating income" in the income statement.

2.12 Cash and cash equivalents
Cash and cash equivalents comprise 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 included in borrowings in current liabilities. They are carried at amortized cost.

2.13 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.

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

2.15 Legal reserve fund
The legal reserve fund is set up in accordance with the Commercial Code. Contributions to the legal reserve fund of the Company were made at 10% of net income up to 20% of the share capital. This fund is not distributable and may only be used to increase share capital or to cover losses.

2.16 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.

2.17 Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

2.18 Taxation
(i) Deferred tax
Deferred income tax is recognized 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 realized, or the deferred income tax liability is settled.

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

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

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

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

(iii) Special levy on business in regulated industries

Since 1 September 2012, the Company is obliged to pay the special levy on business in regulated industries, which includes the energy sector. The levy is payable, if the revenues from regulated activities achieve at least 50% of the total revenues of the Company for the respective accounting period. The Company'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 levy base exceeding EUR 3 million. The Company has disclosed the special levy on business in regulated industries, in accordance with IAS 12 as part of the income tax expense.

2.19 Grants and contributions related to acquisition of property and equipment

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

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

Government grants and customer contributions relating to acquisition of property and equipment during the process of connection of the customer 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 values at acquisition.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are carried at amortised 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

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

2.21 Provisions / Contingent liabilities

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

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

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

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

2.22 Employee benefits

The Company has both defined benefit and defined contribution plans.

(i) Pension obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Unfunded defined benefit pension plans

According to the contract with the Trade Unions for the years 2014 to 2016 the Company is obliged to pay its employees on retirement or disability the average of their monthly salary

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

(2013: average of their monthly salary). Additionally, if the employees decide to resign exactly at the date of retirement, the Company is obliged to pay its employees additional 6 multiples of their average monthly salary (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 Company also pays certain life and work jubilees bonuses.

a) Life jubilee benefits are paid by the Company in the amount of 1,700 EUR to each employee at the age of 50 under the condition that employee worked at least 10 years of continuous work for the Company.

b) Work jubilee bonuses paid by the Company are dependent on the number of years of service for the Company 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.

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

(iii) Defined contribution pension plans
The Company contributes to the government and private defined contribution pension plans. The Company makes contributions to the government health, retirement benefit, accidental and guarantee insurance and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. Throughout the year, the Company made contributions amounting to 35.2% (2013: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law, to such schemes, together with contributions by employees of a further 13.4% (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 Company 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 Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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

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

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

2.23 Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts. Revenues mainly represent sales of distribution services.

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

(i) Revenue from distribution of electricity
Revenue from distribution of electricity is recognized when the distribution service is rendered to electricity customers.

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

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

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

(iv) Connection fees
The Company receives contribution from the customers to connect them to electricity network. Revenue from such contributions is recognized as deferred revenue and is released to revenues over the useful life of the asset relating to the connection of a customer (approximately 20 years).

3. Financial risk management

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

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

(i) Market risk
(a) Foreign exchange risk
The Company operates mainly in the domestic market, and most of its sales, purchases and short-term deposits are denominated in Euro.

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

(b) Price risk
The Company is not exposed to significant price risk in accordance with IAS 39, as it does not invest in equities, respectively similar financial instruments.

(c) Cash flow and fair value interest rate risk
As the Company has no significant interest earning assets other than short-term bank deposits and cash at bank accounts as of 31 December 2014 and 2013, the interest income and operating cash flow are only to a small extent dependent on the market interest rate fluctuations. The short term bank deposits are at fixed interest rates.

(ii) Credit risk
The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of services on credit terms and other transactions with counterparties giving rise to financial assets.

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

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

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

The 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 on bank accounts	Credit limit	Balance on bank accounts
		N/a		N/a	
Banks rated	A3		17		91
Banks rated	A1		4		-
Banks rated	Baa1		272		-
			293		**91**

*) Ratings provided by Moody's at 31 December 2014

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

As of 31 December 2014 and 2013, there is a significant concentration of credit risk with respect of inter-company receivables from ZSE Energia, a.s. The Company manages this exposure through the parent company Západoslovenská energetika, a.s. that has a cash-pooling agreement with its subsidiaries. (Note 10).

The Company has assessed credit risk for its wholesale customers based on external independent ratings, if these rating were available. If no independent rating was available, management assessed the credit quality of customer, taking into account its financial position, past experience and other factors. The Company did not set individual risk limits for counterparties.

As for these trade receivables, the Company did not have a significant concentration of credit risk mainly due to a large number of diverse customers. The Company used also a system of reminders, which might have culminated in a service disconnection, as the prevailing contract enforcement.

The collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provisions already recorded.

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

The Company regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 30 days, on average.

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

1) expected future cash inflows from main operation of the Company;

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

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

The table below places the Company'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	Over 5 years	Total
At 31 December 2014						
Liabilities from cash-pooling	1,356	-	-	-	-	1,356
Borrowings received including interest	-	-	17,151	397,078		
Trade payables and other payables including liabilities under IFRS 7 (Note 14)	31,633	7,089	800	-	-	39,522
	32,989	**7,089**	**17,951**	**397,078**	**367,889**	**822,996**

	Less than one month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
At 31 December 2013						
Liabilities from cash-pooling	-	-	-	-	-	-
Trade payables and other payables including liabilities under IFRS 7 (Note 14)	35,178	27,040	2,364	-	-	64,582
	35,178	**27,040**	**2,364**	**-**	**-**	**64,582**

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

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company's management manages capital reported under IFRS as equity amounting to EUR 134,267 thousand at 31 December 2014 (31 December 2013: EUR 764,975 thousand).

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

The Company's management considers the most relevant indicator of capital management to be the return on average capital employed (ROACE). Management expects return on average capital employed to be higher than cost of capital. Indicator ROACE is calculated as follows: earnings before interest and taxes EBIT (in the Statement of comprehensive Income of the Company 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 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) level 2 measurements are valuations techniques with all material inputs observable for the assets or liabilities, accessible either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

(iii) level 3 measurements are valuations not based on observable market data (i.e. unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy.

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

	Level 1	Level 2	Level 3	Book value
At 31 December 2014				
Liabilities	**-**	**704,696**	**-**	**630,000**
Borrowing received	-	704,696	-	630,000

	Level 1	Level 2	Level 3	Book value
At 31 December 2013				
Liabilities	**-**	**-**	**-**	**-**
Borrowing received	-	-	-	-

At the balance sheet date of the financial statements, the fair value of received loans (Note 7) was determined by using management estimate and based on the development of bonds on the financial market issued by the Parent company.

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

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

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

4. Critical accounting estimates and judgements

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

(i) Estimated useful life of network

The useful life of network assets was based on accounting estimates described in Note 2.3. If the estimated useful life of network assets had been shorter by 10% than management's estimates at 31 December 2014, the Company would have recognized an additional depreciation of network assets of EUR 8,198 thousand (31 December 2013: EUR 7,673 thousand).

(ii) Distribution fee

In 2011, the Company implemented a project of a new customer information system and managed to improve accuracy of the existing system of expected electricity demand (Enersim) through expected electricity demand time curves. Implementation of this system improvement allows for making more accurate estimates of revenues from distribution services, as described below. Based on this estimates, the Company started billing revenues to traders with whom it concluded framework distribution contracts.

The revenues from distribution services represent an accounting estimate based on estimated volume of 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 distributed to households in technical units (MWh) between the date of the last meter reading and the end of the accounting period;
- the estimated losses in the distribution network; and
- the estimated unit price in EUR/MWh, that will be applied to billing the electricity distribution in the future. The price is based on actual average tariff prices applicable in a calendar year.

The Company applied the method of estimated network losses. This method is consistent with that applied in prior accounting periods and is based on expert report. Should the estimate of total network losses be lower by 0.1 %, i.e. 9 GWh, with other parameters being unchanged, the volume of distribution charges would change by EUR 851 thousand (2013: EUR 1,122 thousand) and would be recognised as revenue and an increase of trade receivables. The estimate of revenues is by EUR 6,781 thousand higher compared to the same period last year.

The position of revenues from electricity distribution is shown in Note 10.

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

5. Property, plant and equipment

	Land	Network buildings	Power lines	Switching stations and similar network equipment	Machinery, nonnetwork and administration buildings, vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 1 January 2013							
Cost	22,983	112,831	841,165	273,994	25,851	7,588	1,284,412
Accumulated depreciation including impairment charge	-	(23,161)	(213,785)	(94,647)	(12,795)	(3)	(344,391)
Net book value	**22,983**	**89,670**	**627,380**	**179,347**	**13,056**	**7,585**	**940,021**
Year ended 31 December 2013							
Additions	-	-	-	-	-	71,214	71,214
Transfers	1,043	3,385	42,480	22,973	2,400	(72,281)	-
Depreciation charge (Note 18)	-	(5,002)	(44,894)	(18,722)	(2,722)	-	(71,340)
Disposals	(1)	(62)	(50)	(64)	-	-	(177)
Closing net book value	**24,025**	**87,991**	**624,916**	**183,534**	**12,734**	**6,518**	**939,718**
At 1 January 2014							
Cost	24,025	115,716	879,648	293,695	28,040	6,521	1,347,645
Accumulated depreciation including impairment charge	-	(27,725)	(254,732)	(110,161)	(15,306)	(3)	(407,927)
Net book value	**24,025**	**87,991**	**624,916**	**183,534**	**12,734**	**6,518**	**939,718**
Year ended 31 December 2014							
Additions	778	35	-	-	-	73,073	73,886
Purchaser of part of the business (Note 25)	-	8	-	772	715	30,509	32,004
Transfers	993	5,581	30,642	33,028	2,339	(72,583)	-
Depreciation charge (Note 18)	-	(4,929)	(45,191)	(20,674)	(2,988)	-	(73,782)
Disposals	(10)	(58)	-	(25)	-	-	(93)
Other	-	-	-	-	-	155	155
Impairment (charge)/ release	-	-	-	-	-	(4)	(4)
Closing net book value	**25,786**	**88,628**	**610,367**	**196,635**	**12,800**	**37,668**	**971,884**
At 31 December 2014							
Cost	25,786	121,096	907,214	321,780	30,917	37,672	1,444,465
Accumulated depreciation including Impairment charge	-	(32,468)	(296,847)	(125,145)	(18,117)	(4)	(472,581)
Net book value	**25,786**	**88,628**	**610,367**	**196,635**	**12,800**	**37,668**	**971,884**

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 the cumulative amount of EUR 73 thousand (as at 31 December 2013: EUR 0 thousand). No borrowing costs were capitalized during 2013.

The Company performs in relation to the electricity distribution also the investment activities. The operating expenses associated with investment activities are capitalised as property, plant and equipment and are presented in the statement of comprehensive income as capitalisation.

At 31 December 2014 and 2013 no property, plant and equipment was collaterized 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 307,978 thousand for buildings and building parts and up to amount of EUR 486,439 thousand for the power lines, network assets, equipment and other assets (2013: EUR 296,695 thousand and 432,790 thousand respectively).

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

6. Intangible assets

	Goodwill	Computer software and other	Capital work in progress including advances	Total
At 1 January 2013				
Cost	-	36	85	121
Accumulated depreciation and impairment		- 25	-	- 25
Net book value	**-**	**11**	**85**	**96**
Year ended 31 December 2013				
Additions	-	-	20	20
Transfers	-	105	(105)	-
Disposals	-	-	-	-
Amortisation charge (Note 18)	-	(24)	-	(24)
Closing net book value	**-**	**92**	**-**	**92**
At 31 December 2013				
Cost	-	141	-	141
Accumulated depreciation and impairment	-	(49)	-	(49)
Net book value	**-**	**92**	**-**	**92**
Year ended 31 December 2014				
Additions	(813)	-	1,600	787
Purchase of part of the company (Note 25)	-	1,796	1,537	3,333
Transfers	-	1,539	(1,539)	-
Amortisation charge (Note 18)	813	(1,233)	-	(420)
Closing net book value	**-**	**2,194**	**1,598**	**3,792**
At 31 December 2014				
Cost	-	3,475	1,598	5,073
Accumulated depreciation and impairment	-	(1,281)	-	(1,281)
Net book value	**-**	**2,194**	**1,598**	**3,792**

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

7. Borrowings received

An overview of borrowings received is presented in the table below:

	As at 31 December	
	2014	2013
Borrowings received – Západoslovenská energetika, a.s.	630,000	-
Total	**630,000**	**-**
From this: short-term part	-	-

More details about received borrowings are presented in the table below:

Borrowings received	Principal in EUR	Interest	Maturity date
Borrowing 1	315,000,000	3.04% p.a.	14.10.2018
Borrowing 2	315,000,000	4.14% p.a.	14.10.2023
Spolu	**630,000,000**		

8. 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 and other financial assets (Note 10)	21,614	**21,614**
Cash and cash equivalents (Note 11)	293	**293**
Total	**21,907**	**21,907**

As at 31 December 2013	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables and other financial assets (Note 10)	41,278	**41,278**
Cash and cash equivalents (Note 11)	93	**93**
Total	**41,371**	**41,371**

As at 31 December 2014	Other financial liabilities – carried at amortised cost	Total
Liabilities as per balance sheet		
Borrowings received	630,000	**630,000**
Liabilities from cash-pooling	1,356	**1,356**
Trade payables (Note 14)	29,384	**29,384**
Accrued liabilities (Note 14)	4,143	**4,143**
Other financial liabilities (Note 14)	5,995	**5,995**
Total	**670,878**	**670,878**

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

As at 31 December 2013	Other financial liabilities – carried at amortised cost	Total
Liabilities as per balance sheet		
Trade payables (Note 14)	39,783	**39,783**
Accrued liabilities (Note 14)	20,405	**20,405**
Other financial liabilities (Note 14)	4,394	**4,394**
Total	**64,582**	**64,582**

9. Inventories

	As at 31 December	
	2014	2013
Materials and spare parts	1,161	-
Total inventories	**1,161**	**-**

The inventory items are shown after provision for slow-moving materials and spare parts of EUR 20 thousand (31 December 2013: EUR 0 thousand).

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

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

10. Trade and other receivables

	As at 31 December	
	2014	2013
Short-term receivables not yet due	9,226	14,434
Overdue short-term receivables	9,053	9,447
Less: Provision for impairment of receivables	(8,495)	(8,036)
Trade receivables – net	9,784	15,845
Trade receivables towards ZSE Energia, a.s. (Note 26) not yet due	9,712	25,287
Trade receivables towards ZSE Energy solutions, s.r.o. (till 13 August 2014 Enermont, s.r.o.) (Note 26) not yet due	16	82
Accrued distribution fee related to unbilled electricity net of advances from customers	2,102	64
Total financial assets (Note 8)	**21,614**	**41,278**
Prepayments	97	17,361
VAT receivable (Note 26)	-	263
Total trade and other receivables	**21,711**	**58,902**

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

The structure of trade receivables and other receivables by maturity is shown in the following table:

	As at 31 December	
	2014	2013
Trade receivables neither past due nor impaired	21,056	39,867
Overdue receivables - impaired	9,053	9,447
Less: Provision for impairment of receivables	(8,495)	(8,036)
Total trade and other receivables	**21,614**	**41,278**

The analysis of trade receivables that are neither past due nor impaired by their credit quality is as follows:

	As at 31 December	
	2014	2013
Trade receivables towards ZSE Energia, a.s. (Note 26)	9,712	25,287
Trade receivables towards ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.) (Note 26)	16	82
Large businesses	11,328	14,498
Trade receivables not yet due	**21,056**	**39,867**

As of 31 December 2014, no receivables towards ZSE Energia, a.s. were past due or impaired (2013: EUR 0 thousand). As of 31 December 2014 and 2013, there is a significant concentration of credit risk with respect of these receivables. The Company manages this exposure through the parent company Západoslovenská energetika, a.s. that has a cash-pooling agreement with its subsidiaries. There is no concentration of credit risk with respect to other trade receivables as the Company has a number of individual customers. As of 31 January 2015 EUR 11,328 thousand out of EUR 8,939 thousand receivables towards large business were paid.

As of 31 December 2014, trade receivables of EUR 9,053 thousand (2013: EUR 9,447 thousand) were impaired and provided for. The amount of the provision was EUR 8,495 thousand as of 31 December 2014 (2013: EUR 8,036 thousand). The individually impaired receivables mainly relate to customers, which are 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	332	1,226
31 to 60 days	171	5
61 to 90 days	289	30
91 to 120 days	262	7
121 to 180 days	255	11
181 to 360 days	301	20
Over 360 days	7,443	8,148
Total individually impaired receivables	**9,053**	**9,447**

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

	2014	2013
At the beginning of the year	8,036	6,671
Additional provision for receivables impairment (Note 18)	677	2,093
Receivables written off during the year as uncollectible	(218)	(728)
At end of the year	**8,495**	**8,036**

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 ageing analysis of individual receivables and the type of the customer.

The carrying amount of trade and other receivables as of 31 December 2014 and 2013 is not substantially different

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

from their fair value. The maximum exposure to credit risk as to financial receivables is limited by the carrying value of receivables.

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

The Company does not hold any collateral as security of the receivables.

No receivables were secured by a lien. The Company does not have a limited right to deal with its receivables.

11. Cash and cash equivalents

	As at 31 December	
	2014	2013
Cash at bank and in hand	293	93
Total	**293**	**93**

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

	As at 31 December	
	2014	2013
Cash at bank		
Banks rates – A3 (Moody's)	17	91
Banks rates – A1 (Moody's)	4	-
Banks rates – Baa1 (Moody's)	272	-
	293	**91**
Other		
Stamps	-	2
	-	**2**
Cash in the bank and short-term bank deposits	**293**	**93**

The effective interest rate on short term bank deposits was 0.10% (2013: 0.10%) and these deposits have an average maturity of 1 day (2013: 1 day). As at 31 December 2014 and 2013 there was no restricted cash.

12. Shareholders' equity

The Company's registered share capital consists of 10 shares at a nominal value of EUR 3,320 and 1 share at a nominal value of EUR 33 193 919 in overall value of EUR 33,227,119. All shares are associated with the same voting rights for shareholders. As at 31 December 2014 the total number of shares are owned by Západoslovenská energetika, a.s.

On 30 June 2014, the Parent company as the sole shareholder of the Company approved the decrease in its share capital by EUR 630,684,461 by withdrawing 19 pieces of registered ordinary shares, each share of the nominal value of EUR 33,193,919 for the pay-out of EUR 630,684,461 to the shareholder. The reason and purpose of decrease in the share capital was the optimisation of internal capital structure of the Company and the whole ZSE Group. The decrease in the share capital was incorporated into the Commercial Register on 26 July 2014. At 31 December 2014, part of the pay-out for shares withdrawn in amount of EUR 630,000,000 is recognised as borrowings received from the Parent company (Note 7).

Legal reserve fund is obligatorily created from 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 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

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

Company and it is not a distributable reserve. Legal reserve fund amounted to EUR 48,578 thousand as at 31 December 2014 (as at 31 December 2013: EUR 43,045 thousand).

General Meeting held on 18 June 2014 approved the statutory financial statements for previous periods and the distribution of profit as follows:

Appropriation to the social fund	EUR 1,167 thousand
Dividends paid	EUR 48,630 thousand
Reserve fund	EUR 5,533 thousand
Total	**EUR 55,330 thousand**

The distributable statutory retained earnings of the Company at 31 December 2014 amounted to EUR 53,487 thousand (31 December 2013: EUR 58,112 thousand). Decision on the use of the 2014 profit of EUR 53,108 thousand will be made by the General Meeting. The proposal for 2014 profit distribution has not yet been submitted by the date of preparation of these financial statements.

Dividend per share represents EUR 243 per share with the nominal value EUR 3,320 and EUR 2,431,389 per share with the nominal value of EUR 33,194 thousand for the year ended 31 December 2014 (2013: EUR 208 per share with the nominal value of EUR 3,320 and EUR 2,091,049 per share with the nominal value of EUR 33,194 thousand).

13. Deferred revenues

	As at 31 December	
	2014	2013
Non-current		
Contributions – long-term portion (a)	8,725	8,446
Connection fee – long-term portion (b)	46,649	43,818
	55,374	**52,264**
Current		
Contributions – current portion (a)	330	306
Connection fee – short-term portion (b)	3,093	3,103
	3,423	**3,409**

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).

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

14. Trade and other payables

	As at 31 December	
	2014	2013
Trade payables	29,384	39,783
Accrued liabilities	4,143	20,405
Other financial liabilities	5,995	4,394
Financial payables (Note 8)	**39,522**	**64,582**
Other payables and accrued expenses		
Deferred distribution fee	7,702	3,056
Prepayments	6,308	5,458
Payables to employees	1,671	216
Social security	1,144	165
Accrued personnel expenses	4,797	989
VAT payable (Note 26)	2,999	-
Other payables	2,197	881
	26,818	10,765
	66,340	**75,347**

Out of the total payables at 31 December 2014, overdue trade payables are EUR 0 thousand (at 31 December 2013: EUR 3,229 thousand). All other payables are within 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 in EUR currency.

Social fund

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

	2014	2013
Opening balance at 1 January	7	11
Purchase of part of the business	37	-
Appropriations expensed	1,066	194
Usage	(1,105)	(198)
Closing balance at 31 December	**5**	**7**

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

15. Deferred income taxes

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 the 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 assets / (liabilities) can be analysed as follows:

	As at 31 December	
	2014	2013
Deferred tax asset:		
- to be recovered after more than 12 months	1,239	984
- to be recovered within 12 months	938	471
	2,177	1,455
Deferred tax liability:		
- to be recovered after more than 12 months	(99,766)	(102,629)
- to be recovered within 12 months	(2,231)	(2,823)
	(101,997)	(105,452)
Total	**(99,820)**	**(103,997)**

The movements in deferred tax assets and liabilities during the year are as follows:

	As at 1 January 2014	Credited/ (charged) to the Income statement	(Charged)/ credited to other comprehensive income	As at 31December 2014
Property, plant and equipment	(105,452)	3,455	-	(101,997)
Receivables	805	(130)	-	675
Provisions and liabilities	650	590	262	1,502
	(103,997)	**3,915**	**262**	**(99,820)**

	As at 1 January 2013	Credited/ (charged) to the Income statement	(Charged)/ credited to other comprehensive income	As at 31 December 2013
Property, plant and equipment	(114,175)	8,723	-	(105,452)
Receivables	508	297	-	805
Provisions and liabilities	358	299	(7)	650
	(113,309)	9,319	**(7)**	**(103,997)**

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

16. Pension and provisions for liabilities and charges

	Pensions and other staff benefits	Total
At 1 January 2014	**2,185**	**2,185**
Additional provisions	1,358	1,358
Used/paid during year	(485)	(485)
Reversal on unused provisions	-	-
Purchase of part of the business	6,559	6,559
At 31 December 2014	**9,617**	**9,617**

Analysis of total provisions	As at 31 December	
	2014	2013
Non-current	9,224	2,043
Current	393	142
	9,617	**2,185**

(a) Pension and other staff benefits

The following amounts have been recognized 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	7,981	2,078
Liability in the balance sheet	**7,981**	**2,078**

The amounts recognised in the income statement are as follows:

	Year ended 31 December	
	2014	2013
Current service cost	13	66
Interest expense	224	24
Past service cost	-	1,258
	237	**1,348**

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

Movements in the present value of defined benefit obligation are:

	Year ended 31 December	
	2014	2013
Present value of unfunded retirement obligations at beginning of the year	2,078	791
Current service cost	13	66
Interest expense	224	24
Past service cost	-	1,258
Paid	(260)	-
Actuarial losses/(gains)	959	(61)
Purchase of part of the business	4,967	-
Present value of unfunded retirement obligations at the end of the year	**7,981**	**2,078**

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

Average number of employees at 31 December 2014	1,271
Percentage of employees, who will terminate their employment with the Company prior to retirement (withdrawal rate)	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	150
Percentage of employees, who will terminate their employment with the Company prior to retirement (withdrawal rate)	4.21% p.a.
Expected salary increases short-term	3.5% p.a.
Expected salary increases long-term	3.3% p.a.
Discount rate	3,5% p.a.

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

	As at 31 December	
	2014	2013
Present value of unfunded obligations	1,636	107
Liability in the balance sheet	**1,636**	**107**

The amounts recognised in the income statement are as follows:

	Year ended 31 December	
	2014	2013
Current service cost	(127)	9
Interest expense	55	3
Total charge in the income statement included in staff costs	**(72)**	**12**

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

Movements in the present value of defined benefit obligation are:

	Year ended 31 December	
	2014	2013
Present value of the obligation at beginning of the year	107	96
Current service cost	(127)	9
Interest expense	55	3
Actuarial loss/(gain)	234	14
Paid	(225)	(15)
Purchase of part of the business	1,592	-
Present value of unfunded retirement obligations at the end of the year	**1,636**	**107**

	Year ended 31 December	
	2014	2013
Remeasurement component - actuarial (gain)/loss recognized in other comprehensive income		
- on post-employment benefits	959	(61)
- on other long-term benefits	234	14
Total	**1,193**	**(47)**

17. Revenues

Revenues include the following:

	Year ended 31 December	
	2014	2013
Distribution services:		
Sales of distribution services – industrial customers	215,815	399,672
Sales of distribution services - households	102,933	161,011
Sales of distribution services - others	-	8,268
Fee for system operation and system services – OKTE, a.s.*)	97,604	-
Revenues for reserved capacity	9,990	-
Other revenue:		
Revenues for connection fees	3,756	3,415
Other	2,846	918
	432,944	**573,284**

The Company as distribution grid owner and operator is obliged, based on Energy Act, to provide connection and distribution services to all participants of the Slovak energy market including energy traders, industrial customers and households. The Company operates under distribution licence issued national regulator and provision of its services is subject to regulation.

*) 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, a.s. 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)

18. Operating expenses

	Year ended 31 December	
	2014	2013
Depreciation and amortisation		
Depreciation (Note 5)	73,782	71,340
Amortisation (Note 6)	420	24
	74,202	**71,364**
Employee benefit costs		
Wages and salaries	23,781	4,197
Pension costs – defined contribution plans	3,535	1,819
Other social costs	8,208	1,175
	35,524	**7,191**
Operating expenses		
Repairs and operation of energetic devices	1,010	27,538
Customers services	9,200	10,757
Other repairs and maintenance	6,322	9,258
Administration of distribution equipment	10,146	8,255
Repairs of machinery and devices	428	7,995
IT services	8,454	3,590
Measuring of electricity consumption	1,006	3,109
Facility management	13,276	2,557
Finance services	2,899	1,320
Control and evaluation of losses, regulation	936	1,064
Rental costs	2,497	1,097
Advisory services	241	42
Other services	5,912	4,852
Bad debt expense (Note 10)	677	2,093
Audit fee	79	60
Other non-audit services	22	-
Other operating expenses	-	3,858
	63,105	**87,445**

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

19. Other operating income

	Year ended 31 December	
	2014	2013
Income from unauthorized consumption of electricity	787	2,567
Income from rental	1,118	1,167
Gain on disposal of fixed assets	82	376
Income from contractual penalties	103	270
Other	437	604
	2,527	**4,984**

20. Finance costs

	Year ended 31 December	
	2014	2013
Interests on loans from parent company (Note 7)	9,162	-
Other interests	291	59
	9,453	**59**

21. Income tax expense

In 2012 the applicable income tax rate was 22%. 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. In 2013 the Slovak tax legislation was enacted the income tax rate 22%, effective from 1 January 2014.

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	70,285	68,640
Theoretical income tax related to current period at 25.93% included Special levy on business in regulated industries 4.356 % (2013: 27.16%)	18,223	18,640
Income tax related to prior periods	257	14
Effect of change of the tax rate to 22% (2013: 22%)	-	(4,727)
Effect of other comprehensive income to deferred tax	262	(7)
Other tax non-deductible items net	(1,565)	(610)
Total recognized income tax expense	**17,177**	**13,310**
The tax expense for the period comprises:		
Current tax charge in respect of current period	18,075	19,762
Deferred tax credit (Note 15)	(3,915)	(9,319)
Special levy on business in regulated industries	2,760	2,853
Income tax related to prior periods	257	14
Total recognized income tax expense	**17,177**	**13,310**

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

22. Cash generated from operations

		Year ended 31 December	
	Note	2014	2013
Profit before tax		70,285	68,640
Adjustments for:			
Depreciation and amortisation	18	74,202	71,364
(Gain)/Loss on sale of property and equipment		11	(376)
Interest expense/(income), net		9,436	58
Net movements in provisions		(33)	1,279
Net movements in deferred revenues	13	3,124	8,743
		(800)	40
Changes in working capital:			
Trade and other receivables		55,964	(12,561)
Inventories		116	-
Liabilities / receivables from cash-pooling		1,383	(25,538)
Trade and other payables		(40,761)	25,178
Cash generated from operations		**172,927**	**136,827**

	Year ended 31 December	
	2014	2013
Net book amount of disposals (Note 5)	93	120
Gain/(Loss) on disposal of property, plant and equipment	(11)	376
Proceeds from disposals	**82**	**496**

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

23. 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 through to 2014 remain open to tax inspection.

24. Commitments

(i) Capital commitments

The contract liability of the Company to the 31 December 2014 to purchase of non-current assets is in amount of EUR 6,584 thousand (2013: EUR 48,628 thousand). All these contract liabilities are towards the parent company.

(ii) Operating lease commitments – the Company as lessee

The operating lease payments in year 2014 amounted to EUR 2,497 thousand (2013: EUR 1,097 thousand). These lease payments are recorded as expenses in the statement of comprehensive income on a straight-line basis over the lease term.

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

	Year ended 31 December	
	2014	2013
No later than one year	10	94
Later than one year and no later than five years	29	11
Later than five years	102	23
	141	**128**

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

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

25. Purchase of part of the business

The Company concluded on 13 December 2013 with its parent company Západoslovenská energetika, a.s. agreement on sale of part of the business related to „Services for electricity distribution division" of the parent company, which became effective on 1 January 2014. Core business activities of the Division were mainly electricity network construction, its maintenance and calibration of network elements for the Company.

The Company concluded on 13 December 2013 with its sister company ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.) agreement on sale of part of the business, which became effective on 1 January 2014. Core business activities of the company ZSE Energy Solutions, s.r.o. and subject of purchase were mainly construction and maintenance of electricity network and project services for the Company.

The transfer of employees involved in these activities was also part of both transactions. General Meeting of shareholders of the parent company Západoslovenská energetika, a.s. on its session held on 5 December 2013 approved the sale of its "Services for electricity distribution division" and the sale of part of the business of the subsidiary ZSE Energy Solutions, s.r.o. to the subsidiary Západoslovenská distribučná, a.s. The agreed purchase prices amounted to EUR 23,864 thousand and EUR 10,670 thousand and they were paid by the Company during the year 2014.

Recognized amounts of identifiable assets acquired and liabilities assumed as of 1 January 2014	
Property, plant and equipment (Note 5)	32,004
Intangible assets (Note 6)	3,333
Trade and other receivables	19,056
Inventories	1,277
	55,670
Trade and other payables	**(18,124)**
Pensions and other provisions for liabilities and charges (Note 16)	**(6,559)**
Total identifiable net assets	**30,987**

26. Related party transactions

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

(i) Parent company
- Západoslovenská energetika, a.s.

(ii) Entities under common control of the shareholders and E.ON SE Group
- ZSE Energia, a.s.
- ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.)
- ZSE Development, s.r.o.
- ZSE MVE, s.r.o. (till 14 August 2014: ZSE prenos, s.r.o.)

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

The Company routinely provides distribution services to the Slovak Government and its related entities as part of its normal business activities. The Company 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.

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

These financial statements disclose summarized significant operations with government bodies and entities:

	Year ended 31 December	
	2014	2013
Payment of dividends		
(i) Parent company		
Západoslovenská energetika, a.s. (Note 12)	48,630	41,823
	48,630	**41,823**

	Year ended 31 December	
	2014	2013
Sales		
(i) Parent company		
Západoslovenská energetika, a.s.	748	1,068
	748	1,068
(ii) Entities under common control of Parent company and E.ON SE Group		
ZSE Energia, a.s.	210,496	367,361
ZSE MVE, s.r.o. (till 14 August 2014: ZSE prenos, s.r.o.)	15	-
ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.)	67	310
	210,578	367,671
(iii) Government related entities		
Slovenské elektrárne, a.s.	8,439	-
SEPS, a.s.	725	432
OKTE, a.s.	97,604	-
Slovenský vodohospodársky podnik, š.p.	1	11
	106,769	443
Total	**318,095**	**369,182**

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

	Year ended 31 December	
	2014	2013
Purchases		
(i) Parent company		
Západoslovenská energetika, a.s. – interest (Notes 5,20)	9,235	-
Západoslovenská energetika, a.s.	47,136	148,108
	56,371	148,108
ii) Entities under common control of Parent company and E.ON SE Group		
Bioplyn Cetín, s.r.o.*	-	672
ZSE Energy Solutions, s.r.o. (do 13. augusta 2014: Enermont s.r.o.)	59	-
E.ON Risk Consulting, Mníchov	26	20
ZSE MVE, s.r.o. (do 14. augusta 2014 ZSE prenos, s.r.o.)	143	-
ZSE Energia, a.s.	43,343	72,039
	43,571	72,731
(iii) Government related entities		
SEPS, a.s.	69,747	167,529
SE, a.s.	4,474	3,242
Bratislavská teplárenská, a.s.	4,370	2,760
Železnice Slovenskej republiky, a.s.	16	23
Slovenský vodohospodársky podnik, š.p.	176	149
	78,783	173,703
(iv) Taxes		
Income tax (Note 21)	18,075	19,762
Property tax and motor vehicle tax	387	383
	18,462	20,145
Total	**197,187**	**414,687**

*under common control of Parent company till 31 December 2013

The Company purchases from the Parent company mainly supporting services and construction works. Supporting services and the construction work is provided by the Parent company based on service level agreements concluded for indefinite time period with cancellation notice of 3 months. The amount of services to be purchased by the Company under such arrangements in 2015 is expected to be on the same level as in year 2014, i.e. EUR 35.6 million.

The Company's purchases from ZSE Energia, a.s. are concluded based on the Frame distribution agreement. This agreement is concluded for indefinite time period. The expected amount of purchases in 2015 is assumed to be in amount of EUR 42 million.

There are no other sales and purchase 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) Parent company		
Západoslovenská energetika, a.s. – trade receivables	-	-
	-	-
(ii) Entities under common control of Parent company and E.ON SE Group		
ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.) (Note 7)	16	82
ZSE MVE, s.r.o. (till 14 August 2014: ZSE prenos, s.r.o.)	9	-
ZSE Energia, a.s. (Note 10)	9,712	25,287
	9,737	25,369
(iii) Government related entities		
Slovenské elektrárne, a.s.	408	1
SEPS, a.s.	69	6
Bratislavská teplárenská, a.s.	75	-
OKTE	3,212	-
	3,764	7
(iv) Taxes		
Income tax receivable	1,356	3,345
VAT receivable (Note 10)	-	263
	1,356	3,608
Total	**14,857**	**28,984**

	As at 31 December	
	2014	2013
Payables		
(i) Parent company		
Západoslovenská energetika, a.s. – cash pooling	1 356	-
Západoslovenská energetika, a.s. – borrowings received (Note 7)	630 000	-
Západoslovenská energetika, a.s. – trade payables	1 246	10 979
	632 602	10 979
(ii) Entities under common control of Parent company and E.ON SE Group		
Bioplyn Cetín, s.r.o.*	-	61
ZSE MVE, s.r.o. (till 14 August 2014: ZSE prenos, s.r.o.)	32	-
ZSE Energia, a.s.	2,121	8,949
	2,153	9,010
(iii) Government related entities		
Slovenské elektrárne,a.s.	1,092	2,743
Slovenský vodohospodársky podnik, a.s.	8	29
Bratislavská teplárenská, a.s.	-	768
SEPS, a.s.	6,630	15,772
	7,730	19,312
(iv) Taxes		
Income tax payable	-	-
VAT payable (Note 14)	2,999	-
	2,999	-
Total	**645,484**	**39,301**

*under common control of Parent company till 31 December 2013

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

Payables and receivables with the related parties are denominated in EUR.

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

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

	As at 31 December	
	2014	2013
Board of directors and other key management personnel		
Salaries and short-term employee benefits	317	322
Pension costs – defined contribution plans	40	59
Total	**357**	**381**
Supervisory board		
Salaries and short-term employee benefits	90	84
Pension costs – defined contribution plans	11	27
Total	**101**	**111**

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

27. Events after balance sheet date

Extraordinary General Meeting of shareholders of the Parent company on its session held on 12 December 2014 approved the sale of part of the business, branch, which core business activities are mainly coordination, inspection and administration of communication with customers using services of the company and addressing their requests to its subsidiary Západoslovenská distribučná, a.s. effective from 1 January 2015. The transfer of employees of the Team will be also part of this transaction. The completion date for the transaction is expected during the year 2015.

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

....
Ing. Andrej Juris
Chairman of the Board of Directors
Written record of members of entity´s statutory body

....
Ing. Marian Kapec
Member of the Board of Directors
Written record of members of entity´s statutory body

Contact information:
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