



Stredoslovenská
distribučná

VÝROČNÁ SPRÁVA
ANNUAL REPORT

2018

OBSAH

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PRÍHOVOR PREDSEDU PREDSTAVENSTVA A GENERÁLNEHO RIADITEĽA

Vážení zákazníci, obchodní partneri, akcionári a kolegovia, teší nás, že sa Vám môžeme opäť po roku prihovoriť prostredníctvom výročnej správy Stredoslovenskej distribučnej, a. s. Znamená to, že sme spoločne zvládli ďalšiu etapu v dlhoročnej existencii našej spoločnosti a máme možnosť pokračovať v napĺňaní jej poslania. V prvom rade je tým poslaním služba - kvalitná a bezpečná distribúcia elektrickej energie pre všetky odberné miesta na území stredného Slovenska, ktorých je už viac ako trištvrte milióna.

Počet našich zákazníkov je každý rok vyšší. Priamo úmerne k ich počtu pribúdajú aj naše povinnosti a zodpovednosť. Odberných miest nie je len čoraz viac, ale mení sa aj ich charakter. Ekonomická prosperita a technologický rozvoj sa dynamicky odzrkadľujú tiež na požiadavkách smerom k energetickej infraštruktúre. Vidíme to napríklad v postupnom prechode na obnoviteľné zdroje energie či náraste záujmu o elektromobily alebo energetickú nezávislosť. Na aktivity našej spoločnosti to má veľký vplyv nielen z hľadiska technológií, ale i legislatívy. V tomto smere je pred nami ešte veľa výziev. Máme však nádej, že tak, ako sme sa vedeli vysporiadať s doterajšími výzvami, postupne zvládneme aj tie budúce.

Ak chceme myslieť na budúcnosť v pozitívnom kontexte, musíme sa ňu zodpovedne pripravovať už teraz. Pri pohľade na množstvo a šírku spektra aktivít, ktorým sme sa za uplynulých 12 mesiacov venovali, sa nemusíme obávať. Podarilo sa nám dosiahnuť dobré výsledky vo viacerých smeroch a zrealizovali sme niekoľko významných projektov.

Jedným z dôležitých momentov bola zmena obchodného názvu a loga spoločnosti. Hoci išlo len o formálnu zmenu bez dopadu na jej činnosť, vzťahy a záväzky, bol to dôležitý krok. Reprezentuje najmä našu snahu jasne sa identifikovať v rámci energetickeho trhu ako jeho samostatná, ale nenahraditeľná súčasť so svojimi konkrétnymi úlohami a povinnosťami.

Z hľadiska rozvoja distribučnej siete nás teší úspešné dokončenie novej rozvodne v Novákoch, ale aj rozsiahla rekonštrukcia najstaršieho 100-kilovoltového vedenia na Slovensku medzi Kysuckým Novým Mestom a Čadcou. Okrem toho sme začali s výstavbou novej transformovne v Krásne nad Kysucou a s prípravami ďalšej veľkej rekonštrukcie 100-kilovoltového vedenia medzi Varínom a Sučanmi.

Vo vzťahu k zákazníkom sme tiež urobili niekoľko krokov k tomu, aby bola naša vzájomná komunikácia rýchlejšia, prehľadnejšia a efektívnejšia. Najmä sa snažíme vyjsť čo najskôr v ústrety každému žiadateľovi o nové pripojenie. Prispôbujeme tomu množstvo aktivít a hľadáme cesty, ako tento proces urýchliť. Žiaľ, niekedy na to nemáme všetky potrebné kompetencie. Preto pokračujeme v snahe zintenzívniť a skvalitniť komunikáciu s ostatnými subjektmi, ktoré na to priamo vplývajú.

Zákazníkom sa okrem toho snažíme ponúkať stále nové a kvalitnejšie služby najmä vzhľadom na čoraz väčší presun komunikácie do online prostredia. Preto sme začali s prípravou viacerých formálnych a obsahových zmien na internetovej stránke spoločnosti vrátane prípravy nových interaktívnych služieb.

Je toho naozaj veľa, v čom vidíme potenciál rozvoja a zlepšovania vzťahov. Chceme na tom pracovať zodpovedne ako doposiaľ. Veríme, že si v tomto smere budeme vzájomne nápomocní aj s Vami, našimi partnermi, zákazníkmi a kolegami.

S úctou

Ing. František Čupr, MBA
predseda predstavenstva

Mgr. Ing. Marek Štrpka
generálny riaditeľ

SPEECH OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

Dear customers, business partners, shareholders and colleagues,
We are pleased that we can address you again after a year through the Annual Report of Stredoslovenská distribučná, a. s. It means that we have together completed another stage in our company's long-term existence and have the opportunity to continue fulfilling its mission. Primarily, the mission is service - the high-quality and safe distribution of electricity for all supply points in the territory of Central Slovakia, of which there are more than three-quarters of a million.

The number of our customers is higher each year. Our duties and responsibilities are also increasing proportionally to their number. Not only is the number of supply points growing, but their nature is also changing. Economic prosperity and technological development are also dynamically reflected in the requirements towards energy infrastructure. We see this, for example, in the gradual transition to renewable energy sources or increased interest in electric vehicles or energy independence. The activities of our company have a great impact not only in terms of technology but also legislation. However, major challenges remain. We hope that, having been able to address challenges in the past, we will also be able to manage those in the future.

If we want to think about the future in a positive context, we must now prepare for it responsibly. We have nothing to worry about as we look back at the amount and range of activities we were doing over the past 12 months. We managed to achieve good results in several ways and implemented several major projects.

One important moment was the change of our business name and company logo. Although it was only a formal change that did not affect our activities, relationships or commitments, it was an important step. In particular, it represents our desire to be clearly identified in the energy market as a separate but irreplaceable part with specific roles and responsibilities.

In the context of distribution network development, we are pleased with the successful completion of a new substation in Nováky, as well as the extensive reconstruction of the oldest 100-kilovolt lines in Slovakia between Kysucké Nové Mesto and Čadca. In addition, we started to build a new transformer station in Krásno nad Kysucou and prepare further major reconstruction of the 100-kilovolt lines between Varín and Sučany.

In relation to our customers, we also took a few steps to make our mutual communication faster, more transparent and more efficient. In particular, we try to respond positively as soon as possible to any applicant for a new connection. We have adapted many activities and looked for ways to speed up this process. Unfortunately, sometimes we do not have all the necessary competences to do so. Therefore, we continue our efforts to intensify and improve communication with other entities that directly affect the outcome.

We also strive to offer our customers newer and better quality services, especially in view of the increasing transfer of communications into the online environment. That is why we have started to prepare a number of formal and content changes to the company's website, including the development of new interactive services.

There are very many aspects in which we see the potential of developing and improving relationships. We want to work on them as responsibly as before. We hope that we will also help you, our partners, customers and colleagues, in this regard.

Best regards,

Ing. František Čupr, MBA
Chairman of the Board of Directors

Mgr. Ing. Marek Štrpka
Chief Executive Officer



2

O spoločnosti



2

About the
Company

2.1 ZÁKLADNÉ ÚDAJE O SPOLOČNOSTI

Spoločnosť Stredoslovenská distribučná, a. s., (ďalej tiež „SSD, a. s.“ alebo „spoločnosť“) bola založená s obchodným menom Stredoslovenská energetika – Distribúcia, a. s., dňa 22. marca 2006. Do Obchodného registra Okresného súdu v Žiline bola zapísaná dňa 8. apríla 2006. Vznik bol iniciovaný povinnosťou spoločnosti Stredoslovenská energetika, a. s., zrealizovať právne oddelenie činností spojených s prevádzkovaním distribučnej sústavy, tzv. unbundling. Stredoslovenská distribučná, a. s., pôsobí v Žilinskom, v Banskobystrickom a v časti Trenčianskeho kraja, kde distribuuje elektrickú energiu pre takmer 755 000 odberných miest – zákazníkov, t. j. podnikateľov a domácností. Spoločnosť začala aktívnu činnosť 1. júla 2007, keď sa podľa § 25, odsek 1 zákona o energetike (unbundling) uskutočnilo oddelenie prevádzkovateľa distribučnej sústavy vkladom časti podniku – divízie 7000 Prevádzkovateľ distribučnej sústavy – do základného imania dcérskej spoločnosti Stredoslovenská energetika – Distribúcia, a. s. Dňa 1. marca 2018 Stredoslovenská energetika – Distribúcia, a. s., zmenila svoje obchodné meno na Stredoslovenská distribučná, a. s.

2.2 IDENTIFIKAČNÉ ÚDAJE

Obchodné meno:	Stredoslovenská distribučná, a. s.
Adresa:	Pri Rajčianke 2927/8, 010 47 Žilina
IČO:	36 442 151
DIČ:	2022187453
IČ DPH:	SK 2022187453
Bankové spojenie:	VÚB, a. s., Žilina
IBAN:	SK44 0200 0000 0021 4355 0551
BIC:	SUBASKBX

Akciová spoločnosť je zaregistrovaná v Obchodnom registri Okresného súdu Žilina, oddiel Sa, vložka číslo 10514/L, deň zápisu 8. apríl 2006.

e-mail:	prevadzkovatel@ssd.sk
webová stránka:	www.ssd.sk

2.1 BASIC INFORMATION ON THE COMPANY

Stredoslovenská distribučná, a. s., (hereinafter: “SSD, a. s.” or the “Company”) was founded with the business name Stredoslovenská energetika – Distribúcia, a. s., on 22 March 2006. It was entered in the Commercial Register of the District Court in Žilina on 8 April 2006. The incorporation was initiated by the obligation of Stredoslovenská energetika, a. s. to implement the legal separation of activities associated with the operation of the distribution system, the so-called unbundling. Stredoslovenská distribučná, a. s., operates in the Žilina, Banská Bystrica and part of the Trenčín Regions, where it distributes electricity to almost 755,000 supply points for customers, i.e. entrepreneurs and households. The Company started its activity on 1 July 2007, when according to Article 25, par. 1 of the Energy Act (unbundling), the Distribution system operator was divided by a contribution of part of the company (Division 7000 Distribution System Operator) to the registered capital of the subsidiary company Stredoslovenská energetika – Distribúcia, a. s. On 1 March 2018, Stredoslovenská energetika – Distribúcia, a. s. changed its business name to Stredoslovenská distribučná, a. s.

2.2 IDENTIFICATION DATA

Business name:	Stredoslovenská distribučná, a. s.
Address:	Pri Rajčianke 2927/8, 010 47 Žilina
Reg. No. (IČO):	36 442 151
Tax ID (DIČ):	2022187453
VAT ID (IČ DPH):	SK 2022187453
Bank details:	VÚB, a. s., Žilina
IBAN:	SK44 0200 0000 0021 4355 0551
BIC:	SUBASKBX

The joint-stock company is registered in the Commercial Register of the District Court of Žilina, Section Sa, Insertion no. 10514/L, incorporation date 8 April 2006.

E-mail:	prevadzkovatel@ssd.sk
Website:	www.ssd.sk

2.3 PREDMET ČINNOSTI

Stredoslovenská distribučná, a. s., podniká na základe licencií udelených podľa osobitných zákonov Slovenskej republiky v týchto hlavných činnostiach:

- distribúcia elektriny,
- montáž a opravy meracej a regulačnej techniky,
- projektovanie a konštruovanie elektrických zariadení,
- poradenská činnosť v energetike,
- inžinierske činnosti a súvisiace technické poradenstvo,
- prenájom energetických zariadení,
- uskutočňovanie stavieb a ich zmien,
- opravy, odborné prehliadky a odborné skúšky vyhradených elektrických technických zariadení v rozsahu S, O (OU, R, M) – E1-A,
- montáž určených meradiel.

Kľúčovým predmetom činnosti spoločnosti je distribúcia elektriny koncovým odberateľom, ktorá sa vo väčšine prípadov fakturuje prostredníctvom obchodníkov s elektrickou energiou formou tzv. zmluvy o združenej dodávke elektriny.

2.4 AKCIONÁRSKA ŠTRUKTÚRA

Jediným akcionárom spoločnosti Stredoslovenská distribučná, a. s., vlastniacim 100 % akcií, je Stredoslovenská energetika Holding, a. s., so sídlom Pri Rajčianke 8591/4B, 010 47 Žilina, IČO: 36 403 008, zapísaná v Obchodnom registri Okresného súdu Žilina, oddiel Sa, vložka číslo 10328/L, deň zápisu 1. január 2002.

2.3 BUSINESS PURPOSE

Stredoslovenská distribučná, a. s. pursues its business activities based on licences granted according to special laws of the Slovak Republic and carries out the following main activities:

- Distribution of electricity,
- Installation and repair of measuring and control technology,
- Design and construction of electrical equipment,
- Advisory activities in the energy sector,
- Engineering activities and related technical consultancy,
- Rental of energy equipment,
- Constructions and changes thereto,
- Repairs, expert inspections and technical examinations of electrical classified technical equipment in the scope of S, O (OU, R, M) – E1-A,
- Installation of determined metering devices.

The Company's core business is the distribution of electricity to end customers, which in most cases is invoiced through electricity traders in the form of the so-called Contract on composite electricity supply.

2.4 SHAREHOLDER STRUCTURE

The sole shareholder of Stredoslovenská distribučná, a. s., holding 100% of shares, is Stredoslovenská energetika Holding, a. s., with its registered office at Pri Rajčianke 8591/4B, 010 47 Žilina, Reg. No. (IČO): 36 403 008, registered in the Commercial Register of the District Court of Žilina, Section Sa, Insertion number 10328/L, incorporation date 1 January 2002.

2.5 VEDENIE SPOLOČNOSTI POČAS ROKA KONČIACEHO SA 31. DECEMBRA 2018

PREDSTAVENSTVO:

- Ing. František Čupr, MBA, predseda,
- Ing. Jozef Vido, podpredseda, do 13. decembra 2018
- Ing. Martin Kuna, podpredseda predstavenstva, od 14. decembra 2018
- Ing. Michal Janíček, člen,
- Ing. Roman Filipoiu, člen,
- Petr Kozojed, člen

DOZORNÁ RADA:

- Ing. Pavol Mertus, predseda,
- William Price, podpredseda,
- Ing. Marcela Kumštárová, členka,
- PaedDr. Jozef Bojčík, člen,
- Ing. Drahomír Múdry, člen,
- Ing. Vladimír Macášek, člen,
- Ing. Dušan Majer, člen zvolený zamestnancami,
- Ing. Igor Pištík, člen zvolený zamestnancami,
- Ing. Miroslav Martoník, člen zvolený zamestnancami

2.5 COMPANY MANAGEMENT DURING THE YEAR ENDED ON 31 DECEMBER 2018

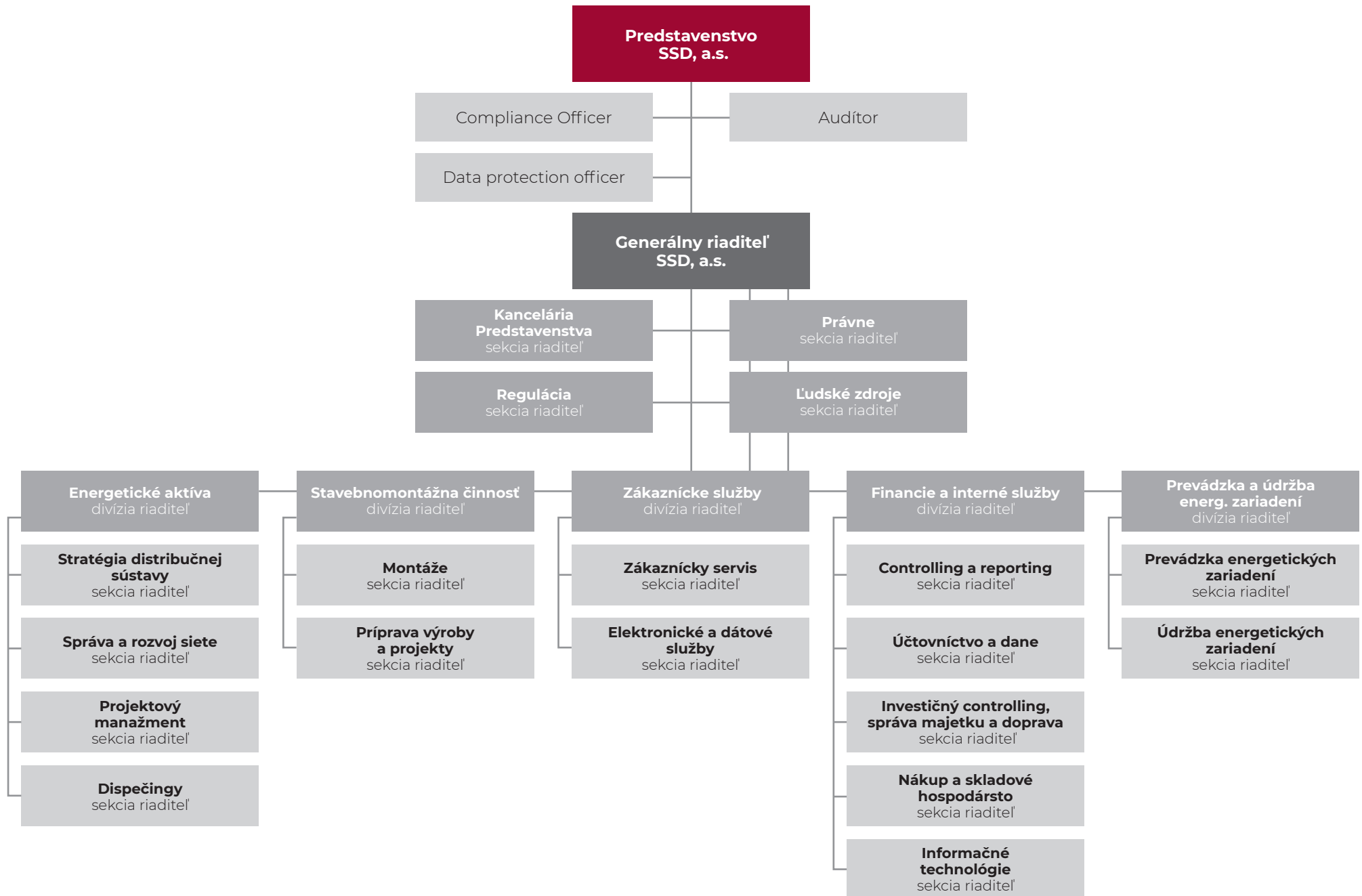
BOARD OF DIRECTORS:

- Ing. František Čupr, MBA, Chairman,
- Ing. Jozef Vido, Vice-Chairman, until 13 December 2018,
- Ing. Martin Kuna, Vice-Chairman of the Board, since 14 December 2018,
- Ing. Michal Janíček, Member,
- Ing. Roman Filipoiu, Member,
- Petr Kozojed, Member

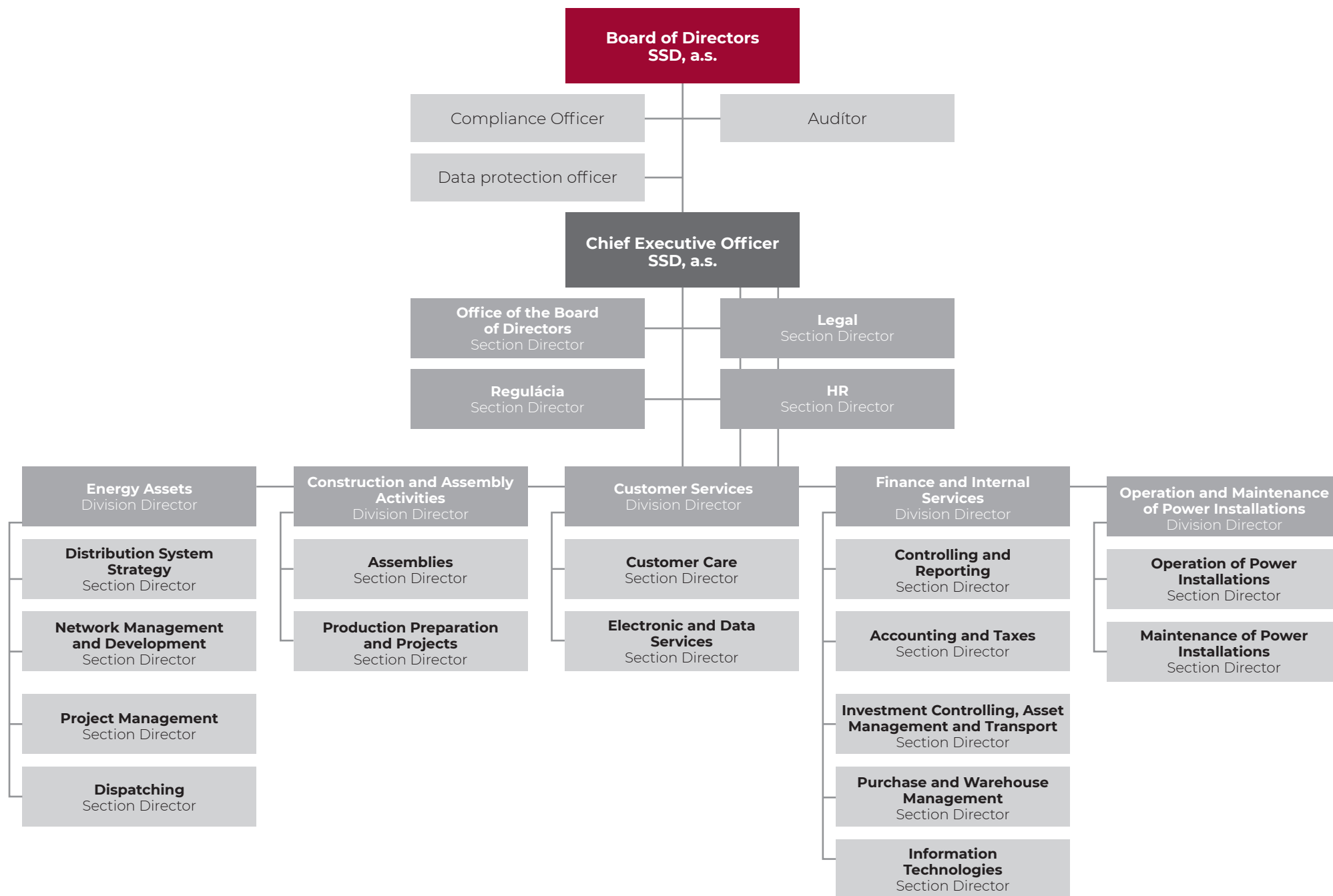
SUPERVISORY BOARD:

- Ing. Pavol Mertus, Chairman,
- William Price, Vice-Chairman,
- Ing. Marcela Kumštárová, Member,
- PaedDr. Jozef Bojčík, Member,
- Ing. Drahomír Múdry, Member,
- Ing. Vladimír Macášek, Member,
- Ing. Dušan Majer, Member elected by employees,
- Ing. Igor Pištík, Member elected by employees,
- Ing. Miroslav Martoník, Member elected by employees.

2.6 ORGANIZAČNÁ ŠTRUKTÚRA K 31. DECEMBRU 2018



2.6 ORGANIZATIONAL STRUCTURE AS AT 31 DECEMBER 2018





3

Aktivity
spoločnosti



3

Company
Activities

3.1 VÝZNAMNÉ UDALOSTI V ROKU 2018

REBRANDING

Počas prvých týždňov roka 2018 prebiehali v spoločnosti prípravy na zmenu jej názvu a loga. Takzvaný rebranding sa uskutočnil 1. marca, kedy začala Stredoslovenská energetika – Distribúcia, a. s., (SSE-D) vystupovať pod novým obchodným menom Stredoslovenská distribučná, a. s. (SSD). Výraznou zmenou prešlo aj logo spoločnosti. Okrem toho bolo nevyhnutné zmeniť aj internetovú doménu tak, aby korešpondovala s novým názvom. Oficiálna webová stránka sa presťahovala z adresy www.sse-d.sk na www.ssd.sk.

Všetky zmeny, ktoré prebehli, mali len formálny charakter. Podnikateľskú činnosť, obchodné vzťahy, záväzky ani štruktúru spoločnosti nijako neovplyvnili. Cieľom rebrandingu bolo zvýraznenie identity spoločnosti a jej jednoznačné odlíšenie od ostatných subjektov na energetickom trhu v rámci Slovenska.

SLUŽBY PRE ZÁKAZNÍKOV

Rok 2018 bol aj rokom interných projektov a poprojektových aktivít. Ich cieľom bola vyššia bezpečnosť a efektívnosť prevádzkovania distribučnej sústavy, ale aj bezpečnosť samotnej spoločnosti. Ďalšie projekty sa venovali oblasti dát, štruktúry, procesov, majetku či ekonomiky.

Intenzívne sme pracovali na lokalizácii distribučných zariadení a spresňovaní dát v geografickom informačnom systéme (GIS). Presnosť dát v tomto systéme je pre bezchybnú prevádzku distribučnej sústavy kľúčová. Pomáha nám pri lokalizácii a riešení porúch, vyhlasovaní plánovaných odstávok, ale aj pri celkovej komunikácii s koncovými odberateľmi a vlastníckymi nehnuteľnosťami, ktoré sú dotknuté distribučnou sústavou.

V priebehu roka bola vyhlásená aj ukončená súťaž pre systém elektronickej komunikácie so zákazníkmi. Vykonalí sme prípravy pre spustenie projektu na implementáciu.

Od 1. januára 2018 sme spustili nový proces pripájania nových odberných miest vo vzťahu k potrebám rozvoja distribučnej sústavy. Prístup k vyhodnoteniu lokality, kde budúci odberatelia prejavili záujem o pripojenie, prešiel významnou zmenou. Pre korektné vyhodnotenie lokalít vzhľadom na potenciál pripájania odberných miest je nevyhnutné, aby mali samosprávy svoje strednodobé a dlhodobé rozvojové plány a zástavbové štúdie.

Spoločnosti sa taktiež podarilo vo väčšej miere aktivovať výstavbu distribučnej sústavy cez developerské projekty. Takáto spolupráca šetrí významnou mierou čas aj finančné prostriedky, vďaka čomu je možné budovať viac a rýchlejšie.

Rok 2018 priniesol nové pravidlá v ochrane osobných údajov, takzvané GDPR. Veľmi výrazne sa to dotklo všetkých členských krajín Európskej únie. Naša spoločnosť nebola výnimkou.

Pre zákazníkov sme v závere roka spustili elektronický formulár pre nahlasovanie odpočtu elektromera. Má slúžiť hlavne pre staršie odberné miesta, ktoré nemajú elektromer dostatočne prístupný na vykonanie odpočtu našim zamestnancom alebo dodávateľom tejto služby. Nástroj má predchádzať nedorozumeniam pri vystavovaní fakturačných podkladov a následných reklamáciách. Aplikácia nenahrádza povinnosť SSD navštíviť odberné miesto, ale pomáha zjednodušiť komunikáciu a spoluprácu vo veciach, ktoré má SSD spoločné s koncovými odberateľmi.

Do života spoločnosti zasahovalo výraznou mierou aj pokračovanie súdnych sporov s výrobcami elektrickej energie o oprávnenosti účtovania poplatku za prístup do distribučnej sústavy, takzvaný G-komponent. V priebehu roka 2018 rozhodovali krajské sudy o odvolaniach SSD voči rozsudkom okresných súdov, ktoré boli v jej neprospech. Hoci krajské sudy potvrdili platnosť rozhodnutí okresných súdov, spoločnosť pokračovala ďalej v snahe obhájiť oprávnenosť účtovania G-komponentu. Vyústilo to do mimoriadneho dovolania na Najvyšší súd SR. Na konci roka 2018 nebola táto problematika ešte definitívne doriešená.

3.1 SIGNIFICANT EVENTS IN 2018

REBRANDING

During the first weeks of 2018, the Company was preparing to change its name and logo. The rebranding took place on 1 March when Stredoslovenská energetika – Distribúcia, a. s., (SSE-D) started to act under its new business name Stredoslovenská distribučná, a. s. (SSD). The Company logo has also undergone a significant change. Moreover, it was necessary to change the Internet domain to match the new name. The official website moved from www.sse-d.sk to www.ssd.sk.

All the changes that occurred were only of a formal nature. They did not in any way affect the business activity, business relations, liabilities or structure of the Company. The purpose of rebranding was to highlight the Company's identity and to clearly distinguish it from other entities in the energy market in Slovakia.

CUSTOMER SERVICES

The year 2018 was also the year of internal projects and post-project activities. Their aim was to increase the security and efficiency of the distribution system operation, but also the security of the Company itself. Other projects addressed the field of data, structure, processes, assets or economy.

We worked intensively on locating distribution devices and refining data in the Geographic Information System (GIS). The accuracy of the data in this system is essential for correct operation of the distribution system. It helps us locate faults and troubleshooting, announcing planned outages, but also in communicating with end customers and property owners affected by the distribution system.

In the course of the year, a contest for electronic communication with customers was also announced and concluded. We made preparations for the launch of an implementation project.

On 1 January 2018, we launched a new process of connecting new supply points in relation to the needs of the distribution system development. The approach to evaluating a location, where future subscribers expressed an interest in joining, was subject to significant change. For a correct assessment of locations in regards to the connectivity potential of supply points it is necessary for local authorities to have their medium-term and long-term development plans and construction studies in place.

The Company also managed to activate the construction of the distribution system more widely through development projects. Such cooperation significantly saves time and money, making it possible to develop more projects and faster.

The year 2018 brought new rules for personal data protection, namely the GDPR. This greatly affected all EU Member States. Our company was no exception.

At the end of the year, we launched an electronic form for reporting the electricity meter reading for customers. It is intended mainly for older supply points, which do not have an electricity meter sufficiently accessible for reading by our employee or service supplier. The tool is designed to prevent misunderstanding when issuing billing documents and subsequent claims. The application does not replace the SSD's obligation to visit the supply point, but it helps to simplify communication and cooperation in matters that SSD has in common with the end customers.

The Company's life was also significantly affected by the ongoing lawsuits with electricity producers on the eligibility of charging fees for access to the distribution system, the so-called G-komponent. In 2018, the regional courts decided on SSD's appeals against the judgments of the district courts that were to the detriment of SSD. Although the regional courts confirmed the validity of the district court decisions, the Company continued to defend the eligibility of billing the G-komponent. This resulted in an extraordinary appeal to the Supreme Court of the SR. At the end of 2018, this issue has not yet been resolved.

ŠTART Z TMY

Prevádzkovateľ elektrickej prenosovej sústavy inicioval skúšku „Štart z tmy“. Išlo o dvojetrovú test schopnosti reagovať na „tmu“ – teda rozsiahly výpadok elektrickej energie. Vykonal sa na trase medzi Vodnou elektrárnou Nosice a Elektrárnou Nováky prostredníctvom zariadení distribučnej sústavy, konkrétne 100 kV vedení.

Poznatky získané pri tomto cvičení majú slúžiť dispečerom prenosovej sústavy, ale aj dispečerom distribučnej siete a ostatným dotknutým subjektom z oblasti výroby elektriny či priemyslu náročného na jej spotrebu. Odkúšanie postupu umožnilo lepšie pripraviť dispečerov na reálny stav, prípravu školení či úpravu tréningových simulátorov. Ďalej na úpravu a doplnenie miestnych prevádzkových predpisov, prevádzkových inštrukcií a na preverenie náhradného satelitného spojenia. Skúška „Štartu z tmy“ nadväzovala na predchádzajúce úspešné skúšky vykonané v rokoch 2014 až 2016.

EXTERNÁ KOMUNIKÁCIA

V spolupráci s regionálnymi aj celoštátnymi médiami komunikovala spoločnosť viaceré dôležité témy. Boli medzi nimi napríklad práva energetikov vstupovať na súkromné pozemky alebo povinnosti majiteľov pozemkov dodržiavať ochranné pásma elektrických vedení v súvislosti s výrubmi a orezávaním drevín. Vďaka médiám sa verejnosť dozvedela aj o kľúčových investíciách spoločnosti. Pravidelnou súčasťou externej komunikácie sa stalo informovanie odberateľov o väčších plánovaných odstávkach prostredníctvom regionálnych médií. Najintenzívnejšia komunikácia s externým prostredím prebiehala vždy počas mimoriadnych situácií, kedy boli bez elektrickej energie v dôsledku kalamity tisíce odberných miest.

K zvyšovaniu kvality vzťahov s externým prostredím prispeli stretnutia so zástupcami médií. Vďaka nim sa novinári lepšie oboznámili s činnosťami distribučnej spoločnosti a dokážu ľahšie oddeliť jej kompetencie od iných spoločností z oblasti energetiky.

Súčasťou externej komunikácie sú aj pravidelné stretnutia so zástupcami samospráv. Pri tejto príležitosti dostávajú primátori a starostovia z vopred vybraného regiónu informácie o zrealizovaných a plánovaných investíciách v ich okolí. Je to priestor aj pre vzájomnú diskusiu a riešenie požiadaviek.

V priebehu roka sme zorganizovali pracovné stretnutie s našimi najdôležitejšími obchodnými partnermi – dodávateľmi elektriny, ktorí majú s koncovými odberateľmi uzatvorené združené zmluvy o dodávke elektriny. Cez tieto zmluvy sú predĺženou rukou SSD a vo vzťahu k odberateľom zastrešujú komunikáciu, informácie a fakturáciu aj za našu spoločnosť.

V druhej polovici roka sa začali v spoločnosti prípravy redizajnu oficiálnej internetovej stránky www.ssd.sk. Spustenie novej verzie stránky je naplánované v roku 2019. Nový dizajn by mal byť pre návštevníkov atraktívnejší a štruktúra jednoduchšia a zrozumiteľnejšia.

START FROM THE DARK

The electricity transmission system operator initiated a "Start from the Dark" test. It was a two-step test of the ability to respond to "darkness", i.e. a large electric power outage. It was carried out on the route between Nosice Water Power Station and Nováky Power Plant via the distribution system equipment, namely 100 kV lines.

The lessons learnt from this test should serve the transmission system dispatchers, the distribution network dispatchers and other stakeholders in the field of electricity production or energy-intensive sectors. Testing of the procedure made it possible to better prepare dispatchers for a real outage, prepare training or modify training simulators, and to modify and supplement local operating regulations, operating instructions and to test the substitute satellite connection. The "Start from the Dark" test followed previous successful tests carried out in 2014 - 2016.

EXTERNAL COMMUNICATION

In cooperation with regional and national media, the Company communicated several important topics. These included, for example, the rights of energy operators to enter private land or the obligations of landowners to respect the protective zones of power lines in connection with wood species felling and cutting. Thanks to the media, the public also became aware of the Company's key investments. Informing customers about larger planned outages through regional media has become a regular part of external communication. The most intensive communication with the external environment was always during emergency situations where thousands of supply points were without electricity due to disasters.

Meetings with media representatives contributed to improving the quality of external relations. Thanks to them, journalists were better informed of the activities of the distribution company and could more easily separate their competencies from other energy companies.

Regular meetings with local government representatives are also part of external communication. On this occasion, mayors from a pre-selected region receive information about implemented and planned investments in their surroundings. It is also an opportunity for mutual discussion and addressing requirements.

During the year, we organized a working meeting with our most important business partners - electricity suppliers, who have Contracts on composite electricity supply with end customers. Through these Contracts, they are the extended arm of the SSD, providing customers with communication, information and billing also on behalf of our Company.

In the second half of the year, the Company started to prepare the redesign of the official website www.ssd.sk. The launch of a new version of the website is planned in 2019. The new design should be more attractive to visitors and the structure should be simpler and easier to understand.

3.2 INVESTIČNÉ PLÁNOVANIE, HLAVNÉ INVESTÍCIE V ROKU 2018

Našími stálymi cieľmi sú posilňovanie kritických miest sústavy, jej fyzická obnova, dodržiavanie štandardov kvality, znižovanie strát pri distribúcii elektrickej energie a pripájanie nových odberných miest. Investičná činnosť reflektuje aktuálne potreby rozvoja a kvality distribučnej sústavy, predchádzajúci vývoj, ale aj legislatívne požiadavky na jej prevádzkovateľa. V našej spoločnosti si uvedomujeme, že kvalita distribúcie a bezporuchová prevádzka sú pre zákazníkov veľmi dôležité. Plánované činnosti a investície sú preto zamerané na dosahovanie očakávanej kvality služieb. Vynakladáme maximálne úsilie, aby sme čo najlepšie plnili očakávania zákazníkov.

V súvislosti s poslaním našej spoločnosti je investičný proces rozdelený na tri základné kapitoly:

- nové pripojenia,
- kvalita a zvyšovanie prenosovej kapacity vedení,
- ostatné investície spojené s distribučnou činnosťou.

Štruktúra investičných výdavkov v roku 2018 podľa jednotlivých kapitol:

Nové pripojenia	7,82 mil. eur
Kvalita a zvyšovanie prenosovej kapacity vedení	26,94 mil. eur
Ostatné investície spojené s distribučnou činnosťou (rozvoj, IT, meracie súpravy a ďalšie)	12,99 mil. eur

NOVÉ PRIPOJENIA

V rámci tejto investičnej kapitoly sme riešili rozvojové akcie výstavby distribučnej sústavy z dôvodu potreby pripojenia väčších odberných miest na napäťovej úrovni vysokého napätia (VN). Patria sem napríklad priemyselné parky, polyfunkčné objekty a obchodné priestory. Na úrovni nízkeho napätia (NN) sme investovali do budovania pripojení nových odberných miest typu rodinné domy, bytové výstavby, menšie podnikateľské objekty a objekty občianskej vybavenosti. V roku 2018 sme ukončili na úrovni VN a NN 182 stavieb a preinvestovali 7,82 mil. eur.

KVALITA A ZVYŠOVANIE PRENOSOVEJ KAPACITY ZARIADENÍ

Z hľadiska investičnej výstavby v oblasti kvality a zvyšovania prenosovej kapacity zariadení sme v roku 2018 zrealizovali 179 stavieb na napäťovej úrovni VN/NN a 24 stavieb na napäťovej úrovni veľmi vysokého napätia (VVN) v sumárnom ročnom investičnom náklade 26,94 mil. eur. Účelom týchto investícií je zabezpečiť spoľahlivosť a plynulosť distribúcie elektriny a z toho vyplývajúcu spokojnosť zákazníkov.

Pretrvávajúcimi prioritami tejto výstavby boli dodržiavanie kvalitatívnych parametrov, odstraňovanie nepriaznivého fyzického stavu spôsobeného vonkajšími vplyvmi a životnosťou zariadení, znižovanie poruchovosti, modernizácia zariadení, nasadzovanie prvkov diaľkového monitoringu a ovládania, ale aj zlepšovanie možností distribúcie elektrickej energie. Tie prispievajú k zníženiu parametrov SAIDIP, t. j. plánovaného času bezprúdia v klientomínútach, a SAIFIP, čiže plánovanej početnosti bezprúdia v klientovýpadkoch.

3.2 INVESTMENT PLANNING, KEY INVESTMENTS IN 2018

Our permanent goals are to strengthen the critical points of the grid, to restore the system in terms of its physical condition, to comply with quality standards, to reduce electricity distribution losses, and to connect new supply points. The investment activity reflects the current needs for the development and quality of the distribution system, the previous development as well as the legislative requirements for the distribution system operator. The quality of distribution and the trouble-free operation of the distribution system are very important to our customers, which our company is aware of. The planned activities and investments are therefore targeted at achieving the expected quality of services. We make every effort to best meet the expectations of customers.

In connection with the Company's mission, the investment process is divided into three basic sections:

- New connections,
- Quality and increase of transmission capacity of lines,
- Other investments linked to the distribution activity.

Structure of investment expenditures in 2018 by individual sections:

New connections	EUR 7.82 mil.
Quality and increase of transmission capacity of lines	EUR 26.94 mil.
Other investments associated with the distribution activity (development, IT, measuring sets, and others)	EUR 12.99 mil.

NEW CONNECTIONS

In terms of this investment section, we have dealt with the development actions of the distribution system construction because of the need to connect larger supply points to the high voltage (HV) level. It includes, for instance, industrial parks, multifunctional buildings and retail spaces. On the low-voltage (LV) level, we invested in the construction of new supply points for family houses, housing developments, smaller business premises, and public amenities. In 2018 we completed 182 constructions at the HV and LV level, and invested EUR 7.82 mil..

QUALITY AND INCREASE OF THE TRANSMISSION CAPACITY OF FACILITIES

From the point of view of investment construction, in the area of quality and increase in transmission capacity of the facilities, we implemented 179 constructions at the HV/LV voltage level, and 24 constructions at the very high voltage level (VHV) at a total annual investment cost of EUR 26.94 mil. in 2018. The purpose of these investments is to ensure the reliability and fluency of the distribution of electricity and the resulting customer satisfaction.

The continuing priorities of this construction were to keep the quality parameters, eliminate the adverse physical condition due to external influences and equipment lifetime, reduce failure rate, modernize equipment, deploy remote monitoring and control functions, and improve the possibilities of electricity distribution. These actions contribute to reducing the SAIDIP parameters, i.e. the planned period of dead intervals in client/minutes, and SAIFIP, i.e. the planned frequency of dead intervals in client/blackouts.

Hodnoty základných ukazovateľov SAIDIP a SAIFIP dosiahnuté v predchádzajúcom období:

Rok	SAIDIP	SAIFIP
2011	146	0,47
2012	81	0,36
2013	85	0,35
2014	89	0,35
2015	118	0,46
2016	179	0,60
2017	140	0,49
2018	190	0,60

V prípade neplánovaných prerušení dodávky elektriny spôsobených najmä poruchami, či už z dôvodu nepriaznivého počasia alebo z technických dôvodov, je prioritou obnova dodávky po prerušení v čo najkratšom čase a v súlade s termínmi definovanými vyhláškou Úradu pre reguláciu sieťových odvetví č. 236/2016, ktorou sa ustanovujú štandardy kvality prenosu elektriny, distribúcie elektriny a dodávky elektriny.

V tomto smere sme dosiahli tieto parametre:

Rok	SAIDIU	SAIFIU
2011	105	2,36
2012	86	1,72
2013	83	1,81
2014	77	1,62
2015	88	1,89
2016	86	2,19
2017	91	1,97
2018	96	2,08

Z dôvodu extrémnych poveternostných podmienok, najmä silného vetra, dažďa a sneženia došlo v priebehu roka k šiestim kalamitám s významným prerušením distribúcie elektriny. Naše distribučné územie najviac postihli kalamity v júni, júli a v októbri. Postihli predovšetkým hornaté regióny Kysúc, Oravy, Liptova a Horehronia, no výpadky sa objavovali aj v iných častiach stredného Slovenska. Najmä vyvrátenie stromov a ich pád na elektroenergetické zariadenia mali za následok potrhane vodiče, poohýbané konzoly, polámané podperné body i polámané izolátory, čo spôsobilo prerušenia distribúcie. Postihnuté boli nielen vedenia, ale aj stanice VN a NN. Na odstraňovaní následkov porúch pracovali naši zamestnanci často vo veľmi ťažko prístupnom teréne a v náročných prírodných podmienkach. Ich cieľom je vždy obnoviť dodávku elektriny odberateľom v čo najkratšom čase.

The values of the basic SAIDIP and SAIFIP indicators achieved in the previous period:

Year	SAIDIP	SAIFIP
2011	146	0.47
2012	81	0.36
2013	85	0.35
2014	89	0.35
2015	118	0.46
2016	179	0.60
2017	140	0.49
2018	190	0.60

In the event of unplanned interruptions in the electricity supply, caused in particular by failures (whether due to adverse weather or technical reasons), the priority is to restore the supply after interruption in the shortest possible time and in accordance with the terms defined by the Decree of the Regulatory Office for Network Industries No. 236/2016, which regulates the quality standards of transmission, distribution and supply of electricity.

In this context, we achieved the following parameters:

Year	SAIDIU	SAIFIU
2011	105	2.36
2012	86	1.72
2013	83	1.81
2014	77	1.62
2015	88	1.89
2016	86	2.19
2017	91	1.97
2018	96	2.08

During the year, six disasters occurred due to extreme weather conditions, mainly strong windstorms, rain and snowfall, resulting in significant interruption of the electricity distribution. Our distribution region was mainly affected by disasters in June, July and October. They affected mainly the mountainous regions of Kysuce, Orava, Liptov and Horehronie, but outages occurred also in other parts of central Slovakia. Particularly, the rooting out of trees and their collapse on electric power equipment resulted in torn wires, bent brackets, broken support points and broken insulators, causing the interruption of distribution. Not only were the lines affected, but the HV and LV stations were as well. To eliminate the consequences, our employees often worked in very difficult-to-access terrain and demanding conditions. Their aim was always to restore the supply of electricity to customers in the shortest possible time.

3.3 HLAVNÉ AKTIVITY A INVESTÍCIE Z HĽADISKA ROZVOJA DISTRIBUČNEJ SÚSTAVY

Pre zabezpečenie rozvoja a bezpečnej stability distribučnej sústavy sme v roku 2018 realizovali a pre ďalšie obdobie pripravili významné projekty na úrovni distribučnej sústavy VVN.

NOSNÉ PROJEKTY ROKU 2018:

- ukončenie realizácie výstavby novej transformovne 110/22 kV Nováky, ktorá zaistí bezpečné a spoľahlivé zásobovanie našich odberateľov s ohľadom na potreby spoločnosti Slovenské elektrárne, a. s., v závodoch Elektrárne Nováky (vyvedenie výkonu a napájanie vlastnej spotreby) a spoločnosti Fortischem, a. s., Nováky (napájanie z prenosovej sústavy);
- celková rekonštrukcia 2 x 110 kV vedení č. 7855/603 z Kysuckého Nového Mesta do Čadce v dĺžke 19 km. Rekonštrukcia pozostávala z výstavby nového vedenia v pôvodnej trase zdemontovaného 110 kV vedenia. Išlo o prvé vedenie tejto napäťovej úrovne vybudované na území Slovenska. Táto investícia bola pre SSD jednou z najvýznamnejších v horizonte posledných rokov;
- ukončenie prvej etapy výmeny prístrojových transformátorov VVN v počte 111 ks. Tieto stavby prebiehajú v koordinácii viacerých zložiek našej spoločnosti tak, aby boli vymenené prístrojové transformátory v najkritickejších bodoch v čo najkratšom možnom čase pre zachovanie bezpečnosti distribúcie elektrickej energie;
- v mesiacoch apríl až október prebehla rekonštrukcia VVN vedení medzi transformovňou v Žiari nad Hronom a transformovňou v Lieskovci v dĺžke 33,5 km. Rekonštrukcia pozostávala z čiastočnej úpravy stožiarov, preizolácie elektryckých vedení a úplnej výmeny vodičov na vedeniach;
- v júni 2018 začala výstavba novej transformovne 110/22 kV v Krásne nad Kysucou. Bude slúžiť na zabezpečenie stabilného zásobovania elektrickou energiou v okrese Čadca. Najväčším prínosom bude pokrytie požiadaviek na nové odbery elektriny v Krásne nad Kysucou, kde vzniká priemyselný park;
- od septembra do decembra prebehla prvá etapa rekonštrukcie VVN vedení medzi uzlovými elektrickými stanicami Varín a Sučany v dĺžke 5,6 km. Práce pozostávali z opravy stožiarov a výmeny vodičov po preizolácii;
- štúdia realizovateľnosti výstavby novej transformovne 400/110 kV v Považskej Bystrici, resp. v lokalite Ladce v súvislosti s postupným útlmom napäťovej hladiny 220 kV;
- príprava aplikácie nariadení Európskej komisie týkajúcich sa požiadaviek na generátory elektriny (Requirements for Generators – RfG) z pohľadu prístupu a pripojenia do distribučnej sústavy;
- príprava investičných akcií pre komplexné rekonštrukcie transformovní Vlkanová, Bánoš, Rajčianka;
- rekonštrukcie riadiaceho informačného systému (RIS) v transformovniach Prievdza, Hričov a Kysucké Nové Mesto.

3.3 MAIN ACTIVITIES AND INVESTMENTS IN TERMS OF THE DEVELOPMENT OF THE DISTRIBUTION SYSTEM

To ensure the development and safe stability of the distribution system, we implemented and prepared significant projects for the next period at the VHV level of the distribution system in 2018.

FLAGSHIP PROJECTS 2018:

- Completion of the construction of a new 110/22 kV transformer substation in Nováky, which will ensure safe and reliable supply for our customers with respect to the needs of Slovenské elektrárne, a. s., in the Nováky Power Plant (exported output and connection of own consumption) and the company Fortischem, a. s., Nováky (power supply from the transmission system);
- Total reconstruction of 2 x 110 kV lines no. 7855/603 from Kysucké Nové Mesto to Čadca in the length of 19 km. The reconstruction consisted of the construction of new lines on the original route of dismantled 110 kV lines. They were the first lines of this voltage level built in Slovakia. This investment has been one of the most significant investments for SSD in recent years;
- Completion of the first stage of the replacement of 111 VHV instrument transformers (IT). This type of construction is organized in coordination with several units of our Company so that instrument transformers are replaced at the most critical points in the shortest possible time to maintain the safe distribution of electricity;
- Between April and October, there was the reconstruction of the VHV lines between the transformer substation in Žiar nad Hronom and the transformer substation Lieskovec in the length of 33.5 km. The reconstruction consisted of the partial modification of the poles, the new insulation of electrical power lines, and the complete replacement of wires on the lines;
- In June 2018, the construction of a new 110/22 kV transformer substation in Krásno nad Kysucou started. It will serve to secure a stable electricity supply in the district of Čadca. The greatest benefit will be the coverage of requirements for new supply of electricity in Krásno nad Kysucou, where an industrial park is developed;
- Between September and December, there was the first phase of the reconstruction of the VHV lines between the nodal electric stations in Varín and Sučany in the length of 5.6 km. The work consisted of repairing poles and replacing wires after placing new insulation;
- Feasibility study for the construction of a new 400/110 kV transformer substation in Považská Bystrica or at the Ladce site with respect to gradual attenuation of the 220 kV voltage level;
- Preparing the application of the European Commission's regulations concerning the Requirements for Generators (RfG) from the point of view of access and connection to the distribution system;
- Preparation of investment actions for comprehensive reconstruction of the Vlkánová, Bánoš, and Rajčianka transformer substations;
- Reconstruction projects of the Management Information System (MIS) in the Prievidza, Hričov, and Kysucké Nové Mesto transformer substations.

3.4 TECHNICKÉ PARAMETRE DISTRIBUČNEJ SÚSTAVY

Technické parametre našej distribučnej sústavy v roku 2018:

TECHNICKÉ PARAMETRE DISTRIBUČNEJ SÚSTAVY	
Celková dĺžka distribučnej sústavy v km	34 816
VVN	2 529
VN	10 894
NN	21 393
Počet transformovní, rozvodní, trafostaníc	9 207
Rozvodne VVN v staniciach PS/VVN	6
Transformovne VVN/VN	56
Transformačné a spínacie stanice VN/VN	70
Distribučné trafostanice VN/NN	9 075

3.5 OCHRANA ŽIVOTNÉHO PROSTREDIA A BOZP

SYSTÉM MANAŽÉRSTVA BEZPEČNOSTI A OCHRANY ZDRAVIA PRI PRÁCI

Zaistenie bezpečnosti a ochrany zdravia pri práci zamestnancov, dodávateľov, odberateľov a verejnosti pokladáme za prioritnú podmienku svojho podnikateľského zámeru.

V roku 2018 sme úspešne absolvovali dozorný audit systému manažérstva bezpečnosti a ochrany zdravia pri práci (OHSAS 18001), v rámci ktorého boli preskúmané kľúčové oblasti a bola posúdená zhoda s príslušnou normou. Taktiež sme sa aktívne zapojili do celoeurópskej kampane „Zdravé pracoviská – Týždeň bezpečnosti a ochrany zdravia pri práci – Zdravé pracoviská kontrolujú nebezpečné chemické látky“ organizovanej Európskou agentúrou pre bezpečnosť a ochranu zdravia pri práci.

ENVIRONMENTÁLNY MANAŽÉRSKY SYSTÉM

V roku 2018 sme úspešne absolvovali dozorný audit systému environmentálneho manažérstva podľa normy ISO 14001:2015. Výsledkom auditu je certifikačným orgánom preukázaná zhoda s normou.

3.4 TECHNICAL PARAMETERS OF THE DISTRIBUTION SYSTEM

Technical parameters of our distribution system in the year 2018:

TECHNICAL PARAMETERS OF THE DISTRIBUTION SYSTEM	
Total length of the distribution system in km	34,816
Very high-voltage VHV	2,529
High-voltage HV	10,894
Low-voltage LV	21,393
Number of transformer substations, substations, transformer stations	9,207
VHV Substations in stations TS/VHV	6
Transformer substations VHV/HV	56
Transformation and switching stations HV/HV	70
Distribution transformer stations HV/LV	9,075

3.5 ENVIRONMENTAL PROTECTION AND THE AREA OF OHS

SAFETY MANAGEMENT SYSTEM AND OHS

Providing for the safety and health protection of our employees, suppliers, customers and the public has top priority in our business plan. In 2018 we successfully passed the Occupational Safety and Health Management System (OHSAS 18001) supervisory audit, where key areas were reviewed and compliance with the relevant standard was assessed. We were actively involved in the European Union wide campaign "Healthy workplaces – Week of Safety and Health at Work – Healthy Workplaces Control Hazardous Chemical Substances" organized by the European Agency for Safety and Health at Work.

ENVIRONMENTAL MANAGEMENT SYSTEM

In 2018 we successfully passed an environmental management system audit under ISO 14001:2015. The audit results in compliance with the standard confirmed by the certification body.

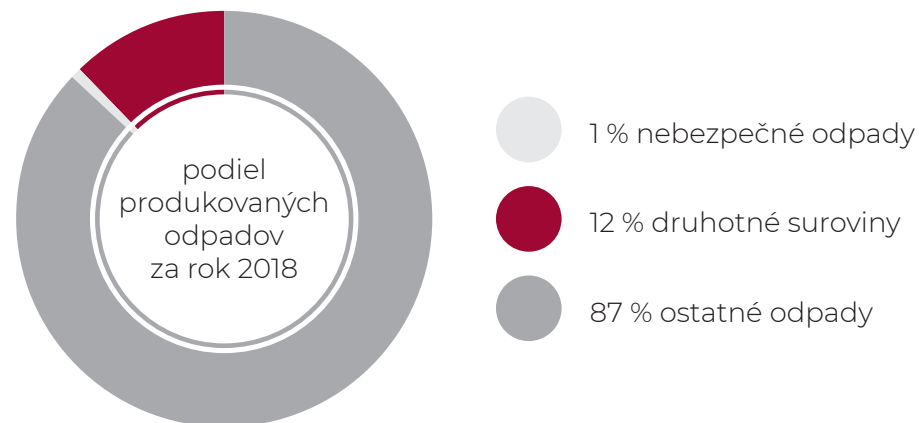
OCHRANA PRÍRODY A BIODIVERZITA

Všeobecnú ochranu biodiverzity a trvalo udržateľného rozvoja zabezpečujeme používaním technických prvkov, ktoré zamedzujú úhynom vtáctva na elektrických vedeniach. Naše záväzky v oblasti ochrany prírody a krajiny súvisia s ochranou voľne žijúcich dravých vtákov v regióne stredného Slovenska. V spolupráci s regionálnymi zložkami Štátnej ochrany prírody SR sme vykonali prekládky bocianích hniezd z podperných bodov elektrických vedení, ktoré spolu s dravcami predstavujú najohrozenejšiu skupinu vtáctva pri úrazoch na elektrických vedeniach.

Vykonalí sme montáž hniezdnych podložiek v exponovaných lokalitách. Na vytýpované rizikové podperné body VN a VVN vedení sme nainštalovali 498 ks konzolových chráničiek a odkloňovačov letu. Pri komplexných rekonštrukciách sme vymenili 293 podperných bodov s environmentálne vhodnejšou konzolou Antibird, ktorá je konštrukčne zhotovená tak, aby zabráňovala úhynom na sieti. Naše aktivity stále smerujú k bezpečnej prevádzke distribučnej siete a zároveň k zníženiu potenciálnych úhynov chránených druhov vtáctva.

ODPADOVÉ HOSPODÁRSTVO

Zneškodňovanie a zhodnocovanie vyprodukovaných nebezpečných a ostatných odpadov vykonávame prostredníctvom zmluvných oprávnených spoločností. Odpady vznikli pri prevádzke a údržbe elektrických sietí, distribučných zariadení, pri stavbách a rekonštrukciách. V zmysle hierarchie odpadového hospodárstva dôsledne uprednostňujeme zhodnocovanie odpadov pred ich zneškodnením. Významne sme znížili podiel vyprodukovaných nebezpečných odpadov. Využívame dostupné zariadenia na recykláciu inertných stavebných odpadov, napríklad betónových stĺpov a pätiiek. Recyklované odpady sú železné a neželezné kovy, káble, vyradené zariadenia vrátane elektromerov, batérií, olejov.



OCHRANA POVRCHOVÝCH A PODZEMNÝCH VÔD

V roku 2018 sme vykonali lokálne sanácie a hydrogeologické prieskumy v siedmich objektoch pod dohľadom Slovenskej inšpekcie životného prostredia (SIŽP). Výsledkom všetkých sanačných prác bolo uvedenie územia do pôvodného stavu na základe protokolu SIŽP o vykonaní a ukončení sanácií a hydrogeologických prieskumov.

Na elektrických staniciach sme monitorovali znečistenie podzemných vôd v podzemných vrtoch. Odbery podzemnej vody a následné analýzy ropných látok v podzemných vodách znečistenie nepreukázali.

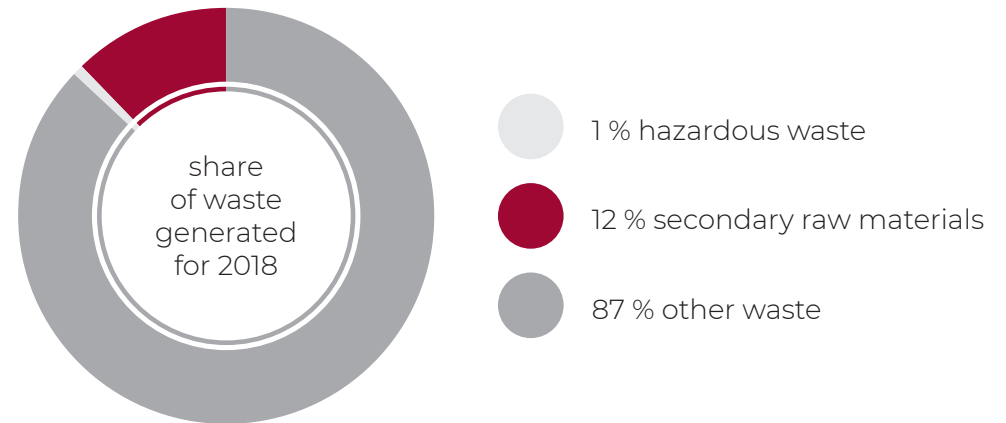
NATURE AND BIODIVERSITY CONSERVATION

We ensure the general protection of biodiversity and sustainable development by using technical elements, preventing the death of birds on electric lines. Our commitments in the field of nature and landscape protection are related to the protection of birds living in the wild in the region of Central Slovakia. In cooperation with the regional authorities of the State Nature Conservancy of the Slovak Republic, we carried out the relocation of stork nests from support points of power lines. Together with predators they represent the most endangered group of birds in electrical line injuries.

We installed nest supports in exposed locations. On predefined risk support points of HV and VHV lines we installed 498 bracket protectors and flight deflectors. During comprehensive reconstruction projects, we replaced 293 support points with a more environmentally appropriate Antibird, which is designed to prevent the death of birds on electric lines. Our activities are still aimed at the safe operation of the distribution network, while reducing the potential death of protected bird species.

WASTE MANAGEMENT

The disposal and recovery of hazardous and other waste generated is performed through our authorized contractors. Waste was generated during the operation and maintenance of electrical networks, distribution facilities, during construction and reconstruction projects. In terms of the waste management hierarchy, we consistently prefer waste recovery to waste disposal. We have significantly reduced the share of hazardous waste produced. We use available equipment to recycle inert building waste, such as concrete columns and bases. Recycled waste includes ferrous and non-ferrous metals, cables, discarded equipment including electricity meters, batteries, and oils.



SURFACE WATER AND GROUNDWATER PROTECTION

In 2018 under the control of the Slovak Environmental Inspectorate (SEI), we performed local remediation and hydrogeological surveys at seven sites. As a result of all the remediation work, the site was restored to the original condition, based on the SEI's protocol on the execution and completion of remediation and hydrogeological surveys.

At electric substations, we monitored the pollution of groundwater in underground wells. Groundwater sampling and subsequent analyses of oil substances in groundwater did not show pollution.

3.6 ZAMESTNANCI

K 31. decembru 2018 sme evidovali 1 309 zamestnancov. Miera dobrovoľnej fluktuácie oproti minulému roku stúpila na úroveň 2,16 %. V priebehu roka 2018 odišlo 18 zamestnancov do dôchodku (starobný, predčasný, invalidný). Priemerný vek zamestnancov k 31. decembru 2018 klesol oproti minulému roku minimálne. Dostal sa na úroveň **45,64 roka**. Priemerná dĺžka zamestnania v skupine SSE taktiež klesla iba minimálne a na konci roka 2018 sa nachádzala na úrovni takmer 19 rokov.

Štruktúra zamestnancov podľa pohlavia		
	k 31. 12. 2018	podiel (v %)
Ženy	227	17,34
Muži	1 082	82,66
Spolu	1 309	100,0

Neustále vzdelávanie a zdokonaľovanie sa v pracovnej oblasti je dnes pre zamestnancov a zamestnávateľa nevyhnutnosťou a veľkou devízou. Aj z tohto dôvodu sme počas roka prinášali široké portfólio rozvojových a vzdelávacích aktivít. Bolo to v oblasti školení, ktoré sú legislatívnou povinnosťou pre výkon pozícií, odborného vzdelávania vo forme školení, kurzov, seminárov, konferencií a workshopov.

V roku 2018 sme zamestnancov interne preškoliili v oblasti GDPR a trestnej zodpovednosti, ktoré boli zaradené do osnov adaptačného tréningu pre novoprijatých zamestnancov. Prebehli aj interné školenia v oblasti ekonomického a elektrotechnického minima, regulácie a právneho povedomia.

V roku 2018 sme do vzdelávania zamestnancov investovali 300-tisíc eur a zrealizovali 902 vzdelávacích aktivít.

V rámci podpory rozvoja stredného odborného elektrotechnického vzdelávania sme uzatvorili zmluvy o praktickom vyučovaní s tromi strednými školami – so Strednou odbornou školou elektrotechnickou v Žiline, Spojenou školou v Banskej Bystrici a Spojenou školou v Nižnej. Od septembra 2018 absolvuje praktické vyučovanie v našej spoločnosti 12 študentov na rôznych pracoviskách v rámci divízie Prevádzka a údržba energetických zariadení.

V júni 2018 sa začal šiesty ročník programu „Trainee“. V rámci tohto programu má 11 študentov piatych ročníkov vysokých škôl možnosť nadobudnúť skúsenosti v oblasti projektového manažmentu, dispečingu, projektovania, vedenia stavieb, nových pripojení, údržby energetických zariadení, informačných technológií a ľudských zdrojov.

INTERNÁ KOMUNIKÁCIA

V oblasti internej komunikácie nastalo v roku 2018 niekoľko zmien. Začali sme na mesačnej báze vydávať elektronický interný časopis Distribučný magazín. Pôvodná korporátna Linka – E sa od roku 2019 transformovala na elektronický časopis SSE.

Začala sa príprava aplikácie pre smartfóny, ktorú by mohli využívať zamestnanci na robotníckych pozíciách na to, aby boli včas informovaní o všetkých dôležitých udalostiach v spoločnosti.

Drobnými úpravami prešiel aj intranet, vďaka čomu je užívateľsky jednoduchší a prehľadnejší.

V roku 2018 sme spustili niekoľko ankiet. Dôvodom bola snaha získať spätnú väzbu od zamestnancov.

3.6 EMPLOYEES

As at 31 December 2018, we recorded 1,309 employees. The rate of voluntary fluctuation grew to 2.16% compared to the previous year. During the year 2018, 18 employees retired (old-age pension, early retirement, disability pension). As at 31 December 2018, the average age of employees slightly decreased compared to the previous year. It was at **45.64 years**. The average length of employment in the SSE Group also decreased only marginally and was almost 19 years at the end of 2018.

Structure of employees by gender		
	As at 31. 12. 2018	Share (in %)
Women	227	17.34
Men	1,082	82.66
Total	1,309	100.0

Continuing education and improvement in the work area is now a necessity and a great asset for employees and employers. That is why we brought a wide portfolio of development and educational activities throughout the year. In the area of training, which is a legal obligation for positions, we provided professional education in the form of training, courses, seminars, conferences and workshops.

In 2018 we trained employees internally in the area of GDPR and criminal liability, which were included in the curriculum of adaptation training for new staff members. There was also internal training in economic and electrotechnic minimum, regulation and legal awareness.

In 2018 we invested EUR 300,000 in employee training and organized 902 training activities.

As part of the support for the development of secondary vocational electrical education, we concluded contracts on practical training with three secondary schools – the Secondary Technical School of Electrical Engineering in Žilina, the Joint School in Banská Bystrica, and the Joint School in Nižná. Since September 2018, 12 students have been taking practical lessons at our Company in different workplaces within the Operation and Maintenance of Power Installations Division.

In June 2018, the sixth year of the Trainee programme began. Within the programme, 11 students of the 5th year of universities have the opportunity to gain experience in project management, dispatching, designing, construction management, new connections, maintenance of power installations, information technology, and human resources.

INTERNAL COMMUNICATION

In the area of internal communication, several changes occurred in 2018. We started to publish an electronic internal magazine "Distribučný magazín" on a monthly basis. Starting from 2019, the original corporate "Linka – E" was transformed into the SSE's electronic magazine.

Preparation for smartphone applications started, which can be used by workers to be informed in a timely manner of all the important events in the Company.

The Intranet has also undergone minor changes, making it more user-friendly and transparent.

In 2018 we launched several surveys. The reason was the effort to get feedback from employees.



4

Správa
o hospodárení
a činnosti



4

Report on the Economic Results and Operation

4. SPRÁVA O HOSPODÁRENÍ A ČINNOSTI SPOLOČNOSTI STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S., V ROKU 2018

EKONOMICKÉ VÝSLEDKY

V oblasti ekonomiky a riadenia financií sa spoločnosť aj v roku 2018 zamerala na vytvorenie optimálnych podmienok pre výkon hlavnej činnosti a dosiahnutie plánovaných ekonomických výsledkov v oblasti rentability a finančnej stability. V priebehu roka spoločnosť realizovala niekoľko projektov a iniciatív zameraných na efektívnejšie vynakladanie finančných zdrojov v oblasti prevádzkových nákladov ako aj investícií a na riadenie pracovného kapitálu.

Účtovná závierka spoločnosti k 31. decembru 2018 bola zostavená podľa Medzinárodných štandardov pre finančné výkazníctvo (IFRS) v znení prijatom Európskou úniou a ako riadna účtovná závierka podľa § 17 ods. 6 zákona NR SR č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov („zákon o účtovníctve“) za účtovné obdobie od 1. januára 2018 do 31. decembra 2018.

Za rok 2018 dosiahla naša spoločnosť zisk po zdanení vo výške 40,1 mil. eur, čo prezentuje medziročný pokles o 66,0 mil. eur (-62%). Medziročný pokles je spôsobený transakciami spojenými s podporou obnoviteľných zdrojov energie v zmysle platnej legislatívy. Ziskovosť z hlavnej činnosti spoločnosti zostáva medziročne stabilná.

Prevádzkové výnosy predstavujú 436,0 mil. eur, pričom najvýznamnejšiu časť tvorili výnosy za distribúciu elektrickej energie a výnosy z TPS. Medziročný pokles je spôsobený nižšou hodnotou korekcie TPS za obdobie t-2.

Prevádzkové náklady spoločnosti dosiahli úroveň 322,4 mil. eur, z toho najpodstatnejšiu časť tvorili náklady TPS (straty a doplatok - výkup elektrickej energie od výrobcov OZE/KVET) a s tým súvisiace náklady na nákup elektrickej energie na distribučné straty a prislúchajúcu odchýlku strát. Ďalšie významné položky predstavujú osobné a ostatné prevádzkové náklady.

v mil. eur	2018	2017
Prevádzkové výnosy	436,0	540,0
Prevádzkové náklady	-322,4	-340,1
EBITDA (výsledok pred započítaním odpisov, úrokov, daní)	113,5	199,9
Odpisy hmotného a nehmotného majetku	-59,5	-59,5
Finančné náklady netto	-0,4	-0,5
Zisk pred zdanením	53,6	139,9
Daň z príjmov	-13,5	-33,8
Zisk po zdanení	40,1	106,1

4. REPORT ON THE ECONOMIC RESULTS AND OPERATION OF THE COMPANY STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S. FOR THE YEAR 2018

ECONOMIC RESULTS

In the field of economy and financing the Company focused on the creation of optimal conditions for carrying out our main activity and achieving the planned economic results of profitability and financial stability also in the year 2018. Throughout the year, the Company implemented several projects and initiatives aimed at spending more funds on operating costs as well as investment and working capital management.

The financial statements of the Company as at 31 December 2018 were compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and as ordinary financial statements in accordance with Article 17 par. 6 of Act of the National Council of the Slovak Republic No. 431/2002 Coll. on accounting, as amended ("Accounting Act") for the accounting period between 1 January 2018 and 31 December 2018.

For the year 2018, our Company achieved a profit after tax of EUR 40.1 mil., which represents a year-to-year decline of EUR 66.0 mil. (-62%). The year-to-year decline is due to transactions related to the promotion of renewable energy sources in accordance with applicable legislation. Profitability from the Company's core business remains stable year-to-year.

Operating income accounts for EUR 436.0 mil., whereas the largest portion represented the revenues for electricity distribution and TPS revenues. The year-to-year decline is due to the lower TPS correction value for the period of t-2.

Operating costs of the Company reached EUR 322.4 mil., of which the most significant part was the TPS costs (losses and surcharges - purchase of electricity from producers from renewable sources and electricity and heat cogeneration – OZE/KVET) and related costs for the purchase of electricity for distribution losses and the associated loss deviation. Other significant items are personnel and other operating costs.

In EUR mil.	2018	2017
Operating income	436.0	540.0
Operating costs	-322.4	-340.1
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	113.5	199.9
Depreciation of tangible and intangible assets	-59.5	-59.5
Financial costs, net	-0.4	-0.5
Profit before tax	53.6	139.9
Income tax	-13.5	-33.8
Profit after tax	40.1	106.1

KAPITÁLOVÁ ŠTRUKTÚRA – AKTÍVA, VLASTNÉ IMANIE A ZÁVÄZKY

AKTÍVA

K 31. decembru 2018 aktíva spoločnosti dosiahli úroveň 1 074,6 mil. eur, čo predstavuje medziročný nárast o 25,8 mil. eur (+2 %).

Dlhodobý majetok z toho predstavoval 774,1 mil. eur (72 % z hodnoty celkových aktív). Najväčší podiel predstavuje distribučná sieť, budovy a stavby, stroje a zariadenia a rozpracované investície. V roku 2018 sme zaevidovali prírastky dlhodobého majetku vo výške 51,0 mil. eur (vrátane preložíek energetických zariadení) a boli tvorené predovšetkým nvestíciami smerujúcimi do obnovy a rozvoja distribučnej sústavy.

Krátkodobý majetok dosiahol úroveň 300,6 mil. eur (28 % z hodnoty celkových aktív). Spoločnosť vykazovala k 31. decembru 2018 pohľadávky z obchodného styku vo výške 22,8 mil. eur brutto, z toho pohľadávky v lehote splatnosti predstavovali objem 19,6 mil. eur brutto. Prostriedky spravované materskou spoločnosťou Stredoslovenská energetika, a. s., na základe „Zmluvy o poskytovaní služby cash-pooling“ k 31. decembru 2018 predstavovali sumu 176,9 mil. eur a sú vykázané ako pohľadávka voči materskej spoločnosti.

PASÍVA

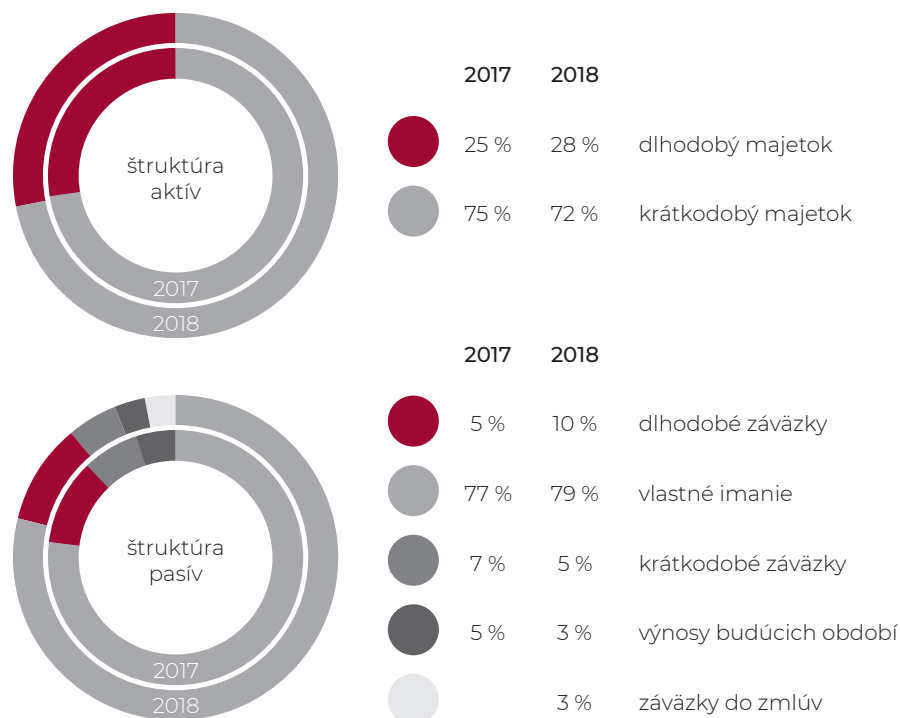
Vlastné imanie spoločnosti dosiahlo k 31. decembru 2018 výšku 851,6 mil. eur, čo predstavuje 79 % hodnoty zdrojov krytia majetku. Medziročný nárast o +5 % je spôsobený vyšším nerozdeleným ziskom.

Dlhodobé a krátkodobé záväzky okrem záväzkov zo zmlúv a výnosov budúcich období predstavujú 15 % celkových zdrojov krytia majetku a ich výška bola k 31. decembru 2018 na úrovni 164,9 mil. eur, čo medziročne predstavuje pokles o 18,7 mil. eur (-10 %). Významnými položkami boli najmä záväzky z odloženej dane (86,3 mil. EUR), dlhodobé úvery (10,0 mil. eur) a záväzky z nakupovaných materiálov a služieb (54,7 mil. eur).

S účinnosťou od 1. januára 2018 sú výnosy budúcich období za pripojovacie poplatky vykázané ako záväzky zo zmlúv. V roku 2018 dosiahli výšku 31,3 mil. eur.

Dlhodobé výnosy budúcich období dosiahli výšku 26,7 mil. eur (2018 bez pripojovacích poplatkov vykázaných samostatne), čo predstavuje 2 % hodnoty krytia majetku pri medziročnom poklese o 26,7 mil. eur (-50 %). Najvýznamnejšiu časť výnosov budúcich období predstavujú výnosy súvisiace s majetkom nadobudnutým vydržaním a preložkami energetických zariadení (23,0 mil. eur).

v mil. eur	2018	%	2017	%
Aktíva	1074,6		1048,9	
Dlhodobý majetok	774,1	72 %	783,5	75 %
Krátkodobý majetok	300,6	28 %	265,3	25 %
Pasíva	1074,6		1048,9	
Vlastné imanie	851,6	79 %	811,7	77 %
Dlhodobé záväzky okrem záväzkov zo zmlúv a výnosov budúcich období	106,0	10 %	109,6	10 %
Krátkodobé záväzky okrem záväzkov zo zmlúv	58,9	5 %	74,1	7 %
Záväzky zo zmlúv - pripojovacie poplatky	31,3	3 %		
Dlhodobé výnosy budúcich období	26,7	2 %	53,5	5 %



CAPITAL STRUCTURE – ASSETS, EQUITY AND LIABILITIES

ASSETS

As at 31 December 2018, the assets of the Company reached EUR 1,074.6 mil., which represents a year-to-year increase by EUR 25.8 mil. (+2%).

Non-current assets amounted to EUR 774.1 mil. (72% of the value of total assets). The highest share is represented by the distribution system, buildings and constructions, machinery, equipment and the investments in progress. In 2018 we reported additions to non-current assets of EUR 51.0 mil. (including relocations of power installations). Additions to non-current assets were mainly generated by investments aimed at the renewal and development of the distribution system.

Current assets reached EUR 300.6 mil. (28% of the value of total assets). As at 31 December 2018, the Company reported trade receivables in the amount of EUR 22.8 mil. gross, out of which due receivables accounted for EUR 19.6 mil. gross. The funds managed by the parent company Stredoslovenská energetika, a. s., on the basis of the "Cash-Pooling Agreement" as at 31 December 2018 amounted to EUR 176.9 mil. and are reported as a receivable from the parent company.

LIABILITIES

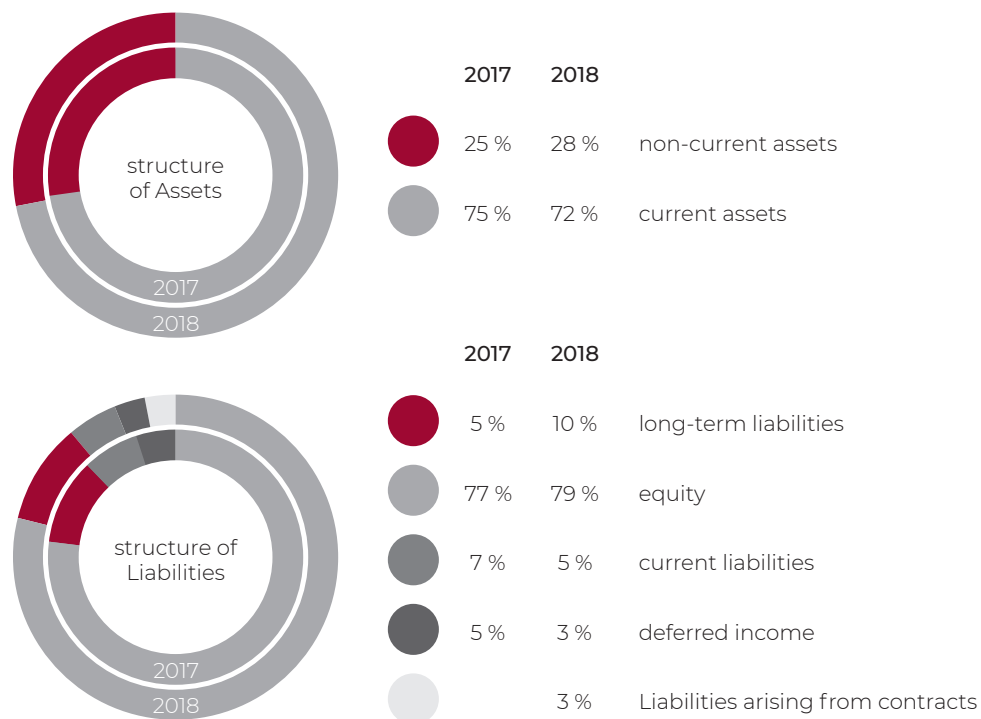
Equity of the Company as at 31 December 2018 reached EUR 851.6 mil., which accounts for 79% of the value of the assets cover. A year-to-year increase by +5% is due to higher retained earnings.

Long-term and current liabilities account for 15% of the total assets cover, and their amount as at 31 December 2018 was EUR 164.9 mil. excluding liabilities arising from contracts and deferred income, which represents a year-to-year drop by EUR 18.7 mil. (-10%). In particular, significant items included deferred tax liabilities (EUR 86.3 mil.), long-term loans (EUR 10.0 mil.), and commitments on purchased materials and services (EUR 54.7 mil.).

Effective from 1 January 2018, deferred income for connection fees is reported as liabilities arising from contracts. In 2018 they reached EUR 31.3 mil.

Long-term deferred revenues amounted to EUR 26.7 mil. (2018 excl. connection fees reported separately), representing 2% of the value of the assets cover, with a year-to-year drop by EUR 26.7 mil. (-50%). The most significant part of the revenues for the coming years are revenues associated with the assets acquired by withholding and the relocation of power equipment (EUR 23.0 mil.).

In EUR mil.	2018	%	2017	%
Assets	1,074.6		1,048.9	
Non-current assets	774.1	72%	783.5	75%
Current assets	300.6	28%	265.3	25%
Liabilities	1,074.6		1,048.9	
Equity	851.6	79%	811.7	77%
Long-term liabilities excl. liabilities arising from contracts and deferred income	106.0	10%	109.6	10%
Current liabilities excl. liabilities arising from contracts	58.9	5%	74.1	7%
Liabilities arising from contracts - connection fees	31.3	3%		
Long-term deferred income	26.7	2%	53.5	5%



5. SPRÁVA O ČINNOSTI DOZORNEJ RADY SPOLOČNOSTI ZA ROK 2018

Dozorná rada spoločnosti pracovala počas roka 2018 v tomto zložení:

Ing. Pavol Mertus	predseda dozornej rady
William Price	podpredseda dozornej rady
Ing. Marcela Kumštárová	člen dozornej rady
Ing. Vladimír Macášek	člen dozornej rady
PaedDr. Jozef Bojčík	člen dozornej rady
Ing. Drahomír Múdry	člen dozornej rady
Ing. Dušan Majer	člen dozornej rady
Ing. Igor Pištík	člen dozornej rady
Ing. Miroslav Martoník	člen dozornej rady

Dozorná rada sa na svojich zasadnutiach v roku 2018 stretla päťkrát – 15. marca 2018, 11. apríla 2018, 13. júna 2018, 19. septembra 2018 a 13. decembra 2018. Na každom rokovaní bola dozorná rada uznášaniaschopná.

V rámci výkonu svojej pôsobnosti podľa stanov spoločnosti a Obchodného zákonníka dozorná rada spoločnosti v roku 2018:

(a) Prijala tieto zásadné rozhodnutia:

- schválila Správu o činnosti dozornej rady spoločnosti za rok 2017;
- schválila Stanovisko dozornej rady k návrhu Auditovanej riadnej individuálnej účtovnej závierky zostavenej k 31. decembru 2017 a k návrhu predstavenstva na rozdelenie zisku za rok 2017;
- schválila príslušné návrhy pohyblivých častí odmien členov predstavenstva v súlade s platnými Zásadami odmeňovania členov predstavenstva;
- preskúmala v zmysle článku XI (1) (h) stanov návrh individuálneho ročného rozpočtu a obchodného plánu spoločnosti, vrátane návrhu plánu CAPEX na rok 2018.

(b) zobrala na vedomie najmä:

- príslušné rozhodnutia jediného akcionára v roku 2018;
- informáciu o zásadných zámeroch obchodného vedenia spoločnosti, ako aj o predpokladanom vývoji stavu majetku, financií a výnosov spoločnosti v zmysle § 193 Obchodného zákonníka pre dozornú radu na rok 2018;

- vyhlásenie predstavenstva pre členov dozornej rady v zmysle článku XII (21) (a) (ii) stanov za rok 2017 o finančných transakciách, ktoré spoločnosť uskutočnila so spriaznenými stranami, pri ktorých hodnota ktorejkoľvek takejto transakcie jednotlivito alebo série súvisiacich transakcií spoločne prevyšovala sumu 100 000 eur, a o transakciách spoločnosti ktoré sa uzatvorili za iných ako bežných obchodných podmienok;
- informácie o transakciách spoločnosti so spriaznenými stranami za príslušné štvrťroky roka 2018;
- správu o výsledkoch auditov a kontrol za rok 2017 a plán auditov a kontrol na rok 2018;
- informácie o hospodárskych výsledkoch vrátane vývoja plnenia plánu CAPEX na rok 2018 za príslušné obdobia;
- správy o porovnaní reálnych nákladov na TPS s plánom roka 2018 za príslušné obdobia;
- informácie o prebiehajúcich súdnych sporoch, ktoré môžu mať výrazne negatívny dopad na hospodárenie spoločnosti;
- výročnú správu o plnení Programu súladu spoločnosti za rok 2017 a Program súladu na rok 2018;
- informácie o vývoji realizácie investičnej akcie výstavby novej transformovne 110/22 kV v Novákoch;
- informáciu o implementácii GDPR v SSD, a. s., od 25. mája 2018.

Dozorná rada v priebehu roka 2018 nepožiadala predstavenstvo spoločnosti o zvolanie valného zhromaždenia.

ZÁVER:

Dozorná rada si v priebehu celého obdobia r. 2018 riadne plnila svoju kontrolnú funkciu v zmysle stanov spoločnosti a § 197 a nasl. Obchodného zákonníka. Dozorná rada nezaznamenala porušenie stanov ani platných právnych predpisov zo strany predstavenstva pri výkone podnikateľskej činnosti spoločnosti.

Táto správa bola schválená na zasadnutí Dozornej rady spoločnosti konanom dňa 10. apríla 2019.

Ing. Pavol Mertus
predseda dozornej rady
Stredoslovenská distribučná, a. s.

5. REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD FOR THE YEAR 2018

The Supervisory Board of the Company worked in the following structure during 2018:

Ing. Pavol Mertus	Chairman of the Supervisory Board
William Price	Vice-Chairman of the Supervisory Board
Ing. Marcela Kumštárová	Member of the Supervisory Board
Ing. Vladimír Macášek	Member of the Supervisory Board
PaedDr. Jozef Bojčík	Member of the Supervisory Board
Ing. Drahomír Múdry	Member of the Supervisory Board
Ing. Dušan Majer	Member of the Supervisory Board
Ing. Igor Pištík	Member of the Supervisory Board
Ing. Miroslav Martoník	Member of the Supervisory Board

In the year 2018, the Supervisory Board convened five times at its meetings – on 15 March 2018, 11 April 2018, 13 June 2018, 19 September 2018, and 13 December 2018. The Supervisory Board had a quorum at each meeting.

In the scope of its powers and in accordance with the Articles of Association and the Commercial Code, in 2018 the Supervisory Board:

(a) Adopted the following fundamental decisions:

- Approved the Report on Activities of the Supervisory Board for 2017;
- Approved the Opinion of the Supervisory Board on the draft audited ordinary individual financial statements prepared as at 31 December 2017 and on the proposal of profit distribution of the Board of Directors for 2017;
- Approved the relevant proposals of variable parts of remuneration of members of the Board of Directors in accordance with the applicable remuneration principles of members of the Board of Directors;
- Examined, within the meaning of Article XI (1) (h) of the Articles of Association, a proposal for the individual annual budget and business plan of the Company, including the proposal of the CAPEX plan for 2018.

(b) Noted, in particular:

- Relevant decisions of the sole shareholder in the year 2018;
- Information on basic objectives of the Company's business management, as well as on the expected development of assets, finances and revenues of the Company in accordance with Article 193 of the Commercial Code for the Supervisory Board for the year 2018;

- Statement of the Board of Directors for the members of the Supervisory Board for 2017 within the meaning of Article XII (21) (a) (ii) of the Articles concerning financial transactions carried out by the Company with related parties in which the value of any such transaction individually or the series of related transactions together exceed the amount of EUR 100,000, and the Company's transactions concluded under other than standard commercial conditions;
- Information on related party transactions for the relevant quarters of the year 2018;
- Report on the results of audits and inspections for 2017 and the audit and control plan for 2018;
- Information on economic results, including the development of CAPEX 2018 plan fulfilment for the relevant periods;
- TPS real cost comparison reports with the 2018 plan for the relevant periods;
- Information on pending lawsuits that may have a significant negative impact on the Company's economy;
- The Annual Report on the fulfilment of the Compliance Programme of the Company for 2017, and the Compliance Programme 2018;
- Information on the development of the investment project for the construction of a new 10/22 kV transformer substation in Nováky;
- Information on the implementation of the GDPR in SSD, a. s., from 25 May 2018.

During 2018 the Supervisory Board did not request the Board of Directors of the Company to convene a General Meeting.

CONCLUSION:

Throughout the course of the whole period of the year 2018, the Supervisory Board properly fulfilled its controlling function pursuant to the Articles of Association of the Company and Article 197 and following of the Commercial Code.

The Supervisory Board did not discover any breach of the Articles of Association or valid legal provisions by the Board of Directors in performing the business activities of the Company.

This Report was approved by the Supervisory Board of the Company at its meeting held on 10 April 2019.

Ing. Pavol Mertus

Chairman of the Supervisory Board
Stredoslovenská distribučná, a. s.

6. NÁVRH PREDSTAVENSTVA NA ROZDELENIE ZISKU ZA ROK 2018

	v eurách
Auditovaný čistý zisk za rok 2018	40 102 879,71
Prídel do sociálneho fondu	0,00
Tantiémy pre členov predstavenstva a dozornej rady	0,00
Časť zisku ponechaná vo vlastnom imaní na účte Nerozdelený zisk z minulých rokov	0,00
Čistý zisk použiteľný na výplatu dividend akcionárovi	40 102 879,71

7. STANOVISKO DOZORNEJ RADY SPOLOČNOSTI STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S., K RIADNEJ INDIVIDUÁLNEJ ÚČTOVNEJ ZÁVIERKE K 31. DECEMBRU 2018 A K NÁVRHU NA ROZDELENIE ZISKU ZA ROK 2018

Dozorná rada spoločnosti Stredoslovenská distribučná, a. s., na svojom zasadnutí dňa 10. apríla 2019 preskúmala riadnu individuálnu účtovnú závierku spoločnosti k 31. decembru 2018 vrátane správy nezávislého audítora KPMG Slovensko, spol. s r. o., licencia SKAU č. 96 zo dňa 15. marca 2019 a návrh predstavenstva na rozdelenie zisku spoločnosti za rok 2018.

Na základe uvedeného Dozorná rada spoločnosti Stredoslovenská distribučná, a. s., o d p o r ú č a riadnemu valnému zhromaždeniu spoločnosti Stredoslovenská distribučná, a. s.:

1. schváliť riadnu individuálnu účtovnú závierku spoločnosti Stredoslovenská distribučná, a. s., k 31. decembru 2018,
2. schváliť tento návrh na rozdelenie zisku spoločnosti Stredoslovenská distribučná, a. s., za rok 2018:

	v eurách
Auditovaný čistý zisk za rok 2018	40 102 879,71
Prídel do sociálneho fondu	0,00
Tantiémy pre členov predstavenstva a dozornej rady	0,00
Časť zisku ponechaná vo vlastnom imaní na účte Nerozdelený zisk z minulých rokov	0,00
Čistý zisk použiteľný na výplatu dividend akcionárovi	40 102 879,71

V Žiline dňa 10. apríla 2019

Ing. Pavol Mertus,
predseda dozornej rady
Stredoslovenská distribučná, a. s.

6. PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2018

	In EUR
Audited net profit for the year 2018	40,102,879.71
Allocation to Social Fund	0.00
Royalties for members of the Board of Directors and of the Supervisory Board	0.00
Part of the profit kept in equity on the account of Retained earnings of the previous years	0.00
Net profit available for distribution of dividends to the shareholder	40,102,879.71

7. OPINION OF THE SUPERVISORY BOARD OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S. ON ORDINARY INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 AND ON PROPOSAL FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2018

The Supervisory Board of Stredoslovenská distribučná, a. s., at its meeting held on 10 April 2019, verified the Ordinary Individual Financial Statements of the Company as at 31 December 2018, including the report of the independent auditor KPMG Slovensko, spol. s r.o., SKAU licence no. 96 dated 15 March 2019, and a proposal of the Board of Directors for the distribution of the Company's profit for the year 2018.

Based on the above mentioned, the Supervisory Board of Stredoslovenská distribučná, a. s., **r e c o m m e n d s** the General Meeting of the company Stredoslovenská distribučná, a. s. to:

1. Approve the Ordinary Individual Financial Statements of Stredoslovenská distribučná, a. s., as at 31 December 2018,
2. Approve the proposal for the distribution of profits of Stredoslovenská distribučná, a. s. for 2018:

	In EUR
The audited net profit for the year 2018	40,102,879.71
Allocation to social fund	0.00
Royalties for members of the Board of Directors and of the Supervisory Board	0.00
Part of the profit kept in equity on the account of Retained earnings of the previous years	0.00
Net profit available for distribution of dividends to the shareholder	40,102,879.71

In Žilina, on 10 April 2019

Ing. Pavol Mertus,
Chairman of the Supervisory Board
Stredoslovenská distribučná, a. s.

8. SPRÁVA O PLNENÍ PROGRAMU SÚLADU SPOLOČNOSTI STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S., ZA ROK 2018

ÚVOD:

Spoločnosť Stredoslovenská distribučná, a. s. (ďalej len „spoločnosť“) so sídlom Pri Rajčianke 2927/8, 010 47 Žilina, IČO: 36 442 151, zapísaná v Obchodnom registri Okresného súdu Žilina, oddiel Sa, vložka č. 10514/L, založená v roku 2006, ktorá je držiteľom licencie na distribúciu elektriny č. 2007E 0260 v plnom znení vydané Úradom pre reguláciu sieťových odvetví (ďalej len „Úrad“), je prevádzkovateľom distribučnej sústavy a je zároveň súčasťou vertikálne integrovaného podniku.

Táto správa dáva prehľadnú informáciu o plnení si legislatívneho rámca pre takto organizovanú spoločnosť v oblasti transparentného a nediskriminačného prístupu k všetkým zákazníkom a účastníkom trhu s elektrickou energiou.

1. LEGISLATÍVNY RÁMEC

Legislatívny rámec Programu súladu je daný Smernicou parlamentu a Rady 2009/72/ES, ktorá bola v SR implementovaná do zákona č. 251/2012 Z. z. – zákona o energetike. Uvedená legislatíva určuje pravidlá pre vnútorný trh s elektrickou energiou.

Program súladu je dokument, ktorý obsahuje opatrenia zabezpečujúce nediskriminačný a transparentný prístup ku všetkým účastníkom trhu zo strany prevádzkovateľa distribučnej sústavy (ďalej len „DS“).

Na základe uvedeného je prevádzkovateľ DS povinný podľa § 31 ods. 6 a §32 ods. 8 pís. b) zákona č. 251/2012 Z. z. o energetike vypracovať správu o plnení „Programu súladu“, ktorá je súčasťou „Výročnej správy“, taktiež je povinný v zmysle § 20 zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov zverejňovať správu o plnení prijatých opatrení uvedených v programe súladu.

2. PROGRAM SÚLADU V SPOLOČNOSTI

Na základe uvedených legislatívnych noriem pre nezávislé postavenie prevádzkovateľa distribučnej sústavy vo vertikálne integrovanom podniku bolo v skupine SSE zabezpečené právne odčlenenie prevádzky distribučnej sústavy do samostatnej spoločnosti, pričom práva a povinnosti prevádzkovateľa distribučnej sústavy prešli na spoločnosť Stredoslovenská distribučná, a. s. Zároveň bol predstavenstvom v roku 2005 schválený záväzný interný dokument Program súladu, ktorý obsahuje zoznam opatrení zameraných na zabezpečenie nediskriminačného správania prevádzkovateľa distribučnej sústavy. Program súladu sa pravidelne upravuje na príslušný rok a rešpektuje všetky zmeny v legislatíve.

V súlade s vyššie uvedenými zákonnými povinnosťami boli splnené všetky povinnosti vyplývajúce zo súčasnej legislatívy, t. j. vypracovanie a schválenie nového Programu súladu spoločnosti vrátane Akčného plánu opatrení a menovanie osoby povinnej zabezpečiť súlad v spoločnosti. S účinnosťou od 1. januára 2013 bola ustanovená osoba povinná zabezpečiť súlad v spoločnosti, čím sa vytvorilo zodpovedajúce inštitucionálne zázemie pre implementáciu schváleného Programu súladu spoločnosti.

V roku 2015 bola vykonaná aktualizácia programu súladu, keďže od 1. apríla 2014 bola zrealizovaná organizačná zmena v spoločnosti, ktorá si vyžiadala zohľadnenie nových povinností.

8. REPORT ON THE FULFILMENT OF THE COMPLIANCE PROGRAMME OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A. S. FOR THE YEAR 2018

INTRODUCTION:

Stredoslovenská distribučná, a. s. (hereinafter: the "Company"), having its registered office at Pri Rajčianke 2927/8, 010 47 Žilina, Reg. No. (IČO): 36 442 151, registered in the Commercial Register of the District Court Žilina, Section Sa, Insertion no. 10514/L, founded in 2006, being the holder of the electricity distribution license No. 2007E 0260 in full version issued by the Regulatory Office for Network Industries (hereinafter: the "Office"), is a distribution system operator and at the same time a part of a vertically integrated entity.

This report provides transparent information on the fulfilment of the legislative framework for such an organized Company in the field of transparent and non-discriminatory approach to all customers and participants in the electricity market.

1. LEGISLATIVE FRAMEWORK

The legislative framework of the Compliance Programme is established by Directive 2009/72/EC of the European Parliament and of the Council, which was implemented in the Slovak Republic into Act No. 251/2012 Coll. – the Energy Act. This legislation sets out the rules for the internal electricity market.

The Compliance Programme is a document containing measures that ensure a non-discriminatory and transparent approach to all market participants by the distribution system operator (hereinafter: the "DS").

Based on the above mentioned, the DS operator is obliged to produce a report on the fulfilment of the "Compliance Programme", which is part of the "Annual Report" according to Article 31 par. 6 and Article 32 par. 8 b) of Act No. 251/2012 Coll. on Energy. It is also obliged, within the meaning of Article 20 of Act No. 431/2002 Coll. on Accounting, as amended, to publish a report on the implementation of the measures specified in the Compliance Programme.

2. THE COMPLIANCE PROGRAMME IN THE COMPANY

On the basis of the above mentioned legislative standards for the Independent Position of the Distribution System Operator in the Vertically Integrated Company, the SSE Group provided the legal unbundling of the distribution system operation into a separate company, while the rights and obligations of the distribution system operator have been transferred to Stredoslovenská distribučná, a. s. At the same time, the Board of Directors approved in 2005 a binding internal document of the Compliance Programme, which contains a list of measures aimed at ensuring the non-discriminatory behaviour of the distribution system operator. The Compliance Programme is updated on a regular basis for the respective year, while respecting all legislative changes.

In accordance with the aforementioned legal obligations, all obligations arising from current legislation, i.e. elaboration and approval of the new Compliance Programme of the Company, including the Action plan of measures and the appointment of a person required to ensure compliance in the company, were performed. Effective from 1 January 2013, the person required to ensure the compliance in the Company was appointed, thereby creating the appropriate institutional background for the implementation of the approved Compliance Programme of the Company.

In 2015 an update of the Compliance Programme was carried out as since 1 April 2014, an organizational change occurred in the Company which required new responsibilities to be taken into account in its structure.

3. PLNENIE OPATRENÍ PROGRAMU SÚLADU POČAS ROKA 2018

Súčasťou Programu súladu je Akčný plán Programu súladu, ktorý obsahuje zoznam opatrení na príslušný kalendárny rok a podlieha každoročnej aktualizácii. Implementáciou opatrení a sledovaním ich dodržiavania je poverená osoba povinná zabezpečiť súlad, ktorá zároveň rieši ad-hoc situácie súvisiace so zabezpečením nediskriminačného správania prevádzkovateľa distribučnej sústavy a ochrany dôverných informácií, prijíma a rieši podnety z externého a interného prostredia poukazujúce na prípadné porušenie princípov Programu súladu a v prípade potreby aktualizuje Akčný plán Programu súladu a navrhuje ďalšie opatrenia.

Opatrenia Akčného plánu Programu súladu sú zamerané na činnosti v oblastiach:

PREVENCIA:

Opatrenia v oblasti prevencie boli v priebehu roka 2018 zamerané najmä na zvyšovanie povedomia zamestnancov o Programe súladu. Priebežne sa uskutočňovali školenia pre novoprijatých zamestnancov. V roku 2018 bolo vyškolených 206 zamestnancov:

- v **SSD 120 zamestnancov** (z toho 2 presun v rámci skupiny, 6 návratov z materských a rodičovských dovolení, 29 zamestnancov na dohodu, 83 novoprijatých zamestnancov).
- v rámci skupiny **SSE, a. s. bolo 86 zamestnancov** (z toho SSE, a. s. - 75, EEM, a. s. - 6 a SSE – Metrológia, s. r. o. – 5 zamestnancov)

MONITORING A KONTROLA/AUDIT

Počas roka 2018 pokračovala implementácia zmeny organizačnej štruktúry spoločnosti. Tento proces obsahoval implementáciu nových procesov, ktoré prešli zo SSE, a. s., a taktiež boli upravené, prípadne vypracované nové interné smernice. V rámci prehodnocovania bolo prepracovaných spolu 75 smerníc a iných interných dokumentov súvisiacich s prevádzkou distribučnej sústavy s cieľom zabezpečiť ich realizáciu v súlade s princípmi Programu súladu. Zároveň bola realizovaná kontrola zabezpečenia ochrany informácií súvisiacich s prevádzkou distribučnej sústavy pred prístupom neoprávnených osôb zameraná na preverovanie prístupových práv do distribučných systémov, zmluvné vzťahy a zverejňovanie informácií. V rámci tzv. compliance manažmentu, t. j. preverovania každej internej alebo externej sťažnosti súvisiacej s aplikovaním princípov Programu súladu osobou zodpovednou za zabezpečenie súladu, nebola počas roka 2018 riešená žiadna sťažnosť. Okrem toho osoba povinná zabezpečiť súlad prijímala, konzultovala a riešila interné dopyty zo strany zamestnancov súvisiace s ich konaním tak, aby nedošlo k porušeniu pravidiel týkajúcich sa zabezpečenia nediskriminačného správania prevádzkovateľa distribučnej sústavy a ochrany dôverných informácií. V priebehu roka 2018 bolo preškolených 206 zamestnancov v oblasti unbundlingu.

HODNOTENIE A REPORTING

Táto oblasť zahŕňa najmä hodnotenie úrovne dosahovania cieľov v oblasti implementácie Programu súladu, ktoré vo forme mesačných správ a taktiež tejto správy bude tvoriť súčasť výročnej správy spoločnosti a v zmysle platnej legislatívy je predkladané ÚRSO.

Záverom je možné konštatovať, že úlohy ktoré boli uvedené v „Akčnom pláne“ boli v roku 2018 splnené.

Vypracoval:

Ing. Ján Michalík, PhD.

osoba povinná zabezpečiť súlad

20. marca 2019

3. FULFILMENT OF THE COMPLIANCE PROGRAMME MEASURES DURING THE YEAR 2018

Part of the Compliance Programme is the Action Plan, which contains the list of measures for the relevant calendar year and is subject to an annual update. By implementing measures and monitoring their compliance, the appointed person is required to ensure compliance while addressing ad-hoc situations related to ensuring the non-discriminatory behaviour of the distribution system operator and the protection of confidential information; receives and solves incentives from external and internal environment pointing to possible violation of the Compliance Programme's principles and updates the Action Plan of the Compliance Programme, if necessary, and proposes further measures.

The measures of the Action Plan of the Compliance Programme are focused on activities in the following areas:

PREVENTION:

During 2018 the prevention measures focused mainly on the increase of employee awareness in the field of the Compliance Programme.

Training for newly recruited staff was organized continuously. In 2018 we trained 206 employees:

- In **SSD 120 employees** (out of which: 2 relocations within the Group, 6 employees returned from maternity and parental leave, 29 employees with an agreement, 83 newly recruited employees).
- In the of **SSE, a. s. Group 86 employees** (out of which: SSE, a. s. - 75, EEM, a. s. - 6 and SSE – Metrológia, s. r. o. – 5 employees)

MONITORING AND CONTROL/AUDIT

Throughout the year 2018, the implementation of the change within the organizational structure of the Company continued. This process involved the implementation of new processes that passed from SSE, a. s., and were also modified or new internal directives were drafted. In terms of review, 75 guidelines and other internal documents related to the operation of the distribution system were revised to ensure their implementation in accordance with Compliance Programme principles. At the same time, the inspection targeting information security protection related to the operation of the distribution system against the access of unauthorized persons was carried out, aimed at verifying access rights to distribution systems, contractual relations and disclosure of information. In terms of Compliance management, i.e. verifying each internal or external complaint related to the application of the Compliance Programme's principles by the Compliance officer, no complaint was addressed during 2018. Apart from that, the Compliance officer was receiving, consulting and dealing with internal requests from employees related to their actions so as not to infringe the rules on ensuring non-discriminatory behaviour of the distribution system operator and the protection of confidential information. In 2018 we trained 206 employees in the area of unbundling.

ASSESSMENT AND REPORTING

This area contains mainly the assessment of achieved objectives as related to the implementation of the Compliance Programme, which is in the form of monthly reports and in the form of this Report included in the Annual Report of the Company and submitted to the RONI according to the valid legislation.

In conclusion, it may be stated that the tasks listed in the Action Plan were fulfilled in 2018.

Author:

Ing. Ján Michalík, PhD.
Compliance Officer

20 March 2019

9. UDALOSTI OSOBITNÉHO VÝZNAMU, KTORÉ NASTALI PO SKONČENÍ ÚČTOVNÉHO OBDOBIA, ZA KTORÉ SA VYHOTOVUJE VÝROČNÁ SPRÁVA

Po 31. decembri 2018 nenastali také udalosti, ktoré by si vyžadovali zverejnenie alebo vykázanie vo výročnej správe a v účtovnej závierke za rok 2018.

10. NÁKLADY NA ČINNOSŤ V OBLASTI VÝSKUMU A VÝVOJA

Spoločnosť nemala v roku 2018 žiadne náklady na činnosť v oblasti výskumu a vývoja.

11. NADOBÚDANIE VLASTNÝCH AKCIÍ, DOČASNÝCH LISTOV, OBCHODNÝCH PODIELOV A AKCIÍ

Spoločnosť v roku 2018 nenadobudla vlastné akcie, dočasné listy ani obchodné podiely.

12. ORGANIZAČNÉ ZLOŽKY ÚČTOVNEJ JEDNOTKY V ZAHRANIČÍ

Spoločnosť nemá organizačné zložky v zahraničí.

9. EVENTS OF SPECIAL RELEVANCE OCCURRING AFTER THE ACCOUNTING PERIOD FOR WHICH THE ANNUAL REPORT IS PREPARED

No events occurred after 31 December 2018 that would require publishing or reporting in the annual report and the financial statements for the year 2018.

10. EXPENSES RELATED TO ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Company did not have any expenses related to activities in the field of research and development in 2018.

11. ACQUISITION OF OWN SHARES, TEMPORARY CERTIFICATES, BUSINESS SHARES AND STOCK

In 2018 the Company did not acquire any of its own shares, temporary stock, or business shares.

12. ORGANIZATIONAL UNITS OF THE ACCOUNTING ENTITY ABROAD

The Company has no branches abroad.



PRÍLOHA č. 1

Správa
nezávislého
audítora



ANNEX No. 1

Report of the
Independent
Auditor

Dodatok správy nezávislého audítora týkajúci sa výročnej správy
v zmysle § 27 odsek 6 zákona č. 423/2015 Z. z. o štatutárnom audite a o zmene
a doplnení zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov („zákon
o štatutárnom audite“)

Akcionárovi, dozornej rade a predstavenstvu spoločnosti Stredoslovenská distribučná, a.s.

Uskutočnili sme audit účtovnej závierky spoločnosti Stredoslovenská distribučná, a.s. („Spoločnosť“) k 31. decembru 2018, ktorá je uvedená v prílohe výročnej správy. K účtovnej závierke sme 15. marca 2019 vydali správu nezávislého audítora v nasledovnom znení:

Správa z auditu účtovnej závierky

Názor

Uskutočnili sme audit účtovnej závierky spoločnosti Stredoslovenská distribučná, a.s. („Spoločnosť“), ktorá obsahuje výkaz o finančnej situácii k 31. decembru 2018, výkazy ziskov a strát, komplexného výsledku, zmien vlastného imania a peňažných tokov za rok končiaci sa k uvedenému dátumu, a poznámky účtovnej závierky, ktoré obsahujú súhrn významných účtovných zásad a účtovných metód.

Podľa nášho názoru, priložená účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie Spoločnosti k 31. decembru 2018, výsledku jej hospodárenia a peňažných tokov za rok končiaci sa k uvedenému dátumu podľa Medzinárodných štandardov finančného výkazníctva v znení prijatom Európskou úniou.

Základ pre názor

Audit sme vykonali podľa medzinárodných audítorských štandardov (International Standards on Auditing, ISA). Naša zodpovednosť podľa týchto štandardov je uvedená v odseku Zodpovednosť audítora za audit účtovnej závierky. Od Spoločnosti sme nezávislí podľa ustanovení zákona č. 423/2015 Z. z. o štatutárnom audite a o zmene a doplnení zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov („zákon o štatutárnom audite“) týkajúcich sa etiky, vrátane Etického kódexu audítora, relevantných pre náš audit účtovnej závierky a splnili sme aj ostatné požiadavky týchto ustanovení týkajúcich sa etiky. Sme presvedčení, že audítorské dôkazy, ktoré sme získali, poskytujú dostatočný a vhodný základ pre náš názor.

Zodpovednosť štatutárneho orgánu a osôb poverených správou a riadením za účtovnú závierku

Štatutárny orgán je zodpovedný za zostavenie tejto účtovnej závierky tak, aby poskytovala pravdivý a verný obraz podľa Medzinárodných štandardov finančného výkazníctva v znení prijatom Európskou úniou a za tie interné kontroly, ktoré považuje za potrebné na zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávosti, či už v dôsledku podvodu alebo chyby.

Pri zostavovaní účtovnej závierky je štatutárny orgán zodpovedný za zhodnotenie schopnosti Spoločnosti nepretržite pokračovať vo svojej činnosti, za opísanie skutočností týkajúcich sa nepretržitého pokračovania v činnosti, ak je to potrebné, a za použitie predpokladu nepretržitého pokračovania v činnosti v účtovníctve, ibaže by mal v úmysle Spoločnosť zlikvidovať alebo ukončiť jej činnosť, alebo by nemal inú realistickú možnosť než tak urobiť.

Osoby poverené správou a riadením sú zodpovedné za dohľad nad procesom finančného výkazníctva Spoločnosti.

Zodpovednosť audítora za audit účtovnej závierky

Našou zodpovednosťou je získať primerané uistenie, či účtovná závierka ako celok neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby, a vydať správu audítora, vrátane názoru. Primerané uistenie je uistenie vysokého stupňa, ale nie je zárukou toho, že audit vykonaný podľa medzinárodných audítorských štandardov vždy odhalí významné nesprávnosti, ak také existujú. Nesprávnosti môžu vzniknúť v dôsledku podvodu alebo chyby a za významné sa považujú vtedy, ak by sa dalo odôvodnene očakávať, že jednotlivo alebo v súhrne by mohli ovplyvniť ekonomické rozhodnutia používateľov, uskutočnené na základe tejto účtovnej závierky.

V rámci auditu uskutočneného podľa medzinárodných audítorských štandardov, počas celého auditu uplatňujeme odborný úsudok a zachovávame profesionálny skepticizmus. Okrem toho:

- Identifikujeme a posudzujeme riziká významnej nesprávnosti účtovnej závierky, či už v dôsledku podvodu alebo chyby, navrhujeme a uskutočňujeme audítorské postupy reagujúce na tieto riziká a získavame audítorské dôkazy, ktoré sú dostatočné a vhodné na poskytnutie základu pre náš názor. Riziko neodhalenia významnej nesprávnosti v dôsledku podvodu je vyššie ako toto riziko v dôsledku chyby, pretože podvod môže zahŕňať tajnú dohodu, falšovanie, úmyselné vynechanie, nepravdivé vyhlásenie alebo obídenie internej kontroly.
- Oboznamujeme sa s internými kontrolami relevantnými pre audit, aby sme mohli navrhnúť audítorské postupy vhodné za daných okolností, ale nie za účelom vyjadrenia názoru na efektívnosť interných kontrol Spoločnosti.
- Hodnotíme vhodnosť použitých účtovných zásad a účtovných metód a primeranosť účtovných odhadov a uvedenie s nimi súvisiacich informácií, uskutočnené štatutárnym orgánom.
- Robíme záver o tom, či štatutárny orgán vhodne v účtovníctve používa predpoklad nepretržitého pokračovania v činnosti a na základe získaných audítorských dôkazov záver o tom, či existuje významná neistota v súvislosti s udalosťami alebo okolnosťami, ktoré by mohli významne spochybniť schopnosť Spoločnosti nepretržite pokračovať v činnosti. Ak dospejeme k záveru, že významná neistota existuje, sme povinní upozorniť v našej správe audítora na súvisiace informácie uvedené v účtovnej závierke alebo, ak sú tieto informácie nedostatočné, modifikovať náš názor. Naše závery vychádzajú z audítorských dôkazov získaných do dátumu vydania našej správy audítora. Budúce udalosti alebo okolnosti však môžu spôsobiť, že Spoločnosť prestane pokračovať v nepretržitej činnosti.
- Hodnotíme celkovú prezentáciu, štruktúru a obsah účtovnej závierky vrátane informácií v nej uvedených, ako aj to, či účtovná závierka zachytáva uskutočnené transakcie a udalosti spôsobom, ktorý vedie k ich vernému zobrazeniu.

S osobami poverenými správou a riadením komunikujeme okrem iného o plánovanom rozsahu a harmonograme auditu a o významných zisteniach auditu, vrátane všetkých významných nedostatkov internej kontroly, ktoré počas nášho auditu zistíme.

15. marca 2019
Bratislava, Slovenská republika

Audítorská spoločnosť:
KPMG Slovensko spol. s r.o.
Licencia SKAU č. 96

Zodpovedný audítor:
Ing. Ľuboš Vančo
Licencia SKAU č. 745

Správa k ďalším požiadavkám zákonov a iných právnych predpisov

Správa k informáciám, ktoré sa uvádzajú vo výročnej správe

Štatutárny orgán je zodpovedný za informácie uvedené vo výročnej správe, zostavenej podľa požiadaviek zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov („zákon o účtovníctve“). Náš vyššie uvedený názor na účtovnú závierku sa nevzťahuje na iné informácie vo výročnej správe.

V súvislosti s auditom účtovnej závierky je našou zodpovednosťou oboznámenie sa s informáciami uvedenými vo výročnej správe a posúdenie, či tieto iné informácie nie sú vo významnom nesúlade s auditovanou účtovnou závierkou alebo našimi poznatkami, ktoré sme získali počas auditu účtovnej závierky, alebo sa inak zdajú byť významne nesprávne.

Posúdili sme, či výročná správa Spoločnosti obsahuje informácie, ktorých uvedenie vyžaduje zákon o účtovníctve.

Na základe prác vykonaných počas auditu účtovnej závierky, podľa nášho názoru:

- informácie uvedené vo výročnej správe zostavenej za rok 2018 sú v súlade s účtovnou závierkou za daný rok,
- výročná správa obsahuje informácie podľa zákona o účtovníctve.

Okrem toho, na základe našich poznatkov o Spoločnosti a situácii v nej, ktoré sme získali počas auditu účtovnej závierky, sme povinní uviesť, či sme zistili významné nesprávnosti vo výročnej správe, ktorú sme obdržali pred dátumom vydania tejto správy audítora. V tejto súvislosti neexistujú zistenia, ktoré by sme mali uviesť.

6. mája 2019
Bratislava, Slovenská republika

Audítorská spoločnosť:
KPMG Slovensko spol. s r.o.
Licencia SKAU č. 96



Zodpovedný audítor:
Ing. Ľuboš Vančo
Licencia SKAU č. 745



KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 (0)2 59 98 41 11
Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

Translation of the Appendix to the independent Auditors' Report originally prepared in
Slovak language

**Appendix to the independent Auditors' Report issued on the Annual Report
pursuant to Article 27 (6) of the Act No. 423/2015 Coll. on statutory audit and on
amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory
Audit")**

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

We have audited the financial statements of Stredoslovenská distribučná, a. s. ("the Company")
as of 31 December 2018 presented in the appendix of the accompanying Annual Report. We
have issued an independent auditors' report on the financial statements on 15 March 2019 with
the following wording:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stredoslovenská distribučná, a.s. ("the Company"),
which comprise the statement of financial position as at 31 December 2018, the statements of
profit or loss, comprehensive income, changes in equity and cash flows for the year then ended,
and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial
position of the Company as at 31 December 2018, and of 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our
responsibilities under those standards are further described in the *Auditors' Responsibilities for
the Audit of the Financial Statements* section. We are independent of the Company in
accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and
on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory
Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial
statements, and we have fulfilled our other ethical responsibilities in accordance with these
requirements. We believe that the audit evidence we have obtained is sufficient and appropriate
to provide a basis for our opinion.

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

The statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15 March 2019
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

The statutory body is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended (“the Act on Accounting”). Our opinion on the financial statements does not cover other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report of the Company, we consider whether it includes the disclosures required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the financial statements, in our opinion:

- the information given in the Annual Report for the year 2018 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of audit, we are required to report if we have identified material misstatement in the Annual Report that we have obtained prior to the date of this auditors’ report. We have nothing to report in this respect.

6 May 2019
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96



Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Stredoslovenská distribučná, a.s.

Financial statements as at 31 December 2018 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union were prepared and authorised for issue on 16 January 2019.



Ing. František Čupr, MBA
Chairman of the Board of Directors



Ing. Martin Kuna
Vice Chairman of the Board of Directors



KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 (0)2 59 98 41 11
Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stredoslovenská distribučná, a.s. ("the Company"), which comprise the statement of financial position as at 31 December 2018, the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

The statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

The statutory body is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the financial statements, mentioned above, does not cover other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report was not available to us as of the date of this auditors' report.

When we obtain the Annual Report of the Company, we will consider whether it includes the disclosures required by the Act on Accounting, and, based on the work undertaken in the course of the audit of the financial statements, we will express an opinion as to whether:

- the information given in the Annual Report for the year 2018 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the Annual Report in light of the knowledge and understanding of the Company and its environment that we have acquired during the course of the audit of the financial statements.

15 March 2019
Bratislava, Slovak Republic



Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96



Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

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Statement of Financial Position

	Note	As at 31 December 2018	2017
Assets			
Non-current assets			
Property, plant and equipment	5	759 279	768 202
Intangible assets	6	14 784	15 320
		774 063	783 522
Current assets			
Inventories		2 099	2 132
Trade and other receivables	8	21 588	23 954
Income tax receivables		1 681	-
Receivables to parent company (Cash Pooling)		176 947	98 425
Accrued income	9	97 832	138 176
Cash and cash equivalents	10	413	2 647
		300 560	265 334
Total assets		1 074 623	1 048 856
EQUITY			
Equity			
Share capital	11	499 835	499 835
Legal reserve fund	11	99 967	99 967
In-kind contribution from parent company		3 401	3 401
Other items of comprehensive income		(1 897)	(1 754)
Retained earnings		250 335	210 232
Total equity		851 641	811 681
LIABILITIES			
Non-current liabilities			
Non-current liabilities to parent company (loans)	15	10 000	13 800
Deferred tax liability	16	86 341	86 976
Non-current provisions	17	9 683	8 820
Non-current contract liabilities	13	30 377	-
Non-current deferred revenue	12	26 744	53 484
		163 145	163 080
Current liabilities			
Trade and other payables	14	54 749	55 913
Income tax payable		-	13 231
Liabilities to parent company (loans)	15	3 897	3 941
Current contract liabilities	13	924	-
Current provisions	17	267	1 010
		59 837	74 095
Total liabilities		222 982	237 175
Total equity and liabilities		1 074 623	1 048 856

Income Statement

	Note	Year ended 31 December	
		2018	2017
Revenue	18	430 666	534 863
Purchases of electricity, system and other related fees	20	(268 081)	(291 460)
Personnel expenses	22	(37 662)	(36 536)
Depreciation and amortization and impairment losses on Property, plant and equipment and intangible assets	5, 6	(59 501)	(59 454)
Material and energy consumption		(5 790)	(4 736)
Capitalization		10 223	10 587
Other operating revenues	19	5 301	5 150
Other operating expenses	21	(21 121)	(18 000)
Operating profit		54 035	140 414
Interest expense	23	(404)	(520)
Other finance expense, net	23	(4)	(4)
Finance expense, net		(408)	(524)
Profit before income tax		53 627	139 890
Income tax expense	24	(13 524)	(33 761)
Profit for the year		40 103	106 129

Statement of Comprehensive Income

	Note	Year ended 31 December	
		2018	2017
Profit for the year		40 103	106 129
Other items of comprehensive income:			
Actuarial loss	17	(181)	(376)
Deferred tax		38	79
Total other items of comprehensive income		(143)	(297)
Total comprehensive income for the year		39 960	105 832

Statement of Changes in Equity

	Share capital	Legal reserve fund	In-kind contribution from parent company	Retained earnings	Actuarial loss from long-term employee benefits net of tax	Total equity
Balance as at 1 January 2018	499 835	99 967	3 401	210 232	(1 754)	811 681
Profit for the year ended 2018	-	-	-	40 103	-	40 103
Other items of comprehensive income	-	-	-	-	(143)	(143)
Balance as at 31 December 2018	499 835	99 967	3 401	250 335	(1 897)	851 641
Balance as at 1 January 2017	499 835	99 967	3 401	104 103	(1 457)	705 849
Profit for the year 2017	-	-	-	106 129	-	106 129
Other items of comprehensive income	-	-	-	-	(297)	(297)
Balance as at 31 December 2017	499 835	99 967	3 401	210 232	(1 754)	811 681

Statement of Cash Flows

	Note	Year ended 31 December	
		2018	2017
Profit before tax		53 627	139 890
Adjustments for:			
Depreciation and amortization	5, 6	59 731	59 270
Gain on disposal of property, plant and equipment		(69)	(305)
Change in impairment provision for property, plant and equipment		(230)	184
Change in impairment provision for receivables	8	165	97
Net movement in provisions	17	876	971
Interest expense net	23	404	520
Operating profit before working capital changes		114 504	200 627
Changes in working capital:			
Increase in trade receivables and accrued income	8, 9	(35 875)	(132 779)
(Increase)/Decrease in inventory		38	(257)
Decrease in liabilities and deferred income	12, 14	(402)	(4 686)
Net cash generated from operations		78 265	62 905
Cash flow from operating activities			
Cash generated from operations		78 265	62 905
Interest paid	23	(422)	(559)
Income tax paid		(29 033)	(14 573)
Net cash generated from operating activities		48 810	47 773
Cash flow from investing activities			
Purchase of non-current assets	5, 6	(48 074)	(42 159)
Proceeds from sale of non-current assets		874	1 128
Net cash used in investing activities		(47 200)	(41 031)
Cash flows from financing activities			
Repayment of loans from parent company		(3 844)	(4 107)
Net cash used in financing activities		(3 844)	(4 107)
Net decrease (-)/increase (+) in cash and cash equivalents		(2 234)	2 635
Cash and cash equivalents at the beginning of the year		2 647	12
Cash and cash equivalents at the end of the year		413	2 647

1 General information

Trade name and registered address

Stredoslovenská distribučná, a.s.
Pri Rajčianke 2927/8
Žilina 010 47

Registration number (IČO) is: 36442151
Tax registration number (DIČ) is: 2022187453
Tax registration number for VAT purposes (IČ DPH) is: SK2022187453

Stredoslovenská distribučná, a.s. (hereafter referred to as the “Company” or “SSD, a.s.”), was established under the business name Stredoslovenská energetika – Distribúcia, a.s. on 22 March 2006 and was registered in the Commercial Register on 8 April 2006 (Commercial Register of the District Court Žilina, Section Sa, Insert No. 10514/L). With the effect from 1 March 2018 the business name of the Company was changed to Stredoslovenská distribučná, a.s.

The Company was established with the purpose to comply with the legal requirements to unbundle the distribution business from other commercial activities of integrated electricity companies established by the European directive 2003/54 on common rules for the internal market in electricity. The directive has been transferred into Slovak legislation by the Act on energy (656/2004) issued in 2004. The Act prescribed legal unbundling of distribution activities by 30 June 2007 at the latest. The company Stredoslovenská energetika, a.s. carved out a part of its business that conducted principal distribution activities, revalued items of assets and liabilities to fair value and contributed it to the Company. On 1 July 2007, the Company started to provide distribution of electricity as its core business activity.

Main business activities of the Company

- Distribution of electricity
- Consultancy services in energy sector
- Engineering and relating technical consultancy
- Rental of energy devices
- Realisation of constructions and their changes
- Projects and construction of electrical devices
- Repairs, revision and testing of selected technical electrical devices in extent of S, O (OU, R, M) – E1-A
- Assembly of selected gauges
- Assembly and repairs of gauges and regulative technology

The Company is one of the three biggest distribution companies in electricity industry in Slovakia and operates within Žilina, Trenčín and Banská Bystrica regions. The main business activity of the Company is electricity distribution to the all customers connected to the distribution system of SSD, a.s. in segments:

- low voltage,
- high voltage,
- very high voltage.

The main activity of the Company is distribution of electricity which is invoiced to the final customers mostly by the trader of electricity (the parent company Stredoslovenská energetika, a.s. or other traders), mainly in the form of an integrated contract (the price for electricity is invoiced to the final customer together with the distribution fee).

The Company's operations are governed by the terms of its license granted under the Energy Law ("the Energy License"). The Regulatory Office of Network Industries of the Slovak Republic ("URSO") regulates all aspects of the Company's relationships with its customers including pricing.

The structure of the Company's shareholders as at 31 December 2018 as follows:

	Absolute amount in thousands of EUR	Ownership interest %	Voting rights %
Stredoslovenská energetika, a.s.	499 835	100	100
Total	499 835	100	100

The Company is a subsidiary of Stredoslovenská energetika, a.s., which holds a 100 % shareholding in its registered capital. Stredoslovenská energetika, a.s. prepares the consolidated financial statements and it is the immediate consolidating company.

Stredoslovenská energetika, a.s. is a subsidiary of EP Energy, a.s. based in Pařížská 130/26, Josefov, 110 00, Praha 1, Czech Republic, IČO: 29 259 428, registered in the Commercial Register of the Regional Court in Praha, Section B, file No. 21733, Czech Republic, which owns 49% shareholding in registered capital of the parent company (until 26 May 2014 it was owned by EPH Financing II, a.s.) and has managerial control.

Ministry of Economy of the Slovak republic based in Mlynské Nivy 44/a, 827 15 Bratislava 212 owns a 51% shareholding in registered capital of the parent company since 1 August 2014 (The National Property Fund of the Slovak Republic owned this 51% shareholding until 1 August 2014).

The consolidated financial statements of Stredoslovenská energetika, a.s. are available at the registered address of the parent company in Žilina, Pri Rajčianke 8591/4B and is filed in the Commercial Register of the District Court Žilina.

These financial statements are included into consolidated financial statements of the largest group of accounting entities, which are prepared by EP Investment S.à r.l., 39, Avenue John F. Kennedy, L-1855 Luxembourg. Its consolidated financial statements for 2018 are available at the registered office of EP Investment S.à r.l. The address of the registration court maintaining the Commercial Register in which these consolidated financial statements are deposited is Luxembourg Business Registers G.I.E., 14 Rue Erasme L-1468 Luxembourg, R.C.S. Luxembourg C24.

As at 31 December 2017, the consolidated financial statements for the largest group of accounting entities were prepared by Energetický a průmyslový holding, a.s. („EPH”) with the seat Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic. The 2017 consolidated financial statements are deposited at the registered office of EPH. The address of the registration court maintaining the Commercial Register in which the 2017 consolidated financial statements are deposited is City Court in Prague, Slezská 2000/9, 120 00 Prague, Czech Republic.

Unlimited liability

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

Date of approval of the financial statements for the previous accounting period

The General Meeting approved the Company's financial statements for the previous accounting period ended 31 December 2017 on 28 June 2018.

Publication of the Financial Statements for the preceding accounting period

The Financial Statements of the Company as at 31 December 2017 and the Auditors' Report on the audit of the Financial Statements were filed and published in the Register of the Financial Statements on 29 March 2018. The annual report with the supplement to the independent auditors' report as at 31 December 2017 was filed in the Register of the Financial Statements on 10 July 2018.

Appointment of the auditor

The Company's General Meeting approved KPMG Slovensko spol. s r.o. as the auditor of the financial statements for the year ended 31 December 2018 on 28 June 2018.

The Company's bodies

The list of members of the Board of Directors of the Company and members of its Supervisory Board is publicly available in the Commercial Register operated by the Ministry of Justice of the Slovak Republic at www.orsr.sk.

Average number of employees

In 2018, the average number of employees of the Company was 1 294 (2017: 1 284), 9 of which were managers (2017: 9).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1. Basis for preparation

Legal reason for the preparing the financial statements:

The Company's financial statements at 31 December 2018 have been prepared as ordinary financial statements under § 17 Sec. 6 of the Slovak Act No. 431/ 2002 Coll. ("the Act on Accounting") for the accounting period from 1 January 2018 to 31 December 2018.

The Act on Accounting requires the Company to prepare financial statements for the year ended 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

These financial statements have been prepared in accordance with IFRS as adopted by the EU. The Company applies all IFRS EU issued by International Accounting Standards Board ("IASB") and interpretations issued by International Financial Reporting Interpretation Committee ("IFRIC") as adopted by EU, which were in force as at 31 December 2018.

The financial statements have been prepared under the historical cost measurement basis.

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

The Board of Directors of the Company can propose to the shareholder of the Company to amend the financial statements until their approval by the General Assembly. If, after the approval of financial statements, the management identifies that comparative information is not consistent with the current period, the IFRS EU allows changing comparative information when relevant facts are obtained.

The preparation of the financial statements in conformity with IFRS EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies on complex transactions. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

These financial statements are prepared in thousand euro ("EUR"), unless stated otherwise.

Change in presentation

The Company has initially applied IFRS 15 retrospectively, with cumulative effect presented in opening balance of retain earnings or other components of equity. The Standard has been applied without restatement of comparative information.

Within the Non-current liabilities, the Company presents a new category called Non-current contract liabilities, to which it transposed a non-current part of the customer connection fees to the distribution network and subsequent access to distribution services that were part of Deferred revenues before the change in presentation.

Within the Current liabilities, the Company presents a new category called Contract liabilities, to which it transposed a short-term part of fees from customers for connection to the distribution network and subsequent access to distribution services, that were part of Trade and other liabilities before the change in presentation.

The adjustments made to the Statement of Financial Position are summarized at the following table:

	Year ended 31 December 2018		
	Balance without the IFRS 15 application effect	IFRS 15 application effect	Balance after change in presentation
Non-current liabilities			
Deferred revenue	57 121	(30 377)	26 744
Contract liabilities	-	30 377	30 377
Other non-current liabilities	106 024	-	106 024
	163 145	-	163 145
Current liabilities			
Trade and other liabilities	55 673	(924)	54 749
Contract liabilities	-	924	924
Other current liabilities	4 164	-	4 164
	59 837	-	59 837

The initial application of IFRS 9 did not have a material impact on the financial statements.

New standards and interpretations not yet adopted

Standards, interpretations and amendments to published standards that are not yet effective for the financial year beginning on 1 January 2018 and have not been applied in preparing of these financial statements.

IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated, and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

IFRS 16 is expected to have an impact on the Company's financial statements in the period of initial application as it is required to recognise new assets and liabilities relating to its operating leases.

The Company will recognise new asset and liabilities relating mainly to its operating leases of premises and vehicles.

The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Company estimates that as at 1 January 2019, additional leasing liabilities and new assets will be recognised in the amount of EUR 4 500 thousand. In addition, the Company expects to recognise a depreciation expense for the year ended 31 December 2019 in the amount of EUR 1 000 thousand and an interest expenses from leasing liabilities in the amount of EUR 72 thousand. The application of the standard will also reduce operating costs by EUR 1 000 thousand.

As at 1 January 2019, the Company plans to initially apply IFRS 16 by using the modified retrospective approach, by which the value of the initially recognized asset equals the related leasing liability. The Standard will not affect the Company's equity on 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatment

Effective for annual periods beginning on or after 1 January 2019.

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment, then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Company does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Company does not operate in a complex multinational tax environment and does not have material uncertain tax positions.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Effective for annual periods beginning on or after 1 January 2019.

These amendments address concerns raised about accounting for financial assets that include particular contract prepayment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including „negative compensation”.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss.

The amendments enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.

The Company does not expect that the amendments will have a material impact on the financial statements because the Company does not have prepayable financial assets with negative compensation.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021.

The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard that the IASB is developing for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company, because the Company is not an insurance provider.

IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021, to be applied prospectively. Early application is permitted only for companies that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers simultaneously or before initial application of IFRS 17.

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

The European Commission decided to defer the endorsement indefinitely.

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The quantitative impact of the adoption of the Amendments can only be assessed in the year of initial application of the Amendments, as this will depend on the transfer of asset or businesses to the associate or a joint venture that will take place during that reporting period.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Amendments clarifies that companies account for investments in associates or joint ventures, for which equity method is not applied, in accordance with provisions of IFRS 9 Financial Instruments.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Annual Improvements to IFRS 2015-2017 Cycle

Improvements contains amendments to 4 standards and subsequent amendments to other standards and interpretations that result in changes in recognition, presentation or measurement. Most of the amendments are applied retrospectively for annual periods beginning on or after 1 January 2019.

The Improvements to IFRSs (2015-2017) contains four amendments to standards. The main changes were to:

- clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;
- clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;
- clarify that the entity should always accounts for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits; and
- clarify that the entity should exclude from the funds that the entity borrows generally borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete as borrowings made specifically for the purpose of obtaining a qualifying asset should not apply to a borrowing originally made specifically to obtain a qualifying asset if that asset is ready for its intended use or sale.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 19 Employee Benefits

Effective for annual periods beginning on or after 1 January 2019.

The Amendments require that the Entity uses current and updated assumptions when a change to a plan, and amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2020.

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2020.

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Company does not expect that the amendments, when initially applied, will have a material impact on the Company's financial statements.

The Company does not plan to apply above mentioned standards, amendments and interpretation before the day they come into effect. All new standards, amendments and interpretations, which are relevant for the Company, will be applied by the Company when they come into effect.

2.2. Foreign currency transactions and translation

(i) Functional and presentation currency

Items included in the financial statements are presented in EUR which is the currency of the primary economic environment in which the company operates ("the functional currency").

(ii) Transactions and balances in the Statement of Financial position

Transactions denominated in foreign currency are translated to Euro as at the date of the accounting transaction by the reference exchange rate determined and declared by the European Central Bank ("ECB") or National Bank of Slovakia ("NBS") as at the date preceding the date of the accounting transaction.

Financial assets and liabilities denominated in a foreign currency are translated to Euro at the reporting date according to the reference exchange rate determined and declared by the European Central Bank or the National Bank of Slovakia as at the reporting date and are recorded with an impact on profit or loss.

Non-financial assets and liabilities, advance payments made, and advance payments received denominated in foreign currencies are translated to euro as at the date of the accounting transaction by the reference exchange rate determined and declared by the ECB or the NBS as at the date preceding the date of accounting transaction.

2.3. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Acquisition Cost

Acquisition cost includes expenditure that is directly attributable to the acquisition of the item. Borrowing costs are capitalized if they meet criteria of IAS 23 as a part of acquisition cost, in the other case borrowing costs are expensed as incurred.

Self-constructed non-current assets are valued at their conversion cost. Conversion cost includes all direct costs incurred during production or other activities and indirect costs related to production or other activities.

Subsequent expenditures 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 expenditures on repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

(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 is depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the depreciable basis divided by the estimated useful life of the item of property, plant and equipment. The depreciable basis is the acquisition cost less the expected residual value of the asset at the time of disposal.

The estimated useful lives of individual groups of assets were in 2018 and 2017 as follows:

Buildings, halls and structures	10 – 70 years
Distribution network (technological part), equipment and vehicles	4 – 45 years
Other non-current tangible assets	5 – 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Land and assets under construction are not depreciated.

The residual value of an asset is the estimated amount that the Company would obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the conditions expected at the end of its useful life. The residual value of an asset is zero or its scrap value if the Company expects to use the asset until the end of its physical life.

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.

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).

Assets, that are retired or otherwise disposed of are derecognised from the Statement of Financial Position, along with the corresponding accumulated depreciation and accumulated impairment losses. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit/loss.

2.4. Non-current intangible assets

Non-current intangible assets are initially measured at acquisition cost. Non-current 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 acquisition cost of the asset can be measured reliably. After initial recognition, the non-current intangible assets are measured at acquisition cost less accumulated amortization and any accumulated impairment losses. Borrowing costs, which fulfil IAS 23 criteria are capitalized as a part of acquisition cost, otherwise are not capitalized and are expensed as incurred. The Company does not have non-current intangible assets with indefinite useful lives. Non-current intangible assets are amortised over their estimated useful lives, which do not exceed 20 years, except for amortisation of easements.

The amortization of an intangible asset starts in the month when the intangible asset is put in use. Intangible assets are depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the depreciable basis divided by the estimated useful life of the intangible asset. The depreciable basis is the acquisition cost less the expected residual value of the asset at the time of disposal.

Residual value of intangible assets is assumed to be zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life, or
- there is an active market for the asset and residual value can be determined by the reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Subsequent expenditure which enhances or extends the performance of computer software programs beyond their original specifications and meets criteria for recognizing it as an intangible asset according to IAS 38 is recognized as a technical improvement and added to the original cost of the software. Each item of Intangible assets, which value is in comparison to the total value of the item significant, is amortised separately. The Company divides the value of the original item proportionally to its significant parts and amortises each such part separately.

2.5. Impairment of non-financial assets

Assets that have an indefinite useful life and non-current intangible assets not yet in use are not subject to amortization and are tested for impairment annually. Non-financial assets, except for deferred tax asset and inventory are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized in the Income statement for the amount by which the asset's or cash generating unit's ("CGU") carrying amount exceeds its recoverable amount. The recoverable amount is either an asset's fair value less costs to sell or value in use, depending on which one is higher.

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 instruments

Initial recognition and measurement – accounting policy applicable from 1 January 2018

Trade receivables and issued debt securities are initially recognized on the date that they are originated. All other financial assets and financial liabilities are recognized initially in the Statement of financial position on the date at which the Company becomes a contract party to the agreements containing financial instruments.

Financial asset (except trade receivables that do not contain a significant financial component) or financial liabilities are initially recognized at fair value increased by costs related to the acquisition or issue of a financial instrument, except the items measured at fair value through profit or loss. (FVTPL). Trade receivables that do not contain a significant financial component will be initially recognized at transaction value.

2.7. Financial assets

The Company classifies its financial assets by the initial recognition in the following categories:

- amortised costs,
- at fair value through other comprehensive income (FVOCI),
- at fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By the equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value (foreign exchange rate and losses included) in other comprehensive income. They cannot be reclassified to profit or loss under no circumstances.

All financial assets not classified at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets.

Subsequent measurement and gains and losses

- Amortised cost – this asset is subsequently measured at amortised cost using the effective interest method, reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
- FVTPL – this asset is subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Equity investments at FVOCI – this asset is subsequently measured at fair value. Dividends received are recognised in profit or loss. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – accounting policy applied before 1 January 2018

The Company classifies its financial assets in the following categories: asset held to maturity, financial asset at fair value through profit or loss (FVTPL), loans and receivables or cash and cash equivalents.

Subsequent recognition and profits and losses

- loans and receivables – this asset is subsequently recognized at amortized cost using the effective interest method, less any impairment losses.
- FVTPL – this asset is subsequently recognized at fair value. Net profit or loss, included any interest incomes and dividends is recognized in profit or loss.
- Asset held to maturity – this asset is subsequently recognized at amortized cost using the effective interest method, less any impairment losses.

The Company initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through Income statement) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, and the net amount presented in the Statement of Financial Position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents are defined in the Note 2.12.

2.8. Financial liabilities

Financial liabilities are initially classified as measured at amortised cost or FVTPL. The Company classified a financial liability as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. When a financial liability is initially recognised at FVTPL, the Company measured this liability at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Derecognition of financial instruments

The Company derecognises a financial asset, when:

- a) The asset is redeemed or the rights to the cash flows from the assets otherwise expire, or
- b) The Company has transferred the rights to the cash flow from financial assets or entered a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

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

The difference between the carrying amount of the disposed financial asset and the consideration paid is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company does not hold any other financial asset measured at FVOCI, or at FVTPL, other than Equity investment.

2.9. Impairment of financial assets

Accounting policy applicable from 1 January 2018

The impairment model „incurred loss” is replaced with an „expected credit loss” (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

A financial asset measured at amortised cost using the effective interest method comprises trade and other receivables, cash and cash equivalents and borrowing provided to related party.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that results from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that results from all possible default events over the expected life of a financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are estimates calculated as weighted averages of impairment probabilities and credit losses realizations. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

ECLs are not discounted, as they do not contain any significant financial component.

Accounting policy applicable before 1 January 2018

Impairment provision to trade receivables is established when there is risk that the receivable is irrecoverable. The Company determines the value of impairment provision using the ageing structure and the analysis of the credit quality of trade receivables. Based on the result of the credit analysis of receivables, the Company decides on the total amount of the provision for receivables.

Impairment losses

Impairment losses related to trade and other receivables are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

The initial applying IFRS 9 didn't have a material impact on the financial statements. The Company has made use of the option in 7.2.15 of IFRS 9 and has not change the classification of financial assets or its measurement, including impairment provisions for the comparable period in accordance with IFRS 9.

The carrying amount of receivables is impaired through an allowance account. Creation and reversal of impairment losses are recognised in the Income Statement within Other operating expenses. Trade receivables that cannot be collected are written off. Trade receivables that were written off and are subsequently repaid by the debtors are recognized in the Income Statement within Other operating income.

Revenue recognition policy is described in the Note 2.19.

2.10. Leases

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

Leases in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

The Company has no finance leases.

2.11. Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventory is based on the weighted average principle. The cost includes all purchase-related costs for example duty and freight, discounts and rebates. Net realizable value is the estimated selling price less estimated costs necessary to make the sale.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash administrated by the parent company based on "Agreement about providing the service of cash pooling" is recognized as receivable due from the parent company not as cash or cash equivalents.

2.13. Share capital

Ordinary shares are classified as share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted at the reporting date. Management regularly evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income calculated is calculated using the balance sheet liability method based on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, the 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 if at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Current and deferred tax is recognized in the Income statement except to the extent that it relates to items recognised directly in equity or the Statement of comprehensive income.

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 tax assets against tax liabilities and these relate to income taxes collected by the same taxation authority.

2.15. Provisions

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

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

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

2.16. Contingent liabilities

Contingent liabilities are not recognized in the Statement of Financial Position. They are disclosed in the Notes to the Financial statements, if the probability of an outflow of resources embodying the economic benefits is not probable. They are not disclosed in the Notes to the Financial statements if the possibility of an outflow of resources embodying the economic benefits is remote.

2.17. Contract liabilities

Contract liabilities represent the Company's obligation to transfer the goods or to provide the customer with a service where the Company has already received consideration for those goods or services. They represent mainly received fees from customers for the access to the distribution network and subsequent access to provisions of distribution services, when control over the asset has not been transferred to the customer.

2.18. Employee benefits

The Company has both defined benefit and defined contribution plans.

Pension plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon 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 company or to the Government and will have no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Unfunded defined benefit pension plan

According to the Corporate Collective Agreement for the years 2017 – 2019, the Company is obliged, based on the number of years in service, to pay its employees upon retirement or disability the following multiples of their average monthly salary:

	Average monthly salary multiple
up to 10 years	2
11 - 15	4
16 - 20	5
21 - 25	6
over 25	7

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

Other benefits

The Company also pays the following life and work jubilee benefits:

- one additional monthly salary on 25th annual work anniversary;
- a single payment from 40% to 110% of employee's monthly salary depending on the number of years worked for the Company when the employee reaches the age of 50 years.

The Company had created expectations on the part of its employees that it will continue to provide the benefits and it is the management's judgement that it is not probable that the Company will cease to provide them.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by the Company using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by (a) discounting the estimated future cash outflows using interest rates of high-quality government or 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.

Actuarial gain and loss arising from experience adjustments and changes in actuarial assumptions are immediately recognized in period when incurred. Pension liabilities in Statement of Comprehensive Income and life and work jubilee benefits in the Income Statement. Past-service costs are recognised immediately in the Income Statement.

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% (2017: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law to maximum of EUR 6 384 (2017: maximum of EUR 6 181) depending on the type of scheme, together with contributions made by employees of a further 13.4% (2017: 13.4%). The cost of these payments is charged to the Income Statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company makes contributions to the supplementary scheme, between 2% and 6% from the total of monthly tariff wage maximum to EUR 1 400 annually (2017: EUR 1 400).

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated by the employer before the normal retirement date upon agreement between the employer and employee resulting from redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: (a) terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or (b) provide termination benefits as a result of an offer made to encourage voluntary redundancy. Present value of termination benefit does not significantly differ from carrying amount as the influence of discounting is not significant.

Profit sharing and bonus plans

Liability for any employee benefits in the form of profit sharing and bonus plans is recognized as 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 determinable before the financial statements are authorised for issue; or
- the past practice created a valid expectation of employees that they will receive a profit sharing or other bonus and the amount can be determined before the financial statements are authorised for issue.

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.

2.19. Revenue recognition

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

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria were met for each of the Company's activities as described below.

The amount of revenue is not considered to be reliably measurable until all conditions related to sale are met. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from distribution of electricity is recognized when the electricity is delivered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. Billing cycle of retail customers (households and small businesses) is metered on an annual basis and billed on a monthly basis, as the company invoices distribution services to the electricity supplier on a monthly basis, according to the electricity actually distributed.

The Company used methodology for the estimate of network losses that is consistent with the methodology used during year 2017. The calculation of network losses is derived from actual metering as well as from the estimate of supply at the low voltage level based on past experience.

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.

Interest income is recognized in the period when it is earned on a time proportion basis using the effective interest rate method.

Revenues from connection fees from customers for connection to the distribution network and subsequent access to the delivery of distribution services are recorded as contract liabilities and are released to revenues over the average useful life of assets relating to the distribution of electrical energy.

Assets acquired by withholding (e.g. transformer stations) free of charge and inventory surpluses are recorded in accordance with the existing legislation, initially recorded at fair value as deferred income. Subsequently, an amount equal to the annual accounting depreciation of these assets is recognised in the revenues of the current period.

Fees for relocations of energy devices are treated similarly to withheld assets, meaning the value of such fees is recorded as deferred income, while the amount equal to the annual accounting depreciation for these assets is recognized in the revenues of the current period.

2.20. Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder.

3 Financial risk management

3.1. Financial Risk Factors

The Company is exposed to a variety of financial risks due to its business activities: market risk (including foreign exchange risk, price risk, interest rate risk), operational risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by a central finance department (provided by the parent company Stredoslovenská energetika, a.s.) in accordance with principles approved by the Board of Directors. The central finance department identifies, evaluates and hedges financial risks in cooperation with the Company's operating units. The Board of Directors and management provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments.

(i) Market risk

(a) Foreign exchange risk

The Company is not exposed to foreign exchange risk as expenses and revenues in foreign currency are not significant for the Company.

(b) Price risk

Distribution services provided by the Company are subject to price regulation by URSO. Based on the approved Regulatory policy, URSO set the extent and way of the price regulation for years 2017 – 2021. URSO sets price decrees for distribution services provided by the Company generally for the whole regulated period, however these are often changed for each regulated year. These price decrees are mandatory for the Company's invoicing. The allowed return is derived from Regulated Asset Base ("RAB") and a rate of return set by URSO. Despite this, circumstances outside the control of the Company may occur, that will result into change in the price decree during a calendar year and therefore have a negative or a positive impact on the Company's results. It is not possible to quantify the level of such risk in advance. Management of the Company enters into discussion with URSO in the case of a change of the price decree with the aim to minimize the negative impact on the Company.

(c) Cash flow and fair value interest rate risk

The Company is not exposed to interest rate risk from its long-term borrowings.

At 31 December 2018 and 31 December 2017, all borrowings denominated in EUR are interest-bearing with fixed interest rates and are recorded at amortised costs. For more details see Note 15.

(ii) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by the Internal Audit department. The results of Internal Audit reviews are discussed with the senior management of the Company.

(iii) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, receivables from cash-pooling from the parent company, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. As for the banks and financial institutions, the Company has relationships only with those ones that have high independent rating assessment. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assessment of the credit quality of the customer is performed, taking into account its financial position, past experience and other factors.

The key service of the Company is distribution of electricity, which is invoiced to the customers usually by the trader of electricity (the parent company Stredoslovenská energetika, a.s. or other trader), mainly in a form of integrated contract, i.e. the price for electricity is invoiced to the final customer together with the distribution fee. The Company manages the credit risk of customers via prepayment system.

As far as the trade and cash pooling receivables are concerned, the Company has a significant concentration of credit risk mainly due to the close cooperation with the parent company Stredoslovenská energetika, a.s. and a small number of other customers (traders and direct customers). The Company has a significant concentration of credit risk from the parent company (2018: 93% of trade receivables, 2017: 89 % of trade receivables).

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that results from all possible default events over the expected life of a financial instrument.

The Company decided to measure the impairment provision to trade receivables at lifetime ECLs.

Impairment losses related to trade and other receivables are presented in profit or loss. The impairment loss will be reversed, if the decrease can be related objectively to an event occurring after the impairment was recognized.

The initial application of IFRS 9 didn't have a material impact on the financial statements.

The table below shows the balances due from banks and cash in hand at the reporting date:

Counterparty	Rating ¹	Balance as at 31 December	
		2018	2017
Banks			
Všeobecná úverová banka, a.s.	A2	398	2 634
UniCredit Bank, a.s.	Baa1	8	8
Cash in hand	-	7	5
Total		413	2 647

Funds managed by the parent company Stredoslovenská energetika, a.s. based on "Agreement about providing the service of cash pooling" as at 31 December 2018 represent the amount of EUR 176 947 thousand (31 December 2017: EUR 98 425 thousand) and they are classified as a receivable from the parent company.

¹The Company uses the independent ratings of Moody's, Standard & Poor's, Fitch.

Exposure to credit risk

The carrying amount of financial assets represents maximum credit exposure, which was as at 31 December 2018 and as at 31 December 2017 as follows:

Financial instrument	Note	Balance as at 31 December	
		2018	2017
Trade receivables (before impairment provision)	8	22 838	25 379
Receivable from the parent company (cash pooling)		176 947	98 425
Cash and cash equivalents	10	413	2 647
Total		200 198	126 451

(iv) Liquidity risk

A prudent liquidity risk management means maintaining a sufficient amount of cash and tradeable securities, availability of cash by undrawn credit lines and possibility to close market positions. Due to the dynamic nature of the activities, the Company tries to sustain the flexibility of the financing through the financing from the parent company.

The Company has concluded an agreement about cash-pooling with the parent company Stredoslovenská energetika, a.s., which is used to manage liquidity risk, and which should cover an immediate shortage of cash. The cash-pooling is available on demand. The Company regularly monitors its liquidity position.

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 usually between 14 to 90 days.

Expected cash flows are prepared as follows:

- expected future cash inflows from main operations of the Company;
- expected future cash outflows securing operations of the Company and leading to settlement of all liabilities of the Company, including tax payables.

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

The table below analyses the Company's financial liabilities according to relevant maturity groups based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The difference between the carrying and estimated value of liabilities represent future expected interests.

	Carrying value	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2018						
Borrowings from the parent company (principal incl. future interest charges)	13 800	4 104	2 699	7 755	-	14 558
Trade and other payables (excl. Liabilities not in scope of IFRS 7)	53 426	53 426	-	-	-	53 426
Total	67 226	57 530	2 699	7 755	-	67 984
As at 31 December 2017						
Borrowings from the parent company (principal incl. future interest charges)	17 610	4 232	4 104	7 926	2 528	18 790
Trade and other payables (excl. Liabilities not in scope of IFRS 7)	67 012	67 012	-	-	-	67 012
Total	84 622	71 244	4 104	7 926	2 528	85 802

3.2. Capital risk management

Management considers equity being capital. The Company's objective when managing capital is 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 shareholders' capital reported under IFRS EU amounting to EUR 851 641 thousand (2017: EUR 811 681 thousand) as at 31 December 2018.

Consistent with other companies within the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total liabilities and equity. Total debt is calculated as total of bank loans and borrowings (including current and non-current bank loans and borrowings as presented in the Statement of Financial Position).

During 2018 as well as in 2017, the Company's strategy was to maintain the gearing ratio below 60% limit stated in the Company's loan agreements.

3.3. Fair value estimation

Fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. Different methods, such as discounted estimated future cash flow, are used for determining fair value of other financial instruments.

The carrying amount of trade receivables decreased by an impairment provision and payables is assumed to approximate their fair values. Fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Critical accounting estimates and judgements

Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS as adopted by EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other miscellaneous factors deemed appropriate under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about areas of estimation uncertainty and critical judgements in using accounting policies that have a significant impact on the amounts reported in the financial statements are stated below.

(i) Estimated useful life of assets

Management estimates useful life of non-current tangible and intangible assets based on cooperation with internal and external experts. If the revised estimated useful life of non-current tangible and intangible assets was shorter by 10% than management's estimate at 31 December 2018, the Company would have recognized an additional depreciation of property, plant and equipment and non-current intangible assets charged to the Income Statement in the amount of EUR 6 890 thousand (2017: EUR 6 743 thousand).

5 Property, plant and equipment

The movement of property, plant and equipment from 1 January 2017 to 31 December 2018 is presented below:

	Land	Buildings	Machinery, equipment and other assets	Tangible assets not yet in use including advances	Total
As at 1 January 2017					
Acquisition cost	12 793	923 306	320 935	16 367	1 273 401
Accumulated depreciation and impairment charges	-	(383 072)	(111 985)	-	(495 057)
Net book value	12 793	540 234	208 950	16 367	778 344
Year ended 31 December 2017					
Opening balance	12 793	540 234	208 950	16 367	778 344
Additions	68	20 564	10 228	15 774	46 634
Transfers from assets not yet in use	9	4 888	7 185	(12 082)	-
Disposals	(224)	(445)	(271)	(82)	(1 022)
Depreciation charge	-	(40 537)	(15 033)	-	(55 570)
Creation of impairment provision	-	(878)	-	-	(878)
Reversal of impairment provisions	-	694	-	-	694
Closing net book value	12 646	524 520	211 059	19 977	768 202
As at 31 December 2017					
Acquisition cost	12 646	944 180	334 027	19 977	1 310 830
Accumulated depreciation and impairment charges	-	(419 660)	(122 968)	-	(542 628)
Net book value	12 646	524 520	211 059	19 977	768 202
Year ended 31 December 2018					
Opening balance	12 646	524 520	211 059	19 977	768 202
Additions	102	22 124	8 862	17 257	48 345
Transfers from assets not yet in use	8	5 453	7 156	(12 617)	-
Disposals	(212)	(503)	(111)	(105)	(931)
Depreciation charge	-	(40 795)	(15 772)	-	(56 567)
Reversal of impairment provision	-	230	-	-	230
Closing net book value	12 544	511 029	211 194	24 512	759 279
As at 31 December 2018					
Acquisition cost	12 544	966 615	346 244	24 512	1 349 915
Accumulated depreciation and impairment charges	-	(455 586)	(135 050)	-	(590 636)
Net book value	12 544	511 029	211 194	24 512	759 279

At 31 December 2018, no property, plant and equipment were pledged in favour of a creditor. The Company has no contracts in respect of pledged assets and long-term leases of the non-current assets.

The impairment provisions represent an impairment loss related to unused buildings. At 31 December 2018, the value of the impairment for unused buildings amounted to EUR 2 909 thousand (31 December 2017: EUR 3 328 thousand).

There are no restrictions of ownership relating to property, plant and equipment. No property, plant and equipment are pledged.

Buildings, machines, equipment and other assets include mainly distribution network, switching stations, transformers, administrative buildings and equipment, vehicles and machinery, hardware, servers, telephone exchanges, remote control equipment, electrometers, metering equipment, system failure detectors and electrical and hand tools and machines.

The Company leases vehicles, personal computers, printers, land, machinery and telephone circuits (operating leasing). Furthermore, the Company leases non-current tangible assets to third parties.

Relocation of energy devices, assets obtained by withholding (transformer stations, power lines), assets obtained free of charge and inventory surplus are recorded in accordance with the existing legislation, initially recorded at fair value as deferred income. Subsequently, an amount equal to the annual accounting depreciation of these assets is recognised in the revenues of the current period (Note 12, point b).

Interest expense meeting the criteria of IAS 23 in the amount of EUR 18 thousand (2017: EUR 38 thousand) was capitalized, otherwise was expensed in the current period.

Type and amount of insurance of property, plant and equipment

Property, plant and equipment are insured up to EUR 1 025 140 thousand (2017: EUR 1 025 140 thousand) against damages caused by natural disaster, theft and vandalism and up to EUR 15 616 thousand (2017: EUR 15 616 thousand) against risk of the breakage of the machinery.

6 Intangible assets

	Computer software	Intangible assets not yet in use including advances	Other intangible assets	Total
As at 1 January 2017				
Acquisition cost	34 280	1 134	77	35 491
Accumulated amortization	(18 693)	-	(6)	(18 699)
Net book value	15 587	1 134	71	16 792
Year ended 31 December 2017				
Opening balance	15 587	1 134	71	16 792
Additions	1 041	1 187	-	2 228
Transfers from assets not yet in use	756	(757)	1	-
Amortization charge	(3 698)	-	(2)	(3 700)
Closing net book value	13 686	1 564	70	15 320
As at 31 December 2017				
Acquisition cost	36 077	1 564	78	37 719
Accumulated amortization	(22 391)	-	(8)	(22 399)
Net book value	13 686	1 564	70	15 320
Year ended 31 December 2018				
Opening balance	13 686	1 564	70	15 320
Additions	1 725	893	16	2 634
Transfers from assets not yet in use	750	(770)	20	-
Disposals	-	(6)	-	(6)
Amortization charge	(3 161)	-	(3)	(3 164)
Closing net book value	13 000	1 681	103	14 784
As at 31 December 2018				
Acquisition cost	38 552	1 681	114	40 347
Accumulated amortization	(25 552)	-	(11)	(25 563)
Net book value	13 000	1 681	103	14 784

Software consists mainly of customer information system (SAP ISU/CRM), information system for service administration (EAM), graphic information system (GIS) and operating information system (RIS). The additions are represented mainly by upgrades of software (SAP, RIS, GIS).

There are no restrictions of ownership relating to intangible assets and no intangible assets are pledged.

7 Financial instruments by category

The analysis of classes of financial instruments with measurement categories under IFRS 9 is as follows:

	As at 31 December	
	2018	2017
Assets as per the Statement of financial position		
Trade and other receivables (before impairment provision) (Note 8)	22 838	25 379
Receivables from parent company (cash pooling)	176 947	98 425
Cash and cash equivalents (Note 10)	413	2 647
Total	200 198	126 451
Liabilities as per the Statement of financial position		
Liabilities to the parent company (Note 15)	13 897	17 741
Trade and other liabilities (Note 14)	54 613	55 913
Total	68 510	73 654

8 Trade and other receivables

Current receivables and prepayments made:

Neither past due nor impaired trade receivables	19 605	22 203
Past due, but not impaired trade receivables	-	387
Individually impaired trade receivables	3 233	2 789
Trade receivables (before impairment provision)	22 838	25 379
Less: Impairment provision of receivables	(2 529)	(2 471)
Trade receivables - net	20 309	22 908
Other receivables and assets	1 279	1 046
Trade receivables and other receivables	21 588	23 954

The structure of the trade receivables that are neither past due, nor impaired is following:

	As at 31 December	
	2018	2017
Very high voltage	736	897
High voltage	618	632
Low voltage	12	-
Integrated invoices	12 235	5 999
Producers EE (MPDS - payment to NJF)	63	102
TPS - Compensation of purchase of green energy from OKTE	4 270	4 696
SSE - repurchase, purchase of EE	561	8 660
Other customers	1 110	1 217
Neither past due nor impaired trade receivables	19 605	22 203

The ageing structure of trade receivables is as follows:

	As at 31 December	
	2018	2017
Receivables due	19 605	22 203
Receivables overdue	3 233	3 176
Total	22 838	25 379

The individually impaired receivables mainly relate to wholesale and retail customers, which are in unexpectedly difficult economic situations.

It is expected, that a portion of individually impaired trade receivables overdue will be recovered.

The ageing structure of these receivables is as follows:

	As at 31 December	
	2018	2017
1 to 30 days	542	278
31 to 90 days	126	56
91 to 181 days	59	57
181 to 360 days	17	99
Over 361 days	2 489	2 299
Individually impaired trade receivables	3 233	2 789

The movements in the impairment provision to trade receivables are recognized in the Income Statement in Other operating expenses. Movements are presented below:

	As at 31 December	
	2018	2017
At the beginning of the year	2 471	2 602
Creation of impairment provision	241	124
Use of impairment provision	(107)	(228)
Reversal of unused impairment provision	(76)	(27)
At the end of the year	2 529	2 471

The initial application of IFRS 9 did not have a material impact on the financial statements.

9 Accrued income

The Company has an obligation to connect renewable energy sources should they meet requirements set by ÚRSO and bear all costs related to support of OZE/KVET (electricity from renewable sources and combined heat and power production), which represent electricity purchase from OZE/ KVET, taking responsibility for variance and make supplementary payment in the amount approved by ÚRSO. These costs are covered in the tariff for system operations ("TPS"). In 2017 (2017: for the year 2016), the Company incurred a loss as a difference between expenses related to purchase of electricity from renewable resources and support of electricity produced from domestic coal and revenues from TPS. Based on an ÚRSO decision from December 2018 (2017: from December 2017), the Company recorded accrued income in the Statement on Financial Position in the amount of ÚRSO approved compensation of a 2017 loss (2017: for the year 2016) that enters the TPS for 2019 (2017: in year 2018) in the amount of EUR 97 832 thousand (2017: EUR 138 176 thousand).

10 Cash and cash equivalents

During 2007, the Company and the parent company signed a contract on cash pooling services. According to this contract, available financial resources are managed by the parent company. In the case of a need for additional financial resources, these resources are available on demand for use from the parent company's cash pool.

As at 31 December 2018, the Company records a receivable from Stredoslovenská energetika, a.s. in the amount of EUR 176 947 thousand (as at 31 December 2017: EUR 98 425 thousand). The interest rate of this receivable equals to 0.00% p.a., in case of a credit balance. In case of a debit balance 0.00% p.a. is applied and is repayable upon request.

	As at 31 December	
	2018	2017
Cash at bank and in hand	413	2 647
Total	413	2 647

The carrying amount of cash and cash equivalents as at 31 December 2018 and as at 31 December 2017 is not substantially different from its fair value.

11 Equity

In 2018 and 2017, no changes relating to the share capital of the Company occurred. The Company has no subscribed share capital that has not been registered in the Commercial Register.

The Company's registered share capital consists of 15 058 shares (2017: 15 058 shares) at a nominal value of EUR 33 194 each (as at 31 December 2017: EUR 33 194).

All shares are associated with the same voting rights for shareholders. As at 31 December 2018 are all authorized shares issued and fully paid in.

The Commercial Code 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 is increased annually by at least 10% from net profit, until the Legal reserve fund reaches 20% of the share capital. Use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. The legal reserve fund amounted to EUR 99 967 thousand as at 31 December 2018 (as at 31 December 2017: EUR 99 967 thousand) and has reached its required amount.

The General Meeting of the Company held on 28 June 2018 approved individual financial statements of the Company for the year 2017 and decided to transfer profit of prior year to Retained earnings from the previous years (2017: decided to transfer profit of the year 2016 to Retained earnings).

As at the date of the financial statement preparation, the Board of Directors of the Company has not presented any proposal about the 2018 profit distribution.

12 Deferred income

	As at 31 December	
	2018	2017
Connection fees (a)	-	28 858
Relocation of energy devices (b)	22 954	22 786
Withheld assets (b)	14	389
Other	3 776	1 451
Deferred income - long term	26 744	53 484

Effective from 1 January 2018, deferred income relating to connection fees is presented as Contract liabilities in a separate line of the Statement of financial position (Note 13).

- (a) Connection fees represent mainly fees from customers for connection to the distribution network and subsequent access to the delivery of distribution services. These fees were reported as deferred income until 2018.
- (b) Relocation of energy devices, assets obtained by withholding (transformer stations, power lines) free of charge, inventory surplus are recorded in accordance with the existing legislation, initially recorded at fair value as deferred income. Subsequently, an amount equal to the annual accounting depreciation of these assets is recognised in the revenues of the current period.

13 Contract liabilities

	As at 31 December	
	2018	2017
Connection fees long-term	30 377	-
Connection fees short-term	924	-
Total	31 301	-

The Contract liabilities represents mainly the fees for connection to the distribution network and subsequent access to distribution services. The contract liabilities are released to the revenues of the current accounting period over the average useful life of the assets related to the distribution of electricity. As at 31 December 2018, the Company estimates the annual income from the release of contract liabilities in the amount of EUR 924 thousand, that will be released during the years 2019 - 2059.

14 Trade and other liabilities

	As at 31 December	
	2018	2017
Trade liabilities	37 589	37 994
Current portion of deferred income (Note 12)	1 317	2 132
Liabilities to employees	1 303	1 268
Social security	908	891
Accrued personnel expenses	4 349	4 693
Social fund	126	163
VAT – payable	6 123	6 110
Other liabilities	3 034	2 662
Total	54 749	55 913

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

No payables are secured by a lien or other collateral.

The structure of payables by the remaining period to maturity is as follows:

	As at 31 December	
	2018	2017
Payables not due	54 549	55 372
Overdue payables	200	541
Total	54 749	55 913

The carrying value of payables is denominated in the following currencies:

	As at 31 December	
	2018	2017
EUR	54 724	55 891
CZK	25	22
Total	54 749	55 913

Social fund

Contributions to and drawing of the social fund during the accounting period are shown in the following table:

	As at 31 December	
	2018	2017
Opening balance at 1 January	163	197
Creation expensed	447	452
Drawing	(484)	(486)
Closing balance at 31 December	126	163

According to the Act on the Social Fund, part of the social fund must be created against expenses and part can be created from retained earnings. According to the Act on the Social Fund, the social fund is used to satisfy social, health, recreation, and other needs of employees.

15 Liabilities to the parent company

Maturity of loans is as follows:

Maturity	As at 31 December	
	2018	2017
Short-term part of loans	3 897	3 941
Long-term part of loans		
1 to 5 years	10 000	11 300
Over 5 years	-	2 500
Total	13 897	17 741

Fair value of loans as at 31 December 2018 does not significantly differ from their carrying amount as the impact from discounting is not significant.

Loans granted by the parent company

As part of the unbundling on 1 July 2007, the Company took over loans from Stredoslovenská energetika, a.s. in the amount of EUR 56 324 thousand, while Stredoslovenská energetika, a.s. still remains the original debtor towards bank institutions. The debtor (the Company) has accepted to repay to the creditor (Stredoslovenská energetika, a.s.) the amount of outstanding borrowings, including related fees, in the same extent as Stredoslovenská energetika, a.s. will be liable to pay repayments and fees originated after 1 July 2007 to the banks in accordance with original borrowing contracts.

The Company draw the Investment loan SLSP 179/AUCC/13 in the amount of EUR 25 000 thousand as at 30 September 2013. The original debtor towards SLSP is Stredoslovenská energetika, a.s. The debtor (the Company) has accepted to repay to the creditor (Stredoslovenská energetika, a.s.) the amount of outstanding borrowings, including related fees, in the same extent as Stredoslovenská energetika, a.s. will be liable to pay repayments and fees to the SLSP.

Structure of bank loans received from financial institutions through Stredoslovenská energetika, a.s. is as follows:

					As at 31 December	
Type of the loan	Bank and code	Currency	Interest rate % p.a.	Final maturity	2018	2017
Investment loan	VÚB 52/ZU/2006	EUR	Fixed 3.88% + 0.3%	30 June 2019	425	860
Investment loan	VÚB 85/ZU/2007	EUR	Fixed 4.80 %	1 December 2019	875	1 750
Investment loan	SLSP 179/AUCC/13	EUR	Fixed 2.25%	30 June 2023	12 500	15 000
Total amount of loans		-	-	-	13 800	17 610

The investment loan VÚB 85/ZU/2007 is guaranteed by a bill of exchange of Stredoslovenská energetika, a.s. Accrued interest to the investment loans represents the amount of EUR 97 thousand as at 31 December 2018 (31 December 2017: EUR 131 thousand).

16 Deferred income tax

Deferred income taxes are calculated on temporary differences under the balance sheet liability method. For calculation of deferred tax for 2018 and 2017, tax rate of 21% was used.

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

	As at 31 December	
	2018	2017
Deferred tax asset		
- Deferred tax asset to be recovered after more than 12 months	2 089	1 873
- Deferred tax asset to be recovered within 12 months	886	1 204
	<u>2 975</u>	<u>3 077</u>
Deferred tax liability		
- Deferred tax liability to be settled after more than 12 months	(89 316)	(90 053)
	<u>(89 316)</u>	<u>(90 053)</u>
Net deferred tax liability	<u>(86 341)</u>	<u>(86 976)</u>

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

	As at 1 January 2018	(Charged)/ credited to the Income Statement	Recognized in equity	As at 31 December 2018
Non-current assets*	(90 053)	737	-	(89 316)
Provision for employee benefits and bonuses	2 453	(56)	38	2 435
Other provisions	624	(84)	-	540
	<u>(86 976)</u>	<u>597</u>	<u>38</u>	<u>(86 341)</u>

	As at 1 January 2017	(Charged)/ credited to the Income Statement	Recognized in equity	As at 31 December 2017
Non-current assets*	(90 912)	859	-	(90 053)
Provision for employee benefits and bonuses	2 193	181	79	2 453
Other provisions	634	(10)	-	624
	<u>(88 085)</u>	<u>1 030</u>	<u>79</u>	<u>(86 976)</u>

* Includes difference between carrying value and tax base of non-current tangible and intangible assets.

As at 31 December 2018 and 31 December 2017, the Company had no deductible temporary differences to which deferred tax asset was recognised.

17 Provisions for liabilities and charges

	Pensions and other long term employee benefits (a)	Termination benefits (b)	Other	Total
As at 1 January 2018	8 820	956	54	9 830
Creation of provision	758	774	-	1 532
Use of provision	(403)	(300)	(53)	(756)
Reversal of unused provision	-	(656)	-	(656)
As at 31 December 2018	9 175	774	1	9 950

	Pensions and other long term employee benefits (a)	Termination benefits (b)	Other	Total
As at 1 January 2017	8 123	1 036	3	9 162
Creation of provision	920	-	53	973
Use of provision	(223)	(80)	-	(303)
Reversal of unused provision	-	-	(2)	(2)
As at 31 December 2017	8 820	956	54	9 830

	As at 31 December	
Analysis of total provisions	2018	2017
Non-current	9 683	8 820
Current	267	1 010
Total	9 950	9 830

(a) Pension and other long-term benefits

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

(i) Post-employment benefits

	As at 31 December	
	2018	2017
Present value of unfunded retirement obligations	8 156	7 783
Liability in the Statement of Financial Position	8 156	7 783

The amounts recognised in the Income Statement:

	2018	2017
Current service cost	384	365
Interest expense	83	73
Total charge included in personnel expenses	467	438

Movements in the present value of defined benefit obligation are:

	As at 31 December 2018	2017
Present value of unfunded retirement obligations at beginning of the year	7 783	7 048
Current service cost	384	365
Interest expense	83	73
Paid	(275)	(79)
Actuarial loss	181	376
Present value of unfunded retirement obligations at the end of the year	8 156	7 783

(ii) Other long-term benefits (jubilees and loyalties)

	As at 31 December 2018	2017
Present value of unfunded obligations	1 019	1 037
Liability in the Statement of Financial Position	1 019	1 037

The amounts recognised in the Income Statement:

	2018	2017
Current service cost	80	75
Actuarial loss	23	26
Interest expense	7	5
Total charge included in personnel expenses	110	106

Movements in the present value of defined benefit obligation are:

	As at 31 December 2018	2017
Present value of unfunded obligations at the beginning of the year	1 037	1 075
Current service cost	80	75
Interest expense	7	5
Paid	(128)	(144)
Actuarial loss	23	26
Present value of unfunded obligations at the end of the year	1 019	1 037

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

	2018	2017
Number of employees as at 31 December	1 309	1 291
Percentage of employees, who will terminate their employment with the Company prior to retirement (withdrawal rate)	1.93 % p. a.	1.91 % p. a.
Expected salary increases - long-term	2.60% p. a.	2.30% p. a.
Expected salary increases - short-term	2.90% p. a.	2.40% p. a.
Discount rate	0.00 – 1.93% p. a. (2019 - 2062)	0.00 – 1.88% p. a. (2018 - 2061)

If the actual discount rate would differed by 1% from estimated discount rate, the carrying amount of pension obligations would be an estimated EUR 1 005 thousand lower or EUR 765 thousand higher (2017: EUR 964 thousand lower or EUR 1 156 thousand higher).

(b) Termination benefits

The termination benefits represent an estimate of the payment to employees as a result of the approved and communicated restructuring process which is expected to be completed by 2021 (2017: by 2018). It is expected that the payments in accordance with relevant detailed plan accompanying the restructuring process will be made as follows:

	As at 31 December	
	2018	2017
Expected payment in 2018	-	956
Expected payment in 2019	266	-
Expected payment in 2020	299	-
Expected payment in 2021	209	-
	774	956

18 Revenues

Revenues for services based on the segments include the following:

Voltage level	VHV		HV		LVE		LVC		Unassigned		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues - distribution	25 464	25 599	97 073	95 383	56 329	54 947	73 331	76 912	-	-	252 197	252 841
Revenues - connection fees	76	76	376	344	154	142	318	298	-	-	924	860
TPS Revenues	-	-	-	-	-	-	-	-	211 710	210 128	211 710	210 128
TPS Revenues - ÚRSO correction (Note 9)	-	-	-	-	-	-	-	-	(40 344)	65 008	(40 344)	65 008
Contractual sale of EE to Stredoslovenská energetika, a.s.	-	-	-	-	-	-	-	-	2 687	2 627	2 687	2 627
Revenues from SLA contracts	-	-	-	-	-	-	-	-	2 635	2 632	2 635	2 632
Other	-	-	-	-	-	-	-	-	857	767	857	767
Total	25 540	25 675	97 449	95 727	56 483	55 089	73 649	77 210	177 545	281 162	430 666	534 863

The Company divides the revenues by voltage levels as follows:

- a) VHV – very high voltage
- b) HV – high voltage
- c) LVE – low voltage - entrepreneurs
- d) LVC – low voltage – households

Revenues from the electricity distribution are regulated by ÚRSO through binding decisions that define the distribution fees over a specified period and for specific groups of customers based on their tariffs.

Revenues TPS are from OKTE, a.s. (2017: OKTE, a.s.) based on tariffs TPS (Note 9) set by ÚRSO.

Distribution fees are billed to suppliers of electricity based on consumption at the distribution points of their customers and to customers with an individual distribution contract.

The Company receives from customers contributions for their connection to the electricity distribution network. Revenues in the form of such contributions are recorded as deferred income (presented as contract liability) and are released into revenues over the average useful life of the distribution network.

All revenues were generated in the Slovak Republic.

19 Other operating revenues

Overview of other operating revenues from operating activities are presented in the following table:

	2018	2017
Income from rented property plant and equipment	1 909	1 753
Release of deferred income (Note 12(b) and 13)	1 317	1 271
Gain on disposal of property plant and equipment	712	655
Income from insurance claims	69	305
Other	1 294	1 166
Total	5 301	5 150

20 Purchases of electricity, system and other related fees

The following items were included into the purchases of electricity and related fees:

	2018	2017
Purchase of electricity:		
Variances settlement	5 588	5 575
Supplies from SEPS	35 640	37 725
Purchase of electricity from renewable resources and related supplementary payment	226 853	248 160
Total	268 081	291 460

21 Other operating expenses

The overview of other operating expenses is presented in the following table:

	2018	2017
Repair and maintenance	3 626	2 394
Operating leasing, rent	3 365	3 395
IT services	3 300	3 077
Forest cutting	1 610	746
Consultancy costs	1 190	1 572
Security services	881	743
SLA services	749	794
Fees and other taxes	630	556
Insurance costs	572	461
Postage and telecommunication	555	366
Metering of consumed electricity and inspection of the distribution points	407	315
Service of energy assets	295	294
Metrological services	293	226
Waste disposal and cleaning	271	286
Creation of provision for impairment of receivables	163	97
Other operating expenses	3 214	2 678
Total	21 121	18 000

Expenses relating to audit were as follows:

Audit fee	2018	2017
Audit of the financial statements	44	44
Other assurance services	21	9
Other non-audit services	-	9
Spolu	65	62

22 Personnel expenses

	2018	2017
Wages and salaries	25 656	24 861
Other personnel expenses	2 610	2 277
Pension costs – defined contribution plans	8 819	8 854
Retirement and other long-term employee benefits	577	544
Total	37 662	36 536

23 Finance expense, net

The structure of financial income and expense is shown in the table below:

	2018	2017
Interest expense related to loans from the parent company	404	520
Other financial expenses	4	4
Finance expense, net	408	524

24 Income tax expense

Reconciliation from the theoretical to the reported income tax charge is presented in following table:

	Year ended 31 December	
	2018	2017
Profit before tax	53 627	139 890
Theoretical income tax related to current period at 21%	11 262	29 377
- Non-deductible expenses	136	102
- Special levy in regulated sectors including its effect on the tax	2 006	4 265
- Others	120	17
	13 524	33 761
Total tax expense recognized		
The tax charge of the period comprises:		
- Deferred tax income	(598)	(1 031)
- Tax charge in respect of current period from continuing operations	14 122	34 792
	13 524	33 761

The income tax rate for 2018 is 21% (2017: 21%). The effective income tax rate of the Company for the year 2018 is 25.22% (2017: 24.13%).

The Company is obliged to pay special levy in accordance with the Act about Special Levy of business in regulated industries.

The basis for the levy is the profit or loss before taxes reported under Slovak accounting standards multiplied by a coefficient. The coefficient for the calculation of the levy base is calculated as the portion of the regulated activity's revenue to the total revenue for the accounting period for which the profit or loss was used to calculate the levy base. For 2018, the coefficient for is 0.57 (2017: SSD: 0.46). The rate of the levy in 2018 was 0.00726 per calendar month, which amounts to 0.08712 (8.712%) per twelve months. The levy is calculated by multiplying the base with the rate. The levy is paid on a monthly basis and is subject to annual settlement.

Special levy rates according to the 2016 amendment are applied as follows:

0.00726 per month (8.712 % p.a.) for years 2017 - 2018,
0.00454 per month (6.54 % p.a.) for years 2019 - 2020,
0.00363 per month (4.356 % p.a.) for the year 2021 and later.

25 Contingent assets and liabilities

Contingent asset from Tariff for system operation

The Company is legally bound to connect producers of OZE/KVET, if they comply with requirements set by ÚRSO, purchase the generated electricity, which is used to cover network losses, accept responsibility for variance and pay them supplementary payment approved by ÚRSO. These costs are reimbursed through the TPS.

The costs related to purchase of electricity from OZE/KVET producers exceeded revenues from TPS. As a result, a contingent asset arises to the Company for compensation of the 2018 loss in the estimated amount of EUR 138 540 thousand. Based on the current Regulatory Framework, the loss incurred will be compensated through TPS in the period $t + 2$, which is in 2020. Based on the decision of ÚRSO from December 2018, the Company recognized accrued income in the Statement of Financial Position (Note 9) in the amount of ÚRSO approved compensation of the 2017 loss that will be included in the TPS for 2019.

Taxation

Many parts of Slovak tax legislation remain untested and there is uncertainty about the interpretation that the tax authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

Lawsuits

The Company currently registers 160 litigations, the subject of which is an action for reimbursement of part of the fees charged for access to the system, for various periods of time. There is no possibility to reliably and accurately determine the total of the claim. Based on a legal analysis, the Company's management considers the settlement of these disputes to be unlikely, and the Company therefore did not create a provision for these litigations.

26 Commitments

(a) Future capital expenditures

Capital expenditures contracted at the reporting date but not yet recognised in the Statement of the Financial Position are as follows:

	2018	2017
Property, plant and equipment	17 398	13 848
Intangible assets	1 234	1 552
Total	18 632	15 400

(b) Operating lease commitments – Company as lessee

The Company leases various machinery and equipment under cancellable operating lease agreements.

The lease expenditure charged to the Income Statement during the year is disclosed in Note 21.

The future aggregate minimum lease payments under cancellable operating leases (i.e. the annual charge of leases with annual termination notice) are as follows:

	2018	2017
Less than 1 year	2 232	2 175
Total	2 232	2 175

Based on the available information, the Company estimates, that as at 1 January 2019, the additional leasing liabilities and new assets will be recognised in the amount of EUR 4 500 thousand. In addition, the Company expects to recognise a depreciation expense for the year ended 31 December 2019 in the amount of EUR 1 000 thousand and an interest expenses from leasing liabilities in the amount of EUR 72 thousand. The application of the standard will also reduce operating costs by EUR 1 000 thousand.

The Company plans to initially apply IFRS 16 on 1 January 2019 by using the modified retrospective approach, as the value of the initially recognized asset equals related leasing liability. The Standard will not affect the Company's equity on 1 January 2019.

27 Information on off-balance sheet assets and off-balance sheet liabilities

(a) Property leased from other parties

As at 31 December 2018, a leasing company provided operating lease of new personal vehicles up to 3.5 tons (423 units) and fleet management for 264 units of vehicles owned by the Company.

The frame agreement on operating lease was concluded for a period of four years. Afterwards, the period is automatically set as indefinite if certain conditions specified in the agreement are fulfilled. The notice period by the service of operating lease of new vehicles is 12 months and the administration of car pool is 3 months.

Costs related to the operating lease of vehicles amounted to EUR 1 949 thousand as at 31 December 2018 (2017: EUR 1 925 thousand). As at 31 December 2018, the Company also leases land, buildings and premises, in the amount of EUR 955 thousand (2017: EUR 1 020 thousand), and other power and non-power related assets in the total amount of EUR 799 thousand (2017: EUR 765 thousand).

(b) Property leased to other parties

As at 31 December 2018, the Company leases optical fibres, cables and other together with related hardware in the amount of EUR 471 thousand (2017: EUR 475 thousand.) and other power assets (mainly load-bearing points and distribution transformers) in the amount of EUR 1 440 thousand (2017: EUR 1 278 thousand).

28 Related party transaction

Related party transactions are presented as follows:

Related parties

a) Parent company

Stredoslovenská energetika, a.s.

b) Sister companies

Elektroenergetické montáže, a.s. , Žilina

SSE – Metrológia, spol. s r.o., Žilina

SSE CZ, s.r.o., Praha

Stredoslovenská energetika - Project Development, s.r.o. , Žilina

SSE-Solar, s.r.o., Žilina

SPV100, s.r.o., Liptovský Mikuláš

SSE - MVE, s.r.o., Žilina

Stredoslovenská energetika - Obchod, a.s. , Žilina

c) Related parties through the parent company

Energotel, a.s. Bratislava

SPX, s.r.o. Žilina

d) Subjects controlled by the government of the Slovak Republic

OKTE, a.s.

Slovenská elektrizačná prenosová sústava, a.s.

Zvolenská teplárenská, a. s.

Martinská teplárenská, a. s.

Žilinská teplárenská, a.s.

ZSE Energia, a.s.

Východoslovenská energetika a.s.

Slovenský plynárenský priemysel, a.s.

others (villages, water companies, state hospitals, etc.)

e) Entities controlled, under common control of EP

Investment, associated entities and their branches

EP ENERGY TRADING, a.s., branch

EP Commodities, a.s.

eustream, a.s.

SPP - distribúcia,a.s.

EP Investment Advisors, s.r.o.

NAFTA, a.s.

Slovenské elektrárne, a.s.

Energetický a průmyslový holding, a.s.

f) Members of the key management of the Company or of the parent company

Members of Board of Directors

Members of Supervisory Board

Transactions and outstanding balances relating to related parties

The transactions with relating parties were conducted under the usual market conditions.

The transactions with relating parties are shown in the following table:

SSE Group (a,b,c)	2018	2017
Sale of goods, services and merchandise	150 535	153 488
Stredoslovenská energetika, a.s.*	150 005	152 957
Elektroenergetické montáže, s.r.o.	284	278
Stredoslovenská energetika - Project Development, s.r.o.	36	46
SSE – Metrológia, spol. s r.o.	13	16
SSE – Solar, s r.o.	188	191
SPV100, s.r.o.	6	-
Energotel, a.s.	3	-
Sale of assets	-	15
Elektroenergetické montáže, s.r.o. Žilina	-	15
Total Sales	150 535	153 503
Purchase of material	581	597
Stredoslovenská energetika, a.s.	581	597
Purchase of energy and other non-storable items	29 258	29 569
Stredoslovenská energetika, a.s.	24 887	24 944
SSE - Solar, s.r.o.	4 371	4 625
Purchase of property plant equipment	482	525
Stredoslovenská energetika, a.s.	141	153
Elektroenergetické montáže, a.s.	-	-
SSE-Metrológia, spol. s r.o.	341	372
Purchase of services	2 474	2 442
Stredoslovenská energetika, a.s.	1 707	1 748
SSE-Metrológia, spol. s r.o.	272	201
Energotel, a.s.	495	493
Financial expenses	404	520
Stredoslovenská energetika, a.s.	404	520
Other expenses	98	70
Stredoslovenská energetika, a.s.	79	61
Energotel, a.s.	11	-
SPX, s.r.o. Žilina	8	9
Total purchases	33 297	33 723

Related parties through state (d), through EP Investment (e)	2018	2017
Related parties through state	245 882	237 218
Related parties through EP Investment	18 239	17 995
Total Sales	264 121	255 213
Related parties through state	51 530	55 161
Related parties through EP Investment	8 274	12 048
Total Purchases	59 804	67 209

The Government of the Slovak Republic has a significant influence over the Company and is therefore considered to be a related party to the Company. The management of the Company has made a reasonable effort to identify subjects which are owned or controlled directly or indirectly by the State. The Company disclosed only information that its current internal management accounting systems allow to present in relation to operations with state-controlled entities and where Management believes such entities could be considered as state-controlled based on its best knowledge.

*Company's revenues are generated via Stredoslovenská energetika, a.s., however it is not a final customer of the Company's services.

Related parties through key management (f)	2018	2017
Sale of electricity and related fees	-	-
Total Sales	-	-
Purchase of electricity and related fees	-	-
Total Purchase	-	-

The outstanding balances resulting from transactions with related parties are presented in the table below:

SSE Group (a,b,c)	As at 31 December	
	2018	2017
Trade receivables:	8 492	10 249
SSE-Metrológia, spol s r.o.	4	5
Stredoslovenská energetika, a.s.	8 365	10 150
Elektroenergetické montáže, a. s.	82	53
SSE-PD	11	16
SSE - Solar, s.r.o.	23	25
SPV100, s.r.o.	7	-
Other receivables within the consolidated group :	176 947	98 425
Stredoslovenská energetika, a.s.	176 947	98 425
Total assets	185 439	108 674
Trade payables:	3 990	4 100
SSE-Metrológia, spol s r.o.	28	112
Stredoslovenská energetika, a.s.	3 578	3 796
SSE - Solar, s.r.o.	94	90
Energotel, a.s.	283	102
SPX, s.r.o. Žilina	7	-
Loans received:	13 897	17 741
Stredoslovenská energetika, a.s.	13 897	17 741
Total liabilities	17 887	21 841
Related parties through state (d), through EPH (e)	As at 31 December	
	2018	2017
Trade receivables		
Related parties through state	6 531	6 865
Related parties through EPH	1 322	1 314
Total assets	7 853	8 179
Trade liabilities		
Related parties through state	4 013	4 122
Related parties through EPH	568	1 076
Total liabilities	4 581	5 198

	As at 31 December	
Related parties through key management (f)	2018	2017
Trade receivables	-	-
Total assets	-	-
Trade and other liabilities	-	-
Total liabilities	-	-

Statutory bodies and key management personnel compensation

The structure or remuneration received by the directors, key management personnel and other members of statutory bodies is as follows:

Board of Directors and other key management personnel	2018	2017
Salaries and other short-term employee benefits	442	440
Other non-monetary income	32	40
Total	474	480

Supervisory Board	2018	2017
Salaries and other short-term employee benefits	74	79
Total	74	79

29 Events after the reporting date

With effect from 1 January 2019, the Parent company has changed its business name to Stredoslovenská energetika Holding, a.s.