

**Stredoslovenská energetika - Distribúcia, a.s.**

**Independent Auditors' Report and  
Financial Statements as at  
31 December 2017**

**Prepared in accordance with  
International Financial Reporting Standards  
(IFRS) as adopted by the European Union**

Translation note:

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

## **Stredoslovenská energetika – Distribúcia, a.s.**

Financial statements as at 31 December 2017 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union were prepared and authorised for issue on 16 January 2018.



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



Ing. Roman Filipoiu, MBA  
Member of the Board of Directors



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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 2017, 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 2017, 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 2017 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.

16 March 2018  
Bratislava, Slovak Republic



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



Responsible auditor:  
Ing. Branislav Prokop  
License UDVA No. 1024

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## Statement of Financial Position

	Note	As at 31 December	
		2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	768 202	778 344
Intangible assets	7	15 320	16 792
		<b>783 522</b>	<b>795 136</b>
<b>Current assets</b>			
Inventory		2 132	1 878
Trade and other receivables	9	23 954	27 267
Income tax receivables		-	6 988
Receivables due from parent company (Cash Pooling)		98 425	27 206
Accrued income	10	138 176	73 168
Cash and cash equivalents	11	2 647	12
		<b>265 334</b>	<b>136 519</b>
<b>Total assets</b>		<b>1 048 856</b>	<b>931 655</b>
<b>EQUITY</b>			
<b>Equity</b>			
Share capital	12	499 835	499 835
Legal reserve fund	12	99 967	99 967
In-kind contribution from parent company		3 401	3 401
Other items of Comprehensive income		-1 754	-1 457
Retained earnings		210 232	104 103
<b>Total equity</b>		<b>811 681</b>	<b>705 849</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current liabilities to parent company (loans)	15	13 800	17 610
Deferred tax liability	16	86 976	88 085
Non-current provisions	17	8 820	8 464
Deferred income	13	53 484	44 860
		<b>163 080</b>	<b>159 019</b>
<b>Current liabilities</b>			
Trade and other payables	14	55 913	61 851
Income tax payable		13 231	-
Liabilities to parent company (loans)	15	3 941	4 238
Current provisions	17	1 010	698
		<b>74 095</b>	<b>66 787</b>
<b>Total liabilities</b>		<b>237 175</b>	<b>225 806</b>
<b>Total equity and liabilities</b>		<b>1 048 856</b>	<b>931 655</b>

Income Statement and Statement of Comprehensive Income for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union  
(All amounts are in thousand EUR unless stated otherwise)

## Income Statement

		Year ended 31 December	
	Note	2017	2016
Revenue	18	534 863	426 579
Purchases of electricity, system and other related fees	20	(291 460)	(286 872)
Personnel expenses	22	(36 536)	(33 590)
Depreciation and amortization and impairment losses on non-current tangible and intangible assets	6, 7	(59 454)	(64 250)
Material and goods consumption		(4 736)	(4 371)
Capitalization		10 587	11 573
Other operating revenues	19	5 150	6 276
Other operating expenses	21	(18 000)	(18 536)
<b>Operating profit</b>		<b>140 414</b>	<b>36 809</b>
Interest income	23	-	5
Interest expense	23	(520)	(689)
Other finance expense	23	(4)	(4 131)
<b>Finance expense, net</b>		<b>(524)</b>	<b>(4 815)</b>
<b>Profit before income tax</b>		<b>139 890</b>	<b>31 994</b>
Income tax expense	24	(33 761)	(4 685)
<b>Profit for the year</b>		<b>106 129</b>	<b>27 309</b>

## Statement of Comprehensive Income

		Year ended 31 December	
	Note	2017	2016
<b>Profit for the year</b>		<b>106 129</b>	<b>27 309</b>
Other items of comprehensive income:			
Actuarial loss	17	(376)	(955)
Deferred income tax		79	188
Total other items of comprehensive income		(297)	(767)
<b>Total comprehensive income for the year</b>		<b>105 832</b>	<b>26 542</b>

Statement of Changes in Equity for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union  
(All amounts are in thousand EUR unless stated otherwise)

## 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	Total equity
<b>Balance as at 1 January 2017</b>	<b>499 835</b>	<b>99 967</b>	<b>3 401</b>	<b>104 103</b>	<b>(1 457)</b>	<b>705 849</b>
Profit for the year ended 2017	-	-	-	106 129	-	106 129
Other items of comprehensive income	-	-	-	-	(297)	(297)
Dividends paid	-	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>499 835</b>	<b>99 967</b>	<b>3 401</b>	<b>210 232</b>	<b>(1 754)</b>	<b>811 681</b>
<b>Balance as at 1 January 2016</b>	<b>499 835</b>	<b>99 967</b>	<b>3 401</b>	<b>130 187</b>	<b>(690)</b>	<b>732 700</b>
Profit for the year 2016	-	-	-	27 309	-	27 309
Other items of comprehensive income	-	-	-	-	(767)	(767)
Dividends paid	-	-	-	(53 393)	-	(53 393)
<b>Balance as at 31 December 2016</b>	<b>499 835</b>	<b>99 967</b>	<b>3 401</b>	<b>104 103</b>	<b>(1 457)</b>	<b>705 849</b>

## Statement of Cash Flows

	Note	Year ended 31 December	
		2017	2016
Profit before tax		139 890	31 994
Adjustments for:			
Depreciation and amortisation	6, 7	59 270	60 880
Gain on disposal of property, plant and equipment		(305)	(710)
Change in impairment provision for property, plant and equipment		184	3 370
Change in impairment provision for receivables	9	97	85
Net movement in provisions	17	971	1 461
Interest expense net	23	520	684
<b>Operating profit before working capital changes</b>		<b>200 627</b>	<b>97 764</b>
Changes in working capital:			
(Increase) / Decrease in trade receivables and accrued income	9, 10	(132 779)	36 250
(Increase) / Decrease in inventory		(257)	458
Increase / (Decrease) in liabilities and deferred income	13, 14	(4 686)	(385)
<b>Cash generated from operations</b>		<b>62 905</b>	<b>134 087</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations		62 905	134 087
Interest paid	23	(559)	(728)
Interest received	23	-	5
Income tax paid		(14 573)	(22 699)
<b>Net cash generated from operating activities</b>		<b>47 773</b>	<b>110 665</b>
<b>Cash flows from investing activities</b>			
Purchase of non-current assets	6, 7	(42 159)	(44 717)
Reorganisation of the Group	5	-	(7 434)
Proceeds from sale of non-current assets		1 128	1 179
<b>Net cash used in investing activities</b>		<b>(41 031)</b>	<b>(50 972)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans within the Group		-	40 000
Repayment of loans within the Group		(4 107)	(46 300)
Dividends paid	12	-	(53 393)
<b>Net cash used in financing activities</b>		<b>(4 107)</b>	<b>(59 693)</b>
<b>Net decrease (-)/increase (+) in cash and cash equivalents</b>		<b>2 635</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>12</b>	<b>12</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>2 647</b>	<b>12</b>

## **1 General information**

### **Trade name and registered address**

Stredoslovenská energetika - Distribúcia, 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 energetika - Distribúcia, a.s. (hereafter referred to as the “Company” or “SSE-D, a.s.”), was established 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).

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 SSE-D, 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 Company has a legal obligation to connect producers of energy from renewable resources and combined production of electricity and heat (OZE/KVET) after all conditions set by ÚRSO have been met and if it has sufficient capacity. The Company has a legal obligation to buy electricity from connected resources to cover losses and provide them financial support in accordance with Act no. 309/2009 Coll in a form of a supplementary payment. The amount of the finance support is stated and approved by ÚRSO.

Since 1 January 2015, the Company authorised its parent company Stredoslovenská energetika, a.s. to buy electricity to cover losses from the producers OZE/KVET and accept responsibility for any variance that might occur. Since 1 January 2015, the Company buys electricity to cover losses up to the limit of distribution losses from the parent company and the remainder of purchased electricity from the producers OZE/KVET is obliged to sell on the market through its parent company Stredoslovenská energetika, a.s., whereby such a service is subject to adequate compensation.

The structure of the Company's shareholders as at 31 December 2017 as follows:

	<b>Absolute amount in thousand of EUR</b>	<b>Ownership interest %</b>	<b>Voting rights %</b>
Stredoslovenská energetika, a.s.	499 835	100	100
<b>Total</b>	<b>499 835</b>	<b>100</b>	<b>100</b>

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.

The 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, owns 49% shareholding in registered capital of the parent company (until 26 May 2014 owned by EPH Financing II, a.s.) and has managerial control. EPE is part of the consolidated group EP Infrastructure, a.s. ("EPIF") based in Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic, IČO: 02 413 507, which is included in the consolidated group of Energetický a průmyslový holding, a.s. („EPH“). EPH holding's consolidated financial statements are prepared by EPH based in Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic, IČO: 28 356 250.

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 consolidated financial statements are included in the consolidated financial statements of EPIF that is included in EPH holding's consolidated financial statements. These consolidated financial statements of EPH holding are prepared by EPH with the seat stated above. These consolidated financial statements are available at the registered office of EPH Pařížská 26, 110 00 Praha 1, Czech Republic. The address of the registration court maintaining the Commercial Register in which these consolidated financial statements are deposited is Municipal court in Praha, Slezská 2000/9, 120 00 Praha, 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 2016 on 30 June 2017.

**Publication of the Financial Statements for the preceding accounting period**

The Financial Statements of the Company as at 31 December 2016 and the Auditors' Report on the audit of the Financial Statements were filed and published in the Register of the Financial Statements on 30 March 2017. The annual report with the supplement to the auditors' report on the audit of consistency as at 31 December 2016 was filed in the Register of the Financial Statements on 18 July 2017.

**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 2017 on 30 June 2017.

**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](http://www.orsr.sk).

**Average number of employees**

In 2017, the average number of employees of the Company was 1 284 (2016: 1 276), 9 of which were managers (2016: 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 2017 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 2017 to 31 December 2017.

The Act on Accounting requires the Company to prepare financial statements for the year ended 31 December 2017 in accordance with International Financial Reporting Standards ("IFRS") 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 2017.

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 non-standard 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.

### **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 2017 and have not been applied in preparing of these financial statements.

- IFRS 9 Financial Instruments (2014) (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted): This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except for the exceptions under IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities which continues to apply. Entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting until the standard resulting from the IASB's project in macro hedge accounting is effective.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. A financial asset is measured at amortized cost if the following two conditions are met: the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and its contractual terms give rise to specific dates of cash flows that are solely payments of principal and interest on the principal outstanding. In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 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. 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 result from all possible default events over the expected life of a financial instrument.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation

net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Company does not expect IFRS 9 (2014) to have significant impact on its financial statements. The classification and measurement of the Company's financial instruments are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial instruments that it holds. However the Company believes that impairment losses are likely to increase slightly and become more volatile for assets in the scope of expected credit loss impairment model.

- IFRS 15 Revenue from contracts with customers and Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.).

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard.

The amendments clarify how to: identify a performance obligation - the promise to transfer a good or a service to a customer- in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognised at a point in time or over time.

The amendments also provide entities with two additional practical expedients: An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities that using the full retrospective method only); For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

Management has performed an assessment of the potential impact of IFRS 15 on the Company's financial statements, however it is not expected that the new Standard, when initially applied, will have material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

- 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 of time 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 unaffected and the distinction between operating and finance leases will be retained.

The Company has not yet fully completed its assessment of the potential impact of IFRS 16 on the Company's financial statements, when initially applied. It is expected that the Company will recognize in its Statement of financial position assets and liabilities relating to operating leases for which the Company acts as a lessee.

- 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:
  - 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 Company does not expect that the amendments, when initially applied, will have significant impact on the presentation of the Company's financial statements.

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

### (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 2017 and 2016 as follows:

Buildings, halls and structures	10 – 70 years
Distribution network, 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 currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the conditions expected at the end of their 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 does not exceed 20 years, except for amortisation of easement.

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 assets**

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

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into 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 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 realise the asset and settle the liability simultaneously.

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired, whether they are quoted in an active market and on management intentions.

The Company owns the following financial assets:

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables, cash and cash equivalents and receivables from parent company from cash pooling.

## **2.7. Financial liabilities**

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. When a financial liability is recognised initially, the Company measures it at its fair value net of transaction costs that are directly attributable to the origination of the financial liability. After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

Financial liability (or a part of a financial liability) is derecognised 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 Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

## **2.8. 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.

## **2.9. 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.

## **2.10. Trade and other receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of any allowance for impairment. Revenue recognition policy is described in the Note 2.19.

An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, default or delinquency in payments are considered indicators that the trade receivable is impaired.

Impairment of trade receivables is recognized through an allowance account. Impairment losses and their reversals, if any, are recognized 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 revenue.

## **2.11. 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.

## **2.12. 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.

## **2.13. Current and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively 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 tax is provided using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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 that 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 levied by the same taxation authority.

#### **2.14. Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

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

#### **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. Trade payables and other payables

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

## 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 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 25<sup>th</sup> 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% (2016: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law to maximum of EUR 6 181 (2016: maximum of EUR 4 290) depending on the type of scheme, together with contributions made by employees of a further 13.4% (2016: 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 (2016: 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 will be met for each of the Company's activities as described below.

The amount of revenue is not considered to be reliably measurable until all 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 delivery and distribution of electricity is recognized when the electricity is delivered to the customer. Consumption of wholesale customers is metered and billed on monthly basis. Billing cycle of retail customers (households and small businesses) is metered on an annual basis and billed on a monthly basis. The estimate of the electricity supply at this voltage level is mainly based on the estimate of yearly consumption at the offtake point and the value of relevant diagram offtake type for a rate to which the offtake point is included.

The Company used methodology for the estimate of network losses that is consistent with the methodology used during year 2016. 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 deferred income and are released to revenues over the useful life of connections.

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 property, 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**

Significant part of distribution services provided by the Company is subject to price regulation by URSO. Based on the approved Regulatory policy, the extent and way of the price regulation for years 2017 – 2021 have been set. URSO sets price decrees for distribution services provided by the Company generally for the whole year, however these are often changed during the year. These are mandatory for the Company's invoicing. The allowed return is derived from Regulated Asset Base ("RAB") and rate of return set by URSO. Despite this, circumstances outside the control of the Company may occur, that will result into change of 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 in to the 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's interest rate risk arises from long-term borrowings. Borrowings with variable interest rate expose the Company to variability in cash flows.

The Company regularly analyses its interest rate exposure. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit or loss of a defined interest rate change. The scenarios are run only for liabilities that bear significant interest rates.

As at 31 December 2017, if interest rates on EUR-denominated borrowings had been 50 basis points higher/lower (as at 31 December 2016: 50) with all other variables held constant, post-tax profit for the year ended 31 December 2017 would have been unchanged (2016: higher by EUR 2 thousand), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2017 and 31 December 2016 all borrowings denominated in EUR are interest-bearing with fixed and floating 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 Internal Audit. 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 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.

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 customers (traders and direct customers). The Company has a significant concentration of credit risk from the parent company (2017: 89% of trade receivables, 2016: 56 % of trade receivables). However, historically, no significant losses occurred that were related to credit risk from the parent company.

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

Counterparty	Rating <sup>1</sup>	Balance as at 31 December	
		2017	2016
Banks			
Všeobecná úverová banka, a.s.	A2	2 634	-
UniCredit Bank, a.s.	Baa1	8	8
Cash	-	5	4
<b>Total</b>		<b>2 647</b>	<b>12</b>

Funds managed by the parent company Stredoslovenská energetika, a.s. based on "Agreement about providing the service of cash pooling" as at 31 December 2017 represent the amount of EUR 98 425 thousand (31 December 2016: EUR 27 206 thousand) and they are classified as a receivable from the parent company.

The loan principal obtained from the parent company as at 31 December 2017 was in the amount of EUR 17 610 thousand (31 December 2016: EUR 21 785 thousand). For more details see Note 15.

<sup>1</sup>The 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 2017 and as at 31 December 2016 as follows:

Financial instrument	Note	Balance as at 31 December	
		2017	2016
Trade receivables (before impairment provision)	9	25 379	28 970
Receivable from parent company (cash pooling)		98 425	27 206
Accrued income	10	138 176	73 168
Cash and cash equivalents	11	2 647	12
<b>Total</b>		<b>264 627</b>	<b>129 356</b>

### (iv) Liquidity risk

A prudent liquidity risk management means sustaining 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.

As at 31 December 2016, the agreement on a credit limit with the parent company Stredoslovenská energetika, a.s. in the amount of EUR 150 000 thousand has expired.

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 and other investments.

The table below analyses the Company's short term 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
<b>As at 31 December 2017</b>						
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
<b>Total</b>	<b>84 622</b>	<b>71 244</b>	<b>4 104</b>	<b>7 926</b>	<b>2 528</b>	<b>85 802</b>

**As at 31 December 2016**

Borrowings from the parent company (principal incl. future interest charges)	21 848	4 734	4 233	9 448	5 114	23 529
Trade and other payables (excl. Liabilities not in scope of IFRS 7)	59 756	59 756	-	-	-	59 756
<b>Total</b>	<b>81 604</b>	<b>64 490</b>	<b>4 233</b>	<b>9 448</b>	<b>5 114</b>	<b>83 285</b>

### 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, as at 31 December 2017, EUR 811 681 thousand (31 December 2016: EUR 705 849 thousand).

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. Debt is calculated as total borrowings (including current and non-current borrowings as presented in the Statement of Financial Position).

During 2017, the Company's strategy, which was unchanged from 2016, 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 conformity 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 critical judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment 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 2017, the Company would have recognized an additional depreciation of property, plant and equipment and non-current intangible assets charged to the Income Statement of EUR 6 743 thousand (2016: EUR 6 878 thousand).

#### **(ii) Estimate of billed electricity distribution**

Revenue generating from customers whose energy consumption is not metered at the end of the accounting period, particularly customers with low-voltage electricity, must be estimated for distributed electricity at the reporting date.

The Company developed a model allowing it to estimate revenue with satisfactory degree of accuracy and subsequently ensure that the risk of a significant error associated with estimated distributed quantities sold and the resulting estimated revenues can be considered as not significant.

The average historical differences between the estimates of billed electricity distribution and the actual results are below 1% on an average (2016: below 1%).

## **5 Reorganisation of the Group**

Reorganisation of the SSE Group continued as at 31 December 2015 when part of the parent company Stredoslovenská energetika, a.s. was contributed to the Company. Transferred part of the company represents activities and employees of IT department. The fair value of transferred part of the company, represented by property, plant and equipment and intangible assets, receivables, trade and employment liabilities, which are related to the transferred part of the company amounted to EUR 8 557 thousand as at 31 December 2015. This liability was settled during 2016.

## 6 Property, plant and equipment

The movement of property, plant and equipment from 1 January 2016 to 31 December 2017 is presented below:

	Land	Buildings	Machinery, equipment and other assets	Tangible assets not yet in use including advances	Total
<b>As at 1 January 2016</b>					
Acquisition cost	12 381	897 950	313 388	9 056	1 232 775
Accumulated depreciation and impairment charges	-	(342 198)	(99 431)	-	(441 629)
<b>Net book value</b>	<b>12 381</b>	<b>555 752</b>	<b>213 957</b>	<b>9 056</b>	<b>791 146</b>
<b>Year ended</b>					
<b>31 December 2016</b>					
Opening balance	12 381	555 752	213 957	9 056	791 146
Additions	439	27 452	8 147	12 482	48 520
Transfers from assets not yet in use	14	2 861	2 075	(4 950)	-
Disposals	(41)	(407)	(106)	(221)	(775)
Depreciation charge	-	(42 054)	(15 123)	-	(57 177)
Creation of impairment provision	-	(3 370)	-	-	(3 370)
<b>Closing net book value</b>	<b>12 793</b>	<b>540 234</b>	<b>208 950</b>	<b>16 367</b>	<b>778 344</b>
<b>As at 31 December 2016</b>					
Acquisition cost	12 793	923 306	320 935	16 367	1 273 401
Accumulated depreciation and impairment charges	-	(383 072)	(111 985)	-	(495 057)
<b>Net book value</b>	<b>12 793</b>	<b>540 234</b>	<b>208 950</b>	<b>16 367</b>	<b>778 344</b>
<b>Year ended</b>					
<b>31 December 2017</b>					
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 provision	-	694	-	-	694
<b>Closing net book value</b>	<b>12 646</b>	<b>524 520</b>	<b>211 059</b>	<b>19 977</b>	<b>768 202</b>
<b>As at 31 December 2017</b>					
Acquisition cost	12 646	944 180	334 027	19 977	1 310 830
Accumulated depreciation and impairment charges	-	(419 660)	(122 968)	-	(542 628)
<b>Net book value</b>	<b>12 646</b>	<b>524 520</b>	<b>211 059</b>	<b>19 977</b>	<b>768 202</b>

At 31 December 2017, no property, plant and equipment was 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 related to unused buildings. At 31 December 2017, the value of the impairment for unused buildings amounted to EUR 3 328 thousand (31 December 2016: EUR 3 386 thousand).

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

Buildings, machines, equipment and vehicles include mainly 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 13, point b).

Interest expense meeting the criteria of IAS 23 in the amount of EUR 38 thousand (2016: EUR 39 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 (2016: EUR 741 024 thousand) against damages caused by natural disaster and up to EUR 15 616 thousand (2016: EUR 19 093 thousand) against risk of the breakage of the machine.

## 7 Intangible assets

	Computer software	Intangible assets not yet in use including advances	Other intangible assets	Total
<b>As at 1 January 2016</b>				
Acquisition cost	29 966	613	39	30 618
Accumulated amortization	(14 992)	-	(4)	(14 996)
<b>Net book value</b>	<b>14 974</b>	<b>613</b>	<b>35</b>	<b>15 622</b>
<b>Year ended 31 December 2016</b>				
Opening balance	14 974	613	35	15 622
Additions	4 222	626	25	4 873
Transfers from assets not yet in use	92	(105)	13	-
Amortization charge	(3 701)	-	(2)	(3 703)
<b>Closing net book value</b>	<b>15 587</b>	<b>1 134</b>	<b>71</b>	<b>16 792</b>
<b>As at 31 December 2016</b>				
Acquisition cost	34 280	1 134	77	35 491
Accumulated amortization	(18 693)	-	(6)	(18 699)
<b>Net book value</b>	<b>15 587</b>	<b>1 134</b>	<b>71</b>	<b>16 792</b>
<b>Year ended 31 December 2017</b>				
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)
<b>Closing net book value</b>	<b>13 686</b>	<b>1 564</b>	<b>70</b>	<b>15 320</b>
<b>As at 31 December 2016</b>				
Acquisition cost	36 077	1 564	78	37 719
Accumulated amortization	(22 391)	-	(8)	(22 399)
<b>Net book value</b>	<b>13 686</b>	<b>1 564</b>	<b>70</b>	<b>15 320</b>

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.

## 8 Financial instruments by category

The reconciliation of classes of financial instruments with measurement categories under IAS 39 is as follows:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets as per the Statement of financial position</b>		
Trade and other receivables (before impairment provision) (Note 9)	25 379	28 970
Receivables from parent company (cash pooling)	98 425	27 206
Cash and cash equivalents (Note 11)	2 647	12
<b>Total</b>	<b>126 451</b>	<b>56 188</b>
<b>Liabilities as per the Statement of financial position</b>		
Liabilities to the parent company (Note 15)	17 741	21 848
Trade and other liabilities (Note 14)	55 913	61 851
<b>Total</b>	<b>73 654</b>	<b>83 699</b>

## 9 Trade and other receivables

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Current receivables and prepayments made:		
Neither past due nor impaired trade receivables	22 203	25 981
Past due, but not impaired trade receivables	387	58
Individually impaired trade receivables	2 789	2 931
Trade receivables (before impairment provision)	<b>25 379</b>	<b>28 970</b>
Less: Impairment provision of receivables	(2 471)	(2 602)
Trade receivables - net	<b>22 908</b>	<b>26 368</b>
Other receivables and assets	1 046	899
<b>Trade receivables and other receivables</b>	<b>23 954</b>	<b>27 267</b>

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

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Very high voltage	897	664
High voltage	632	674
Integrated invoices	5 999	5 514
Producers EE (MPDS - payment to NJF)	102	98
TPS - Compensation of purchase of green energy from OKTE	4 696	8 760
SSE - repurchase, purchase of EE	8 660	8 599
Other customers	1 217	1 672
<b>Neither past due nor impaired trade receivables</b>	<b>22 203</b>	<b>25 981</b>

The ageing structure of trade receivables is as follows:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Receivables due	22 203	25 981
Receivables overdue	3 176	2 989
<b>Total</b>	<b>25 379</b>	<b>28 970</b>

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:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
1 to 30 days	278	296
31 to 90 days	56	55
91 to 181 days	57	51
181 to 360 days	99	137
Over 361 days	2 299	2 392
<b>Individually impaired trade receivables</b>	<b>2 789</b>	<b>2 931</b>

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

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
At the beginning of the year	2 602	2 551
Creation of impairment provision	124	349
Use of impairment provision	(228)	(34)
Reversal of unused impairment provision	(27)	(264)
<b>At the end of the year</b>	<b>2 471</b>	<b>2 602</b>

The reversal of impairment provision was caused by subsequent collection of certain receivables that were originally provided for or written-off. Impairment provision is calculated in the amount of 100% of the value of individual receivables from companies in bankruptcy and receivables subject to court proceedings. Impairment provision for other receivables is calculated based on ageing analysis of individual receivables.

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

No receivables have been pledged as collateral. The Company's rights over the receivables are not restricted.

## **10 Accrued income**

The Company has an obligation to connect renewable sources of electricity when they meet requirements set by ÚRSO and bear all cost related to support of OZE/KVET (electricity from renewable sources / highly efficient generation of electricity and heat), which represent electricity purchase from OZE/ KVET, accept responsibility for variance and make supplementary payment in the

amount approved by URSO. These costs are covered in the tariff for operating the network ("TPS"). In 2016 (2016: for the year 2015), 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 URSO decision from December 2017 (2016: from December 2016), the Company recorded accrued income in the Statement on Financial Position of URSO approved compensation of a 2016 loss (2016: for the year 2015) that is included in the TPS for 2018 (2016: in the year 2017) in the amount of EUR 138 176 thousand (2016: EUR 73 168 thousand).

## 11 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. Except for this agreement, bank account balances are fully available for the Company's use.

As at 31 December 2017, the Company records a receivable from Stredoslovenská energetika, a.s. in the amount of EUR 98 425 thousand (as at 31 December 2016 of EUR 27 206 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.

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Cash at bank and in hand	2 647	12
<b>Total</b>	<b>2 647</b>	<b>12</b>

As at 31 December 2017 and 31 December 2016, cash and cash equivalents were fully available for the Company's use.

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Cash and bank balances and deposits with original maturities of less than three months	2 647	12
<b>Total</b>	<b>2 647</b>	<b>12</b>

The carrying amounts of cash and cash equivalents as at 31 December 2017 and as at 31 December 2016 are not substantially different from their fair value.

## 12 Equity

In 2017 and 2016, no changes relating to the equity 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 (2016: 15 058 shares) at a nominal value of EUR 33 194 each (as at 31 December 2016 of EUR 33 194).

All shares are associated with the same voting rights for shareholders. All authorized shares are 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 2017 (as at 31 December 2016 of EUR 99 967 thousand) and has reached its required amount.

The General Meeting of the Company held on 30 June 2017 approved separate financial statements of the Company for the year 2016 and decided to transfer profit of prior year to Retained earnings from the previous years (2015: dividend payments to shareholders for the year 2015 in the amount of EUR 53 393 thousand).

As at the date of the financial statement preparation, the Board of Directors of the Company has not presented any proposal about the 2017 accounting profit distribution.

### 13 Deferred income

	As at 31 December	
	2017	2016
Connection fees (a)	28 858	23 373
Relocation of energy devices (b)	22 786	19 207
Withheld assets ( b )	389	571
Other	1 451	1 709
<b>Deferred income - long term</b>	<b>53 484</b>	<b>44 860</b>

(a) Connection fees represent mainly fees from customers for connection to the distribution network and subsequent access to the delivery of distribution services. Revenues in the form of such contributions are recorded as deferred income and are released to revenues over the useful life of connections.

(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.

### 14 Trade and other payables

	As at 31 December	
	2017	2016
Trade payables	37 994	44 784
Deferred income - short term (Note 13)	2 132	2 095
Payables to employees	1 268	1 332
Social security	891	863
Accrued personnel expenses	4 693	4 112
Social fund	163	197
VAT payable	6 110	5 626
Other payables	2 662	2 842
<b>Total</b>	<b>55 913</b>	<b>61 851</b>

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:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Payables not due	55 372	61 802
Overdue payables	541	49
<b>Total</b>	<b>55 913</b>	<b>61 851</b>

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

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
EUR	55 891	61 831
CZK	22	20
<b>Total</b>	<b>55 913</b>	<b>61 851</b>

### **Social fund**

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

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Opening balance at 1 January	197	256
Creation expensed	452	402
Drawing	(486)	(461)
Closing balance at 31 December	<b>163</b>	<b>197</b>

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:

<b>Maturity</b>	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Short-term part of bank loans	3 941	4 238
Long-term part of bank loans		
1 to 5 years	11 300	12 610
Over 5 years	2 500	5 000
<b>Total</b>	<b>17 741</b>	<b>21 848</b>

Fair value of loans as at 31 December 2017 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	2017	2016
Investment loan	VÚB 52/ZU/2006	EUR	Fixed 3.88% + 0.3%	30 June 2019	860	1 295
Investment loan	VÚB 85/ZU/2007	EUR	Fixed 4.80 %	1 December 2019	1 750	2 625
Investment loan	TB 2634/2007	EUR	Fixed 4.84 %	29 December 2017	-	365
Investment loan	SLSP 179/AUCC/13	EUR	Fixed 2.25%	30 June 2023	15 000	17 500
<b>Total amount of loans</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>17 610</b>	<b>21 785</b>

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 131 thousand as at 31 December 2017 (31 December 2016: 63 thousand EUR).

The Company had until 31 December 2016 a credit line from the parent company Stredoslovenská energetika, a.s. up to the amount of EUR 150 000 thousand which expired at this date. During the year 2016 the Company drew and repaid a loan amounting to EUR 40 000 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 2017 and 2016, 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	
	2017	2016
<b>Deferred tax asset</b>		
- Deferred tax asset to be recovered after more than 12 months	1 873	1 743
- Deferred tax asset to be recovered within 12 months	1 204	1 084
	<u>3 077</u>	<u>2 827</u>
<b>Deferred tax liability</b>		
- Deferred tax liability to be settled after more than 12 months	(90 053)	(90 912)
	<u>(90 053)</u>	<u>(90 912)</u>
<b>Net deferred tax liability</b>	<u>(86 976)</u>	<u>(88 085)</u>

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

	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>

	As at 1 January 2016	(Charged)/ credited to the Income Statement	Recognized in equity	As at 31 December 2016
Non-current assets*	(97 896)	6 984	-	(90 912)
Provision for employee benefits and bonuses	2 284	(279)	188	2 193
Other provisions	859	(225)	-	634
	<u>(94 753)</u>	<u>6 480</u>	<u>188</u>	<u>(88 085)</u>

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

As at 31 December 2017 and 31 December 2016, the Company had no deductible temporary differences to which deferred tax asset was recognised.

## 17 Provisions for liabilities and charges

	<b>Pensions and other long term employee benefits (a)</b>	<b>Termination benefits (b)</b>	<b>Other</b>	<b>Total</b>
<b>As at 1 January 2017</b>	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)
<b>As at 31 December 2017</b>	<b>8 820</b>	<b>956</b>	<b>54</b>	<b>9 830</b>

	<b>Pensions and other long term employee benefits (a)</b>	<b>Termination benefits (b)</b>	<b>Other</b>	<b>Total</b>
<b>As at 1 January 2016</b>	7 255	1 163	6	8 424
Creation of provision	1 461	-	-	1 461
Use of provision	(593)	(127)	(3)	(723)
<b>As at 31 December 2016</b>	<b>8 123</b>	<b>1 036</b>	<b>3</b>	<b>9 162</b>

	<b>As at 31 December</b>	
<b>Analysis of total provision</b>	<b>2017</b>	<b>2016</b>
Non-current	8 820	8 464
Current	1 010	698
<b>Total</b>	<b>9 830</b>	<b>9 162</b>

### (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

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Present value of unfunded retirement obligations	7 783	7 048
<b>Liability in the Statement of Financial Position</b>	<b>7 783</b>	<b>7 048</b>

The amounts recognised in the Income Statement:

	2017	2016
Current service cost	365	323
Interest expense	73	71
<b>Total charge included in personnel expenses</b>	<b>438</b>	<b>394</b>

Movements in the present value of defined benefit obligation are:

	As at 31 December	
	2017	2016
Present value of unfunded retirement obligations at beginning of the year	7 048	6 148
Current service cost	365	323
Interest expense	73	71
Paid	(79)	(449)
Actuarial loss	376	955
<b>Present value of unfunded retirement obligations at the end of the year</b>	<b>7 783</b>	<b>7 048</b>

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

	As at 31 December	
	2017	2016
Present value of unfunded obligations	1 037	1 075
<b>Liability in the Statement of Financial Position</b>	<b>1 037</b>	<b>1 075</b>

The amounts recognised in the Income Statement:

	2017	2016
Current service cost	75	72
Actuarial loss	26	35
Interest expense	5	5
<b>Total charge included in personnel expenses</b>	<b>106</b>	<b>112</b>

Movements in the present value of defined benefit obligation are:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Present value of unfunded obligations at the beginning of the year	1 075	1 107
Current service cost	75	72
Interest expense	5	5
Paid	(144)	(144)
Actuarial loss	26	35
<b>Present value of unfunded obligations at the end of the year</b>	<b>1 037</b>	<b>1 075</b>

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

	<b>2 017</b>	<b>2 016</b>
Number of employees as at 31 December	1 291	1 274
Percentage of employees, who will terminate their employment with the Company prior to retirement (withdrawal rate)	1.91 % p.a.	1.91 % p.a.
Expected salary increases - long-term	2.30% p. a.	1.90 % p.a.
Expected salary increases - short-term	2.40% p. a.	1.20% p. a.
Discount rate	0.00 – 1.88% p. a. (2018 - 2061)	0.00 – 1.92% p. a. (2017 - 2060)

If the actual discount rate would differed by 1% from estimated discount rate, the carrying amount of pension obligations would be an estimated EUR 964 thousand lower or EUR 1 156 thousand higher (2016: EUR 891 thousand lower or EUR 1 065 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 2018 (2016: by 2018). It is expected that the payments in accordance with relevant detailed plan accompanying the restructuring process will be made as follows:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Expected payment in 2017	-	695
Expected payment in 2018	956	341
	<b>956</b>	<b>1 036</b>

## 18 Revenues

Revenues for services based on the segments include the following:

Voltage level	VHV		HV		LVE		LVC		Unassigned		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues - distribution	25 599	25 015	95 383	93 531	54 947	56 222	76 912	79 110	-	-	252 841	253 878
Revenues - connection fees	76	53	344	287	142	113	298	244	-	-	860	697
Compensation for purchases from OZE/KVET	-	-	-	-	-	-	-	-	210 128	169 041	210 128	169 041
TPS Revenues - ÚRSO correction (Note 10)	-	-	-	-	-	-	-	-	65 008	(3 535)	65 008	(3 535)
Contractual rate of EE to Stredoslovenská energetika, a.s.	-	-	-	-	-	-	-	-	2 627	3 026	2 627	3 026
Revenues from SLA contracts	-	-	-	-	-	-	-	-	2 632	2 651	2 632	2 651
Other	-	-	-	-	-	-	-	-	767	821	767	821
<b>Total</b>	<b>25 675</b>	<b>25 068</b>	<b>95 727</b>	<b>93 818</b>	<b>55 089</b>	<b>56 335</b>	<b>77 210</b>	<b>79 354</b>	<b>281 162</b>	<b>172 004</b>	<b>534 863</b>	<b>426 579</b>

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.

Compensation of electricity purchase from OZE/KVET is from the company OKTE, a.s. (2016: from the Company OKTE, a.s.) based on TPS (Note 10) 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 and are released into revenues over the average useful life of distribution networks.

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:

	2017	2016
Income from rented property plant and equipment	1 753	1 853
Release of deferred income (Note 13 (b))	1 271	1 396
Gain on disposal of property plant and equipment	655	710
Income from insurance claims	305	648
Other	1 166	1 669
<b>Total</b>	<b>5 150</b>	<b>6 276</b>

## 20 Purchases of electricity, system and other related fees

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

	2017	2016
Purchase of electricity:		
Variances settlement	5 575	7 854
Supplies from SEPS	37 725	34 647
Purchase of electricity from renewable resources and related supplementary payment	248 160	244 371
<b>Total</b>	<b>291 460</b>	<b>286 872</b>

## 21 Other operating expenses

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

	2017	2016
Operating leasing, rent	3 710	3 460
IT services	3 077	4 150
Repair and maintenance	2 394	1 912
Consultancy costs	1 572	638
SLA services	794	716
Forest cutting	746	1 416
Security services	743	698
Fees and other taxes	556	542
Insurance costs	461	407
Postage and telecommunication	366	412
Metering of consumed electricity and inspection of the distribution points	315	354
Service of energy assets	294	174
Waste disposal and cleaning	286	235
Metrological services	226	238
Creation of provision for impairment of receivables	97	85
Other operating expenses	2 363	3 099
<b>Total</b>	<b>18 000</b>	<b>18 536</b>

Expenses relating to audit were as follows:

Audit fee	2017	2016
Audit of the financial statements	44	41
Other assurance services	9	-
Other non-audit services	9	-
<b>Spolu</b>	<b>62</b>	<b>41</b>

## 22 Personnel expenses

	2017	2016
Wages and salaries	24 861	23 059
Other personnel expenses	2 277	2 145
Pension costs – defined contribution plans	8 854	7 880
Retirement and other long-term employee benefits	544	506
<b>Total</b>	<b>36 536</b>	<b>33 590</b>

## 23 Finance expense, net

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

	2017	2016
Interest income related to cash pooling	-	(5)
Interest expense related to loans from the parent company	520	689
Commitment fee	-	4 128
Other financial expenses	4	3
<b>Finance expense, net</b>	<b>524</b>	<b>4 815</b>

## 24 Income tax expense

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

	Year ended 31 December	
	2017	2016
Profit before tax	139 890	31 994
Theoretical income tax related to current period at 21% (2016:22%)	29 377	7 039
- Non-deductible expenses	102	1 015
- Special levy in regulated sectors including its effect on the tax	4 265	941
- Effect of the change of tax rate from 22 to 21 %	-	(4 216)
- Others	17	(94)
	<b>33 761</b>	<b>4 685</b>
Total tax expense recognized		
The tax charge or the period comprises:		
- Deferred tax income	(1 031)	(6 480)
- Tax charge in respect of current period from continuing operations	34 792	11 165
	<b>33 761</b>	<b>4 685</b>

The income tax rate for 2017 is 21% (2016: 22%). The effective income tax rate of the Company for the year 2017 is 24.13% (2016: 14.64%). Decreased of the effective tax rate in 2016 was caused mainly by the effect of recalculation of deferred income tax, as the corporate income tax rate changed from 22% to 21%.

In 2016, the amendment to the Act on a Special Levy extended the validity of the legislation for an indefinite period. The Act regulates the obligation of a regulated entity to pay a levy on business activities in regulated sectors. The obligation to pay a special levy applies to a regulated entity that has an authorization to carry out activities in the areas such as energy industry, insurance, pharmaceutical industry, etc.

For 2017, there is a change in the calculation of the special levy. The base for the levy is the profit/loss reported under Slovak accounting standards multiplied by a coefficient (revenues from regulated activities to total revenues). For 2017, the coefficient is 0.5. The rate of the levy is 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,  
0.00545 per month (6.54 % p.a.) for years 2019 - 2020,  
0.00363 per month (4.356 % p.a.) for the year 2021 and later.

For 2016, the base for the calculation of the levy was profit before tax for the accounting period decreased by EUR 3 000 thousand. The rate of the levy was 0.00363 per calendar month, which amounts to 0.04356 (4.356%) per twelve months. The levy was calculated by multiplying the base with the rate. The levy is paid on a monthly basis and is subject to annual settlement.

## 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. The Company recognized a contingent asset for compensation of the 2017 loss in the estimated amount of EUR 97 036 thousand. Based on the current Regulatory Framework, the loss incurred will be compensated through TPS in the period  $t + 2$ , which is in 2019. Based on the decision of ÚRSO from December 2017, the Company recognized accrued income in the Statement of Financial Position (Note 10) in the amount of ÚRSO approved compensation of the 2016 loss included in the TPS for 2018.

### 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 70 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:

	2017	2016
Property, plant and equipment	13 848	17 672
Intangible assets	1 552	1 161
<b>Total</b>	<b>15 400</b>	<b>18 833</b>

## (b) Operating lease commitments – Company as lessee

The Company leases various machinery and equipment under cancellable operating lease agreements. The Company is required to give 12 month notice for the termination of these 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:

	2017	2016
Less than 1 year	2 175	2 138
<b>Total</b>	<b>2 175</b>	<b>2 138</b>

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

### (a) Property leased from other parties

As at 31 December 2017, a leasing company provided operating lease-back for personal vehicles (2 units), operating lease of new personal vehicles (419 units) and fleet management for 262 units 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 is 3 months, alternatively 31 December 2017 for the operating lease-back, 1 month for the operating lease of new vehicles and 3 months for the fleet management.

Costs related to the operating lease of vehicles amounted to EUR 1 925 thousand as at 31 December 2017 (2016: EUR 1 693 thousand). As at 31 December 2017, the Company also leases land, buildings and premises, at the cost of EUR 1 020 thousand (2016: EUR 999 thousand), and other power and non-power assets in total amount of EUR 765 thousand (2016: EUR 768 thousand).

### (b) Property leased to other parties

As at 31 December 2017, the Company leases optical fibres, cables and other together with related hardware in the amount of EUR 475 thousand (2016: EUR 481 thousand.) and other power assets (mainly load-bearing points and distribution transformers) for EUR 1 278 thousand (2016: EUR 1 372 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

#### **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.

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

#### **e) Related parties through EPH**

EP ENERGY TRADING, a.s., organizačná zložka

SPP - distribúcia,a.s.

Slovenské elektrárne, a.s. from 1 August 2016

SE Predaj, s.r.o.

#### **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:

<b>SSE Group (a,b,c)</b>	<b>2017</b>	<b>2016</b>
<b>Sale of goods, services and merchandise</b>	<b>153 488</b>	<b>162 445</b>
Stredoslovenská energetika, a.s.*	152 957	161 867
Elektroenergetické montáže, s.r.o.	278	323
Stredoslovenská energetika - Project Development, s.r.o.	46	54
SSE – Metrológia, spol. s r.o.	16	13
SSE – Solar, s r.o.	191	185
Energotel, a.s.	-	3
<b>Sale of assets</b>	<b>15</b>	<b>-</b>
Elektroenergetické montáže, s.r.o. Žilina	15	-
<b>Financial income</b>	<b>-</b>	<b>5</b>
Stredoslovenská energetika, a.s.	-	5
<b>Total Sales</b>	<b>153 503</b>	<b>162 450</b>
<b>Purchase of material</b>	<b>597</b>	<b>610</b>
Stredoslovenská energetika, a.s.	597	610
<b>Purchase of energy and other non-storable items</b>	<b>29 569</b>	<b>43 989</b>
Stredoslovenská energetika, a.s.	24 944	39 540
SSE - Solar, s.r.o.	4 625	4 449
<b>Purchase of property plant equipment</b>	<b>525</b>	<b>2 813</b>
Stredoslovenská energetika, a.s.	153	2 258
Elektroenergetické montáže, a.s.	-	140
SSE-Metrológia, spol. s r.o.	372	415
<b>Purchase of services</b>	<b>2 442</b>	<b>3 089</b>
Stredoslovenská energetika, a.s.	1 748	2 370
SSE-Metrológia, spol. s r.o.	201	202
Elektroenergetické montáže, a.s.	-	20
Energotel, a.s.	493	497
<b>Financial expenses</b>	<b>520</b>	<b>4 855</b>
Stredoslovenská energetika, a.s.	520	4 855
<b>Other expenses</b>	<b>70</b>	<b>363</b>
Stredoslovenská energetika, a.s.	61	363
SPX, s.r.o. Žilina	9	-
<b>Total purchases</b>	<b>33 723</b>	<b>55 719</b>

<b>Related parties through state (d), through EPH ( e )</b>	<b>2017</b>	<b>2016</b>
Related parties through state	237 218	187 365
Related parties through EPH	17 995	8 700
<b>Total Sales</b>	<b>255 213</b>	<b>196 065</b>
Related parties through state	55 161	50 541
Related parties through EPH	12 048	4 338
<b>Total Purchases</b>	<b>67 209</b>	<b>54 879</b>

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

<b>Related parties through key management (f)</b>	<b>2017</b>	<b>2016</b>
Sale of electricity and related fees	-	1 555
<b>Total Sales</b>	<b>-</b>	<b>1 555</b>
Purchase of electricity and related fees	-	1
<b>Total Purchase</b>	<b>-</b>	<b>1</b>

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

<b>SSE Group (a,b,c)</b>	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>Trade receivables:</b>	<b>10 249</b>	<b>10 930</b>
SSE-Metrológia, spol s r.o.	5	4
Stredoslovenská energetika, a.s.	10 150	10 821
Elektroenergetické montáže, a. s.	53	69
Stredoslovenská energetika - Project Development, s.r.o.	16	14
SSE - Solar, s.r.o.	25	22
<b>Other receivables within the consolidated group :</b>	<b>98 425</b>	<b>27 206</b>
Stredoslovenská energetika, a.s.	98 425	27 206
<b>Total assets</b>	<b>108 674</b>	<b>38 136</b>
<b>Trade payables:</b>	<b>4 100</b>	<b>10 304</b>
SSE-Metrológia, spol s r.o.	112	37
Stredoslovenská energetika, a.s.	3 796	10 016
SSE - Solar, s.r.o.	90	150
Energotel, a.s.	102	101
<b>Loans received:</b>	<b>17 741</b>	<b>21 848</b>
Stredoslovenská energetika, a.s.	17 741	21 848
<b>Total liabilities</b>	<b>21 841</b>	<b>32 152</b>
<b>Related parties through state (d), through EPH (e)</b>		
<b>As at 31 December</b>		<b>2016</b>
<b>2017</b>		
<b>Trade receivables</b>		
Related parties through state	6 865	10 359
Related parties through EPH	1 314	1 431
<b>Total assets</b>	<b>8 179</b>	<b>11 790</b>
<b>Trade liabilities</b>		
Related parties through state	4 122	4 102
Related parties through EPH	1 076	1 191
<b>Total liabilities</b>	<b>5 198</b>	<b>5 293</b>

<b>Related parties through key management (f)</b>	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Trade receivables	-	151
<b>Total assets</b>	<b>-</b>	<b>151</b>
Trade and other liabilities	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>

### **Statutory bodies and key management compensation**

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

<b>Board of Directors and other key management</b>	<b>2017</b>	<b>2016</b>
Salaries and other short-term employee benefits	440	439
Other non-monetary income	40	40
<b>Total</b>	<b>480</b>	<b>479</b>

<b>Supervisory Board</b>	<b>2017</b>	<b>2016</b>
Salaries and other short-term employee benefits	79	85
<b>Total</b>	<b>79</b>	<b>85</b>

### **29 Events after the reporting date**

No events with a material impact on the true and fair presentation of facts subject to bookkeeping occurred after 31 December 2017.