SPP - distribúcia, a.s.

INDEPENDENT AUDITOR'S REPORT AND SEPARATE FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EU)

For the year ended 31 December 2015

Deloitte.

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SPP - distribúcia, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of SPP - distribúcia, a.s.:

We have audited the accompanying financial statements of SPP - distribúcia, a.s. (the "Company"), which comprise the balance sheet as at 31 December 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

The Company's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SPP - distribúcia, a.s. as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Bratislava, 16 March 2016

Deloitte
Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

CONTENTS

SPP - distribúcia, a.s.
Statement of Financial Position
As at 31 December 2015 and 31 December 2014
(EUR '000)

	Note	*31 December 2015*	*31 December 2014*
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2 413 087	2 480 711
Non-current intangible assets and other assets	8	16 440	7 850
Investments in subsidiaries	9	1 005	1 005
Total non-current assets		2 430 532	2 489 566
CURRENT ASSETS			
Inventories	10	153 369	153 032
Cash and cash equivalents		80 692	323 046
Receivables and prepayments	11	63 055	650 980
Income tax assets		-	3 785
Other current assets	11	-	37 058
Total current assets		297 116	1 167 901
TOTAL ASSETS		**2 727 648**	**3 657 467**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	17	1 200 000	1 200 000
Legal reserve fund and other funds	18	285 330	384 212
Retained earnings	18	99 545	97 512
Total equity		1 584 875	1 681 724
NON-CURRENT LIABILITIES			
Loans and bonds	14	629 869	629 025
Deferred tax liability	23	373 142	378 587
Deferred income	12	11 266	10 414
Obligation under finance lease	15	8 072	-
Retirement and other long-term employee benefits	13	5 343	5 110
Total non-current liabilities		1 027 692	1 023 136
CURRENT LIABILITIES			
Trade and other payables	16	100 409	895 536
Loans and bonds	14	6 854	56 854
Obligation under finance lease	15	6 426	-
Income tax	23	1 116	-
Retirement payments and other short-term employee benefits	13	276	217
Total current liabilities		115 081	952 607
Total liabilities		1 142 773	1 975 743
TOTAL EQUITY AND LIABILITIES		**2 727 648**	**3 657 467**

The financial statements on pages 3 to 37 were signed on 16 March 2016 on behalf of the Board of Directors:

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

Šebesta

Ing. Štefan Šebesta
Vice-Chairman of the Board of Directors

(EUR '000)

		Year ended 31 December 2015	*Year ended 31 December 2014*
REVENUES FROM SALES OF SERVICES:			
Natural gas distribution		357 637	339 710
Other revenues		4 580	3 887
Total revenues		362 217	343 597
OPERATING EXPENSES:			
Depreciation and amortisation	7,8	(99 177)	(98 772)
Storage of natural gas and other services		(60 647)	(62 200)
Staff costs	19	(43 824)	(45 906)
Purchases of natural gas and consumables and services		(15 590)	(9 381)
Own work capitalised		6 134	4 798
Provisions and impairment losses, net		(731)	(2 020)
Provision for bad and doubtful debts, obsolete and slow-moving inventory, net		(185)	(65)
Other, net	21	2 605	1 803
Total operating expenses		(211 415)	(211 743)
OPERATING PROFIT		150 802	131 854
Financial revenues		1 792	6 955
Financial costs	21	(17 957)	(8 719)
PROFIT BEFORE INCOME TAXES		134 637	130 090
INCOME TAX	23	(35 092)	(32 578)
NET PROFIT FOR THE PERIOD		**99 545**	**97 512**

(EUR '000)

	Year ended 31 December 2015	*Year ended 31 December 2014*
NET PROFIT FOR THE PERIOD	99 545	97 512
OTHER COMPREHENSIVE INCOME/(LOSS) (may be reclassified to profit or loss in the future):		
Hedging derivatives (cash flow hedging)	1 727	(9 323)
Change in actuarial assumptions	(293)	-
Deferred tax related to items of other comprehensive income for the period	(316)	2 051
OTHER NET COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	1 118	(7 272)
TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD	**100 663**	**90 240**

SPP - distribúcia, a.s.
Statement of Changes in Equity
Years ended 31 December 2015 and 31 December 2014
(EUR '000)

	Registered capital	*Legal reserve fund*	*Other reserves*	*Hedging reserve*	*Retained earnings*	*Total*
Balance at 31 December 2013	1 957 418	391 484	-	-	113 150	2 462 052
Net profit for the period	-	-	-	-	97 512	97 512
Other net comprehensive income for the period	-	-	-	(7 272)	-	(7 272)
Dividends paid	-	-	-	-	(113 150)	(113 150)
Changes in the registered capital	(757 418)	-	-	-	-	(757 418)
Changes in the legal reserve fund	-	-	-	-	-	-
Balance at 31 December 2014	**1 200 000**	**391 484**	**-**	**(7 272)**	**97 512**	**1 681 724**
Net profit for the period	-	-	-	-	99 545	99 545
Other net comprehensive income for the period	-	-	(229)	1 347	-	1 118
Dividends paid	-	-	-	-	(97 512)	(97 512)
Changes in the registered capital	-	-	-	-	-	-
Changes in the legal reserve fund	-	(100 000)	-	-	-	(100 000)
Balance at 31 December 2015	**1 200 000**	**291 484**	**(229)**	**(5 925)**	**99 545**	**1 584 875**

(EUR '000)

	Note	***Year ended 31 December 2015***	***Year ended 31 December 2014***
OPERATING ACTIVITIES			
Cash flows from operating activities	24	240 659	234 135
Interest paid		(15 693)	(1 014)
Interest received		2 364	5 538
Income tax paid		(35 938)	(39 222)
Net cash flows from operating activities		191 392	199 437
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(18 331)	(15 779)
Proceeds from/repayments of borrowings received from the Group companies – cash pooling		(360 338)	(527 541)
Non-current borrowings provided		-	75 622
Proceeds from sale of property, plant and equipment and intangible assets		107	5 093
Net cash inflow/(outflow) from investing activities		(378 562)	(462 605)
FINANCING ACTIVITIES:			
Decrease in the legal reserve fund		(1 756)	-
(Repaid)/received bank loans and borrowings		(50 000)	80 000
Proceeds from issue of bonds		-	495 320
(Expenditures for)/proceeds from derivative transactions		(1 915)	(2 514)
Expenditures for the settlement of finance lease obligations		(1 513)	-
Net cash flows from financing activities		(55 184)	572 806
NET (DECREASE)/INCREASE IN CASH		(242 354)	309 638
EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		323 046	13 408
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**80 692**	**323 046**

(EUR '000)

1. GENERAL

1.1. General Information

In accordance with Act No. 431/2002 Coll. on Accounting as amended, SPP - distribúcia, a.s., (hereinafter also the "Company") is required to prepare separate financial statements as at 1 January 2008 in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

The financial statements are statutory financial statements intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

The Company was founded on 26 November 2004 and incorporated in the Commercial Register on 10 December 2004.

On 1 July 2006, Slovenský plynárenský priemysel, a.s. (hereinafter also "SPP") contributed to SPP - distribúcia, a.s. a part of its business, including assets and liabilities of the original Distribution Division.

Since 1 July 2006, the Company has assumed the performance of activities related to natural gas distribution, as well as assets and liabilities related to the gas distribution business.

SPP Infrastructure, a.s. is the 100% owner of the Company. The shareholders of SPP Infrastructure, a.s. are Energetický a průmyslový holding, a.s. ("EPH") with a near 49% share and management control, and Slovenský plynárenský priemysel, a.s. ("SPP") with a 51% share.

On 14 May 2015, the Annual General Meeting approved the Company's 2014 financial statements.

Company Identification No. (IČO)	35 910 739
Tax Registration No. (DIČ)	2021931109

1.2. Principal Activities

Since 1 July 2006, following the legal unbundling process, the Company has been responsible for natural gas distribution in the Slovak Republic.

The Company is required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of the Regulatory Office for Network Industries (RONI).

1.3. Employees

The average number of employees of SPP – distribúcia, a.s. for the year ended 31 December 2015 was 1 397, of which executive management: 8 (for the year ended 31 December 2014: 1 456, of which executive management: 8).

As at 31 December 2015, the actual headcount was 1 376 (31 December 2014: 1 444).

1.4. Registered Address

Mlynské nivy 44/b
825 11 Bratislava
Slovak Republic

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

2.1. Adoption of New and Revised International Financial Reporting Standards

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and that were adopted by the EU effective for accounting periods beginning on 1 January 2015.

Initial application of new amendments to the existing standards and interpretation effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the IASB and adopted by the EU are effective for the current reporting period:

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015); and

- **IFRIC 21 "Levies"**, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any significant changes in the Company's financial statements.

Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015);

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015); and

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016).

New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to the existing standards that were not endorsed for use in the EU as at the reporting date (the dates below apply to the full version of IFRS):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018);

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;

- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until a research project on the equity method has been concluded);

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016); and

- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments to be applied for annual periods beginning on or after 1 January 2016).

The Company anticipates that adopting these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

Based on the Company's estimates, applying hedge accounting to the portfolio of financial assets or liabilities pursuant to **IAS 39 "Financial Instruments: Recognition and Measurement"** would not have a significant impact on the financial statements if applied as at the reporting date.

(EUR '000)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

These separate financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, with the exceptions detailed below. Information on the applied principal accounting policies is provided below. The reporting currency and functional currency of the Company is the euro (EUR). These separate financial statements were prepared under the going concern assumption.

b) Information about Operating Segments

Operating segments are recognised in accordance with the internal system of management reporting provided for the highest executive decision-making body. The highest executive decision-making body that is responsible for the allocation of resources and for evaluating the performance of these operating segments has been identified to be the Board of Directors, which makes strategic decisions.

c) Research and Development

Research and development costs are recognised as expenses except for costs incurred for development projects, which are recognised as non-current intangible assets to the extent of the expected economic benefits. However, development costs initially recognised as expenses are not recognised as assets in a subsequent period.

d) Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets are stated in the balance sheet at historical cost less accumulated depreciation and impairment losses. In the case of assets contributed in the form of a contribution in kind as at 1 July 2006, historical cost was determined by an independent expert as at this date.

Acquisition cost comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Items of property, plant and equipment and intangible assets that are retired or otherwise disposed of are eliminated from the balance sheet at net book value. Any gain or loss resulting from such retirement or disposal is included in the income statement.

Other items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation charges are recognised in the income statement computed so as to amortise the cost of the assets to their estimated net book value over their residual useful lives. The useful lives of property, plant and equipment and intangible assets are as follows:

Type of assets	*Useful life from 2015*	*Useful life until 2014*
Regulation stations	15 – 50 years	15 – 50 years
Gas pipelines	40 – 60 years	40 – 60 years
Structures	15 – 60 years	15 – 60 years
Machines, tools and equipment	4 – 40 years	4 – 40 years
Other non-current assets	3 – 8 years	3 – 8 years

As at 1 August 2011, for the purposes of their inclusion in the consolidation, the Company carried out a new revaluation of the buildings, plant, machinery and other equipment used in the distribution of natural gas under IAS 16, based on findings of significant changes in the assumptions, which were used in the revaluation model performed by independent appraisers. Based on an independent valuation report, the Company changed the economic useful lives of buildings, machinery and equipment used for natural gas distribution with effect from 1 January 2011. As at 31 December 2015 and 2014, the Company concluded that there was no significant change in the estimated useful lives of the buildings, machinery and equipment.

Land is not depreciated as it is deemed to have an indefinite useful life.

Intangible assets with limited useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful lives are reviewed at the end of each reporting period. Costs of connection to the distribution network are capitalised and amortised over the estimated remaining useful life of the related equipment used for natural gas distribution.

At each reporting date an assessment is made as to whether there is any indication that the recoverable amount of the Company's property, plant and equipment and intangible assets is less than the carrying amount. Where there is such an indication, the recoverable amount of the asset, being whichever is the higher of the fair value less costs of sale and the present value of future cash flows, is estimated. The resulting provision for an impairment loss is recognised fully in the income statement in the year in which the impairment occurs. The discount rates used to calculate the net present value of future cash flows reflect current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or significantly to postpone the planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision is recorded, if appropriate. In 2015, the Company prepared an analysis of the expected value-in-use of assets based on which no impairment of non-current assets was identified.

Expenditures relating to an item of property, plant and equipment and intangible assets are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

e) Government Grants

Free-of-charge transfers of gas facilities by municipalities to the Company's assets are deemed to be non-monetary grants. They are recognised at the fair value of the assets received and are included in non-current liabilities as deferred income. This deferred income is recognised in the income statement on a straight-line basis over the useful lives of the assets transferred.

Free-of-charge transfers of gas facilities from customers relating to the connection of customers to the distribution network are charged to revenues for the relevant period and are recognised at the fair value of the received assets in accordance with IFRIC 18.

f) Inventories

Inventories are stated at the lower of the cost and the net realisable value. The cost of natural gas stored in underground storage facilities and raw materials and other inventories is calculated using the weighted arithmetic average method. The cost of raw materials and other inventories includes the cost of acquisition and related costs and the cost of inventories developed internally includes materials, other direct costs and production overheads. Appropriate provisions are made for obsolete and slow-moving inventories. Natural gas in acquisition is valued at cost. Other costs related to the acquisition of natural gas are immaterial.

g) Financial Assets

Financial assets are classified into the following categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale (AFS) financial assets" and "loans and receivables".

The Company only recognises financial assets in the "loans and receivables" category.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or variable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest rate method less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables for which the recognition of interest is immaterial.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows from the investment have been reduced.

For trade receivables assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced for the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provisions account. When a trade receivable is considered uncollectible, it is written off against the provisions account. Subsequent recoveries of amounts previously written off are recognised as a release of provisions. Changes in the carrying amount of the provisions account are recognised in profit or loss.

Derecognition of Financial Assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

h) Financial Liabilities

Financial liabilities are classified as financial liabilities "at fair value through profit or loss" (FVTPL) or as "other financial liabilities".

The Company only recognises financial liabilities in the "other financial liabilities" category.

Other Financial Liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected economic life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

i) Subsidiaries

Investments in subsidiaries are measured at cost. The costs of an investment in a subsidiary are based on the expenses related to the acquisition of an investment representing the fair value of the consideration, including direct incidental transaction costs.

j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and cash in bank with insignificant risk of changes in value.

k) Provisions for Liabilities

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as a discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of the related asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

m) Issued Debt Securities

Issued debt securities are initially measured at fair value plus transaction costs, and then measured at amortised cost using the effective interest rate method.

n) Revenue Recognition

Sales are recorded upon the delivery of products or the performance of services, net of value added tax and discounts. The Company records revenues from distribution and other activities on an accrual basis.

Moment of revenue recognition: revenues are recognised when the delivery terms are fulfilled, since at that moment significant risks and rights of ownership are transferred to the customer. The date of delivery fulfilment is the last day of the relevant calendar month.

o) Social Security and Pension Schemes

The Company is required to make contributions to various mandatory government insurance schemes, together with contributions by employees. The cost of social security payments is charged to the income statement in the same period as the related salary cost.

p) Retirement and Other Long-Term Employee Benefits

The Company has a long-term employee benefit program comprising a lump-sum retirement benefit, social assistance benefit in material deprivation and life and work jubilee benefits, for which no individual financial funds were earmarked. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service period of employees. The benefit obligation is measured at the present value of the estimated future cash flows discounted by market yields on Slovak government bonds, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognised in the comprehensive income statement. Past service costs are recognised when incurred and are directly expensed.

q) Finance and Operating Lease

Finance lease
A finance lease is a lease under which all the risks and rewards arising from the ownership of an asset are transferred (economic substance of the arrangement). The accounting treatment of a lease is not dependent on which party is the legal owner of the leased asset. An operating lease is a lease other than a finance lease.

Operating lease
The lessee under an operating lease arrangement does not present the leased assets in its balance sheet nor does it recognise operating lease obligations for future periods. Lease payments are recognised as an expense on a straight-line basis over the lease term.

r) Taxation

Income tax is calculated from the profit/loss before tax recognised pursuant to International Accounting Standards adjusted to the profit/loss recognised pursuant to the accounting procedures valid in the Slovak Republic reflecting individual items increasing or decreasing the tax base pursuant to Act No. 595/2003 Coll. on Income Tax, as amended, using the effective income tax rate of 22%.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Deferred tax is recognised in the income statement, except when it relates to items directly credited or charged directly to equity, in which case the deferred tax is also recognised in equity. The income tax rate valid from 1 January 2004 to 31 December 2012 was 19%. The income tax rate valid until 31 December 2013 was 23%. The income tax rate valid as of 1 January 2014 is 22%.

The principal temporary differences arise from the depreciation of non-current assets and various provisions. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised in the case of temporary differences arising from financial investments in subsidiaries, associates and joint ventures, except when the settlement of temporary differences can be controlled and temporary differences will not be realised in the foreseeable future.

Current and Deferred Tax for the Year
Current and deferred tax are recognised through profit and loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity.

Special Levy on Businesses in Regulated Industries
Pursuant to the requirements of International Accounting Standards, the Company's income tax also includes a special levy pursuant to Act No. 235/2012 Coll. on a Special Levy on Businesses in Regulated Industries and on the Amendment to and Supplementation of Certain Acts. The special levy is recognised through profit and loss.

The Company is a regulated entity with the obligation to pay a special levy during the period of the effectiveness of the Act, ie from September 2012 to December 2016. The levy is calculated per calendar month and the levy rate is 0.00363. The levy is based on the profit/loss before tax recognised pursuant to International Accounting Standards, adjusted to the profit/loss recognised pursuant to the accounting procedures valid in the Slovak Republic, and further adjusted pursuant to the Act on a Special Levy. The special levy is recognised as part of income taxes.

s) Foreign Currencies

Transactions in foreign currencies are initially recorded at the rates of the European Central Bank (ECB) pertaining on the dates of the transactions. Monetary assets, receivables and payables denominated in foreign currencies are translated as at the reporting date at the ECB exchange rates valid on the reporting date. Gains and losses arising on exchange as at the reporting date are included in the income statement.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

<u>Impairment of Property, Plant and Equipment</u>

The Company re-assessed the provision for the impairment of property, plant and equipment on the basis of an evaluation of their planned disposal or sale. When assessing the recoverable amount of property, plant, and equipment, certain assumptions and estimates were considered that may be subject to changes in the future. The recoverable amount of property, plant, and equipment for non-current assets used for natural gas distribution depends, inter alia, on the future development of gas consumption in Slovakia and on future tariffs for individual distribution services, which are subject to regulation. Refer to Note 7 and 25 for details on the impairment of property, plant and equipment.

<u>Useful Life of Property, Plant and Equipment</u>

In 2011, the Company engaged an expert to reassess the estimated remaining useful lives of the items of property, plant and equipment used for natural gas distribution. The estimated remaining useful life depends, inter alia, on various assumptions regarding the future use of the assets, their wear and tear and moral obsolescence, and potential changes in the legislation.

5. FINANCIAL INSTRUMENTS

a) Financial risk management

The Company is not exposed to severe financial risks that would include the effects of changes in foreign currency exchange rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

(1) Foreign currency risk

The Company is not exposed to severe foreign currency risk arising from foreign currency transactions since it does not recognise significant financial assets and liabilities denominated in a foreign currency as at 31 December 2015. The Company recognised no significant financial assets and liabilities denominated in a foreign currency as at 31 December 2014.

(EUR '000)

Sensitivity to foreign exchange changes

The impact of sensitivity to foreign exchange changes was not significant in the current or previous reporting periods.

(2) Commodity price volatility risk

The Company has entered into contracts for natural gas storage and natural gas purchases to cover losses in the distribution network. The contract for natural gas storage is concluded for 30 years and is at a fixed price. Natural gas purchase prices to cover losses are subject to tender for one year in advance. Currently, a fixed unit price for natural gas purchases is agreed for 2016; the same trend is expected also in the future. The current effective legislation of the Regulatory Office for Network Industries allows one to transfer the effect of natural gas price changes to cover losses to the price for natural gas distribution; thus, the Company does not consider the commodity price volatility risk significant.

(3) Interest rate risk

The Company is not exposed to significant concentration of interest rate risk.

The Company's management concluded loan contracts with a floating interest rate that changes based on changes in market conditions.

As at 31 December 2015, the Company recognised two loans received from banks with a face value of EUR 80 million and EUR 55 million; the loans bear a variable interest rate. The interest rate of these long-term loans amounts to 3M EURIBOR + a margin in % p.a. (Note 14).

The Company concluded derivative contracts to manage interest rate risk associated with the long-term bank loans.

(4) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company sells its services to customers; SPP, a.s., the majority shareholder of the parent company SPP Infrastructure, a.s., is the major customer, which means that the risk that receivables will remain unpaid is considerably eliminated.

(5) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash with adequate maturity, availability of funding through an adequate amount of committed credit lines and the ability to close open market positions. The Company, as a member of the SPP Infrastructure core group, is part of the cash-pooling system. In the system flexibility is maintained by keeping committed credit lines available and synchronising the maturity of financial assets with financial needs.

The table below summarises the maturity of the financial liabilities as at 31 December 2015 and 31 December 2014, based on contractual undiscounted payments:

As at 31 December 2015	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
Bonds	-	-	13 125	52 500	513 125	578 750
Loans	-	225	675	58 333	82 000	141 233
Trade and other payables	-	78 187	-	-	-	78 187
Obligations under finance lease		6 426	-	8 241	-	14 667

As at 31 December 2014	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
Bonds	-	-	13 125	52 500	526 250	591 875
Loans	-	50 258	675	3 600	137 633	192 166
Trade and other payables	-	110 016	757 418	-	-	867 734

In 2014, trade and other payables include a payable to a shareholder owing to the decrease of the share capital in the amount of EUR 757 418 thousand.

(EUR '000)

b) Capital risk management

The Company manages its ca
pital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity ratio.

The Company's capital structure consists of equity attributable to the Company's owners, comprising registered capital, the legal reserve fund and retained earnings as disclosed in Notes 17 and 18 and interest-bearing borrowings as disclosed in Note 14. The gearing ratio at the 2015 year-end was 36 % (2014: 22%).

As part of the capital structure optimisation the Company decreased its registered capital to EUR 1 200 million in 2014 (Note 17).

The gearing ratio at the year-end was as follows:

	31 December 2015	*31 December 2014*
Debt (i)	651 221	685 879
Cash and cash equivalents	80 692	323 046
Net debt	570 529	362 833
Equity (ii)	1 584 875	1 681 724
Net debt to equity ratio	**36%**	**22%**

(i) Debt is defined as long- and short-term borrowings and finance lease.
(ii) Page 6

c) Categories of financial instruments

	31 December 2015	*31 December 2014*
Financial assets		
Loans and receivables (including cash and cash equivalents)	143 747	1 011 084
Financial liabilities		
Financial liabilities carried at amortised costs	745 331	1 574 350
Financial derivatives recognised as hedges	6 299	7 065

d) Estimated fair value of financial instruments

The fair value hierarchy:

Level 1 of the fair value measurement represents those fair values that are deduced from the prices of similar assets or liabilities listed on active markets.

Level 2 of the fair value measurement represents those fair values that are deduced from input data other than listed prices included in Level 1, which are observable on the market for assets or liabilities directly (eg prices) or indirectly (eg deduced from prices).

Level 3 of the fair value measurement represents those fair values that are deduced from valuation models including subjective input data for assets or liabilities not based on market data.

As at 31 December 2015, the Company has no financial instruments measured at fair value except for financial liabilities from derivative instruments (interest swaps). The fair value of such instruments is estimated based on their present value of future cash flows discounted at the market interest rate. The measurement of interest swaps represents Level 1 of the fair value measurement.

Embedded derivative instruments

The Company assessed all significant contracts and agreements for embedded derivatives that should be recorded and concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and separately recognised as at 31 December 2015 and 31 December 2014 under the requirements of IAS 39 (as revised in 2009).

6. OPERATING SEGMENTS

The Company assesses the segment information for the current and comparative reporting periods in accordance with IFRS 8 Operating Segments. When managing the Company's activities, allocating resources, and making strategic decisions, the Board of Directors uses one segment based on the nature of products and services. The strategic business unit offers various services aimed at natural gas distribution. The Company's activities focus on the Slovak Republic where all of its non-current tangible assets are located. The main indicators used by the Board of Directors in its decision-making process are earnings before interest, taxes, depreciation, and amortisation (EBITDA), and the amount of capital expenditures. To make decisions, the Board of Directors uses financial information which is consistent with the information disclosed in these separate financial statements. The Company's management submits a report on the Company's results to the Board of Directors on a monthly basis.

(EUR '000)

7. PROPERTY, PLANT AND EQUIPMENT

	Regulation stations	*Gas pipelines*	*Land, buildings and structures*	*Plant, machinery and equipment*	*Other non-current tangible assets*	*Assets in the course of construction*	*Total*
Year ended 31 December 2014							
Opening net book value	117 234	2 404 829	181	6 424	233	36 607	2 565 508
Additions	114	2 367	-	-	-	16 650	19 131
Placed into service	1 970	32 319	371	1 167	15	(35 842)	-
Reclassifications	-	-	-	-	-	-	-
Disposals	(5)	(3 253)	-	(9)	-	(660)	(3 927)
Depreciation charge	(8 799)	(88 363)	(13)	(2 412)	(56)	-	(99 643)
Change in provisions	(52)	(202)	-	47	3	(154)	(358)
Closing net book value	**110 462**	**2 347 697**	**539**	**5 217**	**195**	**16 601**	**2 480 711**
Balance as at 31 December 2014							
Cost	172 586	2 868 119	572	21 082	1 088	20 135	3 083 582
Provisions and accumulated depreciation	(62 124)	(520 422)	(33)	(15 685)	(893)	(3 534)	(602 871)
Net book value	**110 462**	**2 347 697**	**539**	**5 217**	**195**	**16 601**	**2 480 711**
Year ended 31 December 2015							
Opening net book value	110 462	2 347 697	539	5 217	195	16 601	2 480 711
Additions	24	1 220	-	-	-	30 740	31 984
Placed into service	843	14 832	20	6 856	10	(22 579)	(18)
Reclassifications	(7)	7	-	-	-	-	-
Disposals	(44)	(38)	-	(3)	(1)	(1)	(87)
Depreciation charge	(8 635)	(88 508)	(17)	(2 447)	(49)	-	(99 656)
Change in provisions	167	116	-	8	4	(142)	153
Closing net book value	**102 810**	**2 266 806**	**542**	**9 631**	**159**	**24 619**	**2 413 087**
Balance as at 31 December 2015							
Cost	172 749	2 878 906	592	27 470	1 033	28 295	3 109 045
Provisions and accumulated depreciation	(69 939)	(603 580)	(50)	(17 839)	(874)	(3 676)	(695 958)
Net book value	**102 810**	**2 275 326**	**542**	**9 631**	**159**	**24 619**	**2 413 087**

(EUR '000)

As at 31 December 2015, the Company uses tangible assets related to gas pipelines and regulation stations with cost in the amount of EUR 7 582 thousand, which is presented as assets in the course of construction. Depreciation charge in the amount of EUR 9 thousand was recorded in 2015 in this respect.

In 2015, the Company acquired hardware and software under a finance lease. Hardware is classified as Machines and Equipment and its net book value amounts to EUR 5 470 thousand as at 31 December 2015 (Note 15).

Type and amount of insurance for property, plant and equipment and intangible assets:

Insured object	***Type of insurance***	***Cost of insured assets 2015***	***Cost of insured assets 2014***	***Name and seat of the insurance company***
Buildings, halls, structures (except for gas pipelines), machinery, equipment, fixtures & fittings, low-value non-current TA, other non-current TA, works of art, inventories	Insurance of assets	191 582	191 582	MSIG Insurance Europe AG, Allianz-Slovenská poisťovňa, a.s.
Motor vehicles	MTPL insurance, motor vehicle insurance against damage, destruction, theft	419	418	Allianz-Slovenská poisťovňa, a.s.

The cost of fully depreciated non-current assets (includes also non-current intangible assets), which were in use as at 31 December 2015, amounts to EUR 65 551 thousand (31 December 2014: EUR 49 031 thousand).

8. INVESTMENTS IN SUBSIDIARIES

At 31 December 2015	***Subsidiaries***
Opening balance, net	1 005
Additions	-
Reclassification	-
Disposals	-
Impairment	-
Closing balance, net	1 005
Cost	1 005
Impairment	-
Closing balance, net	**1 005**

SPP – distribúcia Servis, s.r.o. was established on 27 August 2012 by a Memorandum of Association as a 100% subsidiary of SPP – distribúcia, a.s. The company was registered in the Commercial Register of the District Court Bratislava I on 18 September 2012.

Plynárenská metrológia, s.r.o. was established on 11 September 2013 by a Memorandum of Association as a 100% subsidiary of SPP – distribúcia. The company was registered in the Commercial Register of the District Court Bratislava I on 1 October 2013.

Information on the subsidiaries of SPP – distribúcia as at 31 December 2015 can be summarised as follows:

Name	***Country of Registration***	***Ownership Interest in %***	***Principal Activity***
SPP – distribúcia Servis, s.r.o.	Slovakia	100.00	Production and servicing of gas equipment
Plynárenská metrológia, s.r.o.	Slovakia	100.00	Brokerage of services

(EUR '000)

Additional information on the subsidiaries:

Business name and seat of the entity	***Equity***		***Profit/loss***	
	2015	***2014***	***2015***	***2014***
SPP – distribúcia Servis, s.r.o. Seat: Oslobodenia 1068/50, Malacky	1 063	1 065	(2)	(2)
Plynárenská metrológia, s.r.o. Seat: Mlynské nivy 44/b, Bratislava	103	43	60	40

(EUR '000)

9. NON-CURRENT INTANGIBLE ASSETS AND OTHER ASSETS

	Software	*Other non-current intangible assets*	*Assets in the course of construction*	*Total*
Year ended 31 December 2014				
Opening net book value	-	7 141	770	7 911
Additions	-	-	426	426
Placed into service	851	333	(1 184)	-
Disposals	-	-	(10)	(10)
Amortisation	(37)	(450)	-	(487)
Change of provisions	-	-	10	10
Closing net book value	**814**	**7 024**	**12**	**7 850**
At 31 December 2014				
Cost	889	10 798	13	11 700
Provision and impairment loss	(75)	(3 774)	(1)	(3 850)
Net book value	**814**	**7 024**	**12**	**7 850**
Year ended 31 December 2015				
Opening net book value	814	7 024	12	7 850
Additions	-	-	9 324	9 324
Placed into service	9 082	11	(9 075)	18
Disposals	-	-	(1)	(1)
Amortisation	(319)	(433)	-	(752)
Change of provisions	-	-	1	1
Closing net book value	**9 577**	**6 602**	**261**	**16 440**
At 31 December 2015				
Cost	9 971	10 809	261	21 041
Provision and impairment loss	(394)	(4 207)	-	(4 601)
Net book value	**9 577**	**6 602**	**261**	**16 440**

In 2015, the Company acquired hardware and software under a finance lease. Software is classified under Software and its net book value amounts to EUR 7 423 thousand as at 31 December 2015 (Note 15).

10. INVENTORIES

	31 December 2015	*31 December 2014*
Natural gas	152 521	152 211
Raw materials and other inventories	927	863
Provision	(79)	(42)
Total	**153 369**	**153 032**

The balance of natural gas represents natural gas used to balance the distribution network and natural gas for own consumption, as well as losses in the distribution network.

As at 31 December 2015, provisions were reversed in the amount of EUR 6 thousand (31 December 2014: EUR 34 thousand).

The Company created provisions for slow-moving inventories of raw materials in the amount of EUR 43 thousand (31 December 2014: EUR 42 thousand).

(EUR '000)

11. RECEIVABLES AND PREPAYMENTS

	31 December 2015	*31 December 2014*
Receivables from distribution activities	14 741	51 028
Prepayments and other receivables	7 134	4 087
Cash pooling receivables	41 002	595 865
Receivables from provided borrowings	-	37 058
Receivables from the sale of natural gas	178	-
Total	**63 055**	**688 038**

Receivables fall due as follows

	31 December 2015	*31 December 2014*
Within one year	63 055	688 038
From 1 year to 2 years	-	-
From 2 to 5 years	-	-
More than 5 years	-	-
Total receivables	**63 055**	**688 038**

As at 31 December 2015, the Company recorded receivables due and overdue in the amount of EUR 61 291 thousand and EUR 2 676 thousand, respectively, excluding an impairment provision. As at 31 December 2014, the Company recorded receivables due and overdue in the amount of EUR 688 023 thousand and EUR 873 thousand, respectively, excluding an impairment provision.

In 2014, receivables from provided borrowings in the amount of EUR 37 058 thousand were from a loan provided to the parent company, SPP Infrastructure, a.s.

As at 31 December 2015, receivables and prepayments are shown net of provisions for bad and doubtful debts in the amount of EUR 912 thousand (31 December 2014: EUR 858 thousand).

Movements in the provision for receivables were as follows:

	31 December 2015	*31 December 2014*
Opening value	(858)	(11 018)
Creation	(142)	(370)
Use	88	13
Reversal	-	10 517
Closing value	**(912)**	**(858)**

Collateralisation of receivables

Several bank guarantees totalling EUR 27 806 thousand (31 December 2014: EUR 26 290 thousand) were established to secure the Company's receivables from natural gas distribution. In addition, financial funds in the amount of EUR 5 051 thousand (31 December 2014: EUR 4 059 thousand) were deposited in the Company's bank account. The released portion comprises the release of a provision for receivables from unauthorised natural gas consumption due to a change in the method of recognition of such revenues and receivables (Note 21).

(EUR '000)

Overdue receivables that were not provided for:

	31 December 2015	***31 December 2014***
Less than 2 months	481	63
2 to 3 months	-	-
3 to 6 months	-	-
6 to 9 months	-	-
9 to 12 months	-	-
More than 12 months	-	-
Total	**481**	**63**

Overdue receivables that were provided for:

	31 December 2015	***31 December 2014***
Less than 2 months	-	-
2 to 3 months	190	17
3 to 6 months	451	24
6 to 9 months	629	24
9 to 12 months	194	4
More than 12 months	731	742
Total	**2 195**	**811**

12. DEFERRED INCOME

	31 December 2015	***31 December 2014***
Opening balance, net	10 414	8 309
Assets acquired during the reporting period	1 227	2 481
Amortisation during the reporting period	(375)	(376)
Closing balance, net	**11 266**	**10 414**

Some gas facilities were obtained "free of charge" from municipal and local authorities. This deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

13. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program at the Company was launched in 2006. This is a defined benefit program, under which the employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, life and work jubilee payments.

In December 2014, a new collective agreement was signed which is valid for the period from 2015 until 2018 and under which employees are entitled to a retirement benefit based on the number of years worked with the Company as at their retirement. The retirement benefits range from three to five times the employee's average salary. As at 31 December 2015 and 31 December 2014, the obligation relating to retirement and other long-term employee benefits was calculated on the basis of valid collective agreements in the given years.

As at 31 December 2015, there were 1 376 (31 December 2014: 1 444) employees covered by this program. As of that date, it was an un-funded program, with no separately allocated assets to cover the program's liabilities.

(EUR '000)

Movements in the net liability recognised in the balance sheet for the year ended 31 December 2015 are as follows:

	Long-term benefits	*Post-employment benefits*	*Total benefits at 31 December 2015*	*Total benefits at 31 December 2014*
Net liability at 1 January	943	4 384	5 327	4 296
Change in actuarial assumptions	-	293	293	-
Net expense recognised	39	78	117	1 173
Benefits paid	(52)	(66)	(118)	(142)
Net liabilities	**930**	**4 689**	**5 619**	**5 327**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2015	276	5 343	5 619
At 31 December 2014	217	5 110	5 327

Key assumptions used in actuarial valuation:

	At 31 December 2015	*At 31 December 2014*
Market yield on government bonds	1.35%	2%
Annual future real rate of salary increases	2%	2%
Annual employee turnover	1.4%	1.4%
Retirement ages (male and female)	62 for male and 62 for female	62 for male and 60 for female

14. LOANS AND BONDS

	31 December 2015 Unsecured	*31 December 2014 Unsecured*
Loans	135 000	185 000
Bonds	501 723	500 879
Total	**636 723**	**685 879**
Loans by currency		
EUR		
– with a fixed interest rate	501 723	500 879
– with a floating interest rate	135 000	185 000
Total loans	**636 723**	**685 879**
Loans are due as follows:		
Within one year	6 854	56 854
From 1 to 2 years	-	
From 2 to 5 years	55 000	-
More than 5 years	574 869	629 025
Total loans	**636 723**	**685 879**

As at 31 December 2014 and 31 December 2015, the Company drew the following loans:

Long-term loans denominated in euros in the amount of EUR 55 million and EUR 80 million with an interest rate consisting of a variable portion (3M EURIBOR) and a fixed margin in % p.a. fall due in 2020 and 2024, and are not secured by any assets.

As at 31 December 2014, the Company recognised a short-term bank loan in the amount of EUR 50 million with an interest rate consisting of a variable portion (1M EURIBOR) and a fixed margin in % p.a. The loan was repaid in 2015 and was not secured by any assets.

In 2014, the Company issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The maturity of bonds is on 23 June 2021.

The average interest rate of the loans drawn as at 31 December 2015 was 0.651%.

(EUR '000)

Interest rates of the loans and bonds:

Loans and bonds	
EUR	
– with a fixed interest rate	2.625% p.a.
– with a floating interest rate	3M EURIBOR + margin

The carrying amount and face value of loans and bonds:

	Carrying Amount		*Face Value*	
	31 December 2015	***31 December 2014***	***31 December 2015***	***31 December 2014***
Loans	135 000	185 000	135 000	185 000
Bonds	501 723	500 879	500 000	500 000
Total	**636 723**	**685 879**	**635 000**	**685 000**

The carrying amount of bonds comprises an accrued coupon in the amount of EUR 6 854 thousand.

SPP – distribúcia, a.s. has the following unused lines of credit:

	At 31 December 2015	***At 31 December 2014***
Floating interest rate:		
- due within one year	-	-
- due after more than one year	-	20 000
Total	**-**	**20 000**

Based on a loan agreement signed on 12 November 2014, SPP-distribúcia is required to comply with the agreed financial covenants, ie
- Balance on the bank account may not fall below EUR 30 000 thousand, and
- Net debt and EBITDA ratio may not be lower than 2.65:1 at the end of the reporting period.

If the Company's rating with at least one agency falls to or below the following levels: BBB- at Standard and Poor's, BBB- at Fitch, Baa3 at Moody's, SPP-distribúcia is required to provide additional collateral in the form of a guarantee, cash collateral or other form of collateral acceptable to the bank.

As at 31 December 2013, the Company drew a loan in the amount of EUR 55 000 thousand. Under the loan agreement, the Company is not required to meet any financial covenants. However, the loan agreement defines the minimum level of the parent company's rating (Moody's: Baa2, Fitch: BBB), as the parent company provided collateral for the SPP-distribúcia loan. If the rating falls below the defined level in either of the two agencies by one grade (while remaining unchanged with the other agency), the interest margin will slightly increase (0.15%); if the rating falls by more than one grade below the defined level or if it falls by one grade with both agencies simultaneously, SPP-distribúcia is required to provide additional collateral in the form of a guarantee, cash collateral or any other form of collateral accepted by the bank.

As at 31 December 2015, the SPP-distribúcia rating was A- (Fitch) or Baa2 (Moody's), ie all conditions were met.

15. OBLIGATION UNDER FINANCE LEASE

During 2015, the Company acquired tangible and intangible assets - hardware and software under a finance lease. The lease contract does not have the legal form of a lease, nevertheless it is recognised as a lease based on contractual terms and conditions. The lessee obtains economic rewards from the use of the leased assets during a major part of their economic useful life in return for assuming an obligation to pay for this right an amount at the inception of the lease that approximates the fair value of the assets and the related financial charge.

The lease contract is concluded for 4 years and the Company has an option to purchase equipment at the end of the lease term.

(EUR '000)

Obligation under long-term finance lease:

Maturity	***Present Value of Minimum Lease Payments*** 31.12.2015	31.12.2014
Less than 1 year	6 426	-
1-5 years	8 072	-
More than 5 years	-	-
Total	**14 498**	**-**

The difference between the present value of minimum lease payments and gross investment in a lease is not significant.

Information on the residual value and fair value of the obligation under finance lease:

	Residual Value		***Fair Value***	
	31.12.2015	***31.12.2014***	***31.12.2015***	***31.12.2014***
Obligation under finance lease	14 498	-	14 761	-
Total	**14 498**	**-**	**14 761**	**-**

16. TRADE AND OTHER PAYABLES

	At 31 December 2015	***At 31 December 2014***
Payables from distribution activities	43 512	84 967
Trade payables	25 940	20 534
Trade payables for gas purchases	3 154	1 499
Trade payables for electricity purchases	-	451
Employee liabilities	6 899	7 169
Social security and other taxes	9 024	12 465
Payables from financial derivatives	6 299	7 065
Payables to the shareholder	-	757 418
Other payables	5 581	3 968
Total	**100 409**	**895 536**

As at 31 December 2014, trade and other payables included a payable to SPP Infrastructure, a.s. in the amount of EUR 757 418 thousand owing to a decrease in the share capital (Note 17). As at 31 December 2015, trade payables to SPP Storage, s.r.o. totalled EUR 2 540 thousand (31 December 2014: EUR 2 540 thousand).

As at 31 December 2015, the Company recorded payables within maturity in the amount of EUR 100 409 thousand; no overdue payables were recognised. As at 31 December 2014, the Company recorded payables within maturity in the amount of EUR 895 536 thousand; no overdue payables were recognised.

Social fund payables:

	Amount
Opening balance as at 1 January 2015	-
Total creation:	377
from expenses	*377*
non-mandatory allotment	-
Total drawing:	(274)
monetary rewards and gifts	*(65)*
benefit in material deprivation	*(5)*
work jubilee benefits	*(52)*
catering allowance	*(115)*
other drawing as per CA	*(37)*
Closing balance as at 31 December 2015	**103**

Liabilities secured by pledge or other form of collateral

A bank guarantee was established in Tatra banka, a. s., totalling EUR 33 thousand for other payables to the Customs Office (2014: EUR 33 thousand).

(EUR '000)

17. REGISTERED CAPITAL

As part of the capital structure optimisation the Company decreased its registered capital by EUR 757 418 thousand to EUR 1 200 000 thousand in 2014. The decrease in the registered capital was approved by the General Meeting held on 12 November 2014. The entry in the Commercial Register was made on 22 November 2014. The decrease in the registered capital was paid to the shareholder by its net-off with a cash-pooling receivable in May 2015.

The registered capital consists of 1 ordinary certificate-form share with the face value of EUR 1 200 000 thousand. SPP Infrastructure, a. s. is the holder of such share. The registered capital has been registered in the Commercial Register in the full amount.

18. LEGAL RESERVE FUND AND RETAINED EARNINGS

Since 1 January 2008 the Company has been required to prepare separate financial statements in accordance with IFRS as adopted by the EU. Retained earnings represent amounts based on the separate financial statements.

In connection with the previous decrease in the share capital, the Company decreased the legal reserve fund by EUR 100 000 thousand to EUR 291 484 thousand in 2015. The decision to decrease the legal reserve fund was made by the sole shareholder on 31 July 2015. The decrease in the legal reserve fund was paid to the shareholder by its net-off with a cash-pooling receivable in July 2015 in the amount of EUR 98 244 thousand and EUR 1 756 thousand was settled by a payment to the bank account.

The legal reserve fund in the amount of EUR 291 484 thousand (31 December 2014: EUR 391 484 thousand) is created in accordance with Slovak law and is not distributable to shareholders. The reserve is created from retained earnings to cover possible future losses or increases of the registered capital. Transfers of at least 10% of the current year's profit are required to be made until the reserve is equal to at least 20% of the registered capital. The legal reserve fund in the Company has already attained 20% of the registered capital.

Distribution of profit:

Allotment	*Profit allotment for 2014*	*Profit allotment for 2013*
To cover losses from previous years	-	-
Dividends	97 512	113 150
Total profit to be distributed	**97 512**	**113 150**

19. STAFF COSTS

	Year ended 31 December 2015	*Year ended 31 December 2014*
Wages, salaries and bonuses	30 278	31 025
Social security costs	10 693	12 178
Other social security costs and severance pay	2 853	2 703
Total staff costs	**43 824**	**45 906**

The Company is required to make social security contributions, amounting to 35.2% of salary bases as determined by law, up to a maximum amount ranging from EUR 4 120 thousand (except for accident insurance). The employees contribute an additional 13.4% of the relevant base up to the above limits.

20. COSTS OF AUDIT SERVICES

	Year ended 31 December 2015	*Year ended 31 December 2014*
Audit of financial statements	38	40
Tax advisory services	2	-
Total	**40**	**40**

(EUR '000)

21. OTHER REVENUES AND EXPENSES

	Year ended 31 December 2015	*Year ended 31 December 2014*
Unauthorised natural gas consumption	2 289	1 755
Correction of errors from previous periods	-	(1 363)
Profit/(loss) from the sale of assets	43	1 863
Other taxes and charges	(456)	(654)
Other	729	202
Total	**2 605**	**1 803**

As of 1 January 2014, the Company changed the method of recognition of certain types of revenues and receivables. A revenue or a receivable is recognised only at the moment when a private individual or legal entity actually settles an amount owed for damage caused to the Company. In the past, such revenues were recognised at the moment when the Company detected such incurred damage. The Company cancelled such receivables and provisions related thereto as at 1 January 2014, and recognised the cancelled amount as a correction of an immaterial error from the past periods in the profit/loss for the current reporting period in the total amount of EUR 1 363 thousand.

22. FINANCIAL EXPENSE

	Year ended 31 December 2015	*Year ended 31 December 2014*
Interest expense	17 746	8 517
Other	211	202
Total financial expense/(income)	**17 957**	**8 719**

Interest expense mainly includes expenses for the coupon of a bond issued by the Company in 2014.

23. TAXATION

23.1. Income Tax

Income tax comprises the following:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Current tax related to the current year	34 740	33 821
Special levy	6 113	5 091
Deferred income tax (Note 23.2)		
- Current year	(5 761)	(6 334)
Total	**35 092**	**32 578**

The reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard tax rates is as follows:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Profit before taxation	134 637	130 090
Income tax at 22%	29 620	28 620
Effect of adjustments from permanent differences between carrying amount and tax value of assets and liabilities	(965)	(1 763)
Special levy on business in regulated industries	6 113	5 091
Other adjustments	324	630
Income tax for the current year	**35 092**	**32 578**

(EUR '000)

The reported tax rate differs from the standard tax rate stipulated by law in the amount of 22% (2014: 22%) mainly due to adjustments of the current tax base for items increasing and decreasing the tax base pursuant to the valid tax legislation.

Pursuant to the requirements of International Accounting Standards, the income tax also includes a special levy on businesses in regulated industries pursuant to a special regulation. *(Note 3, paragraph r).*

23.2. Deferred Income Tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements therein, during the current and prior reporting periods:

	At 1 January 2015	*(Charge)/Credit to other comprehensive income/loss*	*(Charge)/credit to profit for the period*	*At 31 December 2015*
Difference in NBV of non-current assets	(384 730)	-	4 035	(380 695)
Items adjusting tax base only when paid	22	-	180	202
Provisions for receivables	60	-	2	62
Impairment loss	992	-	474	1 466
Hedging derivative instruments	2 051	(380)	-	1 671
Change in actuarial assumptions	-	64	-	64
Other	3 018	-	1 070	4 088
Total	**(378 587)**	**(316)**	**5 761**	**(373 142)**

	At 1 January 2014	*(Charge)/Credit to other comprehensive income/loss*	*(Charge)/credit to profit for the period*	*At 31 December 2014*
Difference in NBV of non-current assets	(391 282)	-	6 552	(384 730)
Items adjusting tax base only when paid	19	-	3	22
Provisions for receivables	1 464	-	(1 404)	60
Impairment loss	916	-	76	992
Hedging derivative instruments	-	2 051	-	2 051
Change in actuarial assumptions	-	-	-	-
Other	1 910	-	1 108	3 018
Total	**(386 973)**	**2 051**	**6 335**	**(378 587)**

In accordance with the Company's accounting policy, certain deferred tax assets and liabilities were mutually offset. The following table shows the balances (after offsetting) of deferred tax for the purposes of recognition in the balance sheet:

	31 December 2015	*31 December 2014*
Deferred tax liability	(373 142)	(378 587)
Total	**(373 142)**	**(378 587)**

(EUR '000)

24. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

Disclosure of tax effects relating to each component of other comprehensive income:

31 December 2015	***Before tax***	***Tax***	***After tax***
Change in actuarial assumptions	(293)	64	(229)
Cash flow hedging	1 727	(380)	1 347
Other comprehensive loss for the period	**1 434**	**(316)**	**1 118**

31 December 2014	***Before tax***	***Tax***	***After tax***
Cash flow hedging	9 323	(2 051)	7 272
Other comprehensive income/(losses) for the period	**9 323**	**(2 051)**	**7 272**

25. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2015	***Year ended 31 December 2014***
Profit before tax	134 637	130 090
Adjustments:		
Depreciation and amortisation	99 177	98 772
Interest income, net	15 954	1 448
Reserves, provisions and other non-cash items	1 984	4 481
Loss/(profit) from the sale of non-current assets	(43)	(1 863)
(Increase)/decrease in receivables and prepayments	(1 146)	(4 994)
(Increase)/decrease in inventories	(374)	3 770
Increase/(decrease) in trade and other payables	(9 530)	2 431
Cash flows from operating activities	**240 659**	**234 135**

26. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2015, capital expenditures of EUR 28 938 thousand (31 December 2014: EUR 34 524 thousand) had been committed under contractual arrangements for the acquisition of non-current assets, but were not recognised in the financial statements.

Operating Lease Arrangements

The Company leases means of transport under an operating lease agreement made in 2010. The contract is made for four years and the Company has no pre-emptive right to purchase the assets after the expiry of the lease term. The lease payments amounted to EUR 7 330 thousand in the year ended 31 December 2015 (31 December 2014: EUR 5 207 thousand).

Non-cancellable operating lease payables amount to:

Period	***2015***	***2014***
Within 1 year	2 365	2 042
From 1 to 5 years	4 814	2 600
More than 5 years	151	566
Total	**7 330**	**5 208**

Liberalisation of the Slovak energy sector and possible regulation risks

Regulation framework on the natural gas market in the Slovak Republic

On the basis of the current energy legislation, the natural gas market in the Slovak Republic is fully liberalised. Effective from 1 July 2007, all customers are allowed to freely select a natural gas supplier. The Company, as the gas distribution network operator, is obliged to provide all participants with non-discriminatory treatment and allow access to the distribution network on a transparent and non-discriminatory basis. Moreover, the Company is also obliged to enter into a contract for connection and gas distribution with all customers that fulfils the business and technical conditions.

Distribution of gas, as well as access and connection to the distribution network, are subject to regulation by the Regulatory Office of Network Industries (RONI).

The regulatory period is five years, starting in 2012 and ending in 2016.

Tariffs for regulated activities

The RONI approves tariffs for access to the distribution network and gas distribution, and for the provision of auxiliary services, as well as for connection to the distribution network. These tariffs are proposed so that the total planned revenues from the tariffs for access to the distribution network and gas distribution in the regulation year in Euros per gas volume unit do not exceed the maximum price for the year, calculated under Decree of the RONI No. 193/2013 Coll., which stipulates price regulation in the gas industry. Maximum allowed revenues are determined based on the eligible costs, including depreciation derived from the regulated assets base as determined by RONI and a margin. The regulated assets base and useful lives of these assets as determined by RONI differ from the carrying amounts and useful lives of the related property, plant and equipment as recorded by the Company. The management of the Company believes that property, plant and equipment of the Company is not impaired on the basis of current indicators. There are inherent uncertainties that could impact the determination of future tariffs by RONI, and the future realisable value of property, plant and equipment.

The maximum price for connection to the distribution network in the relevant year of the regulation period, ie for 2012, for gas consumers was determined on the basis of the planned average costs related to the issue of technical conditions for the connection and the planned average costs related to the processing of the application for connecting the gas delivery equipment to the distribution network and installation of the meter incurred by the distribution network operator as part of the standard-scope activities necessary for connecting the gas delivery equipment. The price for connection to the distribution network is determined separately for household customers and separately for gas customers other than household customers.

In accordance with Decree of the RONI No. 193/2013 Coll., the maximum price for connection to the distribution network for the years following the relevant year of the regulation period is calculated by indexing the price for the year preceding the year for which the price proposal is submitted, taking into account the effects of inflation.

The calculation of the maximum price for access to the distribution network and for gas distribution for the years following the relevant year of the regulation period is partially based on the indexation of the basis parameters.

Since 2014, the buy-out of gas facilities being the distribution network has also been subject to price regulation in the gas industry. However, in 2014 there was no buy–out of such gas facility by SPP-D.

Under Act No. 250/2012 Coll. on Regulation in Network Industries as amended, the price decision for 2014 shall also apply to 2015. The RONI approved a change of the price decision for 2016.

Changes in the regulatory laws

With respect to regulation, no principal legislative changes were adopted in 2015 and 2014. On 1 July 2014, RONI Decree No. 193/2013 Coll. entered into force, which stipulates price regulation in the gas industry. Under the decree, interest on issued bonds is also considered eligible costs of SPP-D, but only up to the amount of the average of 12M EURIBOR for a 12 month-period prior to the submission of a price proposal.

Taxation

The Company has significant transactions with the shareholder and other related parties. The tax environment in which the Company operates in the Slovak Republic is dependent on the prevailing tax legislation and practice. As the tax authorities are reluctant to provide official interpretations in respect of the tax legislation, there is an inherent risk that the tax authorities may require, for example, transfer pricing or other adjustments to the corporate income tax base. The tax authorities in the Slovak Republic have broad powers of interpretation of tax laws, which could result in unexpected results from tax inspections. The amount of any potential tax liabilities related to these risks cannot be estimated.

(EUR '000)

27. RELATED PARTY TRANSACTIONS

The 100% owner of the Company's shares is SPP Infrastructure, a.s., in which Energetický a průmyslový holding, a.s. holds a near 49% of the shares including management control and 51% of the shares by Slovenský plynárenský priemysel, a.s.

During the current year, the Company entered into the following transactions with related parties:

	Year ended 31 December 2015				*31 December 2015*	
	Revenues	***Expenses***	***Dividends***	***Other***	***Receivables***	***Payables***
SPP, a.s.	245 435	19 961	-	1 424	527	47 817
SPP Infrastructure, a.s.	1 533	105	97 512	-	41 057	-
Other related parties	4 009	33 094	-	33 743	283	3 889
Total	**250 977**	**53 160**	**97 512**	**35 167**	**41 867**	**51 706**

Management considers that the transactions with related parties have been made on an arm's length basis.

Transactions with related parties mainly represented services related to the distribution, purchases, transit and storage of natural gas, as well as other services.

Other related parties mainly include the fellow subsidiaries.

	Year ended 31 December 2014				*31 December 2015*	
	Revenues	***Expenses***	***Dividends***	***Other***	***Receivables***	***Payables***
SPP, a.s.	247 183	19 939	-	18	37 535	88 134
SPP Infrastructure, a.s.	6 392	112	113 150	37 058	595 891	757 418
Other related parties	7 474	32 783	-	398	155	4 258
Total	**261 049**	**52 834**	**113 150**	**37 474**	**633 581**	**848 910**

Since 2013, the Company has applied an exemption from IAS 24 on the non-disclosure of information on related parties through the Ministry of Economy of the Slovak Republic.

(EUR '000)

The compensation of the members of the Company's bodies and executive management during the year was as follows:

	Year ended 31 December 2015	***Year ended 31 December 2014***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	1 554	1 287
Of which:		
Board of Directors and executive management	*1 454*	*1 170*
Supervisory Board	*100*	*117*
Benefits after termination of employment to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	111
Of which:		
Board of Directors and executive management	-	*111*
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Of which:		
Board of Directors and executive management	-	-
Benefits after termination of employment to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	70
In-kind benefits to members of the Board of Directors and executive management – total	61	47
Of which:		
Board of Directors and executive management	*61*	*47*
Supervisory Board	-	-
Other payments to members of the Board of Directors, Supervisory Board, executive management and former members - total	13	-
Of which:		
Board of Directors and executive management	*13*	-
Supervisory Board	-	-

28. SUPPLEMENTARY INFORMATION TO COMPLY WITH OTHER STATUTORY REQUIREMENTS FOR SEPARATE FINANCIAL STATEMENTS

a) Members of the Company's bodies

Body	***Function***	***Name***
Board of Directors	Chairman	Ing. František Čupr, MBA
	Vice-Chairman	Ing. Štefan Šebesta
	Member	Mgr. Petr Hájek
	Member	Ing. Miroslav Haško – until 10 Nov 2015
	Member	Marek Štrpka – since 11 Nov 2015
	Member	Ing. Gustáv Laca
Supervisory Board	Chairman	Ing. Rastislav Chovanec, PhD.
	Vice-Chairman	Tomáš David – since 11 Nov 2015
	Member	Pavel Horský – until 10 Nov 2015
	Member	Ing. Miroslav Recký
	Member	Ing. Róbert Procházka
	Member	Ing. Richard Vadkerty
	Member	Pavol Korienek
Executive management	General Director	Ing. Martin Hollý
	Director of the Economy and Regulation	Ing. Roman Filipoiu
	Director of the Network Operation and Asset Management	Ing. Rastislav Prelec
	Director of Investments	Ing. Irenej Denkocy, ACCA
	Director of Maintenance and Measurement	Ing. Miroslav Horváth
	Director of Distribution Services	Ing. Marek Paál
	Director of Human Resources, Quality, Health and Safety at Work, and Environment	Mgr. Ing. František Kajánek
	Director of Internal Supervision	Mgr. Karin Jaššová, PhD. - since 1 Mar 2015

b) Consolidated financial statements

The Company and its subsidiaries (the "sub-group") are included in the SPP Group (the "Group").

The Company applied an exemption set out in IFRS 10 paragraph 10.28 and did not prepare consolidated financial statements as at 31 December 2015. Consolidated financial statements presented in accordance with the International Financial Reporting Standards will be prepared by SPP Infrastructure, a.s. with its seat at Mlynské nivy 44/a, 825 11 Bratislava (address of the court of record: District Court Bratislava 1, Záhradnícka 10, 812 44 Bratislava).

SPP – distribúcia, a.s. provides information disclosed in the separate financial statements for the higher consolidation by SPP Infrastructure, a.s. SPP Infrastructure, a.s. prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

In the consolidated financial statements, subsidiaries are the reporting entities including structured reporting entities which are controlled by the Group, as (i) it has power to control the relevant activities of the respective reporting entity that have a significant impact on its profitability and revenues, (ii) is exposed, or has a right, to variable returns from such reporting entity, and (iii) has the ability to use its power to affect returns for the investors in the respective reporting entity. The existence and impact of substantial rights including potential voting rights has to be considered when assessing whether the Group has power over the other reporting entity. The right will be considered substantial if its owner has the practical ability to exercise the right at the time when decisions on the reporting entity's relevant activities are made. The Group can have power over a reporting entity if it owns less than one half of the voting rights. In such case, the Group assesses the size of voting rights of other investors compared to the rights and ownership structure of such other voting rights in order to identify whether it has de-facto control over the reporting entity. Protective rights of other investors, such as those relating to substantial changes in the reporting entity's activities, or those which are applicable only in exceptional circumstances, shall not prevent the Group from controlling another entity. Subsidiaries are consolidated from the day of transfer of control to the Group and deconsolidated in the case of a loss of control.

To obtain full information about the financial position, financial performance and cash flow of the Group as a whole by the users of these separate financial statements, the separate financial statements should be read and understood in the context of the information disclosed in the consolidated financial statements presented as at 31 December 2015 by the ultimate reporting entity, Energetický a průmyslový holding, a.s. seated at Příkop 843/4, 602 00 Brno, Czech Republic.

Separate financial statements of SPP – distribúcia, a.s. and consolidated financial statements of SPP Infrastructure, a.s. are deposited with the Commercial Register of Bratislava 1 District Court (Záhradnícka 10, 812 44 Bratislava) published in the Commercial Journal, available at the registered office of SPP Distribúcia, and published at www.spp-distribucia.sk.

29. POST-BALANCE SHEET EVENTS

After 31 December 2015, there were no significant events that would require adjustments to or disclosure in the financial statements.

Prepared on:

16 March 2016

Approved on:

Signature of a member of the statutory body of the reporting entity or a natural person acting as a reporting entity:

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

Ing. Štefan Šebesta
Vice-Chairman of the Board of Directors

Signature of the person responsible for the preparation of the financial statements:

Ing. Roman Filipoiu

Signature of the person responsible for bookkeeping:

Ing. Peter Ďuračka