

**Slovenský plynárenský priemysel, a.s.**

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

**For the year ended 31 December 2014**



## Slovenský plynárenský priemysel, a.s.

### INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Slovenský plynárenský priemysel, a.s.:

We have audited the accompanying financial statements of Slovenský plynárenský priemysel, a.s. (the "Company"), which comprise the balance sheet as at 31 December 2014, 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 Slovenský plynárenský priemysel, a.s. as at 31 December 2014, 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.

#### **Emphasis of Matter**

We draw attention to Note 1.3 to the financial statements, which describes effects of the reorganisation and modification of the ownership structure in the SPP Group.

Our opinion is not modified in respect of this matter.

Bratislava, 11 March 2015



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



Ing. Wolda K. Grant, FCCA  
Responsible Auditor  
Licence SKAu No. 921

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**Slovenský plynárenský priemysel, a.s.**  
**BALANCE SHEETS**  
**31 December 2014 and 31 December 2013**  
**(EUR '000)**

	<i>Note</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Investment property	9	22 579	26 536
Property, plant and equipment	8	92 026	107 021
Investments in subsidiaries and associates	6	2 159 955	15
Non-current intangible assets	10	4 486	6 765
Other non-current assets		30 581	35 176
Total non-current assets		<u>2 309 627</u>	<u>175 513</u>
<b>CURRENT ASSETS</b>			
Inventories	11	272 890	335 337
Receivables and prepayments	12	403 028	798 702
Income tax assets		-	15 624
Other assets		-	1 915
Cash and cash equivalents		19 622	407 964
Total current assets		<u>695 540</u>	<u>1 559 542</u>
Assets held for sale or for reorganisation and partial sale	7	-	5 473 299
<b>TOTAL ASSETS</b>		<b><u>3 005 167</u></b>	<b><u>7 208 354</u></b>
<b>EQUITY AND LIABILITIES:</b>			
<b>CAPITAL AND RESERVES</b>			
Registered capital	17	885 062	1 735 416
Legal and other reserves	18	1 197 683	347 329
Revaluation reserves	18	(7 500)	(1 996)
Retained earnings		369 567	3 264 954
Total equity		<u>2 444 812</u>	<u>5 345 703</u>
<b>NON-CURRENT LIABILITIES</b>			
Non-current interest-bearing borrowings	15	84 089	795 070
Deferred income		27	29
Provisions for liabilities	14	26 393	25 193
Retirement and other long-term employee benefits	13	1 943	1 573
Deferred tax liability	23.2	-	3 621
Other non-current liabilities		4 393	3 094
Total non-current liabilities		<u>116 845</u>	<u>828 580</u>
<b>CURRENT LIABILITIES</b>			
Current portion of non-current interest-bearing borrowings	15	24 269	110 000
Trade and other payables	16	199 184	900 205
Income tax liabilities	23.1	198 202	-
Provisions and other current liabilities	14	21 855	23 866
Total current liabilities		<u>443 510</u>	<u>1 034 071</u>
Total liabilities		<u>560 355</u>	<u>1 862 651</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>3 005 167</u></b>	<b><u>7 208 354</u></b>

The financial statements on pages 3 to 46 were signed on 11 March 2015 on behalf of the Board of Directors:

  
Ing. Štefan Šabík  
Chairman of the Board of Directors

  
Pierre Poncik, M.Sc.  
Vice-Chairman of the Board of Directors

**Slovenský plynárenský priemysel, a.s.**  
**INCOME STATEMENTS**  
**Years ended 31 December 2014 and 31 December 2013**  
**(EUR '000)**

	<i>Note</i>	<i>Year ended 31 December 2014</i>	<i>Year ended 31 December 2013</i>
Sales of natural gas and electricity		1 523 877	1 779 296
Lease of gas assets and other revenues		20 274	81 575
Own work capitalised		179	511
Purchases of natural gas, electricity, consumables and services		(1 454 565)	(1 739 403)
Depreciation and amortisation	8, 9, 10	(9 573)	(26 652)
Storage of natural gas and other services		(128 208)	(128 264)
Staff costs	19	(31 568)	(36 313)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	12, 11	(14 478)	(13 584)
Provisions and impairment losses, net	14, 8, 10	(20 756)	36 657
Other, net		(1 857)	8 134
Investment income	20	636 501	352 758
Finance costs	21	(37 285)	(18 169)
Profit before income taxes		482 541	296 546
INCOME TAX	23	(193 994)	(28 961)
<b>NET PROFIT FOR THE PERIOD</b>		<b>288 547</b>	<b>267 585</b>



**Slovenský plynárenský priemysel, a.s.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**Years ended 31 December 2014 and 31 December 2013**  
**(EUR '000)**

	<i>Note</i>	<i>Year ended 31 December 2014</i>	<i>Year ended 31 December 2013</i>
NET PROFIT FOR THE PERIOD		288 547	267 585
OTHER COMPREHENSIVE INCOME (may be reclassified to profit or loss in the future):	24		
Increase/decrease in the financial investments revaluation reserve		-	(26 736)
Cash flow hedging		(5 504)	16 763
Deferred tax related to items of other comprehensive income for the period		-	1 834
OTHER COMPREHENSIVE INCOME (not reclassified to profit or loss in the future):	24		
Decrease in the gas assets revaluation reserve		-	(1 079)
Deferred tax related to items of other comprehensive income for the period		-	-
OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD		(5 504)	(9 218)
<b>TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>283 043</b>	<b>258 367</b>

**Slovenský plynárenský priemysel, a.s.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**Years ended 31 December 2014 and 31 December 2013**  
**(EUR '000)**

	Registered capital	Legal reserve fund	Hedging reserve	Financial investments revaluation reserve	Revaluation reserve	(Accumulated loss)/ Retained earnings	Total
At 31 December 2012	1 735 416	347 329	(14 444)	20 587	1 786 792	1 576 981	5 452 661
Net profit for the period	-	-	-	-	-	267 585	267 585
Other comprehensive income for the period	-	-	12 448	(20 587)	(1 079)	-	(9 218)
Dividends	-	-	-	-	-	(365 325)	(365 325)
Transfer to retained earnings	-	-	-	-	(1 785 713)	1 785 713	-
<b>At 31 December 2013</b>	<b>1 735 416</b>	<b>347 329</b>	<b>(1 996)</b>	<b>-</b>	<b>-</b>	<b>3 264 954</b>	<b>5 345 703</b>
Net profit for the period	-	-	-	-	-	288 547	288 547
Other comprehensive income for the period	-	-	(5 504)	-	-	-	(5 504)
Effect of reorganisation and decrease of the registered capital	(850 354)	850 354	-	-	-	(2 916 349)	(2 916 349)
Dividends paid	-	-	-	-	-	(267 585)	(267 585)
Transfer to retained earnings	-	-	-	-	-	-	-
<b>At 31 December 2014</b>	<b>885 062</b>	<b>1 197 683</b>	<b>(7 500)</b>	<b>-</b>	<b>-</b>	<b>369 567</b>	<b>2 444 812</b>

**Slovenský plynárenský priemysel, a.s.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended 31 December 2014 and 31 December 2013**  
**(EUR '000)**

	<i>Note</i>	<i>Year ended 31 December 2014</i>	<i>Year ended 31 December 2013</i>
<b>OPERATING ACTIVITIES</b>			
Cash flows from operating activities	25	31 627	(598 573)
Interest paid		(6 613)	(21 813)
Interest received		1 228	400
Income tax paid/refund of tax overpayments		15 959	(6 322)
Net cash flows from operating activities		42 201	(626 308)
<b>INVESTING ACTIVITIES</b>			
Provided loans		-	-
Proceeds from provided borrowings		1 923	274 032
Proceeds from investments in securities		-	-
Acquisition of investments in securities		-	(1 421)
Purchase of property, plant and equipment		(3 438)	(25 449)
Proceeds from sales of property, plant and equipment and intangible assets		182	2 771
Proceeds from the sale of subsidiaries/proceeds from the decrease of the registered capital of a subsidiary		-	55 471
Expenditures for the buy-back of treasury shares	1.3	(21 602)	
Dividends received	20	10 282	417 326
Net cash inflow/(outflow) from investing activities		(12 653)	722 731
<b>FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing borrowings	15	484 269	856 550
Expenditures for the repayment of interest-bearing borrowings	15	(270 000)	(582 985)
Dividends paid		(632 910)	-
Other proceeds and expenditures from financial activities, net		(42)	(39)
Net cash flows from financing activities		(418 683)	273 526
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(389 135)</b>	<b>369 949</b>
<b>EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS</b>		<b>793</b>	<b>(198)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>407 964</b>	<b>38 213</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>19 622</b>	<b>407 964</b>

## **1. GENERAL**

### **1.1. General Information**

Slovenský plynárenský priemysel, a.s. ("SPP") was founded on 21 December 1988 by a Memorandum of Association as a 100% state-owned enterprise in the Slovak Republic. On 1 July 2001, SPP was transformed into a joint-stock company (akciová spoločnosť) that was 100% owned by the National Property Fund of the Slovak Republic.

A consortium of strategic investors acquired a 49% share in SPP with management control with effect from 11 July 2002. As at 31 December 2012, SPP's shares are held by the National Property Fund of the Slovak Republic (51%) and Slovak Gas Holding, B. V., the Netherlands (49%) (jointly held indirectly by GDF SUEZ SA and E.ON Ruhrgas). On 15 January 2013, GDF International SAS, E.ON Ruhrgas International GmbH and E.ON SE signed an agreement with Energetický a Průmyslový Holding ("EPH"), a leading player on the heat, coal and electricity market in Central Europe, on the sale of their ownership interests in Slovak Gas Holding, B.V. ("SGH"), which owned a 49% share in SPP and exercised operating and management control. The transaction was completed on 23 January 2013.

As part of the reorganisation that also included the contribution of the SPP's ownership interests in the entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. into a newly-established 100% subsidiary, SPP Infrastructure, a.s., on 4 June 2014 SPP subsequently sold its near 49% ownership interest including management control in SPP Infrastructure, a.s. to SGH, and also acquired treasury shares from SGH. As a result, the Government of the Slovak Republic has become the 100% owner of SPP.

These financial statements represent the separate financial statements of SPP. They were prepared for the reporting period from 1 January to 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU.

<b>Identification number (IČO)</b>	35 815 256
<b>Tax identification number (DIČ)</b>	2020259802

On 4 June 2014, the Annual General Meeting approved the 2013 financial statements of SPP.

### **1.2. Principal Activities**

Since 1 July 2006, following the legal unbundling process, SPP is selling natural gas and electricity and until 28 February 2013 also leasing assets used for natural gas transmission to eustream, a.s. Refer also to Note 26 for details on the "Third Energy Package".

### **1.3. Reorganisation of the SPP Group and Arrangement of Ownership Relations**

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the SR and Energetický a Průmyslový Holding, a.s. signed a framework agreement on the sale and purchase of shares regulating the method of reorganisation of the SPP Group, the implementation of which was completed on 4 June 2014. A part thereof was the contribution of the SPP's ownership interests in the entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. (see also Note 7) into a newly-established 100% subsidiary, SPP Infrastructure, a.s.

SPP has concluded that this transaction met the requirements of the accounting standard IFRS 5 "Non-current assets held for sale and discontinued operations" and reclassified financial investments in companies subject to transfer to SPP Infrastructure, a.s. to non-current assets held for sale or for reorganisation and partial sale as at 31 December 2013 (see also Note 7).

On 4 June 2014, SPP sold its near 49% ownership interest including management control in SPP Infrastructure, a.s. to SGH and acquired treasury shares from SGH. As a result, the Government of the Slovak Republic has become the 100% owner of SPP. SPP has retained a non-controlling, near 51% ownership interest in SPP Infrastructure, a.s. that is recognised as an investment in an associate (see also Note 6). Gain from the sale of the controlling interest in SPP Infrastructure, a.s. is recognised as investment income in the income statement (see also Note 20).

Selling price of a near 49% controlling interest in SPP Infrastructure, a.s.	2 894 747
Buy-back of treasury shares representing a near 49% interest originally held by SGH	2 916 349
<b>Net cash flows from reorganisation</b>	<b>(21 602)</b>

#### Legal unbundling process

On 28 February 2013, SPP completed the legal unbundling process as part of which transmission assets were transferred to eustream, a.s. at the same date.

SPP contributed a part of business comprising transmission assets, receivables and payables of the section of transmission network assets and engineering to eustream, a.s.

Under the Slovak legislation, individual assets and liabilities that form a part of the business contributed to the equity of eustream, a.s. were measured by an independent valuation expert. SPP recognised an increase of the financial investment in eustream, a.s. at the carrying amount of the in-kind contribution. eustream, a.s. took over the assets and liabilities at SPP's carrying amount as at 28 February 2013.

The effect of the in-kind contribution to the registered capital and other equity items of eustream, a.s. on the separate financial statements can be summarised as follows in the table below:

Increase of the financial investment in eustream, a.s. at the carrying amount of the made contribution	2 431 535
In-kind contribution (carrying amount) as at 28 February 2013	
Property, plant and equipment	2 412 937
Receivables and advance payments made	29 229
Payables and provisions for liabilities	(10 631)
<b>Total</b>	<b>2 431 535</b>

The effect of the in-kind contribution was eliminated in SPP's consolidated financial statements for the year ended 31 December 2013.

#### **1.4. Employees**

The average number of SPP employees for the year ended 31 December 2014 was 789, of which 3 were executive management (for the year ended 31 December 2013: 942, of which 4 were executive management).

The actual number of full-time employees as at 31 December 2014 was 768 (as at 31 December 2013: 908).

#### **1.5. Registered Address**

Mlynské nivy 44/a  
825 11 Bratislava  
Slovak Republic

## **2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES**

### **Application of New and Revised International Financial Reporting Standards**

The Company has adopted all 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 have been endorsed for use in the EU and that are relevant to its operations and are effective for reporting periods beginning on 1 January 2014.

The following new rules issued by the International Accounting Standards Board and adopted by the EU are effective for the current reporting period:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);

- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements"** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 "Financial Instruments: Presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 "Impairment of Assets"** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014); and
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies.

At the date of authorisation of these financial statements the EU endorsed for issue the following standards, revisions and interpretations, which were not yet effective:

- **Amendments to various standards "Improvements to IFRSs (cycle 2011 – 2013)"** resulting from the annual improvement project of IFRS (IFRS 1, 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 (effective 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 Company has elected not to adopt these standards, revisions, and interpretations in advance of their effective dates.

The Company anticipates that the adoption of these standards, revisions, and interpretations will have no material impact on the Company's financial statements in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2014:

- **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);
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017);
- **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);
- **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 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 27 "Separate Financial Statements" – Equity Method** (effective for annual periods beginning on or after 1 January 2016);
- **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** (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 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions** (effective for annual periods beginning on or after 1 July 2014);
- **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 (effective for annual periods beginning on or after 1 July 2014); 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 (effective for annual periods beginning on or after 1 January 2016).

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

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. Based on the Company's estimates, applying hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the reporting date.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of Accounting**

The separate financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS relevant for SPP as adopted by the EU currently do not significantly differ from IFRS as issued by the IASB.

The financial statements are prepared under the historical cost convention, except for the specified categories of property, plant and equipment and certain financial instruments. The principal accounting policies adopted are detailed below. The reporting and functional currency of SPP is the euro (EUR). The separate financial statements were prepared under the going-concern assumption.

SPP has prepared and issued consolidated financial statements for the year ended 31 December 2014 that comply with IFRS as adopted by the EU. The consolidated financial statements were issued separately and do not accompany these separate financial statements. For a better understanding of the Company's consolidated financial position and results of operations, reference should be made to the consolidated financial statements for the year ended 31 December 2014, which were prepared on 11 March 2015.

#### **b) Subsidiaries and Associated Companies**

Investments in subsidiaries and associated companies are recognised at cost. The cost of the investment in a subsidiary is based on the costs attributed to the acquisition of the investment, which represents the fair value of the consideration given and directly attributable transaction costs.

**c) Financial Assets**

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale financial assets" (AFS) and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require the delivery of the assets within the timeframe established by a regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Financial assets classified as at FVTPL mainly include agreements on the purchase or sale of commodities not meeting the measurement exception under IAS 39 and financial derivatives concluded to ensure economic hedging to which the hedge accounting was not applied.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets ("AFS")

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Changes in the net book value of available-for-sale monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the net book value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

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

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

Trade receivables are measured at the expected realisable value less a provision for debtors in bankruptcy or restructuring proceedings and less a provision for doubtful and uncollectible overdue receivables where there is a risk that the debtor will not pay them fully or partially.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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 of the investment have been affected.



For listed and unlisted equity investments classified as ASF, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously-recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS equity securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment 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 entity.

On the derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

#### **d) Financial Liabilities**

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

#### Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Finance costs' line in profit or loss.

#### 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 life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### Derecognition of financial liabilities

The Company derecognises financial liabilities only when the Company's obligations are met, cancelled or expired. The difference between the carrying amount of the financial liability and the consideration paid and the amount payable is recognised in the income statement.

### **e) Derivative Financial Instruments**

The Company enters into a number of derivative contracts in order to manage the risk of changes in commodity prices, interest rates and the foreign exchange risk, including forward currency contracts and interest rate and commodity swaps.

Derivative financial instruments are contracts: (i) whose value changes in response to a change in one or more identifiable variables; (ii) that require no significant net initial investment; and (iii) that are settled at a certain future date. Derivative financial instruments, therefore, include swaps, futures, and firm commitments to buy or sell non-financial assets that include the physical delivery of the underlying assets, except for contracts intended for their own use (the so-called own use exception).

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### Hedge accounting

The Company designates hedging instruments that include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

#### Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair-value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

In the event that a financial derivative does not meet or no longer meets the requirements for hedge accounting, changes in the fair value are directly recognised in the income statement as "Mark-to-market" or as "Mark-to-market on commodity contracts other than trading instruments" in ordinary operating income from derivative financial instruments with non-financial assets as the underlying assets, and in financial revenues or expenses in the case of currency, interest rate or equity derivatives. Derivative financial instruments used by the Company for trading activities with own energy and energy on behalf of customers, and other derivative financial instruments that are due in less than 12 months are recognised in the statement of financial position as current assets or current liabilities, while derivative financial instruments due after this period are classified as non-current items.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### **f) Property, Plant and Equipment and Intangible Assets**

Property, plant and equipment (hereinafter the "fixed assets" or "FA") used for gas transmission were disclosed in the balance sheet at their remeasured amount that represented their fair value as at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation was performed by independent valuation experts. Revaluation was performed with sufficient regularity (at least every five years) so that the net book value did not materially differ from that which would be disclosed using fair values at the reporting date.

Any revaluation reserve increase arising on the revaluation of the property, plant and equipment was credited to a revaluation reserve. However, only to the extent that the impairment loss on the revalued asset was previously recognised in profit or loss, a reversal was also recognised in profit or loss. A decrease in the net book value arising on the revaluation of the property, plant and equipment was charged to the income statement in the amount that exceeds the balance, if any, held in the assets revaluation reserve relating to a previous revaluation of that asset. A provision for impairment of fixed assets, recognised for fixed assets with a positive revaluation reserve, primarily decreased the positive revaluation reserve recognised in equity with only the excess of the net book value of the revaluation reserve recognised through profit or loss. Depreciation of remeasured property, plant and equipment was charged as an expense in the income statement. The revaluation surplus was gradually released to retained earnings over the depreciation period of the related revalued assets. On the subsequent sale or disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve was transferred directly to retained earnings. As at 28 February 2013, the property, plant and equipment used for natural gas transmission was transferred to eustream, a.s. (see also Note 1.3).

Other property, plant and equipment and intangible assets are stated at cost less accumulated depreciation. Cost includes all costs attributable to placing the fixed asset into service for its intended use.

Items of fixed assets that are retired or disposed of for another reason are derecognised from the balance sheet at the 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 the estimated useful lives. Depreciation is charged to the income statement computed so as to amortise the cost of the fixed assets to their estimated residual values over their residual useful lives.

The useful lives used are as follows:

	<b>2014</b>	<b>2013</b> <i>Since 1 Mar</i>	<b>2013</b> <i>Until 28 Feb</i>
		<b>2013</b>	<b>2013</b>
Compressor stations (until 28 Feb 2013)	-	-	25 – 55
Border and domestic delivery stations (until 28 Feb 2013)	-	-	15 – 50
Gas pipelines (until 28 Feb 2013)	-	-	60
Buildings	8 – 40	8 – 40	25 – 80
Plant and machinery	3 – 15	3 – 15	4 – 40
Other non-current assets	3 – 8	3 – 8	3 – 8

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 recognised at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are re-assessed at the end of each reporting period.

At each reporting date, an assessment is made as to whether there is any indication that the realisable value of the Company's property, plant and equipment and intangible assets is less than the carrying amount. When such an indication occurs, the realisable value of the asset, being the higher of the asset's fair value less costs of disposal and the present value of future cash flows ("value-in-use"), is estimated. The resulting impairment loss provision is recognised in full in the income statement in the year in which the impairment occurs. The discount rates used to calculate the present value of the future cash flows reflect the 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 its planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision recorded, if appropriate.

Expenditures relating to an item of property, plant and equipment and intangible assets after being placed into service 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 enterprise. All other expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

#### **g) Investment Property**

Investment property that is held to generate income from a lease is initially recognised at cost inclusive of costs related to acquisition. They are subsequently recognised at historical cost. The Company does not apply any revaluation model for such assets.

#### **h) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of natural gas stored in underground storage facilities and raw materials is calculated using the weighted arithmetic average method. The cost of natural gas and raw materials includes the cost of acquisition and related costs, and the cost of inventories developed internally includes materials, other direct costs, and production overheads. A provision in the required amount is recorded for inventories if there is an indication of their impairment.

#### **i) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and cash in bank, and highly liquid securities with insignificant risk of changes in value and original maturities of three months or less from the date of issue.

#### **j) 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. The applied discounted rate reflects the current market expectations regarding the time value of money and risks specific to the relevant liability. 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.

#### Provision for Environmental Expenditures

A provision for environmental expenditures was recognised when environmental clean-ups were probable and the associated costs could be reasonably estimated. Generally, the timing of these provisions coincides with a commitment to a formal plan of action or the divestment or closure of unused assets. The provision recognised was the best estimate of the expenditure required. If the liability is settled in the following years, the amount recognised is the present value of the estimated future expenditure. As at 28 February 2013, the provision was transferred to eustream, a.s. (see also Note 1.3).

#### Provision for Litigation and Potential Disputes

The financial statements include a provision for litigation and potential disputes which were estimated using available information and an assessment of the achievable outcome of the individual disputes. The provision is not recognised unless a reasonable estimate can be made.

#### **k) Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### **l) 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 sales of natural gas and electricity and other activities on the accrual basis. Revenues include estimates of natural gas and electricity supplies, but not invoiced as at the reporting date.

#### **m) 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.

#### **n) 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 separate 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 statement of other comprehensive income. Past service costs are recognised when incurred as expenses.

#### **o) Leases**

**A finance lease** is a lease that transfers all the risks and rewards incidental to the ownership of an asset (economic substance of the arrangement). The accounting treatment of leases is not dependent on which party is the legal owner of the leased asset.

#### **Operating lease**

An operating lease is a lease other than a finance lease. The lessee under an operating lease arrangement does not present assets subject to an operating lease in its balance sheet nor does it recognise operating lease obligations for future periods. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term.

#### **Sales and operating leaseback**

If the leaseback is classified as an operating lease, profit is recognised immediately if the terms and conditions of the sale and leaseback transaction are clearly stated at fair value. If this is not the case, the sale and leaseback are recognised as follows:

- If the price is equal to or lower than the fair value, gains and losses are recognised immediately. However, if the loss is compensated by future lease payments that are below the market value, the loss will be deferred and depreciated over the period over which the assets are expected to be used.
- If the selling price is higher than the fair value, the resulting profit will be deferred and depreciated over the useful life of the assets.
- If the fair value is lower than the carrying amount of the assets as at the transaction date, such difference is recognised immediately as an impairment loss.

**p) Income Tax**

Income tax is calculated from the profit/loss before tax recognised under IFRS adjusted to the profit/loss recognised under the accounting procedures valid in the Slovak Republic after adjustments for individual items increasing and decreasing the tax base pursuant to Act No. 595/2003 Coll. on Income Tax, as amended, using the valid income tax rate.

Deferred income 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 charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity. The income tax rate valid before 31 December 2013 was 23%. The income tax rate valid as of 1 January 2014 is 22%.

The principal temporary differences arise from depreciations on property, plant and equipment 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 deductible temporary differences can be utilised.

**Current and deferred tax for the year**

Current and deferred tax are recognised through profit or loss, except when they relate to items that are 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, respectively. A special levy is recognised as part of income taxes.

**Special Levy on Business in Regulated Industries**

Pursuant to the requirements of the IFRS, the income tax also includes a special levy as per Act No. 235/2013 Coll. on a Special Levy on Business in Regulated Industries and on Amendment to and Supplementation of Certain Acts. It is recognised through profit or loss.

The Company is a regulated entity obliged to pay a special levy from September 2012 with an extension until December 2016 (under the amended law). The levy period is the calendar month and the levy rate amounts to 0.00363. The base for the levy is the profit/loss before tax recognised in accordance with IFRS and adjusted to the profit/loss recognised under the accounting procedures valid in the Slovak Republic and further adjusted pursuant to the Special Levy Act.

**q) Foreign Currencies**

Transactions in foreign currencies are initially recorded at the exchange rates of the European Central Bank (ECB) valid on the transaction dates. Monetary assets, receivables, and payables denominated in foreign currencies are retranslated at the ECB exchange rates valid on the reporting date. Foreign exchange gains and losses are included in the income statement.

**r) Non-Current Assets Held for Sale or for Reorganisation and Partial Disposal**

Non-current assets and the disposal groups of assets and liabilities are classified as held for sale if their carrying amount can be recovered through a sale transaction rather than through continuing use. This condition is considered fulfilled only when the sale is highly probable and the non-current asset (or the group of assets and liabilities held for sale) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. This classification was also applied to subsidiaries, joint ventures and associates which were partially disposed of during the reorganisation of the SPP Group (refer to Note 1.3).

Non-current assets (and the groups of assets and liabilities held for sale) classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

#### **4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the Company's accounting policies, as described in Note 3, SPP has made the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognised in the financial statements. There is a significant risk of material adjustments in future periods relating to such matters, including the following:

##### Litigation

SPP is involved in various legal proceedings for which management has assessed the probability of loss that may result in cash outflow. In making this assessment, SPP has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. The final amount of any potential losses in relation to the legal proceedings is not known and may result in a material adjustment to the previous estimates. Details of the legal cases are included in Note 26.

##### Impairment of Property, Plant and Equipment

The Company calculated and recorded amounts for the impairment of property, plant and equipment on the basis of an evaluation of their future use, on planned liquidation or sale, and on the report of the independent appraiser. For some of these items, no final decision has yet been made and thus the assumptions on the use, liquidation, or sale of assets may change. Refer to Note 8 for details on the impairment of property, plant and equipment.

##### Un-Billed Gas Sales

SPP records significant amounts as revenues from gas sales on the basis of estimated gas consumption by small industrial customers and residential customers. SPP makes an estimate of these revenues by allocating actual measured gas consumption to the individual categories of customers on the basis of past consumption trends and applying the valid natural gas prices. Actual consumption by customers in the different categories may vary and so the amounts recorded as revenues may change, given the price differences between categories of customers.

##### Current Crisis in Ukraine

The Company is monitoring the development of the current crisis in Ukraine and its potential impact on the Company's business. The Company's management believes that a significant negative impact on the Company's financial performance is unlikely. The Company seeks to diversify its natural gas resources by purchasing and using reverse flows from Western Europe, and also by maintaining maximum natural gas reserves in storage facilities which are able to cover short-term deficits in Russian natural gas supplies. In the event of a long-term non-performance of liabilities by the Russian supplier of natural gas there may be potential adverse impacts, which, however, cannot be reasonably estimated.

##### Provision for Onerous Contracts

As at 31 December 2014, SPP assessed that the separate financial statements include significant amounts recognised as provisions for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers based on the sales contracts. These provisions are based on current market information on the future development of natural gas prices in spot markets, which are volatile. For more information, see Note 14.

##### Decisions In Application of Accounting Policies

In addition to key sources of uncertainty listed above, the Company used judgment when applying accounting policies and assessing the requirements of the standards as described in Note 3, which have a significant impact on the recognition of items in the separate financial statements. These requirements mainly include:

- Evaluation of compliance with IFRS 5 requirements when assessing the classification of financial investments that are subject to the reorganisation of SPP (see Notes 1.3 and 3r);
- Evaluation of new requirements under IFRS 13 for the measurement of non-financial assets at fair value (see Notes 2 and 3); and
- Assessment of the IAS 39 rules for the application of an exemption allowing one not to account for certain commodity sell and buy contracts as financial derivatives (see Note 3e).

## **5. FINANCIAL INSTRUMENTS**

### **a) Financial Risk Management**

The Company is exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates and gas purchase and selling prices. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. In 2014 and 2013, the Company entered into derivative transactions, for example, forward currency contracts, swap interest contracts and commodity swaps, in order to manage certain risks. The purpose of forward currency contracts is to eliminate the effects of changes in the USD/EUR and CZK/EUR exchange rate owing to future payments and revenues denominated in a foreign currency. The purpose of swap interest contracts is to fix interest rates on loans. The purpose of commodity swaps is to limit price risks of sales contracts made with customers as well as purchase contracts with suppliers.

The main risks arising from the Company's financial instruments are foreign currency risk, commodity price risk, interest rate risk, liquidity risk, and credit risk. Risk management is performed by the Risk management section, using policies approved by the Board of Directors.

#### **(1) Foreign Currency Risk**

The Company operates internationally and has been exposed to foreign currency risk arising from transactions in foreign currencies, primarily in US dollars (USD) and Czech crowns (CZK).

Analysis of financial assets and financial liabilities denominated in foreign currency:

	<b>Financial assets</b>		<b>Financial liabilities</b>	
	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
CZK	6 831	4 244	2	286
USD	123	50	-	189 443

The following table details the open forward currency contracts at the reporting date.

<b>Open forward currency contracts</b>	<b>Fair value</b>			
	<b>2014 Cash flow hedges</b>	<b>2014 Held-for-trading</b>	<b>2013 Cash flow hedges</b>	<b>2013 Held-for-trading</b>
<b>Sell CZK</b>				
Less than 3 months	-	201	-	452
3 to 12 months	-	-	-	892
Over 12 months	-	-	-	133
<b>Sell USD</b>				
Less than 3 months	-	-	319	-
3 to 12 months	-	-	-	-
Over 12 months	-	-	-	-

#### **Sensitivity to foreign currency changes**

The following tables show the sensitivity of the Company to a 3% weakening of the euro against the US dollar and the Czech crown. The sensitivity analysis includes items denominated in a foreign currency and adjusts the currency translation at the end of the reporting period by the 3% FX change. A negative value indicates a decrease in the income statement if the euro weakens with regard to the relevant currency.

	<b>Impact of US dollar</b>	
	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
Effect on profit/loss before tax	4	(5 858)
	<b>Impact of CZK</b>	
	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
Effect on profit/loss before tax	211	122

The effects mainly relate to risks relating to outstanding receivables and payables in USD and CZK as at the reporting date.



**(2) Commodity Price Risk**

The Company is a party to framework agreements for the purchase of natural gas and other services and materials. In addition, the Company enters into contracts for natural gas sales and natural gas storage. Contracts for natural gas storage are at fixed prices, which are escalated every year based on price indices.

As at 31 December 2014 the Company used commodity swap contracts to manage the risk of commodity price fluctuations. Similarly, as at 31 December 2013, the Company used hedging derivative contracts to hedge the fair value of a sale contract; changes to fair value are recorded in the income statement.

The following table details the open commodity swap contracts at the reporting date.

<i><b>Open commodity swap contracts</b></i>	<i><b>2014</b></i>		<i><b>2014</b></i>	
	<i><b>Nominal amount</b></i>		<i><b>Fair value</b></i>	
	<i><b>Fair value hedging</b></i>	<i><b>Held for trading</b></i>	<i><b>Fair value hedging</b></i>	<i><b>Held for trading</b></i>
<i><b>Purchase/sell gas</b></i>				
Less than 3 months	131 245	684	(15 334)	(812)
3 to 12 months	191 231	1 723	(26 800)	4 235
Over 12 months	41 534	693	(4 371)	85
<i><b>Open commodity swap contracts</b></i>	<i><b>2013</b></i>		<i><b>2013</b></i>	
	<i><b>Nominal amount</b></i>		<i><b>Fair value</b></i>	
	<i><b>Fair value hedging</b></i>	<i><b>Held for trading</b></i>	<i><b>Fair value hedging</b></i>	<i><b>Held for trading</b></i>
<i><b>Purchase/sell gas</b></i>				
Less than 3 months	140 495	3 994	2 197	(5 056)
3 to 12 months	251 838	7 217	2 275	(5 778)
Over 12 months	18 558	-	(64)	-

In the last year, the underlying asset in the purchase contract changed, and the gas purchase price in the long-term contract was technically linked to the NCG Herren gas index denominated in EUR. This resulted in a significant decrease in risk arising from the difference between the formula including crude oil derivatives used in the past, and the indexed gas price on commodity markets in the EU, from which the sale of gas to customers is derived.

**(3) Interest Rate Risk**

The Company is exposed to interest rate risk arising from the volatility of interest rates. In SPP, the risk was addressed by interest swaps in the full drawn amount (100%) (all medium-term/long-term loans bearing a variable interest rate), or by drawing long-term loans with a fixed interest rate.

For SPP, the volatility of interest rates for short-term loans does not represent a significant risk as such loans are drawn only occasionally, and the level of interbank EURIBOR interest rates have recently been at their historical minimums (1M EURIBOR that is used as a reference interest rate for short-term loans drawn by SPP reached 0.024% p.a. as at 31 December 2014, ie only a slight decrease from 0.221% p.a. as at 31 December 2013).

Given the minimum level of short-term interest rates, sensitivity to a potential decrease of interest rates by more than 0.1-0.2% cannot be tested. On the contrary, if interest rates increase, interest expenses will increase only slightly, since these loans are drawn by the Company only several times a year.

As at 31 December 2014, the total volume of drawn short-term credit facilities represented EUR 24 million drawn as an overdraft loan facility. Assuming loans are drawn in this amount during the entire year (which is unlikely) and short-term interest rates increase to 2.95% p.a. (which is the long-term average for 1M EURIBOR), total interest expenses would increase by EUR 0.7 million (the actual increase would probably be lower, since the loans are only drawn in certain months; besides it is not likely that interest rates would increase from 0.024% to 2.95% in the near future). On the contrary, in the case of a further decrease of interest rates by the said 0.024% (a more significant decrease of interest rates cannot be expected, since under the loan agreements if interest rates decrease to a negative level, interest rates are considered nil, ie interest rates cannot be negative) interest expenses would decrease by EUR 0.01 million.

The following table displays the open interest swap contracts at the reporting date:

<b>Interest swaps</b>	<b>Average fixed interest rate</b>		<b>Nominal amount</b>		<b>Fair value</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Recognised as hedging	1.82%	1.82%	100 000	100 000	(879)	(2 282)
Less than 3 months	-	-	-	-	(439)	(401)
3 to 12 months	-	-	-	-	(440)	(1 160)
Over 12 months	-	-	-	-	-	(721)
Held for trading	1.16%	1.16%	600 000	600 000	(2 075)	(6 400)
Less than 3 months	-	-	-	-	(1 076)	(1 063)
3 to 12 months	-	-	-	-	(999)	(3 273)
Over 12 months	-	-	-	-	-	(2 064)

**(4) Credit risk related to receivables**

The Company sells its products and services to various customers that, neither individually nor as a whole in terms of volume and solvency, represent a significant risk that receivables will not be settled pursuant to the valid risk management policy. The Company has policies in place that ensure that products and services are sold to customers with an appropriate credit history and that an acceptable limit to credit exposure is not exceeded.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet, net of provisions.

**(5) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash with an appropriate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines, and the ability to close open market positions. Due to the dynamic nature of the underlying business, Treasury department aims to maintain flexibility by keeping committed credit lines available and synchronising the maturity of financial assets with financial needs. To settle outstanding liabilities, the Company has funds and undrawn credit lines at its disposal.

As at 31 December 2014, the Company drew credit facilities (including accrued interest) in the amount of EUR 108 358 thousand (at 31 December 2013 in the amount of EUR 905 070 thousand), of which short-term credit facilities amounted to EUR 24 269 thousand (at 31 December 2013 in the amount of EUR 110 000 thousand) and long-term credit facilities amounted to EUR 84 089 thousand (at 31 December 2013 in the amount EUR 795 070 thousand).

Loans with maturity of less than 2 years are drawn in EUR with a variable interest rate linked to 1M EURIBOR (in some cases O/N for overdraft facilities). For long-term loans, the interest rate is set as fixed.

The bulk of short-term credit lines include an automatic loan extension clause, provided that none of the parties concerned cancels the loan within the specified period. Long- or medium-term loans have a fixed maturity date, while the loan is payable in a lump sum as at the final maturity date, ie 2020.

All loans are provided without any collateral, using common market provisions (pari-passu, ban to pledge assets, substantial negative impact). With regard to the balance of the credit facilities drawn as at 31 December 2014 in the amount of EUR 108 358 thousand (whereas the funds and tradable securities amounted to EUR 19 622 thousand), the net debt totals EUR 88 736 thousand. If necessary, maturing credit facilities may be paid off from undrawn credit facilities, as well as from available funds and tradable securities (at 31 December 2014 in the amount of EUR 829 145 thousand).

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The table below summarises the maturity of financial liabilities at 31 December 2014 and 31 December 2013 based on contractual undiscounted payments:

<b>31 December 2014</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Borrowings	-	-	24 269	-	84 089	108 358
Other liabilities	-	28 495	27 636	4 393	-	60 524
Trade payables	-	135 431	-	-	-	135 431
<b>31 December 2013</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Borrowings	-	-	110 000	100 000	695 070	905 070
Other liabilities	-	579 173	-	3 094	-	582 267
Trade payables	-	315 885	-	-	-	315 885

**b) Capital Risk Management**

The Company manages its capital to ensure that it continues as a going concern while maximising the return to shareholders through optimising the debt and equity ratio, as well as through ensuring a high credit rating and sound capital ratios.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to the Company's owners, which comprise the registered capital, legal and other reserves, revaluation reserves, and retained earnings as disclosed in Notes 17 and 18 and loans as discussed in Note 15. The gearing ratio at the year-end of 2014 and 2013 was 4% and 9%, respectively.

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

	<b>At 31 December 2014</b>	<b>At 31 December 2013</b>
Debt (i)	108 358	905 070
Cash and cash equivalents	19 622	407 964
Net debt	88 736	497 106
Equity (ii)	2 444 812	5 345 703
<b>Net debt to equity ratio</b>	<b>4%</b>	<b>9%</b>

(i) Debt is defined as long- and short-term borrowings (including accrued interest)

(ii) Page 3

**c) Categories of Financial Instruments**

	<b>At 31 December 2014</b>	<b>At 31 December 2013</b>
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	407 974	1 235 098
Financial derivatives held for trading	5 030	1 568
Financial derivatives recognised as hedging	40 227	7 091
Available-for-sale financial assets	-	581
<b>Financial liabilities</b>		
Financial liabilities carried at amortised costs	254 479	1 776 816
Financial derivatives held for trading	2 106	17 325
Financial derivatives recognised as hedging	47 728	9 081

**d) Estimated Fair Value of Financial Instruments**

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows using forward interest rates as at the reporting date and agreed forward rates taking into account the credit risks of various parties.

The fair value of commodity swaps is determined using forward commodity prices and forward exchange rates at the reporting date and the agreed forward rates, taking into account the credit risk of various parties.

The fair value of ordinary shares not in a book-entry form has been estimated using a valuation technique based on assumptions that they are not supported by observable market prices. The valuation requires management to make estimates of the expected future cash flows from shares that are discounted at current rates.

Estimated fair values of financial assets and liabilities that are not regularly remeasured to fair value

The estimated fair values of other instruments, mainly current financial assets and liabilities, approximate their carrying amounts. The estimated fair value of long-term loans represents EUR 84 089 thousand as at 31 December 2014 (31 December 2013: EUR 852 809 thousand).

When determining the fair value of non-traded derivatives and other financial instruments, the Company uses a number of methods and market assumptions that are based on the market conditions prevailing as at the reporting date. Other methods, mainly the estimated discounted value of future cash flows, are used to determine the fair value of other financial instruments. The following table provides an analysis of financial instruments that, upon initial revaluation, are subsequently recognised at fair value, in accordance with the fair value hierarchy.

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

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

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

<b>2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value</b>	-	<b>45 257</b>	-	<b>45 257</b>
Financial derivatives held for trading	-	5 030	-	5 030
Financial derivatives recognised as hedging	-	40 227	-	40 227
Available-for-sale financial assets	-	-	-	-
<b>Financial liabilities at fair value</b>	-	<b>49 834</b>	-	<b>49 834</b>
Financial derivatives held for trading	-	2 106	-	2 106
Financial derivatives recognised as hedging	-	47 728	-	47 728
<b>2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value</b>	-	<b>8 659</b>	<b>581</b>	<b>9 240</b>
Financial derivatives held for trading	-	1 568	-	1 568
Financial derivatives recognised as hedging	-	7 091	-	7 091
Available-for-sale financial assets	-	-	581	581
<b>Financial liabilities at fair value</b>	-	<b>26 406</b>	-	<b>26 406</b>
Financial derivatives held for trading	-	17 325	-	17 325
Financial derivatives recognised as hedging	-	9 081	-	9 081

**Movements in 2014 and 2013 in financial instruments classified as Level 3**

	<b>Financial derivatives used as hedging</b>	<b>Held-for-trading financial investments</b>	<b>Available-for-sale financial investments</b>	<b>Total</b>
<b>Opening balance 2013</b>	-	-	<b>55 996</b>	<b>55 996</b>
Gains/losses recognised in the income statement	-	-	(55 415)	(55 415)
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfers	-	-	-	-
<b>Closing balance 2013</b>	-	-	<b>581</b>	<b>581</b>
Gains/losses recognised in the income statement	-	-	(581)	(581)
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfers	-	-	-	-
<b>Closing balance 2014</b>	-	-	-	-

## **Embedded Derivative Instruments**

The Company signed a long-term contract for purchases of natural gas denominated in USD. Following an agreement with the Russian partner, the contract was modified by an amendment and the price was converted to EUR with a direct link to the development of the German gas index. Both the economic characteristics and risks of embedded forward derivative instruments (USD to EUR), and natural gas prices are generally believed to be closely related to the economic characteristics and risks of the underlying purchase agreements. Hence, in accordance with IAS 39 (as revised in December 2003), SPP does not recognise embedded derivatives separately from the host contract.

The Company has assessed all other significant contracts and agreements for embedded derivatives that should be recorded. The Company concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and recognised separately as at 31 December 2014 and 31 December 2013 under the requirements of IAS 39 (as revised in December 2009).

## **6. SUBSIDIARIES, ASSOCIATED COMPANIES, JOINT VENTURES AND OTHER INVESTMENTS**

<b>As at 31 December 2014</b>	<b>Subsidiaries</b>	<b>Joint ventures and associates</b>
Opening balance, net	15	-
Additions	-	-
In-kind contribution	5 489 830	-
Reclassifications	(2 797 286)	2 797 313
Disposals	(2 687 615)	(642 302)
Impairment	-	-
<b>Closing balance, net</b>	<b>4 944</b>	<b>2 155 011</b>
Cost	6 550	2 155 011
Impairment	(1 606)	-
<b>Closing balance, net</b>	<b>4 944</b>	<b>2 155 011</b>
<b>As at 31 December 2013</b>	<b>Subsidiaries</b>	<b>Joint ventures and associates</b>
Opening balance, net	3 085 512	18 870
Additions	2 432 956	-
Transfer to held-for-sale assets (see Note 7)	(5 453 847)	(18 870)
Disposals	-	-
Impairment	(64 606)	-
<b>Closing balance, net</b>	<b>15</b>	<b>-</b>
Cost	1 621	-
Impairment	(1 606)	-
<b>Closing balance, net</b>	<b>15</b>	<b>-</b>

The information on subsidiaries, joint ventures and associated companies of SPP as at 31 December 2014 and 31 December 2013 can be summarised as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Ownership interest %</b>	<b>Principal activity</b>
SPP CZ, a.s.	Czech Republic	100.00	Purchase and sale of natural gas
SPP CNG s.r.o.	Slovakia	100.00	Sale of CNG
SPP Infrastructure, a.s. <sup>(1)</sup>	Slovakia	51%	Asset holding
Nadácia SPP	Slovakia	100.00	Foundation
EkoFond, n.f.	Slovakia	100.00	Non-investment fund

<sup>(1)</sup> As at 31 December 2013, SPP Infrastructure, a.s. was recognised as "Non-current assets held for sale or reorganisation and partial sale".

On 19 December 2013, SPP approved an increase in other capital funds in SPP CZ, a.s. in the amount of CZK 27 330 thousand.

Under the Memorandum of Association dated 13 November 2013, SPP established SPP CNG s.r.o. with a 100% ownership interest; SPP CNG s.r.o. was registered in the Commercial Register on 3 December 2013.

Under the Memorandum of Association dated 22 May 2013, SPP established a private joint stock company, SPP Infrastructure, a.s., with a 100% ownership interest. SPP Infrastructure, a.s. was registered in the Commercial Register on 3 July 2013.

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Additional information on subsidiaries, joint ventures and associates:

Name and seat of the company	Equity		Profit/(loss)	
	2014	2013	2014	2013
<b>SPP CZ, a.s.</b> Seat: Novodvorská 803/82, Prague, Czech Republic	CZK 30 033 ths.	CZK 14 961 ths.	CZK 15 359 ths.	CZK (35 152) ths.
<b>SPP CNG s.r.o.</b> Seat: Mlynské nivy 44/a, Bratislava	5 005	5	4 450	-
<b>SPP Infrastructure, a.s.</b> <sup>(1)</sup> Seat: Mlynské nivy 44/a, Bratislava	4 673 349	211	838 654	183
<b>Nadácia SPP</b> Seat: Mlynské nivy 44/a, Bratislava	298	298	-	-
<b>EkoFond, n.f.</b> Seat: Mlynské nivy 44/a, Bratislava	(319)	(669)	-	-

<sup>(1)</sup> As at 31 December 2013, SPP Infrastructure, a.s. was recognised as "Non-current assets held for sale or reorganisation and partial sale". In 2014, SPP Infrastructure, a.s. changed its reporting period to the fiscal year from 1 July to 30 June. The profit/loss for 2014 is for the period from 1 January 2014 to 31 December 2014.

**7. ASSETS CLASSIFIED AS HELD FOR SALE OR FOR REORGANISATION AND PARTIAL SALE**

	Held-for-sale financial investments	Other	At 31 December 2014	At 31 December 2013
Cost	-	-	-	5 702 006
Impairment	-	-	-	(228 707)
<b>Closing balance, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 473 299</b>

The information on SPP's subsidiaries transferred to assets held for sale as at 31 December 2013 can be summarised as follows:

Name	Country of incorporation	Ownership interest %	Principal activity
eustream, a.s.	Slovakia	100.00	Transmission of natural gas
SPP – distribúcia, a.s.	Slovakia	100.00	Distribution of natural gas
NAFTA, a.s.	Slovakia	56.15	Storage of natural gas and hydrocarbon exploration and production
GEOTERM KOŠICE, a.s.	Slovakia	95.82	Utilisation of geothermal energy
SPP Bohemia a.s.	Czech Republic	100.00	Holding company
SPP Storage, s.r.o.	Czech Republic	100.00	Storage of natural gas
SPP Infrastructure, a.s.	Slovakia	100.00	Asset holding
SPP Infrastructure Financing B.V.	Netherlands	100.00	Issue of bonds

Under the Memorandum of Association dated 22 May 2013, SPP established a private joint stock company, SPP Infrastructure, a.s., with a 100% ownership interest. SPP Infrastructure, a.s. was registered in the Commercial Register on 3 July 2013.

Under the notary deed dated 24 May 2013, SPP also established SPP Infrastructure Financing B.V. in the Netherlands with a 100% ownership interest.

On 28 February 2013, SPP recognised an increase in the financial investment in eustream, a.s. in the carrying amount of the in-kind contribution amounting to EUR 2 431 535 thousand; at the same time, the registered capital of eustream, a.s. was increased from the original amount of EUR 82 929 thousand to EUR 282 929 thousand. Subsequently, the reserve fund of eustream, a.s. was increased from the original amount of EUR 16 586 thousand to the amount of EUR 56 586 thousand and the remaining difference from the contribution was recognised as an increase in retained earnings.

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the SR and Energetický a Průmyslový Holding, a.s. signed a framework share purchase agreement regulating the method of reorganisation of the SPP Group, the implementation of which was completed on 4 June 2014. The part thereof was the contribution of SPP's ownership interests in the entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. into a newly-established 100% subsidiary, SPP Infrastructure, a.s.

On 4 June 2014, SPP sold its near 49% ownership interest including management control in SPP Infrastructure, a.s. to SGH and acquired treasury shares from SGH. As a result, the Government of the Slovak Republic has become the 100% owner of SPP. SPP retained a non-controlling, 51% interest in SPP Infrastructure, a.s. (see also Note 1.3).

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As at 31 December 2014, a near 51% non-controlling interest in SPP Infrastructure, a.s. was recognised in accordance with the relevant IFRS (see Note 6) as a financial investment in an associate.

The information on SPP's joint ventures transferred to held-for-sale assets as at 31 December 2013 can be summarised as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Ownership interest %</b>	<b>Principal activity</b>
POZAGAS, a. s.	Slovakia	35.00	Natural gas storage
P R O B U G A S, a. s.	Slovakia	50.00	LPG retail

The information on SPP's associates transferred to assets held-for-sale for reorganisation and partial sale as at 31 December 2013 can be summarised as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Ownership interest %</b>	<b>Principal activity</b>
SLOVGEOTERM, a. s.	Slovakia	50.00	Geothermal energy

Additional information on subsidiaries, joint ventures and associates as at 31 December 2013:

<b>Business name and seat of the company</b>	<b>Equity 2013</b>	<b>Profit/(loss) 2013</b>
<b>eustream, a.s.</b> Seat: Votrubova 11/A, Bratislava	2 325 814	319 362
<b>SPP - distribúcia, a.s.</b> Seat: Mlynské nivy 44/b, Bratislava	2 462 052	113 150
<b>NAFTA, a.s.</b> <sup>(1)</sup> Seat: Votrubova 1, Bratislava	261 089	99 165
<b>GEOTERM KOŠICE, a.s.</b> Seat: Moldavská 12, Košice	12 270	(17)
<b>PROBUGAS, a.s.</b> Seat: Miletičova 23, Bratislava	3 107	221
<b>SPP Bohemia, a.s.</b> <sup>(2)</sup> Seat: Sokolovská 651/136A, Prague, Czech Republic	CZK 1 804 451 ths.	CZK 792 849 ths.
<b>SPP Storage, s.r.o.</b> Seat: Sokolovská 651/136A, Prague, Czech Republic	CZK 2 111 247 ths.	CZK 33 159 ths.
<b>POZAGAS, a.s.</b> Seat: Malé námestie 1, Malacky	51 987	(3 175)
<b>SLOVGEOTERM, a.s.</b> Seat: Palisády 39, Bratislava	230	1
<b>SPP Infrastructure, a.s.</b> Seat: Mlynské nivy 44/a, Bratislava	211	183
<b>SPP Infrastructure Financing B.V.</b> Seat: Weteringschans 26, 1017 SG Amsterdam, Netherlands	(1 699)	(2 099)

<sup>(1)</sup> Financial results for the group of consolidated entities;

<sup>(2)</sup> The Company's financial results as at 31 December 2013 are unaudited. The profit/loss for 2013 refers to the period from 1 April 2013 to 31 December 2013.

Available-for-sale non-current investments transferred to held-for-sale assets as at 31 December 2013 include ownership interests in the following companies:

<b>Name</b>	<b>Country of incorporation</b>	<b>Ownership interest %</b>	<b>Principal activity</b>
<b>Other shareholdings</b>			
GALANTATERM, spol. s r. o.	Slovakia	17.50	Geothermal energy

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**8. PROPERTY, PLANT AND EQUIPMENT**

	<b>Compressor and regulation stations</b>	<b>In-let and market delivery stations</b>	<b>Gas pipelines</b>	<b>Land, buildings and structures</b>	<b>Plant, machinery and equipment</b>	<b>Other non- current tangible assets</b>	<b>Assets in course of construction</b>	<b>Total</b>
Year ended 31 December 2013								
Opening net book value	409 272	54 576	1 903 071	121 789	10 951	708	37 077	2 537 444
Additions	-	-	-	-	-	-	5 193	5 193
Placed into service	19 705	111	879	4 723	1 436	12	(26 866)	-
Reclassifications	(19 245)	-	(4 146)	(569)	(2 837)	-	26 797	-
Contribution to eustream, a.s.	(405 343)	(54 273)	(1 890 278)	(22 236)	(300)	(20)	(40 486)	(2 412 936)
Disposals	-	-	-	(1 240)	(1 317)	(165)	-	(2 722)
Depreciation charge	(4 389)	(414)	(9 526)	(4 559)	(2 669)	(23)	-	(21 580)
Change of provisions	-	-	-	1 466	130	-	26	1 622
<b>Closing net book value</b>	-	-	-	<b>99 374</b>	<b>5 394</b>	<b>512</b>	<b>1 741</b>	<b>107 021</b>
At 31 December 2013								
Acquisition cost	-	-	-	171 273	24 456	4 571	1 807	203 107
Provisions and accumulated depreciation	-	-	-	(71 899)	(20 062)	(4 059)	(66)	(96 086)
<b>Net book value</b>	-	-	-	<b>99 374</b>	<b>5 394</b>	<b>512</b>	<b>1 741</b>	<b>107 021</b>
Historical NBV at 31 December 2013	-	-	-	99 374	5 394	512	1 741	107 021
Year ended 31 December 2014								
Opening net book value	-	-	-	99 374	5 394	512	1 741	107 021
Additions	-	-	-	-	-	-	322	322
Placed into service	-	-	-	1 064	724	34	(1 822)	-
Reclassifications	-	-	-	(1 183)	(9)	-	1 192	-
Contribution to SPP CNG s.r.o.	-	-	-	(1 770)	(2 004)	-	(113)	(3 887)
Disposals	-	-	-	(667)	(14)	(1)	-	(682)
Depreciation charge	-	-	-	(4 059)	(1 301)	(89)	-	(5 449)
Change of provisions	-	-	-	(5 604)	238	-	67	(5 299)
<b>Closing net book value</b>	-	-	-	<b>87 155</b>	<b>3 028</b>	<b>456</b>	<b>1 387</b>	<b>92 026</b>
At 31 December 2014								
Acquisition cost	-	-	-	165 549	21 043	4 434	1 387	192 413
Provisions and accumulated depreciation	-	-	-	(78 394)	(18 015)	(3 978)	-	(100 387)
<b>Net book value</b>	-	-	-	<b>87 155</b>	<b>3 028</b>	<b>456</b>	<b>1 387</b>	<b>92 026</b>
Historical NBV at 31 December 2014	-	-	-	87 155	3 028	456	1 387	92 026

These notes form an integral part of the separate financial statements.



Type and amount of insurance of property, plant, machinery and equipment and non-current intangible assets:

<i>Insured assets</i>	<i>Type of insurance</i>	<i>Cost of insured assets</i>			<i>Name of the insurance company</i>
		<i>2014</i>	<i>Since 1 Mar 2013</i>	<i>Until 28 Feb 2013</i>	
Buildings, halls, structures, machinery, equipment, fittings, low-value TFA, other TFA, works of art, inventories	Insurance of assets	227 615	240 604	1 171 428	2014: AIG Europe Limited, pobočka zahraničnej poisťovne
Movables, assets, inventories					2013: Allianz-Slovenská poisťovňa, a.s./Kooperativa, a.s.
Motor vehicles	Motor third party liability insurance	238	Provided by an external firm	Provided by an external firm	Kooperativa, a.s.

During 2014, motor third-party liability insurance was concluded for motor vehicles transferred to SPP's ownership. As at 31 December 2014, three motor vehicles with the year of manufacture of 2005 and 2006 and a minimum net book value were insured; the total cost of insurance is also negligible (less than EUR 500 per year). Insurance against damage, destruction and theft for these motor vehicles is not contracted.

Until 28 February 2013, the bulk of the assets used for natural gas transmission was leased under a lease contract to eustream, a.s. As at 28 February 2013, the assets used for natural gas transmission were contributed to eustream, a.s. as part of the contribution of a part of the business. See also Note 26 on changes in the energy legislation.

Cost of fully depreciated non-current assets (includes also software classified in non-current intangible assets), which were still in use as at 31 December 2014, amounted to EUR 129 416 thousand (31 December 2013: EUR 127 247 thousand).

## **9. INVESTMENT PROPERTY**

	<b>2014</b>	<b>2013</b>
Opening net book value	26 536	26 657
Depreciation charge	(1 088)	(1 241)
Change in provisions	(3 925)	1 917
Additions and disposals	1 056	(797)
<b>Closing net book value</b>	<b>22 579</b>	<b>26 536</b>

SPP leases assets not related to gas mainly to SPP – distribúcia, a.s. In accordance with IAS 40, SPP opted for the recognition at historical cost. In the event of using the revaluation model, the restated value of the assets would be EUR 24 855 thousand.

## 10. NON-CURRENT INTANGIBLE ASSETS

	<i>Software</i>	<i>Other non-current intangible assets</i>	<i>Assets in course of construction</i>	<i>Total</i>
Year ended 31 December 2013				
Opening net book value	5 610	1 900	2 382	9 892
Additions	-	-	1 968	1 968
Placed into service	2 611	103	(2 714)	-
Reclassifications	(130)	(169)	299	-
Disposals	(3)	(257)	-	(260)
Amortisation	(4 228)	(607)	-	(4 835)
Change of provisions	-	-	-	-
<b>Closing net book value</b>	<b>3 860</b>	<b>970</b>	<b>1 935</b>	<b>6 765</b>
At 31 December 2013				
Acquisition cost	93 901	4 439	1 935	100 275
Provisions and accumulated depreciation	(90 041)	(3 469)	-	(93 510)
<b>Net book value</b>	<b>3 860</b>	<b>970</b>	<b>1 935</b>	<b>6 765</b>
Year ended 31 December 2014				
Opening net book value	3 860	970	1 935	6 765
Additions	-	-	823	823
Placed into service	1 122	266	(1 388)	-
Reclassifications	-	(57)	57	-
Disposals	-	-	-	-
Amortisation	(2 562)	(483)	-	(3 045)
Change of provisions	-	10	(67)	(57)
<b>Closing net book value</b>	<b>2 420</b>	<b>706</b>	<b>1 360</b>	<b>4 486</b>
At 31 December 2014				
Acquisition cost	94 195	4 418	1 427	100 040
Provisions and accumulated depreciation	(91 775)	(3 712)	(67)	(95 554)
<b>Net book value</b>	<b>2 420</b>	<b>706</b>	<b>1 360</b>	<b>4 486</b>

## 11. INVENTORIES

	<i>31 December 2014</i>	<i>31 December 2013</i>
Natural gas	278 379	344 357
Raw materials	7	13
Provisions	(5 496)	(9 033)
<b>Total</b>	<b>272 890</b>	<b>335 337</b>

As at 31 December 2014 and 2013, the Company recorded a provision for natural gas related to the adjustment of the cost of natural gas to its net realisable value.

## 12. RECEIVABLES AND PREPAYMENTS

	<i>31 December 2014</i>	<i>31 December 2013</i>
Trade receivables from natural gas and electricity sales	279 622	538 062
Prepayments for natural gas distribution	47 765	83 034
Receivables from financial derivatives	40 780	8 222
Prepayments and other receivables	34 861	169 384
<b>Total</b>	<b>403 028</b>	<b>798 702</b>

As at 31 December 2014, trade receivables from natural gas and electricity sales are shown net, and represent receivables from billed and unbilled gas and electricity supplies.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables in the amount of EUR 128 397 thousand (31 December 2013: EUR 134 096 thousand).

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As at 31 December 2014, receivables and prepayments made also include receivables from SPP CZ, a.s. in the amount of EUR 12 895 thousand (31 December 2013: EUR 8 264 thousand), from SPP Infrastructure, a.s. in the amount of EUR 9 thousand (31 December 2013: EUR 12 thousand), and from SPP CNG s.r.o. in the amount of EUR 47 thousand.

Receivables and prepayments made as at 31 December 2013 also included receivables from eustream, a.s. in the amount of EUR 11 914 thousand, from SPP – distribúcia, a.s. in the amount of EUR 85 619 thousand, from SPP Bohemia, a.s. in the amount of EUR 9 thousand, and from SPP Storage, s.r.o. in the amount of EUR 143 025 thousand.

As at 31 December 2014, the Company recorded receivables within maturity in the amount of EUR 384 178 thousand and receivables overdue in the amount of EUR 147 247 thousand (excluding provisions). In the comparable period, as at 31 December 2013, the Company recorded receivables within maturity in the amount of EUR 783 510 thousand and receivables overdue in the amount of EUR 149 288 thousand (excluding provisions).

Receivables overdue that were not provided for:

	<b>31 December 2014</b>	<b>31 December 2013</b>
Less than 3 months	14 435	10 069
3 to 12 months	-	-
More than 12 months	-	-
<b>Total</b>	<b>14 435</b>	<b>10 069</b>

Receivables overdue that were provided for:

	<b>31 December 2014</b>	<b>31 December 2013</b>
Less than 3 months	1 818	1 445
3 to 12 months	8 920	19 994
More than 12 months	122 074	117 780
<b>Total</b>	<b>132 812</b>	<b>139 219</b>

The movements in provisions for current receivables were as follows:

	<b>31 December 2014</b>	<b>31 December 2013</b>
Opening value	(134 096)	(125 927)
Creation	(8 390)	(17 611)
Use	1 009	5 225
Reversal	12 984	4 217
Contribution to SPP CNG s.r.o.	96	-
<b>Closing value</b>	<b>(128 397)</b>	<b>(134 096)</b>

### **13. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS**

The long-term employee benefits program at SPP was originally launched in 1995. This is a defined benefit program, under which 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 2010, SPP signed a collective agreement effective until the end of 2013; on 3 December 2013, SPP signed a new collective agreement for 2014 and 2015 under which employees are entitled to retirement payments based on the number of years worked at SPP upon retirement. The benefits range from three to five average salaries of the employees. As at 31 December 2014 and 31 December 2013, 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 2014, there were 768 (31 December 2013: 908) employees of SPP 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.

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The movements in the net liability recognised in the balance sheet for the year ended 31 December 2014 are as follows:

	<i>Long-term benefits</i>	<i>Post- employment benefits</i>	<i>Total benefits at 31 December 2014</i>	<i>Total benefits at 31 December 2013</i>
Net liability at 1 January	194	1 447	1 641	1 682
Net expense recognised	79	405	484	(2)
Benefits paid	(25)	(17)	(42)	(39)
Contribution to SPP CNG s.r.o.	(3)	(21)	(24)	-
<b>Net liabilities</b>	<b>245</b>	<b>1 814</b>	<b>2 059</b>	<b>1 641</b>

	<i>Current liabilities (included in other current liabilities)</i>	<i>Non-current liabilities</i>	<i>Total</i>
At 31 December 2014	116	1 943	2 059
At 31 December 2013	68	1 573	1 641

**Key assumptions used in actuarial valuation:**

	<i>At 31 December 2014</i>	<i>At 31 December 2013</i>
Market yield on government bonds	3.574%	3.057%
Annual future real rate of salary increases	2.00%	2.00%
Annual employee turnover	1.44%	1.44%
Retirement ages (male and female)	62 for male and 60 for female	62 for male and 60 for female

**14. PROVISIONS FOR LIABILITIES**

The movements in provisions for liabilities are summarised as follows:

	<i>Provision for onerous contracts</i>	<i>Other provisions</i>	<i>Total provisions at 31 December 2014</i>	<i>Total provisions at 31 December 2013</i>
Balance at 1 January	22 335	25 170	47 505	113 599
Effect of discounting	28	-	28	(199)
Additions	20 951	773	21 724	25 924
Use	(16 492)	-	(16 492)	(20 731)
Reversal	(5 355)	(740)	(6 095)	(62 744)
Contribution to eustream, a.s.	-	-	-	(8 344)
<b>Closing balance</b>	<b>21 467</b>	<b>25 203</b>	<b>46 670</b>	<b>47 505</b>

The provisions are included in liabilities as follows:

	<i>Current provisions (included in provisions and other current liabilities)</i>	<i>Non-current provisions</i>	<i>Total provisions</i>
At 31 December 2014	20 277	26 393	46 670
At 31 December 2013	22 312	25 193	47 505

**a) Provision for Onerous Contracts**

The Company identified and recorded a provision for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers under sales contracts in 2015 and beyond. These provisions are based on an assumption that the future costs to purchase natural gas, which are mainly influenced by the long-term purchase contract with Gazprom Export, to provide natural gas to these customers will exceed the economic benefits obtained at the sale. The calculation of the provision is subject to various assumptions of current market information relating to the future development of natural gas prices on spot markets, which are volatile. The actual losses generated with regard to these contracts may vary, and such differences may be material.

c) Other Provisions

Other provisions include an amount of EUR 25 203 thousand (31 December 2013: EUR 25 170 thousand) for various court and other potential disputes. Refer also to Note 26.

The group of transmission gas assets that were subject to the contribution of a part of business to eustream, a.s. on 28 February 2013 (refer also to Note 1.3) also included an environmental provision.

As part of the "Remediation of Old Environmental Burdens" project, SPP dealt with the decontamination of polluted sites. In all sites of former coal-gas production, the remediation was completed, decontamination through post-remediation monitoring was confirmed and successful implementation was confirmed by the Ministry of the Environment of the Slovak Republic pursuant to the Act on Environmental Burdens. In 2012, the environmental burden identification project was carried out in all compressor stations (KS01 Veľké Kapušany, KS02 Jablonov nad Turňou, KS03 Veľké Zlievce and KS04 Ivánka pri Nitre) operated by eustream, a.s. In all compressor stations, the pollution caused by oil substances and the gas transmission condensate was confirmed. Three of them (KS01, KS02, KS03) were subject to partial decontamination, which could be carried out outside of the used gas facilities. In all compressor stations, the said pollution affects the site under the 6MW turbo-generator sets.

SPP estimated the provision for decontamination and restoration using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money and risks specific to the liability.

**15. INTEREST-BEARING BORROWINGS**

	<b>31 December 2014 Secured</b>	<b>31 December 2014 Unsecured</b>	<b>31 December 2014 Total</b>	<b>31 December 2013 Secured</b>	<b>31 December 2013 Unsecured</b>	<b>31 December 2013 Total</b>
Interest-bearing borrowings	-	108 358	108 358	-	905 070	905 070
Bonds	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>108 358</b>	<b>108 358</b>	<b>-</b>	<b>905 070</b>	<b>905 070</b>
<b>Loans by currency</b>						
EUR						
- with fixed interest rate	-	84 089	84 089	-	695 070	695 070
- with variable interest rate	-	24 269	24 269	-	210 000	210 000
<b>Total loans</b>	<b>-</b>	<b>108 358</b>	<b>108 358</b>	<b>-</b>	<b>905 070</b>	<b>905 070</b>
<b>Loans are due as follows:</b>						
Less than 1 year	-	24 269	24 269	-	110 000	110 000
1 to 2 years	-	-	-	-	100 000	100 000
2 to 5 years	-	-	-	-	-	-
More than 5 years	-	84 089	84 089	-	695 070	695 070
<b>Total loans</b>	<b>-</b>	<b>108 358</b>	<b>108 358</b>	<b>-</b>	<b>905 070</b>	<b>905 070</b>

In 2014 and 2013, SPP drew loans denominated in EUR and with both variable and fixed interest rates. The average interest rate of loans drawn as at 31 December 2014 was 3.49% p.a. The average loan maturity as at 31 December 2014 was 4.27 years (31 December 2013: 5.18 years).

The drawn long-term loan bears interest at a fixed interest rate; short-term loans can be drawn on a revolving basis with one-month interest period or as an overdraft loan facility. The loans were not secured by any assets.

Interest rates on loans:

**Loans**

EUR

- with a fixed rate
- with a variable rate

4.125% p.a.  
1M EURIBOR plus margin

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The carrying amount and face value of loans and bonds:

	<b>Carrying amount</b>		<b>Face value</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Loans	108 358	905 070	109 269	906 125
Bonds	-	-	-	-
<b>Total</b>	<b>108 358</b>	<b>905 070</b>	<b>109 269</b>	<b>906 125</b>

SPP has the following outstanding credit facilities:

	<b>31 December 2014</b>	<b>31 December 2013</b>
Variable rate:		
- due within 1 year	329 145	249 788
- due after more than 1 year	-	-
Fixed rate:		
- due within 1 year	-	-
- due after more than 1 year	500 000	-
<b>Total</b>	<b>829 145</b>	<b>249 788</b>

Based on certain loan agreements, SPP is required to comply with agreed financial covenants, ie on each relevant day of each calendar year over the term of the contract, the net debt of the Group on the respective relevant day of the relevant calendar year against the Group's EBITDA for the previous 12 months prior to that relevant day may be not higher than 2. As at 31 December 2014, the Company complied with this covenant.

## 16. TRADE AND OTHER PAYABLES

	<b>31 December 2014</b>	<b>31 December 2013</b>
Payables from natural gas purchases and sales	110 022	285 218
Payables from electricity purchases and sales	1 817	777
Other trade payables and other payables	26 374	578 562
Amounts due to employees	5 520	4 287
Social security and other taxes	9 200	6 701
Payables from financial derivatives	45 441	23 312
Payables from distribution activities	810	1 348
<b>Total</b>	<b>199 184</b>	<b>900 205</b>

The payables from purchases and sales of natural gas represent current liabilities resulting from the purchase of natural gas and overpayments to natural gas customers.

Trade payables and other payables as at 31 December 2014 also include payables to SPP CZ, a.s. in the amount of EUR 1 019 thousand (31 December 2013: EUR 1 247 thousand) and to SPP CNG s.r.o. in the amount of EUR 2 thousand.

As at 31 December 2013, other trade payables and other payables also include trade payables and payables from cash-pooling to SPP – distribúcia, a.s., in the amount of EUR 100 968 thousand, to eustream, a.s. in the amount of EUR 96 398 thousand, to SPP Bohemia, a.s. in the amount of EUR 7 225 thousand and to SPP Storage, s.r.o. in the amount of EUR 19 thousand and a payable to the shareholders from unpaid dividends in the amount of EUR 365 325 thousand.

As at 31 December 2014, SPP recorded payables within maturity in the amount of EUR 199 184 thousand; no overdue payables were recorded. As at 31 December 2013 (for the comparable period), SPP recorded payables within maturity in the amount of EUR 900 205 thousand; no overdue payables were recorded.

Social fund payables:

	<b>Amount</b>
Opening balance as at 1 January 2014	1 025
Total additions:	224
<i>from expenses</i>	223
<i>non-mandatory allotment</i>	1
Total drawing:	(486)
<i>social assistance benefit in material deprivation</i>	-
<i>monetary rewards and gifts</i>	(33)
<i>life jubilee benefits</i>	-
<i>work jubilee benefits</i>	(22)
<i>catering allowance</i>	(89)
<i>benefit cafeteria</i>	(310)
<i>other drawing as per the collective agreement</i>	(32)
Transfer to SPP-distribúcia, a.s.	(98)
Contribution to SPP CNG s.r.o.	(15)
<b>Closing balance as at 31 December 2014</b>	<b>650</b>

## 17. REGISTERED CAPITAL

At 31 December 2013, the registered capital represented a total of 52 287 322 fully-paid shares (with a face amount of EUR 33.19) held by the National Property Fund of the Slovak Republic (51%) and Slovak Gas Holding, B. V., Netherlands (49%).

Under the Agreement on the Sale and Purchase of Shares of SPP and the Agreement on the Sale and Purchase of Shares of SPP Infrastructure, a. s. dated 3 June 2014, a near 49% ownership interest including management control in SPP Infrastructure, a.s. was sold to SGH; at the same time, treasury shares of SPP were acquired for consideration from SGH, as a result of which the National Property Fund of the Slovak Republic became the sole shareholder of SPP.

The Extraordinary General Meeting held on 19 June 2014 decided to decrease the registered capital of SPP by withdrawing from circulation 25 620 786 treasury shares at their face value.

The decrease in the registered capital of SPP was registered in the Commercial Register on 25 June 2014.

Subsequently, on 1 August 2014, all shares of SPP were transferred from the National Property Fund to the Ministry of Economy of the Slovak Republic.

As a result, the Company's registered capital as at 31 December 2014 comprises 26 666 536 fully-paid shares (with a face value of EUR 33.19), which are owned by the Ministry of Economy of the Slovak Republic.

The registered capital was incorporated in the Commercial Register in the full amount.

Pursuant to the Company's Articles of Association, if all shares (except for treasury shares acquired by the Company pursuant to Article 161a or Article 161b of the Commercial Code) are held by one shareholder, in cases where the law requires a two-third (2/3) majority, a two-third (2/3) majority of votes of the shareholders present at a general meeting is required to adopt decisions. If the company has a sole shareholder, such a shareholder acts in the capacity of the general meeting in the form of written decisions that must be signed by the shareholder. In cases stipulated by law, such decisions must be in the form of a notarial deed.

## 18. LEGAL AND OTHER FUNDS AND RETAINED EARNINGS

Since 1 January 2006, SPP has been required to prepare financial statements in accordance with IFRS as adopted by the EU (both separate and consolidated) only. Distributable profit represents amounts only as stated in the separate financial statements.

The legal reserve fund in the amount of EUR 1 197 683 thousand (31 December 2013: EUR 347 329 thousand) is recorded in accordance with Slovak law and is not distributable to the shareholders. The reserve is created from retained earnings to cover possible future losses or increases in 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.

In connection with the decrease of SPP's registered capital (see Note 17), the legal reserve fund was created pursuant to Article 215b of the Commercial Code in the amount of EUR 850 354 thousand.

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The Company has assessed that there are no clear rules or legislation on the potential distribution of the amounts included in the revaluation reserve. The revaluation reserve is not immediately available for distribution to the Company's shareholders. Portions of the revaluation reserve are transferred to retained earnings according to the differences between the depreciation charges from the revalued amounts and the original acquisition costs of the assets. The revaluation reserve is also transferred to retained earnings if the related asset is sold, contributed as a part of the business, or disposed of. These transfers to retained earnings are distributable.

After making the contribution of a part of business to eustream, a.s. as at 28 February 2013, the Company has no asset revaluation reserve.

Other funds and reserves in equity are not distributable to the Company's shareholders.

<i>Type of allotment</i>	<i>Profit allotment for 2013</i>	<i>Profit allotment for 2012</i>
Profit for the 2013/2012 year	267 585	365 325
Retained earnings	-	-
<b>Total dividend amount</b>	<b>267 585</b>	<b>365 325</b>

**Hedging Reserve**

Hedging reserves represent gains and losses arising from cash flow hedging.

	<i>Year ended 31 December 2014</i>	<i>Year ended 31 December 2013</i>
Opening balance	(1 996)	(14 444)
Gain/loss from cash flow hedging	(7 500)	(1 996)
Currency forward contracts	-	319
Commodity swap contracts	(6 621)	(34)
Interest rate swap contracts	(879)	(2 281)
Income tax applicable to gains/losses recognised through equity	-	-
Transfer to profit/loss	1 996	14 444
Currency forward contracts	(319)	30
Commodity swap contracts	34	2 747
Interest rate swap contracts	2 281	15 982
Income tax applicable to gains/losses recognised through profit/loss	-	(4 315)
Transfer to initial carrying amount of the hedged item	-	-
Currency forward contracts	-	-
Commodity swap contracts	-	-
Interest rate swap contracts	-	-
Income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
<b>Closing balance</b>	<b>(7 500)</b>	<b>(1 996)</b>

A hedging reserve represents a cumulative accrued portion of gains and losses arising from a change in the fair value of hedging instruments concluded for cash flow hedging purposes. A cumulative gain or loss arising from a change in the fair value of hedging derivatives recognised and accrued in the hedging reserve is reclassified to profit or loss provided that the hedged transaction has an effect on the income statement or is included as an adjustment of the base in the hedged non-financial item in accordance with the applicable accounting procedures.

Gains/(losses) arising from a change in the fair value of the hedging instruments transferred during the current period from equity to profit or loss are disclosed in the following lines of the income statement:

	<i>Year ended 31 December 2014</i>	<i>Year ended 31 December 2013</i>
Sale of natural gas	(285)	2 777
Purchases of natural gas, consumables and energy consumption	-	-
Other costs, net	-	-
Finance (costs)/revenues	2 281	15 982
Income tax charged to expenses	-	(4 312)
<b>Total</b>	<b>1 996</b>	<b>14 444</b>



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**Financial investments revaluation reserve**

Financial investments revaluation reserve represents a cumulative gain/(loss) from the remeasurement of available-for-sale financial investments to fair value, net of the effect of a deferred tax.

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Opening balance	-	20 587
Gain/(loss) from the remeasurement of available-for-sale financial investments	-	-
Income tax related to gains/losses recognised in equity	-	-
Transfer to the income statement upon the sale of available-for-sale financial investments	-	(26 736)
Income tax related to gains/losses recognised in the income statement	-	6 149
<b>Closing balance</b>	<b>-</b>	<b>-</b>

Items transferred to the income statement upon the sale of the shares in Severomoravská plynárenská, a.s. and Východočeská plynárenská, a.s. were recognised as investment income as at 31 December 2013 (see Note 20).

**19. STAFF COSTS**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Wages, salaries and bonuses	21 948	23 795
Social security costs	9 620	12 518
<b>Total staff costs</b>	<b>31 568</b>	<b>36 313</b>

The Company pays a contribution of 35.2% of the relevant statutory assessment base, which is capped at EUR 4 025 thousand (except for accident insurance). Employees contribute a further 13.4% of their assessment bases into these funds, however capped at the above limit.

**20. INVESTMENT INCOME**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Interest income	975	8 707
Cumulative gain/(loss) reclassified from equity upon the sale of available-for-sale financial investments	207 132	26 965
Net gain/(loss) from financial derivative instruments designated at fair value through profit and loss	1 932	(33 654)
Gain/(loss) from ineffective cash flow hedging	-	(1 980)
Dividends from subsidiaries	-	414 139
Dividends from joint ventures and associates	414 832	3 150
Dividends from available-for-sale financial investments	-	37
Impairment of financial investments in subsidiaries	-	(64 606)
Other income/(losses) on investments, net	11 630	-
<b>Total investment income</b>	<b>636 501</b>	<b>352 758</b>

**21. FINANCE COSTS**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Interest expense	(37 805)	(17 330)
Foreign exchange differences – (loss)/gain	793	(199)
Other	(273)	(640)
<b>Total finance costs</b>	<b>(37 285)</b>	<b>(18 169)</b>

## **22. COSTS OF AUDIT SERVICES**

	<i>Year ended 31 December 2014</i>	<i>Year ended 31 December 2013</i>
Audit of financial statements	50	58
Other assurance services	-	55
Tax advisory services	-	1
Other related services provided by the auditor	9	455
<b>Total</b>	<b>59</b>	<b>569</b>

## **23. TAXATION**

### **23.1. Income Tax**

Income tax comprises the following:

	<i>Year ended 31 December 2014</i>	<i>Year ended 31 December 2013</i>
Current income tax	(584)	(1 545)
Special levy on business in regulated industries	198 199	66
Deferred income tax (Note 23.2)		
- Current year	(3 621)	30 275
- Change in the tax rate	-	165
<b>Total</b>	<b>193 994</b>	<b>28 961</b>

The reconciliation between the reported income tax and the theoretical amount calculated using the standard tax rates is as follows:

	<i>Year ended 31 December 2014</i>	<i>Year ended 31 December 2013</i>
Profit before taxation	482 541	296 546
Income tax at 22% or 23%	106 159	68 206
Effect of adjustments from permanent differences between carrying amount and tax value of assets and liabilities	(138 041)	(82 354)
Reversal of a deferred tax and effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised	88 260	44 753
Effect of the change in the tax rate	-	(165)
Special levy incl. the effect of a special levy as a tax-deductible item	138 200	66
Other adjustments	(584)	(1 545)
<b>Income tax for the year</b>	<b>193 994</b>	<b>28 961</b>

The actually-recognised tax rate differs from the tax rate of 22% stipulated by law in 2014 mainly due to the adjustments of the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to the valid tax legislation. Such adjustments mainly include dividends, tax non-deductible provisions for liabilities and provisions for assets, a difference between tax and accounting depreciation charges of non-current assets, revaluation reserve for non-cash contributions, etc. Also as at 31 December 2014, deferred tax assets were not recognised as there are uncertainties concerning sufficient future taxable income to utilise such deferred tax assets.

Pursuant to the requirements of IFRS, the income tax also includes a special levy on business in regulated industries pursuant to a special regulation (see Note 3, part p).

For the deferred income tax calculation, the Company applied the income tax rate of 22% that has been valid in Slovakia as of 1 January 2014.

## 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:

	<i>At 1 January 2014</i>	<i>(Charge)/Credit to Other Comprehensive Income/Losses</i>	<i>(Charge)/Credit to Profit for the Period</i>	<i>At 31 December 2014</i>
Difference in NBV of non-current assets	(3 621)	-	3 621	-
Change in the fair value of financial investments	-	-	-	-
Items adjusting tax base only when paid	-	-	-	-
Provisions and employee benefits	-	-	-	-
Provisions for receivables	-	-	-	-
Impairment loss	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>(3 621)</b>	<b>-</b>	<b>3 621</b>	<b>-</b>

  

	<i>At 1 January 2013</i>	<i>(Charge)/Credit to Other Comprehensive Income/Losses</i>	<i>(Charge)/Credit to Profit for the Period</i>	<i>At 31 December 2013</i>
Difference in NBV of non-current assets	(7 821)	-	4 200	(3 621)
Change in the fair value of financial investments	(6 149)	6 149	-	-
Items adjusting tax base only when paid	(61)	-	61	-
Provisions and employee benefits	18 469	-	(18 469)	-
Provisions for receivables	9 805	-	(9 805)	-
Impairment loss	3 164	-	(3 164)	-
Other	7 578	(4 315)	(3 263)	-
<b>Total</b>	<b>24 985</b>	<b>1 834</b>	<b>(30 440)</b>	<b>(3 621)</b>

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:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Deferred tax asset/(deferred tax liability)	-	(3 621)
<b>Total</b>	<b>-</b>	<b>(3 621)</b>

As the Company expects no taxable profits against which temporary differences could be utilised in the near future, deferred tax assets were not recognised as at 31 December 2014.

The amount of deductible temporary differences and tax loss for which no deferred tax asset was recognised as at 31 December 2014 is EUR 533 240 thousand (31 December 2013: EUR 115 264 thousand).

## 24. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

<i>At 31 December 2014</i>	<i>Before tax</i>	<i>Tax</i>	<i>After tax</i>
Increase/(decrease) in gas assets revaluation reserve	-	-	-
Increase/(decrease) in financial investment revaluation reserve	-	-	-
Hedging derivatives (cash flow hedging)	(5 504)	-	(5 504)
Other	-	-	-
<b>Other comprehensive income for the period</b>	<b>(5 504)</b>	<b>-</b>	<b>(5 504)</b>

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<b>At 31 December 2013</b>	<b>Before tax</b>	<b>Tax</b>	<b>After tax</b>
Increase/(decrease) in gas assets revaluation reserve	(1 079)	-	(1 079)
Increase/(decrease) in financial investment revaluation reserve	(26 736)	6 149	(20 587)
Hedging derivatives (cash flow hedging)	16 763	(4 315)	12 448
Other	-	-	-
<b>Other comprehensive income for the period</b>	<b>(11 052)</b>	<b>1 834</b>	<b>(9 218)</b>

**25. CASH FLOWS FROM OPERATING ACTIVITIES**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Profit before tax	482 541	296 546
Adjustments for:		
Depreciation and amortisation	9 573	26 618
Interest income, net	36 830	8 623
Income from financial investments	(619 013)	(444 291)
FX differences	(715)	236
Derivatives	(18 674)	15 741
Provisions and other non-cash items	(4 113)	14 734
Impairment losses	-	-
Loss/(profit) from sale of non-current assets	9	(59)
(Increase)/decrease in receivables and prepayments	434 822	(388 831)
(Increase)/decrease in inventories	65 976	28 294
Increase/(decrease) in trade and other payables	(355 609)	(156 184)
<b>Cash flows from operating activities</b>	<b>31 627</b>	<b>598 573</b>

**26. COMMITMENTS AND CONTINGENCIES**

**Capital Expenditure Commitments**

As at 31 December 2014, capital expenditure of EUR 19 786 thousand (31 December 2013: EUR 15 426 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**

*Transmission Network*

In 2013, SPP leased its international transmission pipeline network to eustream, a.s. under a six-year agreement. Under the requirements of the EU's third energy package, SPP may not own the transmission network. Therefore, on 28 February 2013, SPP transferred transmission assets to eustream, a.s., which is the only licensed gas transmission operator in the Slovak Republic.

Income on the lease of assets earned by SPP amounted to EUR 52 708 thousand in 2013 (2014: EUR 0).

*Means of Transport*

The Company leases means of transport under an operating lease agreement. The contract is made for four years and the Company has no pre-emptive right to purchase the assets after the expiry of the term of the lease. The lease payments amounted to EUR 493 thousand in the year ended 31 December 2014.

Non-cancellable operating lease payables amount to:

<b>Period</b>	<b>2014</b>	<b>2013</b>
Within 1 year	493	639
From 1 to 5 years	1 273	-
<b>Total</b>	<b>1 766</b>	<b>639</b>

**Natural Gas Purchase**

The majority of natural gas purchases was supplied from the Russian Federation also in 2014. The natural gas supplies were performed in line with the long-term agreement with Gazprom export LLC.

The natural gas purchase price from Gazprom export is determined using the agreed price formula.

#### **Natural Gas Storage Contracts**

The Company stores natural gas in underground storage facilities operated by NAFTA, a.s. that are used for depositing and extracting natural gas as per seasonal demand, as well as for securing the supplies' safety standard as required by law. Storage fees are agreed for the term of the contracts. The storage fee is based primarily on the capacity rented per year and the annual price indices.

#### **Gas Sales Contracts**

Sales of natural gas to medium- and large-sized customers are subject to gas supplies contracts, which are generally agreed for one or more years. The prices agreed in the contracts usually include capacity and commodity components.

#### **Electricity Sale Contracts**

The sale of electricity to mid-sized and large customers is the subject matter of composite electricity supply contracts or electricity supply contracts with the assumed liability for a deviation. Such contracts usually determine the price for the commodity supply. The price of the distribution and other components is determined based on the RONI's price decisions for distribution companies and the market and transmission system operator. Composite electricity supply contracts with small businesses and households define products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity, SPP as an electricity supplier.

#### **Taxation**

The Company has significant transactions with several subsidiaries and associated companies, the shareholders 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, which is relatively imperfect and has relatively little existing precedent. There is an inherent risk that the tax authorities may require an adjustment to the tax base, for example due to transfer pricing, or other adjustments. The tax authorities in the Slovak Republic have broad powers of interpretation of tax laws, which, moreover, are often amended, which could result in unexpected results from tax inspections. The amount of any potential tax liabilities related to these risks cannot be estimated.

#### **Litigation and Potential Losses**

The Company is involved in a number of legal disputes relating to disputed bills of exchange and alleged breaches of contracts. In addition to the bills of exchange and disputes described below, the Company is also involved in other litigation arising in the normal course of business that is not expected, either individually or in the aggregate, to have a significant adverse effect on the accompanying financial statements. The final outcome of such litigation may result in liabilities higher than the provisions recognised, and such differences may be significant.

##### *Bills of exchange*

The management of the Company is aware of the existence of bills of exchange that were allegedly signed by the former General Director of SPP prior to 1999. SPP announced publicly that it would repudiate the validity of these bills of exchange signed by the former General Director before the court, on the basis of the suspicion that these bills are fraudulent and are in no way related to any contractual relations of SPP.

At present, 9 bills of exchange totalling EUR 60 million are at different stages of legal proceedings in courts in the Slovak Republic. In five other cases related to the bills of exchange amounting to approximately EUR 119 million a final and binding decision of a court was adopted in favour of SPP. Efforts of the counterparties to overturn the positive result for SPP by use of extraordinary remedies cannot be excluded.

The management of SPP, following the advice of its legal counsel, defends the interests of the Company in these cases by all legitimate means available. SPP recorded a provision for potential losses related to several bills of exchange. The amount of the provision has not been disclosed separately, as the management of SPP believes that any such disclosure could seriously jeopardise the position of SPP in the relevant litigation. These financial statements do not include any other provisions for potential losses related to the bills of exchange as the final outcome of the remaining cases is uncertain and cannot currently be predicted.

*Other legal cases and disputes*

SPP is a defendant in other legal cases and disputes.

The amounts of the provisions and other information relating to these individual legal cases and disputes have not been disclosed separately as the management of SPP believes this could seriously jeopardise the position of SPP in the disputes.

**Legislative Conditions for Business Activities in the Energy Sector**

*Third Energy Package of the EU*

Transposition of the Third Energy Package was completed in the Slovak Republic by adopting the Energy Act and the Act on Regulation dated 1 September 2012, and subsequently by adopting a resolution of the Government of the Slovak Republic No. 656/2012 dated 28 November 2012 on non-implementation of the ownership unbundling of the transmission network operator that was part of a vertically-integrated undertaking, or by issuing a decision of the Regulatory Office for Network Industries ("RONI") on the certification of eustream, a.s. as an independent transmission network operator (the so-called ITO model).

On 14 February 2013, the Extraordinary General Meeting of the Company approved the transfer of transmission assets to eustream, a.s., as an in-kind contribution of a part of the business of SPP effective as of 28 February 2013. The transfer of assets has a significant impact on the Company's financial statements. The in-kind contribution was recognised as a decrease in the amount of property, plant, machinery and equipment and an increase of the amount of a financial investment in, at that time, the subsidiary eustream, a.s.; the contract for the lease of gas assets was also terminated.

*Legal and Regulatory Framework for the Natural Gas Market in the Slovak Republic and the Implementation of the EU Energy Legislation*

Act No. 251/2012 Coll. on Energy and on Amendments to and Supplementation of Certain Acts and Act No. 250/2012 Coll. on Regulation in Network Industries that became effective on 1 September 2012 represent a basic legal framework for business in the energy sector.

These acts transposed the requirements of the Third Energy Package in the Slovak legislation and extended the requirements for the independence and unbundling of commercial, financial, operational and investment activities of transmission network operators and, simultaneously, strengthen the powers of the RONI in relation to vertically-integrated undertakings. One of the principal requirements under Directive No 2009/73/EC also in the case of the ITO model implementation was the ownership of the transmission network by its operator. Additionally, new obligations apply to the independent transmission network operator; the said obligations relate to the creation of the so-called supervisory commission as a special supervisory body, certification as part of which the RONI, together with the European Commission, examines its independence and compliance with the ITO model requirements and other obligations to provide for the independence in the operation, maintenance and management of the transmission network.

On 1 December 2014, Act No. 321/2014 Coll. on Energy Efficiency and on Amendments to and Supplementation of Certain Acts (the "Energy Efficiency Act") entered into force, through which the Slovak Republic partially transposed Directive No 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on Energy Efficiency into its laws. The Energy Efficiency Act stipulates a framework for the rational use of energy, measures to support and improve energy efficiency, procedure and liabilities of responsible entities in making policies and action plans for energy efficiency and energy efficiency goals, rights and obligations of entities in the area of energy efficiency and in the performance of an energy audit, the business activities related to the provision of energy services, and introduces some new rules for the provision of information to end users of energy and to the monitoring system operator. The adoption of the Energy Efficiency Act is aimed to increase the efficiency of energy use throughout the energy chain, especially in the final consumption. For the Company, the Act introduces new obligations, as well as a potential business opportunity to support its core business activity of natural gas and electricity supplies by providing energy services.

Price Regulation

The basic framework in the price regulation of gas supplies is comprised by Act No. 250/2012 Coll. on Regulation in Network Industries and the Regulation Policy for the current 2012 – 2016 regulation period. Details related to the scope and method of conducting price regulation are determined in the generally-binding legal regulations issued by the RONI based on the above acts. In 2014, gas supplies to households, gas supplies to small businesses, gas supplies to suppliers of last resort, electricity supplies to households, electricity supplies to small businesses and production, distribution and supply of heat continue to be subject to price regulation. On one hand, price regulation in gas supplies for the production of heat for households was cancelled with effect from 2013 and, on the other hand, price regulation in gas supply to small businesses (with an annual consumption of up to 100 thousand kWh/year) was re-introduced in addition to price regulation in gas supplies to households and last-resort supplies being preserved. In 2014, the same scope of price regulation also applied to electricity supplies (in this case, a small business is a customer with a maximum annual consumption of 30 thousand kWh). Price regulation in the above areas is stipulated in Decrees of the RONI, namely Decree No. 193/2013 Coll. providing for price regulation in the gas sector, Decree No. 222/2013 Coll. providing for price regulation in the heat-power industry and Decree No. 221/2013 Coll. providing for price regulation in the electricity sector.

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**27. RELATED PARTY TRANSACTIONS**

As at 31 December 2013, Energetický a průmyslový holding, a.s. (EPH) was indirectly the investor and owner of a near 49% share in SPP; a near 51% share in SPP was owned by the National Property Fund of the Slovak Republic.

As at 31 December 2014, as a result of the reorganisation of the SPP Group and the subsequent transfer of 100% of the shares from the National Property Fund, the Ministry of Economy of the Slovak Republic became the owner of the 100% ownership interest in SPP (see also Notes 1.1 and 1.3).

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

	Year ended 31 December 2014					31 December 2014		
	Revenues	Creation/ (reversal) of provisions for receivables	Expenses	Dividends	Other	Receivables	Provisions for receivables	Payables
Slovak Gas Holding	2 894 747	-	-	-	2 916 349	-	-	-
National Property Fund of the SR	1	-	-	-	-	-	-	-
Ministry of Economy of the SR	6	-	-	446 594	-	-	-	-
SPP's subsidiaries	92 924	-	206 166	-	-	20 550	-	1 021
Associates	1 057 277	-	20 189	-	-	9	-	-
Joint ventures	1 074	-	-	-	-	-	-	-
Other related parties	49 678	-	218 842	-	-	69 258	13 180	2 574

The Company's management considers the transactions with related parties to have been made on an arm's length basis.

Transactions with Slovak Gas Holding represent revenues from the sale of a near 49% share in SPP Infrastructure, a.s. and in the column "Other" the buy-back of treasury shares representing a near 51% share in SPP (see also Note 1.3).

Transactions with subsidiaries, associates and joint ventures, and other related parties mainly represent services related to purchases, sales and transmission of natural gas, lease of non-current assets and natural gas storage.

	Year ended 31 December 2013					31 December 2013		
	Revenues	Creation/ (reversal) of provisions for receivables	Expenses	Dividends	Other	Receivables	Provisions for receivables	Payables
Energetický a průmyslový holding	2	-	-	-	-	-	-	-
Slovak Gas Holding	-	-	-	-	-	-	-	179 009
National Property Fund of the SR	-	-	-	-	-	-	-	186 316
SPP's subsidiaries	557 648	-	350 185	-	84	249 106	-	817 002
Associates	2	-	4	-	-	-	-	-
Joint ventures	4 086	-	320	-	-	-	-	3
Other related parties	7 902	-	3 112	-	-	18 593	13 328	708

These notes form an integral part of the separate financial statements.



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

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies, total	1 765	1 934
Of which:		
Board of Directors and executive management	1 494	1 535
Supervisory Board	271	399
Benefits after the employment termination to members of the Board of Directors, Supervisory Board and executive management and to former members of the Company's bodies, total	-	171
Of which:		
Board of Directors and executive management	-	171
Other long-term benefits to members of the Board of Directors, Supervisory Board and executive management and to former members of the Company's bodies, total	-	1
Of which:		
Board of Directors and executive management	-	-
Benefits after the employment termination to members of the Board of Directors, Supervisory Board and executive management and to former members of the Company's bodies, total	196	-
Of which:		
Board of Directors and executive management	196	-
Benefits in kind to members of the Board of Directors and executive management, total	46	65
Of which:		
Board of Directors and executive management	46	65

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

**a) Members of the Company's Bodies**

<b>Body</b>	<b>Function</b>	<b>Name</b>
<b>Board of Directors</b>	Chairman	JUDr. Daniel Křetínský – until 4 Jun 2014
	Chairman	Mgr. Alexander Sako – from 5 Jun 2014 until 19 Jun 2014
	Chairman	Ing. Štefan Šabík – since 20 Jun 2014
	Vice-Chairman	Mgr. Alexander Sako – until 4 Jun 2014
	Vice-Chairman	Pierre Poncik, M.Sc. – since 30 Sep 2014
	Member	Ing. Jan Špringl – until 4 Jun 2014
	Member	Mgr. Pavel Horský – until 4 Jun 2014
	Member	Mgr. Ing. Jiří Nováček, LL.M. – until 4 Jun 2014
	Member	JUDr. Marián Valko – until 19 Jun 2014
	Member	Ing. Milan Hargaš
	Member	Ing. Petr Ivánek – from 20 Jun 2014 until 29 Sep 2014
	Member	Mgr. Ivana Zelizňáková – since 20 Jun 2014
	Member	Pierre Poncik, M.Sc. – from 20 Jun 2014 until 29 Sep 2014
	Member	Ing. Daniel Kvocera – since 30 Sep 2014
<b>Supervisory Board</b>	Chairman	Ing. Michal Ďurkovič
	Vice-Chairman	Ing. Peter Korbačka – until 4 Jun 2014
	Member	Ing. Peter Kováč
	Member	Ing. Robert Maguth
	Member	Viera Uhrová
	Member	Ing. Valéria Janočková
	Member	MUDr. Martin Kováč
	Member	Ing. Robert Zemánek
	Member	Ing. arch. Tomáš Gál, PhD.
	Member	Prof. Ing. Juraj Janočko, CSc., Dr. Scient.
	Member	Ing. Dušan Žák
	Member	Ing. Peter Vašík

<b>Body</b>	<b>Function</b>	<b>Name</b>
<b>Executive management</b>	General Director	Ing. Štefan Šabík - since 28 Oct 2014
	Director of Finance Division, authorised to act on behalf of the General Director	Ing. Libor Briška - until 17 Aug 2014
	Director of Trade Division	Ing. Dušan Randuška, MBA - until 17 Aug 2014
	Director of Corporate Affairs and Services Division	Ing. Rastislav Bráblík - until 17 Aug 2014
	Director of Customer Services Division	Ing. Rastislav Bráblík - appointed as an authorised representative until 17 Aug 2014
	In charge of managing economics and operational services	Ing. Miroslav Jankovič - from 20 Aug until 29 Sep 2014
	Director of Economics and Operational Services	Ing. Petr Ivánek - since 30 Sep 2014
	In charge of managing customer services	Ing. Milan Hargaš - since 29 Oct 2014
	In charge of strategy management	Ing. Daniel Kvocera - since 29 Oct 2014
	In charge of retail management	Mgr. Ivana Zelizňáková - since 29 Oct 2014
	In charge of trade management	Pierre Poncik, M.Sc. - since 29 Oct 2014

## **b) Consolidated Financial Statements**

As at 31 December 2014, SPP provided consolidated financial information as a consolidated reporting entity for higher consolidation to the Ministry of Economy of the Slovak Republic, with its registered seat at Mierová 19, 827 15 Bratislava.

The ultimate reporting entity that consolidates SPP as at 31 December 2014 is the Ministry of Finance of the Slovak Republic.

The consolidated and separate financial statements are published in the Slovak Commercial Journal and on the Company's website ([www.spp.sk](http://www.spp.sk)).

The consolidated and separate financial statements of SPP published in the periods before 31 December 2013 are filed with the Commercial Register of Bratislava 1 District Court (Záhradnícka 10, 812 44 Bratislava). The consolidated and separate financial statements of SPP published in the period after 1 January 2014 are filed with the Register of Financial Statements. The separate and consolidated financial statements of subsidiaries and associated undertakings are available at the relevant Courts of Record based on their official address.

## **29. POST-BALANCE SHEET EVENTS**

Subsequent to 1 January 2015, SPP continued the revision process for the natural gas purchase price valid for supplies since 1 January 2015 with Gazprom export LLC. The agreement on the revised price has not yet been finalised.

No other events occurred subsequent to 31 December 2014 that might have a material effect on the financial statements of the Company.

**Prepared on:**

11 March 2015

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



Ing. Štefan Šabík  
Chairman of the Board of  
Directors

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



Ing. Petr Ivánek  
Director of Economics and  
Operational Services

**Signature of the person  
responsible for  
bookkeeping:**



Ing. Miroslav Jankovič  
Director of Accounting and  
Taxes Section

**Approved on:**



Pierre Poncik, M.Sc.  
Vice-Chairman of the Board of  
Directors