Slovenský plynárenský priemysel, a.s.

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

For the year ended 31 December 2014

Deloitte.

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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 consolidated financial statements of Slovenský plynárenský priemysel, a.s. and subsidiaries (the "Company"), which comprise the consolidated statement of balance sheet as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Consolidated Financial Statements

The Company's statutory body is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Slovenský plynárenský priemysel, a.s. and subsidiaries as at 31 December 2014, and their financial performance and their 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 the effects of the reorganisation and arrangement of the ownership relations in the SPP Group.

Our opinion is not modified in respect of this matter.

Bratislava, 11 March 2015

Deloitte

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Licence SKAu No. 014

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

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(in million EUR)

	Note	*31 December 2014*	*31 December 2013*
ASSETS:			
NON-CURRENT ASSETS			
Investment property	10	23	-
Property, plant and equipment	9	92	134
Investments recognised using the equity method	7	2 120	-
Other investments	-	5	-
Non-current intangible assets	-	4	7
Other non-current assets		31	35
Total non-current assets		**2 275**	**176**
CURRENT ASSETS			
Inventories	11	273	330
Receivables and prepayments	12	421	577
Income tax assets		-	16
Cash and cash equivalents		24	414
Total current assets		**718**	**1 337**
Non-current assets held for sale or reorganisation and partial sale	8	-	6 794
TOTAL ASSETS		**2 993**	**8 307**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	18	885	1 735
Legal and other reserves	19	1 190	358
Revaluation reserves	19	-	2 631
Retained earnings		336	258
Share in equity attributable to SPP's shareholders		2 411	4 982
Minority interests of other owners of subsidiaries		-	158
Total equity		**2 411**	**5 140**
NON-CURRENT LIABILITIES			
Provisions for liabilities	14	27	25
Non-current interest-bearing borrowings	15	84	184
Retirement and other long-term employee benefits	13	2	2
Deferred tax liability	22.2	-	3
Other non-current liabilities		4	3
Total non-current liabilities		**117**	**217**
CURRENT LIABILITIES			
Trade and other payables	16	221	717
Current portion of non-current interest-bearing borrowings	15	24	110
Current income tax	22.1	198	-
Provisions and other current liabilities		22	24
Liabilities directly related to assets held for sale or reorganisation and partial sale	17	-	2 099
Total current liabilities		**465**	**2 950**
Total liabilities		**582**	**3 167**
TOTAL EQUITY AND LIABILITIES		**2 993**	**8 307**

The financial statements on pages 3 to 50were 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

(in million EUR)

	Note	*Year ended 31 December 2014*	*Year ended 31 December 2013*
Continuing operations			
Sales of natural gas and electricity		1 567	1 876
Other		30	2
Own work capitalised		(62)	1
Purchases of natural gas, electricity and consumables and services		(1 443)	(1 834)
Depreciation and amortisation	9, 10	(10)	(5)
Storage of natural gas and other services		(130)	(122)
Staff costs	20	(32)	(23)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	11, 12	(14)	(14)
Provisions and impairment losses, net	9, 10, 14	(21)	36
Other, net		(2)	7
Gain/(loss) on investments	21	3	(13)
Share in profit of associated undertakings and joint ventures	7	165	-
Finance costs		(37)	(18)
Profit/(loss) before income taxes		**14**	**(107)**
Income tax	22.1	4	(29)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**18**	**(136)**
Discontinued operations			
Profit for the year from discontinued operations	24	630	461
Net profit for the year		**648**	**325**
Net profit attributable to:			
SPP shareholders		631	289
Minority interests of other owners of subsidiaries		17	36
Total		**648**	**325**

(in million EUR)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Net profit for the period		**648**	**325**
Other comprehensive income (may be reclassified to profit or loss in the future):	23		
Movement in FX translation reserve		2	(11)
Movement in the gas assets revaluation reserve		-	(586)
Movement in financial investment revaluation reserve		-	(22)
Decrease in the revaluation reserve due to changes in fair value		-	(54)
Hedging derivatives (Cash flow hedging):		(5)	14
Gains (losses) for the period		*(5)*	*(5)*
Less: reclassification of comprehensive income (loss) in the income statement		*-*	*19*
Less: other adjustments		*-*	*-*
Reclassified to the income statement upon derecognition of subsidiaries		9	-
Other		-	2
Deferred tax related to items of other comprehensive income reclassified to profit or loss in the future		(1)	171
Other comprehensive income (not reclassified to profit or loss in the future):		**-**	**-**
Deferred tax related to items of other comprehensive income not reclassified to profit or loss in the future		-	-
Other net comprehensive income for the period		**5**	**(486)**
Total net comprehensive income/(loss) for the period		**653**	**(161)**
Net comprehensive income attributable to:			
SPP shareholders		636	(5)
Minority interests of other owners of subsidiaries		17	(156)
Total		**653**	**(161)**

(in million EUR)

	Registered capital	*Legal reserve fund and other funds*	*Financial investment revaluation reserves*	*Foreign currency translation reserve*	*Hedging reserves*	*Revaluation reserves*	*Retained earnings*	*Equity attributable to SPP shareholders*	*Minority interests of other owners of subsidiaries*	*Total*
At 31 December 2012	**1 735**	**365**	**17**	**-**	**(13)**	**3 027**	**220**	**5 351**	**351**	**5 702**
Net profit for the period	-	-	-	-	-	-	289	289	36	325
Other comprehensive income for the period	-	2	(17)	(11)	11	(276)	(2)	(293)	(193)	(486)
Dividends	-	-	-	-	-	-	(365)	(365)	(36)	(401)
Transfer to retained earnings	-	4	-	-	-	(120)	116	-	-	-
At 31 December 2013	**1 735**	**371**	**-**	**(11)**	**(2)**	**2 631**	**258**	**4 982**	**158**	**5 140**
Net profit for the period	-	-	-	-	-	-	631	631	17	648
Other comprehensive income for the period	-	-	-	11	(6)	-	-	5	-	5
Effect of deconsolidation owing to the reorganisation and decrease of the registered capital (Note 1.3)	(850)	827	-	-	-	-	(2 916)	(2 939)	(119)	(3 058)
Dividends	-	-	-	-	-	-	(268)	(268)	(56)	(324)
Transfer to retained earnings	-	-	-	-	-	(2 631)	2 631	-	-	-
At 31 December 2014	**885**	**1 198**	**-**	**-**	**(8)**	**-**	**336**	**2 411**	**-**	**2 411**

(in million EUR)

	Note	*Year ended 31 December 2014*	*Year ended 31 December 2013*
Operating activities			
Cash flows from operating activities	25	473	585
Interest paid		(7)	(12)
Interest received		2	2
Income tax paid		(34)	(217)
Net cash flows from operating activities		434	358
Investing activities			
Net cash outflow upon the acquisition of financial investments	7	(25)	-
Proceeds from the sale of financial investments		-	186
Purchase of property, plant and equipment		(39)	(116)
Expenses for provided borrowings		-	(583)
Proceeds (expenditures) from deconsolidation		(529)	-
Proceeds from sales of property, plant and equipment and intangible assets		-	10
Dividends received		10	7
Net cash inflow/(outflow) from investing activities		(583)	(496)
Financing activities			
Proceeds from interest-bearing borrowings		559	1 104
Expenses for interest-bearing borrowings		(270)	(583)
Dividends paid		(689)	(36)
Other proceeds from financing activities		2	-
Net cash flows from financing activities		(398)	485
Net (decrease)/increase in cash and cash equivalents		**(547)**	**347**
Cash and cash equivalents at the beginning of the period		**571**	**224**
Effects of foreign exchange fluctuations		-	-
Cash and cash equivalents at the end of the period		**24**	**571**

(in million EUR)

1. GENERAL

1.1. General Information

The consolidated financial statements for the year ended 31 December 2014 have been prepared by Slovenský plynárenský priemysel, a.s. ("SPP") and its subsidiaries and associated undertakings (the "Group") in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). The reporting currency of the Group is the Euro (EUR). The consolidated financial statements were prepared under the going-concern assumption.

The consolidated financial statements for the year ended 31 December 2014 have been prepared pursuant to Article 22 of Act No. 431/2002 Coll. on Accounting, as amended, for the reporting period from 1 January 2014 until 31 December 2014.

SPP (formerly Slovenský plynárenský priemysel, š. p.) was founded on 21 December 1988 by a Memorandum of Association as a 100% state-owned enterprise in Slovakia. 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 were 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 key player on the heat, coal and electricity market in Central Europe, on the sale of their shares in Slovak Gas Holding, B.V. ("SGH"), which owned a 49% share in SPP (the parent company) and also exercised operating and management control. The transaction was completed on 23 January 2013.

On 4 June 2014, as part of the reorganisation that also included 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., 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.

Identification number (IČO)	35 815 256
Tax identification number (DIČ)	2020259802

1.2. Principal Activities

Until May 2014, the Group was divided into the following operating segments: natural gas and electricity distribution and sale, gas transmission, gas storage, and gas and crude oil exploration.

The distribution segment included the distribution of natural gas covering all territory of the Slovak Republic. The proposed prices are subject to review and approval by the Regulatory Office for Network Industries ("RONI").

The transmission segment was responsible for the transmission of natural gas from the Ukrainian border to the western borders of Slovakia and to a virtual domestic point in Slovakia.

The gas storage segment included storage in underground storage facilities located in Slovakia and the Czech Republic.

The exploration segment included the exploration and sale of natural gas and crude oil in Slovakia.

After May 2014, the only segment is the sale of natural gas and electricity in Slovakia and the Czech Republic.

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 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.

(in million EUR)

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.

SPP concluded that the aforementioned transaction meets the requirements of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" and as at 31 December 2013, it reclassified assets and liabilities of the consolidated subsidiaries, and shares in joint ventures and associates that were subsequently transferred to SPP Infrastructure, a.s., in non-current assets held for sale or reorganisation and partial sale (see also Note 8) and liabilities directly related to assets held for sale (Note 17). The results of the operations of these consolidated subsidiaries are presented as results from discontinued operations for 2014 and 2013 (Note 24).

The results of operations for 2014 and 2013 from continuing operations also include expenses and revenues of the subsidiaries that were subject to the reorganisation or partial sale.

Analysis of assets and liabilities deconsolidated due to a loss of control:

NON-CURRENT ASSETS	
Property, plant and equipment	5 673
Investments recognised using the equity method	40
Available-for-sale and other non-current investments	9
Non-current intangible assets	89
Non-current interest-bearing borrowings	598
Total non-current assets	**6 409**
CURRENT ASSETS	
Inventories	168
Receivables and prepayments	201
Income tax assets	1
Available-for-sale investments	7
Cash and cash equivalents	529
Total current assets	**906**
TOTAL ASSETS	**7 315**
Deferred income	57
Provisions for liabilities	109
Non-current loans	949
Retirement and other long-term employee benefits	8
Deferred tax liability	886
Other non-current liabilities	8
Total non-current liabilities	**2 017**
CURRENT LIABILITIES	
Trade and other payables	66
Current portion of non-current loans	-
Income tax liabilities	89
Provisions and other current liabilities	22
Total current liabilities	**177**
Total liabilities	**2 194**
TOTAL LIABILITIES	
Net assets deconsolidated as a result of a loss of control	**(5 121)**
Cash received/(paid)	(22)
Liability from the purchase of shares	2 916
SPP's borrowing from SPP Infrastructure, a.s.	(622)
Minority interests of other owners of subsidiaries	119
Derecognition of a liability due to a dividend vis-à-vis SGH	179
Effect of working capital vis-à-vis deconsolidated companies	52
Recognition of an ownership interest in SPP – Infrastructure, initially recognised at fair value	3 012
Accumulated gain/(loss) in relation to net assets of subsidiaries and related hedging instruments reclassified from equity to the income statement upon a loss of control over subsidiaries	(7)
Profit on deconsolidation, included in profit from discontinued operations (see Note 24)	**506**

1.4. Employees

The average number of the Group's employees for the year ended 31 December 2014 was 812, of which 4 were executive management (for the year ended 31 December 2013: 4 072, of which 28 were executive management).

1.5. Registered Address

Mlynské nivy 44/a
825 11 Bratislava
Slovakia

1.6. Costs of Audit Services

The costs for the audit of the financial statements by the auditor amounted to EUR 62 thousand (2013: EUR 179 thousand), the costs of other assurance services amounted to EUR 0 thousand (2013: EUR 69 thousand), tax advisory amounted to EUR 1 thousand (2013: EUR 9 thousand), and the costs of other related services rendered by this auditor amounted to EUR 9 thousand (2013: EUR 461 thousand).

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

2.1. Application of New and Revised International Financial Reporting Standards

The Group 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, that are relevant to its operations and that are effective for accounting 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 new rules has not led to any changes in the Group'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 Group has elected not to adopt these standards, revisions, and interpretations in advance of their effective dates. The Group anticipates that the adoption of these standards, revisions, and interpretations will have no material impact on the Group'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 Group anticipates that adopting these standards, revisions and interpretations will have no material impact on the Group'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 Group'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 consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS relevant to the SPP Group, as adopted by the EU, do not significantly differ from IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated 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 accompanying consolidated financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of certain Group companies in order to conform the Slovak statutory and other financial statements to financial statements prepared in accordance with IFRS as adopted by the EU.

b) Business Combinations

(1) Subsidiaries

Those business undertakings in which SPP, directly or indirectly, has an interest of usually more than one half of the voting rights or otherwise has power to exercise control over the operations are defined as subsidiary undertakings (subsidiaries) and have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to SPP and they are no longer consolidated from the date when such control ceases.

The acquisition of subsidiaries is accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the interests in equity issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Identifiable acquired assets and assumed liabilities are recognised at fair value as at the acquisition date, except for:

- Deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree, which are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups of assets and liabilities) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously-held equity interest in the acquiree over the net of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously-held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that represent the existing equity securities and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may initially be measured either at fair value or at the non-controlling interest's proportional share in the acquiree's identifiable net assets. The selection of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in other IFRS.

When a business combination is carried out in stages, the Group's previously-held interest in the acquiree is remeasured to fair value at the acquisition date (ie the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that had previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill arising on consolidation is recognised as an asset and represents the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities, and contingent liabilities.

Goodwill is initially recognised at cost, is subsequently not depreciated and is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if there is an indication that it may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

All transactions, balances, and unrealised profits and losses on transactions within the Group have been eliminated upon consolidation.

(2) Investments in Associated Undertakings

Financial investments in associated undertakings are accounted for using the equity method.

Associated undertakings are entities in which SPP exercises substantial, but not controlling, influence. Owing to their impairment, a provision is recorded.

When applying the equity method, investments in associated undertakings are recognised in the balance sheet at cost adjusted for subsequent changes in the Group's share in the net assets of an associated undertaking. Goodwill related to associated undertakings is recognised in the carrying amount of an investment and is not depreciated. The income statement reflects a share in the associated undertakings' operating results. If a change occurs that was recognised directly in the associated undertakings' equity, the Group will recognise its share in such change and if necessary, recognise it in the statement of changes in equity. Profits and losses from transactions between the Group and associated undertakings are eliminated to the extent of the Group's investment in associated undertakings.

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" (AFS) financial assets 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 FVTPL

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

Financial assets at FVTPL 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 Group 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 financial assets)

AFS financial assets are non-derivatives that are either designated as AFS 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 AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS 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 financial investment 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 AFS monetary 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 FVTPL, 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 AFS equity investments, 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 financial investment 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 Group 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 FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

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

Financial liabilities at FVTPL 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 Group derecognises financial liabilities only when the Group'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 Group enters into a number of derivative contracts in order to manage the risk of changes in commodity prices and 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 Group 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 entity 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 Group 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 derivate 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 Group 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 consolidated 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 Group 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

In 2013, property, plant, and equipment used for gas transmission, distribution and storage 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 or based on internal estimates. Revaluation was performed with sufficient regularity (at least every five years) so that the net book value did not materially differ from that which is 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, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously charged. 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. Depreciation of remeasured property, plant, and equipment was charged as an expense in the income statement. The revaluation surplus from the revaluation of assets was gradually released to retained earnings over the depreciation period of the related assets. On the subsequent sale or disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Costs of the hydrocarbon reserves exploration were recognised in line with the success method. Under this method, the costs of geological exploration (exploratory wells) were capitalised as assets in the course of construction when incurred. Some costs, such as geological and geophysical research costs, are recognised directly in expenses. Exploration areas were reassessed at least once a year, with each area being assessed separately to ensure that hydrocarbon reserves were discovered and confirmed. Once the reserves were confirmed, the extraction was launched and the related costs were transferred from the assets in the course of construction to the relevant category of property, plant and equipment. A provision was created for exploratory wells expected to be unsuccessful.

As at 31 December 2013, property, plant and equipment used for gas transmission, distribution and storage were reclassified as assets held for sale (see also Note 8).

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

Items of property, plant, and equipment and intangible assets that are retired or otherwise disposed of are removed 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 assets to their estimated residual values over their residual useful lives. The useful lives used are as follows:

	2014	*2013*
Buildings and structures	8 - 40	8 - 40
Plant and machinery	3 - 15	3 - 15
Other non-current assets	3 - 8	3 - 8

Useful lives for 2013 do not include useful lives of assets reclassified to assets held for sale under IFRS 5 at the end of 2013.

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 Group'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 to significantly 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 rental income is initially recognised at cost inclusive of costs related to acquisition. Investment properties are subsequently recognised at historical cost. The Group does not apply any revaluation model for such assets.

h) Non-Current Tangible Assets Acquired Through Free-of-Charge Transfers

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

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

i) Research and Development

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

j) 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.

k) 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.

l) Provisions for Liabilities

A provision is recognised when the Group 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 discount 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 recorded when environmental clean-ups were probable and the associated costs could be reasonably estimated. Generally, the timing of these provisions coincided 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 was not settled in the following years, the amount recognised was the present value of the estimated future expenditure.

The Group estimated the costs relating to the abandonment of its production, exploration, and storage wells (including related centres and pipelines) and any related restoration costs. Additionally, the Group estimated costs relating to the abandonment and restoration of sites related to waste dumps. Estimated abandonment and restoration costs were based on current legislation, technology, and price levels. In respect of production wells and related centres, the estimated cost was recognised over the life of the proved extractable reserves on a unit-of-production basis. The provision for abandonment and restoration was created in an amount that included all anticipated future costs related to abandonment and restoration discounted to their present value and reflecting the inflation. The discount rate used reflected current market assessments of the time value of money and the risks specific to the liability.

Changes in the provisions for dismantling and site restoration that related to assets carried under the revaluation model under IAS 16, except for the unwinding of the discount, altered the related revaluation surplus or deficit in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". Such a change in the liability also resulted in the revaluation of dismantled assets which were previously recognised so that the assets are presented at their fair values as at the reporting date.

As at 31 December 2013, these provisions were reclassified to liabilities directly related to assets held for sale (see also Notes 14 and 17).

Provision for Various Litigation and Potential Disputes

The financial statements include a provision for various 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.

m) Greenhouse Gas Emissions

The Group received free emission rights as a result of the "European Emission Trading Scheme". The rights were received on an annual basis and in return the Group is required to return rights equal to its actual emissions. The Group recognised a net liability resulting from the gas emissions. Therefore, a provision was only recognised when actual emissions exceeded the emission rights received free of charge. When emission rights were purchased from other parties, they were measured at cost and treated as a reimbursement right as part of intangible assets. When emission rights were acquired by exchange, they are measured at fair value as at the date when they become available for use and the difference between the fair value and cost was recognised through profit or loss.

As at 31 December 2013, items of assets and liabilities related to such emissions were reclassified to assets held for sale or liabilities directly related to assets held for sale (see also Notes 14 and 17).

n) Revenue Recognition

Sales are recorded upon the delivery of products or the performance of services, net of value added tax and discounts. The Group records revenues from sales of 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.

o) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they incurred, except for borrowing costs directly attributable to the acquisition, construction or production of the relevant non-current assets. Such borrowing costs are recognised in the period when the assets are placed into service as part of their cost.

p) Social Security and Pension Schemes

The Group 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.

r) Retirement and Other Long-Term Employee Benefits

The Group has a long-term employee benefit program comprising a lump-sum retirement benefit, loyalty benefit for years worked, 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.

s) Leases

Finance lease
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.

t) Taxation

Income tax is calculated from the profit/loss before tax recognised under IFRS adjusted to 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.

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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated undertakings, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

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. Where current tax and deferred tax arise from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

Special Levy on Business in Regulated Industries
Pursuant to the requirements of the IFRS, the Group's income tax also includes a special levy as per Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries and on Amendment to and Supplementation of Certain Acts. It is recognised through profit or loss.

Some of the Group companies are regulated entities obliged to pay a special levy from September 2012 with an extension until December 2016 (under the amended law). The levy period is a 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. The special levy is included in the income tax.

u) 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 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.

On consolidation, the assets and liabilities of the foreign subsidiaries are translated at the ECB exchange rates prevailing on the reporting date. Revenues and expenses are translated at the average exchange rates for the period. Foreign exchange differences, if any, are classified as equity as foreign exchange translation reserve. Such reserve is recognised as income or as an expense at the moment the financial investment in a subsidiary is disposed of.

v) Non-Current Assets Held for Sale or Reorganisation and Partial Sale

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.

When the Group committed to the plan and its implementation results in a loss of control over a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale if the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

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.

w) Government Grants and Subsidies Provided by the European Union

Grants and subsidies are not recognised unless there is reasonable assurance that (i) the Group will comply with the conditions related to the receipt of grants and subsidies, and (ii) the grants and subsidies will be received.

Grants and subsidies are recognised in the income statement on a systematic basis over the periods in which the Group recognises expenses that were to offset the grants and subsidies. Specifically, grants and subsidies whose primary purpose is to enable the Group to purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet, and are recognised in the income statement on a systematic and rational basis during the economic useful life of the related assets.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, as described in Note 3, the Group 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

The Group 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, the Group 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

In 2013, the Group calculated and recorded significant amounts related to the impairment of property, plant, and equipment on the basis of an assessment of their future use, planned liquidation or sale. For more information on the impairment of property, plant and equipment, see Note 9.

Unbilled 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 customer.

Current Crisis in Ukraine

The Group is monitoring the development of the current crisis in Ukraine and its potential impact on the Group's business. The Group's management believes that a significant negative impact on the Group's financial performance is unlikely. The Group 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, however, these cannot be reliably estimated.

Provision for Onerous Contracts

As at 31 December 2014 and 31 December 2013, the consolidated 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.

(in million EUR)

Decisions In Application of Accounting Policies

In addition to key sources of uncertainty listed above, the Group used a 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 consolidated financial statements. These requirements mainly include:

- Evaluation of compliance with requirements under IFRS 5 when assessing the classification of assets and liabilities of subsidiaries that are subject to the future reorganisation of SPP (see Notes 1.3 and 3v); 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. STRUCTURE OF THE GROUP

Consolidated Subsidiaries

The consolidated subsidiaries as at 31 December 2014 are as follows:

Name	*Seat*	*Ownership share %*	*Principal activity*
SPP CZ, a.s.	Novodvorská 803/82, Prague, Czech Republic	100.00	Gas purchase and sale

The consolidated subsidiaries as at 31 December 2013 are as follows:

Name	*Seat*	*Ownership share %*	*Principal activity*
eustream, a.s.	Votrubova 11/A, Bratislava, Slovakia	100.00	Transmission pipeline operation
SPP – distribúcia, a.s.	Mlynské nivy 44/b, Bratislava, Slovakia	100.00	Distribution pipeline operation
SPP CZ, a.s.	Novodvorská 803/82, Prague, Czech Republic	100.00	Gas purchase and sale
SPP Infrastructure, a.s. (4)	Mlynské nivy 44/a, Bratislava, Slovakia	100.00	Asset holding
SPP Infrastructure Financing B.V. (5)	Weteringschans 26, Amsterdam, Netherlands	100.00	Issue of bonds
SPP Bohemia a.s.(2)	Sokolovská 651/136A, Prague, Czech Republic	100.00	Holding company
SPP Storage, s.r.o.(3)	Sokolovská 651/136A, Prague, Czech Republic	100.00	Storage of natural gas
NAFTA a.s. („NAFTA")	Votrubova 1, Bratislava, Slovakia	56.15	Natural gas storage and hydrocarbon exploration and production
Nafta Exploration, s.r.o. (1)	Plavecký Štvrtok 900, Slovakia	56.15	Exploration
Karotáže a cementace, s. r. o.	Velkomoravská 2606/83, Hodonín, Czech Republic	28.64	Logging and cementation
GEOTERM KOŠICE, a. s.	Moldavská 12, Košice, Slovakia	95.82	Utilisation of geothermal energy

(1) 100% shareholding held directly by NAFTA a.s.
(2) Acquired as at 29 July 2010, recognised previously as a joint venture.
(3) Established by the sole shareholder on 22 February 2011
(4) Established by the sole shareholder on 22 May 2013
(5) Established by the sole shareholder on 24 May 2013

6. FINANCIAL INSTRUMENTS

a) Financial Risk Factors

The Group is exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates of loans and gas purchase and selling prices. The Group'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 Group. In 2014 and 2013, the Group entered into derivative transactions, for example, interest rate swaps, commodity swaps and forward currency contracts 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 in foreign currency. The purpose of interest rate swaps is to fix interest rates on loans. The purpose of commodity swaps is to limit the price risks of sales contracts made with customers as well as purchase contracts with suppliers.

The main risks arising from the Group's financial instruments are foreign currency risk, commodity price risk, interest rate risk, credit risk, and liquidity risk. Risk management is decentralised and performed by the audit, risk and process management section, using policies approved by the Board of Directors or the management of individual group companies.

(1) Foreign Currency Risk

The Group 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:

	Financial assets		*Financial liabilities*	
In million EUR	***As at 31 December 2014***	***As at 31 December 2013***	***As at 31 December 2014***	***As at 31 December 2013***
USD	-	7	-	190
CZK	29	34	21	35

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

Open forward foreign currency contracts	***Fair value***			
	2014 Cash flow hedges	***2014 Held for trading***	***2013 Cash flow hedges***	***2013 Held for trading***
Sale CZK				
Less than 3 months	-	-	-	-
3 to 12 months	-	-	-	1
More than 12 months	-	-	-	-

Sensitivity to foreign currency changes

The following tables show the Group's sensitivity to a 3% weakening of the Euro against the CZK. 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.

	Impact of CZK	
	As at 31 December 2014	***As at 31 December 2013***
Effect on profit/loss before tax	1	1

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

(2) Commodity Price Risk

The Group is a party to framework agreements for the purchase of natural gas. In addition, the Group enters into contracts for the sale of natural gas and natural gas storage. The Group covers a portion of the risks related to changes in oil and natural gas prices by commodity derivative instruments. Contracts for natural gas storage are at fixed prices, which are escalated based on price indices every year.

As at 31 December 2014 and 31 December 2013, the Group also used commodity swap contracts to manage the risk of commodity price fluctuations. Changes in the fair value are recognised in the income statement.

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

Open swap commodity contracts	***2014***		***2014***	
	Nominal value		***Fair value***	
In million EUR	***Fair value hedging***	***Held for trading***	***Fair value hedging***	***Held for trading***
Purchase/Sell gas				
Less than 3 months	131	1	(15)	(1)
3 to 12 months	191	2	(27)	4
Over 12 months	42	1	(4)	-

Open swap commodity contracts	***2013***		***2013***	
	Nominal value		***Fair value***	
In million EUR	***Fair value hedging***	***Held for trading***	***Fair value hedging***	***Held for trading***
Purchase/Sell gas				
Less than 3 months	140	4	3	(5)
3 to 12 months	252	7	2	(6)
Over 12 months	19	-	-	-

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 Group was exposed to interest rate risk arising from the volatility of interest rates. In the Group, the risk was addressed by interest rate 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 the Group, 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 credit 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 is not possible, since under the loan agreements if interest rates decrease to a negative level, interest rates are considered to be zero, ie interest rates cannot be negative values), interest expenses would decrease by EUR 0.01 million.

(in million EUR)

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

Interest rate swaps	*Average fixed interest rate*		*Nominal value*		*Fair value*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
Recognised as hedging	1,82 %	1,82 %	100	100	(1)	(2)
– Less than 3 months	-	-	-	-	-	-
– 3 to 12 months	-	-	-	-	(1)	(1)
– Over 12 months	-	-	-	-	-	(1)
Held for trading	1,16 %	1,16 %	600	600	(2)	(6)
– Less than 3 months	-	-	-	-	(1)	(1)
– 3 to 12 months	-	-	-	-	(1)	(3)
– Over 12 months	-	-	-	-	-	(2)

The sensitivity analysis (see below) has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

(4) Credit risk related to receivables

The Group sells its products and services to various customers that, neither individually nor jointly in terms of volume and solvency, represent significant risk that the receivable will not be settled pursuant to the valid risk management policy. The Group 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 management 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 Group has funds and undrawn credit lines at its disposal.

As at 31 December 2014, the Group drew credit facilities in the amount of EUR 108 million (2013: EUR 294 million), of which short-term credit facilities amounted to EUR 24 million (2013: EUR 110 million) and long-term credit facilities amounted to EUR 84 million (2013: EUR 184 million).

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 final maturity date, while the loan is payable in a lump sum as at the final maturity date, ie in 2020.

All loans are provided without any collateral, using common market provisions (pari-passu, ban to pledge assets, substantial negative impact). If necessary, maturing credit facilities may be paid off from undrawn credit facilities, as well as from available funds and tradable securities.

(in million EUR)

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

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
31 December 2014						
Trade payables	-	155	-	-	-	155
Other liabilities	-	29	28	4	-	61
Variable interest rate instruments	-	-	24	-	-	24
Fixed interest rate instruments	-	-	-	-	84	84
31 December 2013						
Trade payables	-	300	-	-	-	300
Other liabilities	-	413	-	3	-	416
Variable interest rate instruments	-	-	110	100	-	210
Fixed interest rate instruments	-	-	-	-	84	84

b) Capital Risk Management

The Group manages its capital to ensure that the Group companies are able to continue 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 Group consists of debt, ie borrowings disclosed in Note 15, cash and cash equivalents and equity attributable to the owners of the parent company, which comprise the registered capital, legal and other reserves, revaluation reserves, and retained earnings as disclosed in Notes 18 and 19. The gearing ratio at the year-end of 2014 was 3% (2013: 0%).

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

	At 31 December 2014	*At 31 December 2013*
Debt (i)	108	294
Cash and cash equivalents	24	414
Net debt	84	-
Equity (ii)	2 411	5 140
Net debt to equity ratio	**3%**	**0%**

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

c) Categories of Financial Instruments

	At 31 December 2014	*At 31 December 2013*
Financial assets	**474**	**1 026**
Financial derivatives recognised as hedging	40	7
Financial derivatives held for trading	6	2
Investments held to maturity	-	-
Loans and receivables (including cash and cash equivalents)	428	1 017
Available-for-sale financial assets	-	-
Financial assets held for sale	-	-
Financial liabilities	**324**	**1 010**
Fair value through profit and loss	-	-
Financial derivatives recognised as hedging	48	9
Financial derivatives held for trading	2	17
Financial liabilities carried at amortised costs	274	984

d) Estimated Fair Value

The fair value of publicly-traded derivatives, investments at fair value through profit and loss, and available-for-sale securities is based on the quoted market prices at the reporting date taking into account credit risk of various parties.

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

(in million EUR)

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

The fair value of forward currency contracts is determined using forward currency rates at the reporting date.

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.

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 million as at 31 December 2014 (31 December 2013: EUR 188 million).

When determining the fair value of non-traded derivatives and other financial instruments, the Group 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.

Year 2014	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**-**	**46**	**-**	**46**
Financial derivatives held for trading	-	6	-	6
Financial derivatives recognised as hedging	-	40	-	40
Available-for-sale financial assets	-	-	-	-
Financial liabilities at fair value	-	**50**	-	**50**
Financial derivatives held for trading	-	2	-	2
Financial derivatives recognised as hedging	-	48	-	48

Year 2013	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**-**	**10**	**7**	**17**
Financial derivatives held for trading	-	2	-	2
Financial derivatives recognised as hedging	-	8	-	8
Available-for-sale financial assets	-	-	7	7
Financial liabilities at fair value	-	**27**	-	**27**
Financial derivatives held for trading	-	17	-	17
Financial derivatives recognised as hedging	-	10	-	10

(in million EUR)

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

	Financial derivatives used as hedging	*Held-for-trading financial derivatives*	*Available-for-sale financial investments*	*Total*
Opening balance 2012	-	-	**194**	**194**
Gains/losses recognised in the income statement	-	-	(184)	(184)
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfer to assets held for sale	-	-	(10)	(10)
Transfers	-	-	7	7
Closing balance 2013	-	-	**7**	**7**
Gains/losses recognised in the income statement	-	-	(7)	(7)
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfers	-	-	-	-
Closing balance 2014	-	-	-	-

Embedded Derivative Instruments

The Group 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 Group has assessed all other significant contracts and agreements for embedded derivatives that should be recorded. The Group 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).

7. INVESTMENTS RECOGNISED USING THE EQUITY METHOD

	Joint ventures	*Associated undertakings*	*At 31 December 2014*	*At 31 December 2013*
Cost	-	3 012	3 012	-
Decrease of the registered capital and payment of dividends	-	(1 057)	(1 057)	-
Share in post-acquisition profit, net of dividends received	-	165	165	-
Net book value	**-**	**2 120**	**2 120**	**-**

Details of the Group's associated undertakings as at 31 December 2014 can be summarised as follows:

Name	*Seat*	*Ownership interest %*	*Principal activity*	*Value under equity method at 31 December 2014*
SPP Infrastructure, a. s.	Mlynské nivy 44/a, Bratislava, Slovakia	51.00	Holding company	2 120

On 4 June 2014, SPP sold its near 49% ownership interest including management control in SPP Infrastructure, a.s. to SGH and has retained a non-controlling, near 51% ownership interest in SPP Infrastructure, a.s., which became the associated undertaking of SPP. SPP has recognised this ownership interest in SPP Infrastructure, a.s. using the equity method.

The SPP Group's share of the resulting asset revaluation reserve related to SPP Infrastructure amounts to EUR 124 million net of deferred tax.

(in million EUR)

The revaluation relates to property, plant and equipment used for the distribution and storage of natural gas. As at 31 December 2014, fair values of such assets were confirmed based on an estimate derived from the calculation of discounted future cash flows. Future cash flows relating to such property, plant and equipment were discounted using an estimated discount rate; in the opinion of the companies the rate approximates the time value of money, expressed by the present market risk-free interest rate and a price for the assumption of potential uncertainty and risks linked to the referred assets. Information on the revaluation of such assets is disclosed in Note 9.

If the non-current assets of the SPP Infrastructure Group were not revalued, SPP's share in such assets as at 31 December 2014 would be EUR 2 666 million.

An overview of assets, liabilities, revenues, and expenses of SPP Infrastructure, a.s. (for the period from 4 June 2014 to 31 December 2014) is as follows:

	At 31 December 2014
Property, plant and equipment	5 471
Investments in securities	50
Intangible assets	10
Current assets	913
Total assets	**6 444**
Non-current interest-bearing borrowings	1 516
Provisions for liabilities and other long-term liabilities	1 019
Current liabilities	259
Total liabilities	**2 794**
Net assets	**3 650**

	Period from 4 June 2014 to 31 December 2014
Revenues	678
Profit before income taxes	212
Income tax including deferred tax	(47)
Profit after tax	**165**

A reconciliation of the financial information stated above with the carrying amount of the share in SPP Infrastructure, a.s. recognised in these consolidated financial statements is as follows:

	At 31 December 2014
Net assets of SPP Infrastructure, a.s.	3 650
Ownership interest (51%)	1 861
Goodwill	259
Other adjustments	-
Carrying amount of the share in SPP Infrastructure, a.s.	**2 120**

Details of the Group's associated undertakings as at 31 December 2013 can be summarised as follows:

Name	*Seat*	*Ownership interest %*	*Principal activity*	*Value under equity method at 31 December 2013*
SLOVGEOTERM, a. s.	Palisády 39, Bratislava, Slovakia	50.00	Geothermal energy	-

(in million EUR)

Details of the Group's joint ventures as at 31 December 2013 can be summarised as follows:

Name	***Seat***	***Ownership interest %***	***Principal activity***	***Value under equity method at 31 December 2013***
POZAGAS a. s. [1]	Malé námestie 1, Malacky, Slovakia	54.65	Gas storage	-
P R O B U G A S, a. s.	Miletičova 23, Bratislava, Slovakia	50.00	LPG retail	-
Total				**-**

[1] Shareholding held directly by SPP, a. s. (35%), NAFTA a.s. (35%), and GDF SUEZ SA (30%)

The amount of investments recognised using the equity method was presented at 31 December 2013 in accordance with requirements of IFRS 5 as assets held for sale (see also Note 8).

8. ASSETS HELD FOR SALE OR REORGANISATION AND PARTIAL SALE

Assets held for sale comprised assets of the subsidiaries: SPP – distribúcia, a.s., eustream, a.s., SPP Storage, s.r.o., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., GEOTERM Košice, a.s., and the value of joint ventures, associates and other companies: Pozagas a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. As at 31 December 2013, the Group reclassified such assets to assets held for sale, since it concluded that by signing an agreement between the shareholders of SPP, the requirements of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" have been met. See also Note 1.3.

Subsidiaries' assets classified as held for sale can be summarised as follows:

	31 December 2013
NON-CURRENT ASSETS	
Property, plant and equipment	5 625
Investments recognised using the equity method	38
Available-for-sale non-current investments and other investments	8
Non-current intangible assets	89
Non-current borrowings	589
Other non-current assets	-
Total non-current assets	**6 349**
CURRENT ASSETS	
Inventories	179
Receivables and prepayments	101
Income tax assets	8
Available-for-sale investments	-
Cash and cash equivalents	157
Total current assets	**445**
TOTAL ASSETS	**6 794**

Information on liabilities directly related to assets held for sale is stated in Note 17.

(in million EUR)

9. PROPERTY, PLANT AND EQUIPMENT

	Regulation stations (at fair value)	*Compressor stations* (at fair value)	*In-let and market delivery stations* (at fair value)	*Gas pipelines* (at fair value)	*Underground storage facilities* (at fair value)	*Land and buildings* (at historical cost)	*Plant, machinery and equipment* (at historical cost)	*Other non-current tangible assets* (at historical cost)	*Assets in the course of construction* (at historical cost)	*Total*
Year ended 31 December 2013										
Opening net book value	108	414	70	4 482	1 090	256	31	3	89	6 543
Revaluation	-	-	-	-	(609)	-	-	-	-	(609)
Additions	-	-	-	-	-	-	-	-	122	122
Placed into service	5	24	1	46	12	12	2	1	(103)	-
Reclassifications	-	(19)	-	(13)	3	(12)	6	4	31	-
Disposals	(1)	(5)	-	(5)	(12)	(1)	(2)	-	(1)	(27)
Depreciation charge	(9)	(34)	(3)	(146)	(25)	(12)	(10)	(2)	-	(241)
Change of provisions	-	(1)	-	-	-	3	-	-	(5)	(3)
FX gains/losses	-	-	-	-	(10)	(6)	-	-	-	(16)
Change in revaluation surplus	-	-	-	-	(10)	-	-	-	-	(10)
Transfer to assets held for sale (see Note 8)	(103)	(379)	(68)	(4 364)	(439)	(114)	(22)	(5)	(131)	(5 625)
Closing net book value	**-**	**-**	**-**	**-**	**-**	**126**	**5**	**1**	**2**	**134**
31 December 2013										
Cost	-	-	-	-	-	214	25	5	2	246
Provisions and accumulated depreciation	-	-	-	-	-	(88)	(20)	(4)	-	(112)
Net book value	**-**	**-**	**-**	**-**	**-**	**126**	**5**	**1**	**2**	**134**
Historical NBV at 31 December 2013, if no revaluation was performed	**-**	**-**	**-**	**-**	**-**	**126**	**5**	**1**	**2**	**134**
Year ended 31 December 2014										
Opening net book value	-	-	-	-	-	126	5	1	2	134
Additions	-	-	-	-	-	-	-	-	1	1
Placed into service	-	-	-	-	-	1	1	-	(2)	-
Reclassification to Investment Property	-	-	-	-	-	(23)	-	-	-	(23)
Disposals	-	-	-	-	-	(2)	-	-	-	(2)
Depreciation charge	-	-	-	-	-	(5)	(1)	-	-	(6)
Change of provisions	-	-	-	-	-	(8)	-	-	-	(8)
Contribution to the subsidiary SPP CNG	-	-	-	-	-	(2)	(2)	-	-	(4)
Closing net book value	**-**	**-**	**-**	**-**	**-**	**87**	**3**	**1**	**1**	**92**
31 December 2014										
Cost	-	-	-	-	-	165	21	5	1	192
Provisions and accumulated depreciation	-	-	-	-	-	(78)	(18)	(4)	-	(100)
Net book value	**-**	**-**	**-**	**-**	**-**	**87**	**3**	**1**	**1**	**92**
Historical net book value at 31 December 2014	**-**	**-**	**-**	**-**	**-**	**87**	**3**	**1**	**1**	**92**

(in million EUR)

Type and amount of insurance of non-current intangible and tangible assets

Insured assets	*Type of insurance*	*Cost of insured assets* 2014	*Cost of insured assets* 2013	*Name and seat of the insurance company*
Buildings, halls, structures, machinery, equipment, fittings & fixtures, low-value TFA, other TFA, works of art, inventories (except for gas pipelines)	Insurance of assets	228	241	2014: AIG Europe Limited, pobočka zahraničnej poisťovne 2013: Allianz-Slovenská poisťovňa, a.s. /Kooperativa, a.s.
Motor vehicles	Motor third-party liability insurance	0.2	-	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 manufactured in 2005 and 2006 and with 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.

Revaluation of Non-Current Assets for Use in Gas Transmission, Distribution and Storage

Property, plant, machinery and equipment used for natural gas transmission, distribution and storage were recognised at their revalued amounts. The last revaluation for the natural gas transmission segment was performed in 2012, for the natural gas storage segment in 2013 and for the natural gas distribution segment in 2011, based on the assets' condition as observed and the assets replacement cost by reference to market evidence of recent market transactions for similar assets and replacement cost estimate methodologies. Replacement costs were based on the costs of Equivalent Assets (EA) and estimate the net book value of assets from the EA cost, useful life and age of existing assets (Depreciated Replacement Cost methodology). The updated remeasurement of assets used in the natural gas storage segment resulted in the significant decrease of fair value estimates due to the developments on the storage market.

In accordance with IAS 16, in revaluing the assets, accumulated depreciation was accounted for with the cost of the assets.

As at 31 December 2013, NAFTA has reassessed the impairment of property, plant and equipment in accordance with IAS 36 "Impairment of Assets" on the basis of an evaluation of their future use, liquidation, or sale. NAFTA has determined the amount of the provision on the basis of the present value of future cash flows, liquidation plan, estimated sale price or sale price of other assets. A discount rate of 12% was used to calculate the present value of future cash flows of the "hydrocarbon production and exploration" cash-generating unit.

10. INVESTMENT PROPERTY

	2014
Opening net book value	-
Reclassification from non-current tangible assets	23
Depreciation charges	(1)
Change of provisions	(1)
Additions and disposals	2
Closing net book value	**23**

SPP leases non-gas assets primarily to SPP – distribúcia, a.s. In accordance with IAS 40, SPP opted for recognition at historical cost. If the revaluation model was used, the restated value of the assets would be EUR 25 million.

11. INVENTORIES

	At 31 December 2014	*At 31 December 2013*
Natural gas	278	339
Raw materials	-	-
Provisions	(5)	(9)
Total	**273**	**330**

(in million EUR)

As at 31 December 2014, a provision was recorded for natural gas related to the adjustment of the cost of natural gas to its net realisable value in the amount of EUR 5 million (31 December 2013: EUR 9 million).

12. RECEIVABLES AND PREPAYMENTS

	At 31 December 2014	*At 31 December 2013*
Trade receivables from the sale of natural gas and electricity	294	549
Prepayments for distribution of natural gas	48	-
Receivables from financial derivatives (Note 6 d)	41	8
Prepayments and other receivables	38	19
Other tax assets	-	1
Total	**421**	**577**

All amounts are receivable within one year.

Trade receivables from the sale of natural gas and electricity 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 million (31 December 2013: EUR 134 million).

As at 31 December 2014, the Group recorded receivables within maturity in the amount of EUR 402 million and receivables overdue in the amount of EUR 147 million, excluding provisions. As at 31 December 2013, the Group recorded receivables within maturity and overdue in the amount of EUR 562 million and EUR 149 million, respectively, excluding provisions.

Movements in the provision for bad and doubtful receivables were as follows:

	At 31 December 2014	*At 31 December 2013*
Balance at 1 January	134	180
Use of provision	(1)	(7)
Release of provision	(13)	(4)
Additions to provision	8	20
Transfer to assets held for sale (see Note 8)	-	(55)
Closing balance	**128**	**134**

Receivables overdue that were not provided for:

	2014	*2013*
Less than 3 months	14	10
3 to 12 months	-	-
More than 12 months	-	-
Total	**14**	**10**

Receivables overdue that were provided for:

	2014	*2013*
Less than 3 months	2	1
3 to 12 months	9	20
More than 12 months	122	118
Total	**133**	**139**

(in million EUR)

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 new 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 at the date of retirement. The benefits range from three month to five months of the employee's average salary. 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, 768 employees of SPP (31 December 2013: 908) were covered by this program. As of that date, it was an unfunded program, with no separately-allocated assets to cover the program's liabilities.

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

	Long-term benefits	*Post-employment benefits*	*Total benefits at 31 December 2014*	*Total benefits at 31 December 2013*
Net liability at 1 January	-	2	2	9
Net expense recognised	-	-	-	2
Benefits paid	-	-	-	-
Transfer to liabilities held for sale (see Note 17)	-	-	-	(9)
Net liabilities	**-**	**2**	**2**	**2**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2013	-	2	2
At 31 December 2014	-	2	2

Key assumptions used in the actuarial valuation:

	At 31 December 2014	*At 31 December 2013*
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

Movements in the provisions for liabilities are summarised as follows:

	Provision for onerous contracts	*Other provisions*	*Total provisions at 31 December 2014*	*Total provisions at 31 December 2013*
Balance at 1 January	22	26	48	233
Effect of discounting	-	-	-	2
Additions	22	-	22	35
Use	(17)	-	(17)	(22)
Reversal	(5)	(1)	(6)	(69)
Transfer to liabilities directly related to assets held for sale (see Note 17)	-	-	-	(131)
Closing balance	**22**	**25**	**47**	**48**

(in million EUR)

The provisions are included in liabilities as follows:

	Current provisions (included in provisions and other current liabilities)	*Non-current provisions*	*Total provisions*
At 31 December 2013	22	26	48
At 31 December 2014	20	27	47

a) Provision for Onerous Contracts

The Group 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 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 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 in spot markets, which are volatile. The actual losses generated with regard to these contracts may vary and such differences may be material.

b) Other Provisions

Other provisions include an amount of EUR 25 million (31 December 2013: EUR 25 million) for various litigation and potential disputes. Refer also to Note 26.

15. INTEREST-BEARING BORROWINGS

	31 December 2014 Secured	*31 December 2014 Unsecured*	*31 December 2014 Total*	*31 December 2013 Secured*	*31 December 2013 Unsecured*	*31 December 2013 Total*
Loans	-	108	108	-	294	294
Bonds	-	-	-	-	-	-
Total loans	**-**	**108**	**108**	**-**	**294**	**294**
Loans by currency						
EUR						
- with fixed interest rate	-	84	84	-	84	84
- with variable interest rate	-	24	24	-	210	210
Total loans	**-**	**108**	**108**	**-**	**294**	**294**
Loans are due as follows:						
Less than 1 year	-	24	24	-	110	110
1 to 2 years	-	-	-	-	100	100
2 to 5 years	-	-	-	-	-	-
More than 5 years	-	84	84	-	84	84
Total loans	**-**	**108**	**108**	**-**	**294**	**294**

In 2014 and 2013, the Group drew loans denominated in EUR bearing both floating and fixed interest rates. The average interest rate of the loans drawn as at 31 December 2014 was 3.49% p.a. (31 December 2013: 3.57% p.a.). The average loan maturity as at 31 December 2014 was 4.27 years (5.18 years in 2013).

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

In 2013, SPP Infrastructure Financing, B.V. (the former subsidiary) issued bonds bearing a fixed interest rate of 3.75% p. a. and falling due on 18 July 2020; a guarantee was provided by eustream, a.s. As at 31 December 2013, these bonds were recognised in liabilities directly related to assets held for sale (see also Note 17).

(in million EUR)

Interest rates on loans and bonds:

Loans	***2014***	***2013***
EUR		
– with a fixed rate	4.125	4.125 – 4.37 %
– with a variable rate	1M EURIBOR plus margin	1M EURIBOR plus margin

The carrying amount and face value of loans:

	Carrying amount		***Face value***	
	31 December 2014	***31 December 2013***	***31 December 2014***	***31 December 2013***
Loans	108	294	109	295
Bonds	-	-	-	-
Total	**108**	**294**	**109**	**295**

The Group has the following outstanding credit facilities:

	At 31 December 2014	***At 31 December 2013***
Variable rate:		
- due within 1 year	329	250
- due after more than 1 year	-	-
Fixed rate:		
- due within 1 year	-	-
- due after more than 1 year	500	-
	829	**250**

Based on certain loan agreements, SPP is required to comply with the agreed financial covenants, ie on each relevant day of each calendar year over the term of the loan agreement, 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 not be higher than 2. As at 31 December 2014, the Company complied with this covenant.

16. TRADE AND OTHER PAYABLES

	At 31 December 2014	***At 31 December 2013***
Payables from purchases and supplies of natural gas and electricity	131	273
Other trade payables and other payables	24	27
Other liabilities	4	383
Employee liabilities	6	4
Social security and other taxes	11	7
Payables from financial derivatives	45	23
Total	**221**	**717**

The payables arising from purchases and sales of natural gas and electricity represent current liabilities resulting from the purchase of natural gas and electricity, overpayments for natural gas and electricity supplies to customers.

As at 31 December 2014, the Group recorded payables within maturity in the amount of EUR 221 million (31 December 2013: EUR 717 million) and overdue payables in the amount of EUR 0 million (31 December 2013: EUR 0 million).

The Group has no significant liability secured by a pledge or any other form of collateral.

(in million EUR)

Social fund payables:

	Amount
Opening balance as at 1 January 2014	1
Total additions:	0.2
from expenses	*0.2*
from profit	-
Total drawing:	(0.5)
monetary rewards and gifts	-
life jubilee benefits	-
work jubilee benefits	-
catering allowance	*(0.1)*
other	*(0.4)*
Closing balance as at 31 December 2014	**0.7**

17. LIABILITIES RELATED TO ASSETS HELD FOR SALE OR REORGANISATION AND PARTIAL SALE

Liabilities directly related to assets held for sale include consolidated subsidiaries that are subject to the reorganisation and partial sale (see Note 1.3). Information on assets held for sale is stated in Note 8.

	31 December 2013
Deferred income	55
Provisions for liabilities	112
Non-current interest-bearing borrowings	868
Retirement and other long-term employee benefits	9
Deferred tax liability	873
Other non-current liabilities	5
Total non-current liabilities	**1 922**
CURRENT LIABILITIES	
Trade and other payables	91
Current portion of non-current interest-bearing borrowings	-
Income tax liabilities	67
Provisions and other current liabilities	19
Total current liabilities	**177**
Total liabilities	**2 099**
TOTAL EQUITY AND LIABILITIES	**6 794**

18. 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., the 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 recorded 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 recorded in the Commercial Register in the full amount.

(in million EUR)

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.

19. NON-DISTRIBUTABLE RESERVES

Since 1 January 2006, SPP has been required to prepare IFRS financial statements (both separate and consolidated) only. Distributable profit represents retained earnings only as stated in the separate financial statements.

The legal reserve fund in the amount of EUR 1 198 million (31 December 2013: EUR 369 million) 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 (as presented in the individual financial statements) 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 18), a legal reserve fund was created pursuant to Article 215b of the Commercial Code in the amount of EUR 850 million.

SPP has assessed that there are no clear rules or legislation on the distribution of the amounts included in the asset revaluation reserve to the shareholders. SPP is of an opinion that the asset revaluation reserve is not immediately available for distribution to SPP'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 upon the sale, contribution or disposal of the asset. These transfers to retained earnings are distributable.

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

Hedging reserves

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

	Year ended 31 December 2014	***Year ended 31 December 2013***
Opening balance	(2)	(13)
Gain/loss from cash flow hedging	-	-
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	-	(1)
Interest rate swap contracts	(5)	(2)
Income tax applicable to gains/losses recognised through equity	(1)	1
Transfers to profit and loss		
Currency forward contracts	-	-
Commodity swap contracts	(5)	2
Commodity forward contracts	-	-
Interest rate swap contracts	5	16
Income tax applicable to gains/losses recognised through profit/loss	-	(5)
Transfer to initial carrying amount of the hedged item	-	-
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	-	-
Income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
Profit/(loss) for the year from discontinued operations	-	-
Closing balance	**(8)**	**(2)**

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.

(in million EUR)

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 consolidated income statement:

	Year ended 31 December 2014	*Year ended 31 December 2013*
Continuing operations		
Sale of natural gas and electricity	-	3
Purchase of natural gas and electricity, consumables and energy consumption	-	-
Other costs, net	-	-
Finance costs	2	16
Income tax charged to expenses	-	(4)
Total	**2**	**15**

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.

	Year ended 31 December 2014	*Year ended 31 December 2013*
Opening balance	-	17
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	-	(22)
Income tax related to gains/losses recognised in the income statement	-	5
Closing balance	**-**	**-**

Items transferred to the income statement upon the sale of the shares in Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s. and Jihomoravská plynárenská, a.s. were recognised as investment income in 2013 (see Notes 21).

20. STAFF COSTS

	Year ended 31 December 2014	*Year ended 31 December 2013*
Continuing operations		
Wages, salaries and bonuses	23	10
Social security costs	7	9
Other social security costs and severance pay	2	4
Total staff costs	**32**	**23**

The Group makes a contribution amounting to 35.2% of the relevant assessment base according to the law, however, no more than from approximately EUR 4 thousand (except for accident insurance). The employees contribute to these funds an additional 13.4% of their assessment bases, but only up to the above limits.

(in million EUR)

21. INVESTMENT INCOME

	Year ended 31 December 2014	*Year ended 31 December 2013*
Continuing operations		
Interest income	1	-
Cumulative gain/(loss) reclassified from equity upon the sale of available-for-sale financial investments	-	22
Net gain/(loss) from financial derivative instruments designated at fair value through profit and loss	2	(33)
Gain/(loss) from ineffective cash flow hedging	-	(2)
Dividends from available-for-sale financial investments	-	-
Other investment income, net	-	-
Total investment income	**3**	**(13)**

22. TAXATION

22.1. Income Tax

Income tax comprises the following:

	Year ended 31 December 2014	*Year ended 31 December 2013*
Current income tax	-	(2)
Special levy on business in regulated industries	-	-
Share in income tax of associated undertakings and joint ventures	-	-
Deferred income tax (Note 22.2)		
– current year	(4)	31
– effect of the change in the tax rate on deferred tax	-	-
Total	**(4)**	**29**

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

	Year ended 31 December 2014	*Year ended 31 December 2013*
Profit/(loss) before taxation	14	(107)
Income tax at 22%, or 23% respectively	3	-
Effect of adjustments from permanent changes between carrying amount and tax value of assets and liabilities	(48)	11
Withholding tax	-	-
Reversal of a deferred tax and the effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised	42	45
Additional tax charges	(1)	(2)
Other adjustments	-	-
Income tax for the year	**(4)**	**29**

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 valid tax legislation. Such adjustments primarily include tax non-deductible provisions for liabilities and provisions for assets, a difference between tax and accounting deprecation charges of non-current assets, the revaluation reserve for non-cash contributions, etc. In addition as at 31 December 2014, deferred tax assets were not recognised as there are uncertainties as to sufficient future taxable income to utilise such deferred tax assets.

For the deferred income tax calculation, the Group applied an income tax rate of 22% in 2014 (22% in 2013), that has been valid in Slovakia as of 1 January 2014.

(in million EUR)

22.2. Deferred Income Tax

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

	At 1 January 2013	*(Charge)/Credit to Other Comprehensive Income/Losses*	*(Charge)/Credit to Profit for the Period*	*At 31 December 2013*
Difference in NBV of non-current assets	(1 119)	170	44	(905)
Revaluation of financial investments available for sale	(5)	5	-	-
Revaluation of derivatives	2	(2)	-	-
Provisions and employee benefits	40	-	(17)	23
Provisions for receivables	11	-	(10)	1
Impairment loss	8	-	(10)	(2)
Other	10	-	(3)	7
Total	**(1 053)**	**173**	**4**	**(876)**

	At 1 January 2014	*(Charge)/Credit to Other Comprehensive Income/Losses*	*(Charge)/Credit to Profit for the Period*	*Deconsolidation at 31 May 2014*	*At 31 December 2014*
Difference in NBV of non-current assets	(905)	-	(9)	914	-
Revaluation of derivatives	-	(1)	-	1	-
Provisions and employee benefits	23	-	-	(23)	-
Provisions for receivables	1	-	-	(1)	-
Impairment loss	(2)	-	-	2	-
Other	7	-	-	(7)	-
Total	**(876)**	**(1)**	**(9)**	**886**	**-**

The following table shows the balances of deferred tax for the purposes of recognition in the balance sheet:

	At 31 December 2014	*At 31 December 2013*
Deferred tax asset	-	-
Deferred tax liability	-	(3)
Deferred tax liability (recognised in liabilities directly related to assets held for sale, Note 17)	-	(873)
Total	**-**	**(876)**

As SPP expects no taxable profits against which temporary differences could be utilised in the near future, deferred tax assets of SPP were not recognised as at 31 December 2014 and 31 December 2013. The amount of deductible temporary differences and a tax loss for which no deferred tax asset was recognised as at 31 December 2014 is EUR 533 million (31 December 2013: EUR 115 million).

(in million EUR)

23. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

At 31 December 2013	*Before tax*	*Tax*	*After tax*
Change in FX translation reserve	(11)	-	(11)
Decrease in gas assets revaluation reserve (after effect of deferred tax)	(586)	168	(418)
Change in the revaluation reserve due to changes in fair value (after effect of deferred tax)	(54)	-	(54)
Hedging derivatives (Cash flow hedging)	14	(2)	12
Change in financial investments revaluation reserve	(22)	5	(17)
Other	2	-	2
Other comprehensive income for the period	**(657)**	**171**	**(486)**

At 31 December 2014	*Before tax*	*Tax*	*After tax*
Change in FX translation reserve	2	-	2
Decrease in gas assets revaluation reserve (after effect of deferred tax)	-	-	-
Hedging derivatives (Cash flow hedging)	(3)	(1)	(4)
Change in financial investments revaluation reserve	-	-	-
Reclassified to the income statement upon derecognition of an associate	7	-	7
Other comprehensive income for the period	**6**	**(1)**	**5**

24. DISCONTINUED OPERATIONS

Discontinued operations include the business activities of the subsidiaries SPP – distribúcia, a.s., eustream a.s., SPP Storage, s.r.o. and NAFTA a.s., SPP Infrastructure, a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., Pozagas, a.s., and GEOTERM Košice, a.s. that were classified as held-for-sale investments as at 31 December 2013 due to the expected loss of control when implementing the reorganisation of the SPP Group; hence, they represent separate segments.

Profit for the year from discontinued operations	*5-month period ended 31 May 2014*	*Year ended 31 December 2013*
Revenues from the sale of products and services		
Distribution of natural gas	169	380
Natural gas transportation and storage, exploration and other	321	859
Total revenues	**490**	**1 239**
Operating expenses:		
Own work capitalised	5	15
Purchases of natural gas, electricity and consumables and services	(24)	(88)
Depreciation and amortisation	(1)	(246)
Storage of natural gas and other services	(22)	(68)
Staff costs	(42)	(125)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	-	(6)
Provisions and impairment losses, net	(1)	(38)
Other, net	(3)	1
Total operating expenses	**(88)**	**(555)**
Operating profit	**402**	**684**
Gain/(loss) on investments	23	20
Share in profit of associated undertakings and joint ventures	3	4
Finance costs	(11)	(34)
	417	**674**
Income tax	(95)	(213)
Gain on the loss of control over subsidiaries due to reorganisation (see Note 1.3)	506	-
Special levy	(198)	-
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**630**	**461**

(in million EUR)

Cash flows from discontinued operations	***5-month period ended 31 May 2014***	***Year ended 31 December 2013***
Cash flows from operating activities	390	778
Cash flows from investing activities	(568)	(678)
Cash flows from financing activities	21	818
Net cash flows	**(157)**	**918**

25. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2014	***Year ended 31 December 2013***
Profit before tax	937	567
Adjustments for:		
Depreciation and amortisation	11	251
Provisions and other non-cash items	40	(28)
Impairment losses	(11)	35
Release of deferred income	-	1
Profit from sale of non-current assets	-	(1)
Mark-to-market on commodity contracts	(19)	14
Interest expense/(income), net	27	20
Share in profit of associated undertakings and joint ventures	(168)	(4)
Profit from deconsolidation	(506)	-
Revenues from financial investments	-	(22)
Other financial revenues, net	3	47
(Increase)/decrease in receivables and prepayments	47	(292)
(Increase)/decrease in inventories	65	26
Increase/(decrease) in trade and other payables	47	(29)
Cash flows from operating activities	**473**	**585**

Non-Cash Transactions

Other non-cash items mainly include depreciation and amortisation charges, provisions for litigation, foreign exchange differences from translation of balances denominated in foreign currencies at the reporting date, and the write-off of receivables.

26. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2014, capital expenditure of EUR 20 million (31 December 2013: EUR 15.4 million) had been committed under contractual arrangements for the acquisition of non-current assets, but were not recognised in these consolidated financial statements.

Operating Lease Arrangements

The Group leases means of transport under an operating lease agreement. The contract is made for four years and the Group has no pre-emptive right to purchase the assets after the expiry of the term of the lease. The lease payments amounted to EUR 0.5 million in the year ended 31 December 2014 (31 December 2013: EUR 1 million).

Non-cancellable operating lease payables amount to:

Period	***2014***	***2013***
Within 1 year	0.5	1
From 1 to 5 years	1.3	-
More than 5 years	-	-
Total	**1.8**	**1**

Natural Gas Purchase

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

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

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 an assumed liability for a deviation. Such contracts usually determine the price for the commodity supply. The price of the distribution and other price components is determined based on 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 RONI's price decisions for the regulated entity, SPP, a.s. as an electricity supplier.

Significant Contractual Liabilities with Former Subsidiaries That Continue After the Completion of the SPP Group Reorganisation

After the completion of the SPP Group reorganisation, SPP will continue to have significant contractual liabilities due to the purchase of storage capacities with NAFTA, and in the purchase of distribution and transport services from SPP – distribúcia and eustream, a.s.

The Group stores natural gas under long-term contracts for the purchase of storage capacities with NAFTA a.s. that are used for the deposit and extraction of natural gas as per seasonal demand, as well as to secure the safe provision of supplies as regulated 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.

The Group purchases transmission services and transmission capacities under *ship or pay* contracts concluded with eustream, a.s. Fees and business terms in these contracts are fully regulated by the RONI.

Fees for distribution services depend on the fixed and variable components and are also fully regulated by the RONI.

Taxation

The Group has significant transactions with several subsidiaries and associated undertakings, the shareholders and other related parties. The tax environment in which the Group operates in Slovakia is dependent on the prevailing tax legislation and practice and has relatively little existing precedents. There is an inherent risk that the tax authorities may require, for example, transfer pricing or other adjustments to the corporate income tax base. Corporate income tax in Slovakia is levied on each individual legal entity and, as a consequence, there is no concept of Group taxation or relief. The tax authorities in Slovakia 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 Group 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 Group 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

SPP's management 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 at 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 using extraordinary remedies cannot be excluded.

The management of SPP, following the advice of its legal counsel, defends the interests of SPP 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 these disputes.

Legislative Conditions for Business Activities in the Energy Sector

Third Energy Package of the EU

The 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, and/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 transmission assets from the parent company to eustream , a.s. (the subsidiary) had no significant impact on the consolidated financial statements; however, it had a significant impact on the separate financial statements of the parent company and of eustream, a.s.

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 Slovak legislation and extended the requirements for the independence and unbundling of commercial, financial, operational and investment activities of transmission network operators and also strengthened the powers of the RONI in relation to vertically-integrated undertakings. One of the principal requirements under Directive No. 2009/73/EC, which also applies to ITO model implementation, was the ownership of the transmission network by its operator. Additionally, new obligations apply to the independent transmission network operator; the above-stated obligations relate to the creation of the so-called supervisory commission as a special supervisory body, and to certification as part of which the Regulatory Office for Network Industries, together with the European Commission, examines its independence and compliance with ITO model requirements and other obligations to ensure 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, by 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 the liabilities of responsible entities as regards 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 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 at increasing the efficiency of energy use throughout the energy chain, especially as regards 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 Regulatory Office for Network Industries 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 Regulatory Office for Network Industries, 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.

Pursuant to Act No. 250/2012 Coll. on Regulation in Network Industries as amended, the pricing decision for 2014 is also valid for 2015 and 2016, unless the RONI approves an amendment to the pricing decision.

(in million EUR)

27. RELATED PARTY TRANSACTIONS

As at 31 December 2013, Energetický a průmyslový holding, a.s. (EPH) was the investor and owner of a near 49% indirect 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 Group entered into the following transactions with related parties that are not consolidated entities in the relevant periods in these consolidated financial statements:

	2014					***31 December 2014***		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
Ministry of Economy of the SR	-	-	-	447	-	-	-	-
Slovak Gas Holding	2 895	-	-	-	2 916	-	-	-
Slovak National Property Fund	-	-	-	-	-	-	-	-
Other companies	2	-	-	-	-	-	-	-
Associates	-	-	20	-	-	-	-	-
Joint ventures	1	-	-	-	-	-	-	-
Other related parties	50	-	219	-	-	69	13	3

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

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

Transactions with joint ventures in 2013 represent services related to natural gas.

Transactions with other companies and other related parties represent mainly services related to purchases and sales of natural gas, electricity, advisory and consulting services, and other services.

	2013					***31 December 2013***		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
Slovak Gas Holding	-	-	-	-	-	-	-	179
Slovak National Property Fund	-	-	-	-	-	-	-	186
Other companies	-	-	-	-	2	-	-	1
Joint ventures	11	-	4	-	1	2	-	-
Other related parties	12	-	8	-	-	19	13	2

(in million EUR)

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

	Year ended 31 December 2014	***Year ended 31 December 2013***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	1.8	7
Of which – Board of Directors and executive management	*1.5*	*6*
- Supervisory Board	*0.3*	*1*
Benefits after termination of employment to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Of which – Board of Directors and executive management	-	-
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Of which – Board of Directors and executive management	-	-
Benefits after termination of employment of members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	0.2	-
Of which – Board of Directors and executive management	*0.2*	-
Benefits in kind to members of the Board of Directors and executive management – total	-	-
Of which – Board of Directors and executive management	-	-

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

a) Consolidated Financial Statements

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

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

SPP prepares consolidated financial statements for its group of companies. See Notes 5 and 7 for details on these companies.

The consolidated and separate financial statements of SPP are published in the Slovak Commercial Journal and on SPP's website: www.spp.sk.

The consolidated and separate financial statements published in the periods before 31 December 2013 are filed with the Commercial Register of Bratislava 1 District Court (Záhradnícka 10, 811 07 Bratislava). The consolidated and separate financial statements published in the period after 1 January 2014 are filed with the Register of Financial Statements. The consolidated and separate financial statements of subsidiaries, joint ventures and associated undertakings are available at the relevant Courts of Records based on their registered seat.

For more details on the consolidated and consolidating companies, refer to Notes 1, 5, and 7.

b) Members of the Company's Bodies

Body	***Function***	***Name***
Board of Directors	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

(in million EUR)

	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
Supervisory Board	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 Vaštík
Executive Management	General Director	Ing. Štefan Šabík – until 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 Bráblik – until 17 Aug 2014
	Director of Customer Services Division	Ing. Rastislav Bráblik – 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

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 Group.

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:***	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
Approved on:	Ing. Štefan Šabík Chairman of the Board of Directors	Ing. Petr Ivánek Director of Economics and Operational Services	Ing. Miroslav Jankovič Director of Accounting and Taxes Section
	Pierre Poncik, M.Sc. Vice-Chairman of the Board of Directors		