SPP 2013

INDEPENDENT AUDITOR'S REPORTS AND
SEPARATE AND CONSOLIDATED
FINANCIAL STATEMENTS

(PREPARED IN ACCORDANCE WITH THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EU) FOR THE YEAR ENDED
31 DECEMBER 2013

Slovenský plynárenský priemysel, a.s.

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

For the year ended 31 December 2013

Deloitte.

Deloitte Audit s.r.o.
Digital Park II
Einsteinova 23
Bratislava 851 01
Slovak Republic

Tel: +421 2 582 49 111
Fax: +421 2 582 49 222
deloitteSK@deloitteCE.com
www.deloitte.sk

Registered in the Commercial
Register of the District Court Bratislava I
Section Sro, File 4444/B
Id. Nr.: 31 343 414
VAT Id. Nr.: SK2020325516

Slovenský plynárenský priemysel, a.s.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Slovenský plynárenský priemysel, a.s. (the "Company"), which comprise the balance sheet as at 31 December 2013, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

The Company's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Slovenský plynárenský priemysel, a.s. as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

We draw attention to the Note 1.3 to the financial statements, which describes the Company's shareholders agreement on process of reorganisation and future changes in ownership structure in the SPP Group.

Our opinion is not modified in respect of this matter.

Bratislava, 15 April 2014

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

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

CONTENTS

Slovenský plynárenský priemysel, a.s.
BALANCE SHEETS
31 December 2013 and 31 December 2012
(EUR '000)

	Note	31 December 2013	31 December 2012
ASSETS:			
NON-CURRENT ASSETS			
Investment property	9	26 536	26 657
Property, plant and equipment	8	107 021	2 537 444
Investments in subsidiaries	6a	15	3 085 512
Investments in joint ventures and associates	6a	-	18 870
Available-for-sale investments and borrowings	6b	-	153 515
Non-current intangible assets	10	6 765	9 892
Other non-current assets		35 176	114 442
Deferred tax asset	25.2	-	24 985
Total non-current assets		175 513	5 971 317
CURRENT ASSETS			
Inventories	11	335 337	360 392
Receivables and prepayments	12	798 702	389 881
Income tax assets		15 624	7 822
Available-for-sale investments	6c	-	55 415
Other assets	6c	1 915	114 662
Cash and cash equivalents		407 964	38 213
Total current assets		1 559 542	966 385
Assets held for sale or for reorganisation and partial sale	7	5 473 299	624
TOTAL ASSETS		**7 208 354**	**6 938 326**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	18	1 735 416	1 735 416
Legal and other reserves	19	347 329	347 329
Revaluation reserves		(1 996)	1 792 935
Retained earnings		3 264 954	1 576 981
Total equity		5 345 703	5 452 661
NON-CURRENT LIABILITIES			
Non-current interest-bearing borrowings	16	795 070	483 807
Deferred income	13	29	958
Provisions for liabilities	15	25 193	39 648
Retirement and other long-term employee benefits	14	1 573	1 601
Deferred tax liability	25.2	3 621	-
Other non-current liabilities		3 094	666
Total non-current liabilities		828 580	526 680
CURRENT LIABILITIES			
Current portion of non-current interest-bearing borrowings	16	110 000	142 986
Trade and other payables	17	900 205	740 494
Income tax liabilities		-	-
Provisions and other current liabilities	15	23 866	75 505
Total current liabilities		1 034 071	958 985
Total liabilities		1 862 651	1 485 665
TOTAL EQUITY AND LIABILITIES		**7 208 354**	**6 938 326**

The financial statements on pages 3 to 47 were signed on 15 April 2014 on behalf of the Board of Directors:

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Alexander Šako
Vice-Chairman of the Board of Directors

(EUR '000)

	Note	*Year ended 31 December 2013*	*Year ended 31 December 2012*
REVENUES FROM SALES OF PRODUCTS AND SERVICES			
Sales of natural gas and electricity		1 779 296	1 614 368
Lease of gas assets and other revenues		81 575	363 896
Total revenues		1 860 871	1 978 264
OPERATING EXPENSES			
Own work capitalised		511	1 844
Purchases of natural gas, electricity, consumables and services		(1 739 403)	(1 584 512)
Depreciation and amortisation	8, 9,10	(26 652)	(108 742)
Storage of natural gas and other services		(128 264)	(121 612)
Staff costs	20	(36 313)	(37 586)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	12, 11	(13 584)	(3 326)
Provisions and impairment losses, net	15, 8, 10	36 657	(78 867)
Other, net		8 134	5 889
Total operating expenses		(1 898 914)	(1 926 912)
OPERATING PROFIT		(38 043)	51 352
Investment income	21	352 758	364 167
Finance costs	22	(18 169)	(18 483)
Profit before income taxes		296 546	397 036
Income tax	25.1	(28 961)	(31 711)
NET PROFIT FOR THE PERIOD		**267 585**	**365 325**

(EUR '000)

	Note	*Year ended 31 December 2013*	*Year ended 31 December 2012*
NET PROFIT FOR THE PERIOD		267 585	365 325
OTHER COMPREHENSIVE INCOME (may be reclassified to profit or loss in the future):	26		
Increase/decrease in the financial investments revaluation reserve		(26 736)	26 736
Cash flow hedging		16 763	2 386
Deferred tax relating to items of other comprehensive income for the period		1 834	(1 419)
OTHER COMPREHENSIVE INCOME (not reclassified to profit or loss in the future):	26		
Decrease in the gas assets revaluation reserve		(1 079)	(37 387)
Decrease in the revaluation reserve due to changes in fair values		-	-
Deferred tax related to items of other comprehensive income for the period		-	-
OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD		(9 218)	(9 684)
TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD		**258 367**	**355 641**

Slovenský plynárenský priemysel, a.s.
STATEMENTS OF CHANGES IN EQUITY
Years ended 31 December 2013 and 31 December 2012
(EUR '000)

	Registered capital	*Legal reserve fund*	*Hedging reserve*	*Financial investments revaluation reserve*	*Revaluation reserve*	*(Accumulated loss)/ Retained earnings*	*Total*
At 31 December 2011	1 735 416	347 329	(21 145)	-	1 879 047	1 903 245	5 843 892
Net profit for the period	-	-	-	-	-	365 325	365 325
Other comprehensive income for the period	-	-	6 701	20 587	(36 972)	-	(9 684)
Dividends paid	-	-	-	-	-	(746 872)	(746 872)
Transfer to retained earnings	-	-	-		(55 283)	55 283	-
At 31 December 2012	**1 735 416**	**347 329**	**(14 444)**	**20 587**	**1 786 792**	**1 576 981**	**5 452 661**
Net profit for the period	-	-	-	-	-	267 585	267 585
Other comprehensive income for the period	-	-	12 448	(20 587)	(1 079)	-	(9 218)
Dividends	-	-	-	-	-	(365 325)	(365 325)
Transfer to retained earnings	-	-	-	-	(1 785 713)	1 785 713	-
At 31 December 2013	**1 735 416**	**347 329**	**(1 996)**	**-**	**-**	**3 264 954**	**5 345 703**

(EUR '000)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
OPERATING ACTIVITIES			
Cash flows from operating activities	27	(598 573)	427 854
Interest paid		(21 813)	(23 846)
Interest received		400	613
Income tax paid		(6 322)	(77 329)
Net cash flows from operating activities		(626 308)	327 292
INVESTING ACTIVITIES			
Provided loans		-	(120)
Proceeds from provided borrowings		274 032	48 948
Proceeds from investments in securities		-	-
Acquisition of investments in securities	6	(1 421)	-
Purchase of property, plant and equipment		(25 449)	(45 894)
Proceeds from sales of property, plant and equipment and intangible assets		2 771	4 459
Proceeds from the sale of subsidiaries/proceeds from the decrease of the registered capital of a subsidiary	6	55 471	53 714
Dividends received	21	417 326	376 912
Net cash inflow/(outflow) from investing activities		722 731	438 019
FINANCING ACTIVITIES			
Proceeds from interest-bearing borrowings	16	856 550	142 986
Expenditures for the repayment of interest-bearing borrowings	16	(582 985)	(150 000)
Dividends paid		-	(746 872)
Other proceeds and expenditures from financial activities, net		(39)	(43)
Net cash flows from financing activities		273 526	(753 929)
Net increase/(decrease) in cash and cash equivalents		369 949	11 382
Effects of foreign exchange fluctuations		(198)	338
Cash and cash equivalents at the beginning of the period		38 213	26 493
Cash and cash equivalents at the end of the period		**407 964**	**38 213**

(EUR '000)

1. GENERAL

1.1. General Information

Slovenský plynárenský priemysel, a.s. ("SPP") was founded on 21 December 1988 by a Memorandum of Association as a 100% state-owned enterprise in the Slovak Republic. On 1 July 2001, SPP was transformed into a joint-stock company (akciová spoločnosť) that was 100% owned by the National Property Fund of the Slovak Republic. A consortium of strategic investors acquired a 49% share in SPP with management control with effect from 11 July 2002. As at 31 December 2012, SPP's shares are held by the National Property Fund of the Slovak Republic (51%) and Slovak Gas Holding, B. V., the Netherlands (49%) (jointly held indirectly by GDF SUEZ SA and E.ON Ruhrgas). On 15 January 2013, GDF International SAS, E.ON Ruhrgas International GmbH and E.ON SE signed an agreement with Energetický a Průmyslový Holding ("EPH"), a leading player on the heat, coal and electricity market in Central Europe, on the sale of their shares in Slovak Gas Holding, B.V. ("SGH"), which owns a 49% share in SPP (parent company) and exercises operating and management control. The transaction was completed on 23 January 2013.

These financial statements represent the separate financial statements of SPP. They were prepared for the reporting period from 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU.

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

On 26 June 2013, the Annual General Meeting approved the 2012 financial statements of SPP.

1.2. Principal Activities

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

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

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the SR and Energetický a Průmyslový Holding, a.s. signed a framework agreement on the sale and purchase of shares regulating the method of reorganisation of the SPP Group, which should be implemented by mid-2014. A part thereof is the contribution of the SPP's ownership interests in the entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. (see also Note 6) into a newly-established 100% subsidiary, SPP Infrastructure, a.s. Once the reorganisation is completed, the National Property Fund of the SR shall become the ultimate 100% owner of SPP; SPP will retain a non-controlling 51% interest in SPP Infrastructure, a.s. SPP has concluded that this transaction meets the criteria of the accounting standard IFRS 5 "Non-current assets held for sale and discontinued operations" and reclassified financial investments in companies subject to transfer to SPP Infrastructure, a.s. to non-current assets held for sale or for reorganisation and partial sale as at 31 December 2013 (see also Note 7). The reorganisation may have a significant impact on the Company's separate financial statements in the future.

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

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

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

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

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

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

1.4. Employees

The average number of SPP employees for the year ended 31 December 2013 was 942, of which 4 were executive management (for the year ended 31 December 2012: 992, of which 4 were executive management).

The actual number of full-time employees as at 31 December 2013 was 908 (as at 31 December 2012: 985).

1.5. Registered Address

Mlynské nivy 44/a
825 11 Bratislava
Slovak Republic

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

2.1. Application of New and Revised International Financial Reporting Standards

The Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and are effective for reporting periods beginning on 1 January 2013. The following new rules issued by the International Accounting Standards Board and adopted by the EU are effective for the current reporting period:

- **IFRS 13 "Fair Value Measurement**", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IAS 19 "Employee Benefits**" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to various standards "Improvements to IFRS (cycle 2009 - 2011)"** resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013); and

- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine**", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

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

At the date of authorisation of these financial statements the following standards, revisions, and interpretations adopted by the EU were in issue but not yet effective:

- **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 Company has elected not to adopt these standards, revisions, and interpretations in advance of their effective dates.

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2013:

- **IFRS 9 "Financial Instruments" and subsequent amendments** (effective date not yet determined);

- **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 IFRS (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 (amendments are to be applied for annual periods beginning on or after 1 July 2014);

- **Amendments to various standards "Improvements to IFRS (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 (amendments are to be applied for annual periods beginning on or after 1 July 2014); and

- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014).

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

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

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

SPP has prepared and issued consolidated financial statements for the year ended 31 December 2013 that comply with IFRS as adopted by the EU. The consolidated financial statements were issued separately and do not accompany these separate financial statements. For a better understanding of the Company's consolidated financial position and results of operations, reference should be made to the consolidated financial statements for the year ended 31 December 2013, which were prepared on 15 April 2014.

b) Subsidiaries, Associated Companies, Joint Ventures

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

c) Financial Assets

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

d) Financial Liabilities

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

e) Derivative Financial Instruments

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

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

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

Hedge accounting

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

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

Fair value hedges

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

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

In the event that a financial 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 Company for trading activities with own energy and energy on behalf of customers, and other derivative financial instruments that are due in less than 12 months are recognised in the statement of financial position as current assets or current liabilities, while derivative financial instruments due after this period are classified as non-current items.

Cash flow hedges

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

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

(EUR '000)

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

f) Property, Plant and Equipment and Intangible Assets

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

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

Other property, plant, and equipment and intangible assets are stated at cost less accumulated depreciation. Cost includes all costs attributable to placing the 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:

	2013	***2013***	***2012***
	Since 1 Mar 2013	*Until 28 Feb 2013*	
Compressor stations	-	25 – 55	25 – 55
Border and domestic delivery stations	-	15 – 50	15 – 50
Gas pipelines	-	60	60
Buildings	8 - 40	25 – 80	25 – 80
Plant and machinery	3 - 15	4 – 40	4 – 40
Other non-current assets	3 – 8	3 – 8	3 – 8

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

Intangible assets with limited useful lives that are acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are re-assessed at the end of each reporting period.

At each reporting date, an assessment is made as to whether there is any indication that the realisable value of the Company's property, plant, and equipment and intangible assets is less than the carrying amount. When such an indication occurs, the realisable value of the asset, being the higher of the asset's fair value less costs of disposal and the present value of future cash flows ("value-in-use"), is estimated. The resulting impairment loss provision is recognised in full in the income statement in the year in which the impairment occurs. A provision for impairment of property, plant and equipment, recognised for property, plant and equipment with a positive revaluation reserve, will primarily decrease the positive balance of the revaluation reserve recognised in equity with only the excess of the net book value of the revaluation reserve recognised through profit or loss. The discount rates used to calculate the present value of the future cash flows reflect the current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or significantly to postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision recorded, if appropriate.

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

g) Investment Property

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

h) Inventories

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

i) Cash and Cash Equivalents

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

j) Provisions for Liabilities

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

Provision for Environmental Expenditures

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

Provision for Litigation and Potential Disputes

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

k) Borrowing Costs

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

l) Revenue Recognition

Sales are recorded upon the delivery of products or the performance of services, net of value added tax and discounts. The Company records revenues from sales of natural gas and electricity and other activities on the accrual basis. Revenues include estimates of natural gas and electricity supplies, but not invoiced as at the reporting date.

m) Social Security and Pension Schemes

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

n) Retirement and Other Long-Term Employee Benefits

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

o) Leases

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

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

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

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

p) Income Tax

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

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

The principal temporary differences arise from revaluations and 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, associates, and joint ventures, 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. A special levy is recognised as part of income taxes.

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

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

q) Foreign Currencies

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

<u>Litigation</u>

SPP is involved in various legal proceedings for which management has assessed the probability of loss that may result in cash outflow. In making this assessment, SPP has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. The final amount of any potential losses in relation to the legal proceedings is not known and may result in a material adjustment to the previous estimates. Details of the legal cases are included in Note 28.

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

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

<u>Un-Billed Gas Sales</u>

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

(EUR '000)

Provision for Onerous Contracts

As at 31 December 2013, SPP assessed that the separate financial statements include significant amounts recognised as provisions for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers based on the sales contracts. These provisions are based on current market information on the future development of natural gas prices in spot markets, USD/EUR exchange rates and indices monitored on the crude oil market, which are volatile. For more information, see Note 15.

Decisions In Application of Accounting Policies

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

- Evaluation of compliance with IFRS 5 requirements when assessing the classification of financial investments that are subject to the future reorganisation of SPP (see Notes 1.3 and 3r);
- Evaluation of new requirements under IFRS 13 for the measurement of non-financial assets at fair value (see Notes 2.1 and 3); and
- Assessment of the IAS 39 rules for the application of an exemption allowing one not to account for certain commodity sell and buy contracts as financial derivatives (see Note 3e).

5. FINANCIAL INSTRUMENTS

a) Financial Risk Management

The Company is exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates and gas purchase and selling prices. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. In 2013 and 2012, the Company entered into derivative transactions, for example, forward currency contracts, swap interest contracts, commodity swaps, in order to manage certain risks. The purpose of forward currency contracts is to eliminate the effects of changes in the USD/EUR and CZK/EUR exchange rate owing to future payments and revenues denominated in a foreign currency. The purpose of swap interest contracts is to fix interest rates on loans. The purpose of commodity swaps is to limit price risks of sales contracts made with customers as well as purchase contracts with suppliers.

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

(1) Foreign Currency Risk

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

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

	Financial assets		***Financial liabilities***	
	As at 31 December 2013	***As at 31 December 2012***	***As at 31 December 2013***	***As at 31 December 2012***
CZK	4 244	18 279	286	2
USD	50	22	189 443	228 237

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

Open forward currency contracts	***Fair value***			
	2013 Cash flow hedges	***2013 Held-for-trading***	***2012 Cash flow hedges***	***2012 Held-for-trading***
Sell CZK				
Less than 3 months	-	452	-	12
3 to 12 months	-	892	-	1
Over 12 months	-	133	-	(7)
Purchase USD				
Less than 3 months	319	-	(30)	(3 755)
3 to 12 months	-	-	-	-
Over 12 months	-	-	-	-

(EUR '000)

Sensitivity to foreign currency changes

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

	Impact of US dollar	
	As at 31 December 2013	***As at 31 December 2012***
Effect on profit/loss before tax	(5 858)	(7 058)

	Impact of CZK	
	As at 31 December 2013	***As at 31 December 2012***
Effect on profit/loss before tax	122	565

The effects mainly relate to risks relating to outstanding receivables and payables in USD and CZK at the year-end.

(2) Commodity Price Risk

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

As at 31 December 2013 the Company used commodity swap contracts to manage the risk of commodity price fluctuations. Similarly, as at 31 December 2012, the Company used hedging derivative contracts to hedge the fair value of a sale contract; changes to fair value are recorded in the income statement.

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

Open commodity swap contracts	***2013***		***2013***	
	Nominal amount		***Fair value***	
	Fair value hedging	***Held for trading***	***Fair value hedging***	***Held for trading***
Purchase/sell gas				
Less than 3 months	140 495	3 994	2 197	(5 056)
3 to 12 months	251 838	7 217	2 275	(5 778)
Over 12 months	18 558	-	(64)	-

Open commodity swap contracts	***2012***		***2012***	
	Nominal amount		***Fair value***	
	Fair value hedging	***Held for trading***	***Fair value hedging***	***Held for trading***
Purchase/sell gas				
Less than 3 months	155 618	190 244	(3 195)	9 686
3 to 12 months	193 910	299 200	(5 289)	(12 284)
Over 12 months	18 026	-	329	-

In recent years, EU markets with natural gas experienced market decoupling – the disassociation of natural gas prices from the development of oil product prices denominated in USD. This trend resulted in the prices being denominated in euros on these markets for spot natural gas purchases/sales, which are significantly lower than purchase/selling prices of the long-term contracts usually linked to the development of oil product indices. The future development of the natural gas market is currently very unpredictable. The Company's strategy is to optimise natural gas resources using spot purchases and sales in order to minimise risks of losses related to the current market development and also the renegotiation of the long-term contract so that it reflects changes on the natural gas market.

Sensitivity to changes in commodity prices

Sensitivity to changes in commodity prices depends on changes in the prices of heavy and light oils, and natural gas, as well as on changes in the EUR/USD exchange rate. The sensitivity analysis was designed based on the exposure to price risk at the end of the reporting period. If the prices of heavy and light oils increased/decreased by 5%, the profit for the year ended 31 December 2013 would decrease/increase by EUR 10 million. If the price of natural gas (at the German stock exchange EEX) increased/decreased by 5%, the profit for the year ended 31 December 2013 would decrease/increase by EUR 8 million. If the EUR/USD exchange rate increased/decreased by 5%, the profit for the year ended 31 December 2013 would decrease/increase by EUR 6 million.

(EUR '000)

(3) Interest Rate Risk

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

For SPP, the volatility of interest rates for short-term loans does not represent a significant risk as such loans are drawn only occasionally, and the level of interbank EURIBOR interest rates have recently been at their historical minimums (1M EURIBOR that is used as a reference interest rate for short-term loans drawn by SPP reached 0.221% p.a. as at 31 December 2013, ie only a slight increase from 0.111% p.a. as at 31 December 2012).

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 2013, the total volume of drawn short-term credit facilities represented EUR 110 million. 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 3.3 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 0.22% to 2.95% in the near future). On the contrary, in the case of a further decrease of interest rates by the said 0.2% (a more significant decrease of interest rates is not possible, since interest rates cannot be negative values), interest expenses would decrease by EUR 0.2 million.

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

Interest swaps	***Average fixed interest rate***		***Nominal amount***		***Fair value***	
	2013	***2012***	***2013***	***2012***	***2013***	***2012***
Recognised as hedging	1.82%	1.86%	100 000	400 000	(2 282)	(15 982)
Less than 3 months	-	-	-	-	(401)	(1 644)
3 to 12 months	-	-	-	-	(1 160)	(5 142)
Over 12 months	-	-	-	-	(721)	(9 196)
Held for trading	1.16%	2.30%	600 000	150 000	(6 400)	(2 427)
Less than 3 months	-	-	-	-	(1 063)	(820)
3 to 12 months	-	-	-	-	(3 273)	(1 607)
Over 12 months	-	-	-	-	(2 064)	-

(4) Credit risk related to receivables

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

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.

(6) Liquidity Risk

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

As at 31 December 2013, the Company drew credit facilities (including accrued interest) in the amount of EUR 905 070 thousand (at 31 December 2012 in the amount of EUR 626 793 thousand), of which short-term credit facilities amounted to EUR 110 000 thousand (at 31 December 2012 in the amount of EUR 142 986 thousand) and long-term credit facilities (including accrued interest) amounted to EUR 795 070 thousand (at 31 December 2012 in the amount EUR 483 807 thousand).

(EUR '000)

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

The bulk of short-term credit lines include an automatic loan extension clause, provided that none of the parties concerned cancels the loan within the specified period. Long- or medium-term loans have a fixed maturity date, while in all instances the loan is payable in a lump sum as at the final maturity date, ie in 2015 or 2020.

All loans are provided without any collateral, using common market provisions (pari-passu, ban to pledge assets, substantial negative impact). With regard to the balance of the credit facilities drawn as at 31 December 2013 in the amount of EUR 905 070 thousand (whereas the funds and tradable securities amounted to EUR 407 964 thousand), the net debt totals EUR 497 106 thousand. If necessary, maturing credit facilities may be paid off from undrawn credit facilities, as well as from available funds and tradable securities (at 31 December 2013 in the amount of EUR 249 788 thousand).

The table below summarises the maturity of financial liabilities at 31 December 2013 and 31 December 2012 based on contractual undiscounted payments:

31 December 2013	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
Borrowings	-	-	110 000	100 000	695 070	905 070
Other liabilities	-	580 915	-	3 094	-	584 009
Trade payables	-	315 885	-	-	-	315 885

31 December 2012	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
Borrowings	-	142 986	-	400 000	83 807	626 793
Other liabilities	-	350 580	-	666	-	350 580
Trade payables	-	382 479	-	-	-	382 479

b) Capital Risk Management

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

The capital structure of the Company consists of cash and cash equivalents and equity attributable to the Company's owners, which comprise the registered capital, legal and other reserves, revaluation reserves, and retained earnings as disclosed in Notes 18 and 19 and loans as discussed in Note 16. The gearing ratio at the year-end of 2013 and 2012 was 9% and 11%, respectively.

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

	At 31 December 2013	***At 31 December 2012***
Debt (i)	905 070	626 793
Cash and cash equivalents	407 964	38 213
Net debt	497 106	588 580
Equity (ii)	5 345 703	5 452 661
Net debt to equity ratio	**9%**	**11%**

(i) Debt is defined as long- and short-term borrowings (including accrued interest)
(ii) Page 3

(EUR '000)

c) Categories of Financial Instruments

	At 31 December 2013	*At 31 December 2012*
Financial assets		
Loans and receivables (including cash and cash equivalents)	1 235 098	809 467
Financial derivatives held for trading	1 568	16 902
Financial derivatives recognised as hedging	7 091	8 135
Available-for-sale financial assets	581	55 996
Financial liabilities		
Financial liabilities carried at amortised costs	1 778 558	1 307 874
Financial derivatives held for trading	17 325	25 676
Financial derivatives recognised as hedging	9 081	26 895

d) Estimated Fair Value of Financial Instruments

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

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

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

<u>Estimated fair values of financial assets and liabilities that are not regularly remeasured to fair value</u>

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 852 809 thousand as at 31 December 2013 (31 December 2012: EUR 473 217 thousand).

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

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

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

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

(EUR '000)

2013	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**-**	**8 659**	**581**	**9 240**
Financial derivatives held for trading	-	1 568	-	1 568
Financial derivatives recognised as hedging	-	7 091	-	7 091
Available-for-sale financial assets		-	581	581
Financial liabilities at fair value	**-**	**26 406**	**-**	**26 406**
Financial derivatives held for trading	-	17 325	-	17 325
Financial derivatives recognised as hedging	-	9 081	-	9 081

2012	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**-**	**25 037**	**55 996**	**81 033**
Financial derivatives held for trading	-	16 902	-	16 902
Financial derivatives recognised as hedging	-	8 135	-	8 135
Available-for-sale financial assets		-	55 996	55 996
Financial liabilities at fair value	**-**	**52 571**	**-**	**52 571**
Financial derivatives held for trading	-	25 676	-	25 676
Financial derivatives recognised as hedging	-	26 895	-	26 895

Movements in 2013 and 2012 in financial instruments classified as Level 3

	Financial derivatives used as hedging	***Held-for-trading financial investments***	***Available-for-sale financial investments***	***Total***
Opening balance 2011	-	-	**29 625**	**29 625**
Gains/losses recognised in the income statement	-	-	(365)	(365)
Gains/losses recognised in other comprehensive income	-	-	26 736	26 736
Settlement	-	-	-	-
Transfers	-	-	-	-
Closing balance 2012	**-**	**-**	**55 996**	**55 996**
Gains/losses recognised in the income statement	-	-	(55 415)	(55 415)
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfers	-	-	-	-
Closing balance 2013	**-**	**-**	**581**	**581**

Embedded Derivative Instruments

The Company signed a long-term contract for purchases of natural gas denominated in USD. The US dollar is the currency commonly used in international commerce for trading in natural gas. Both the economic characteristics and risks of embedded forward derivative instruments (USD to EUR), and natural gas prices are generally believed to be closely related to the economic characteristics and risks of the underlying purchase agreements. Hence, in accordance with IAS 39 (as revised in December 2003), SPP does not recognise embedded derivatives separately from the host contract.

The Company has assessed all other significant contracts and agreements for embedded derivatives that should be recorded. The Company concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and recognised separately as at 31 December 2013 and 31 December 2012 under the requirements of IAS 39 (as revised in December 2009).

(EUR '000)

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

a) Subsidiaries, joint ventures and associated companies

As at 31 December 2013	***Subsidiaries***	***Joint ventures and associates***
Opening balance, net	3 085 512	18 870
Additions	2 432 956	-
Transfer to held-for-sale assets (see Note 7)	(5 453 847)	(18 870)
Disposals	-	-
Impairment	(64 606)	-
Closing balance, net	**15**	**0**
Cost	1 622	-
Impairment	(1 606)	-
Closing balance, net	**15**	**-**

As at 31 December 2012	***Subsidiaries***	***Joint ventures and associates***
Opening balance, net	3 140 225	18 870
Additions	-	-
Reclassifications	-	-
Disposals	(52 913)	-
Impairment	(1 800)	-
Closing balance, net	**3 085 512**	**18 870**
Cost	3 251 182	18 870
Impairment	(165 670)	-
Closing balance, net	**3 085 512**	**18 870**

Details of SPP's subsidiaries as at 31 December 2013 are as follows:

Name	***Country of incorporation***	***Ownership interest %***	***Principal activity***
Nadácia SPP	Slovakia	100.00	Foundation
EkoFond, n.f.	Slovakia	100.00	Non-investment fund
SPP CZ, a.s.	Czech Republic	100.00	Purchase and sale of natural gas
SPP CNG s.r.o.	Slovakia	100.00	Sale of CNG

The liquidation of InfoGas, a.s., v likvidácii was completed as at 30 November 2012 and the entity was deleted from the Commercial Register on 25 February 2013.

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

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

Additional information on subsidiaries, joint ventures and associates:

Name and seat of the company	***Equity 2013***	***Equity 2012***	***Profit/(loss) 2013***	***Profit/(loss) 2012***
InfoGas, a.s. , v likvidácii [1]				
Seat: -	-	166	-	(30)
Nadácia SPP				
Seat: Mlynské nivy 44/a, Bratislava	298	299	-	1
EkoFond, n.f.				
Seat: Mlynské nivy 44/a, Bratislava	(669)	(590)	-	-
SPP CZ, a.s.				
Seat: Novodvorská 803/82, Prague, Czech Republic	CZK 14 961 ths.	CZK 29 775 ths.	CZK (35 152) ths.	CZK (49 197) ths.
SPP CNG s.r.o.				
Seat: Mlynské nivy 44/a, Bratislava	5	-	-	-

(1) InfoGas, a.s., v likvidácii was deleted from the Commercial Register on 25 February 2013

(EUR '000)

b) Available-for-sale non-current investments and borrowings

Available–for-sale non-current investments and borrowings comprise the following:

At 31 December 2013	*Available-for-sale non-current investments and borrowings*
Opening balance, net	153 515
Additions	100
Transfer to held–for-sale assets (see Note 7)	(581)
Reclassifications	(100)
Disposals	(152 934)
Impairment	-
Closing balance, net	**-**

	Shares	*Borrowings*	*At 31 December 2013*	*At 31 December 2012*
Cost	-	-	-	153 515
Impairment	-	-	-	-
Closing balance, net	**-**	**-**	**-**	**153 515**

Non-current investments also include a borrowing provided to the subsidiary SPP Storage, s.r.o. in the amount of EUR 152 934 thousand (31 December 2012: EUR 152 934 thousand), which was fully repaid in December 2013.

Energotel, a.s., in which the Company held a 16.66% share, was sold in 2012.

c) Held-to-maturity and available-for-sale current investments and borrowings

Available-for-sale current investments and borrowings include:

	Shares	*Borrowings*	*At 31 December 2013*	*At 31 December 2012*
Cost	14 500	1 915	16 415	185 745
Impairment	(14 500)	-	(14 500)	(15 668)
Closing balance, net	**-**	**1 915**	**1 915**	**170 077**

Ownership interests represented shareholdings in the following companies:

Name	*Country of incorporation*	*Ownership interest %*	*Principal activity*
Other shareholdings			
Severomoravská plynárenská, a. s. (1)	Czech Republic	8.52	Gas distribution
Východočeská plynárenská, a. s. (1)	Czech Republic	10.00	Gas distribution

(1) *listed companies*

In December 2012, the Company signed an agreement on the sale of shareholdings in Severomoravská plynárenská, a.s. and Východočeská plynárenská, a.s. with a new investor. The transaction was completed and the shareholdings were transferred as at 31 January 2013.

Naftoprojekt, s.r.o. "in bankruptcy" – on 8 February 2013, the Regional Court in Košice issued a ruling on the cancellation of the bankruptcy; SPP is expecting that the entity will be deleted from the Commercial Register.

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

	Held-for-sale financial investments	*Other*	*At 31 December 2013*	*At 31 December 2012*
Cost	5 701 968	38	5 702 006	867
Impairment	(228 670)	(37)	(228 707)	(243)
Closing balance, net	**5 473 298**	**1**	**5 473 299**	**624**

(EUR '000)

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

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

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

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

On 22 February 2012, the registered capital of SPP Bohemia, a.s. was decreased from the original amount of CZK 1 100 million to CZK 2 million. Subsequently, the company's reserve fund was decreased from the original amount of CZK 220 000 thousand to the present amount of CZK 400 thousand.

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

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the SR and Energetický a Průmyslový Holding, a.s. signed a framework share purchase agreement regulating the method of reorganisation the SPP Group, which should be implemented by mid-2014. The part thereof is 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. Once the reorganisation is finished, the National Property Fund of the SR shall become an ultimate 100% owner of SPP; SPP will retain a non-controlling 51% interest in SPP Infrastructure, a.s.. See also Note 1.3.

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

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

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

Name	***Country of incorporation***	***Ownership interest %***	***Principal activity***
SLOVGEOTERM, a. s.	Slovakia	50.00	Geothermal energy

(EUR '000)

Additional information on subsidiaries, joint ventures and associates:

	Equity		*Profit/(loss)*	
Name and seat of the company	***2013***	***2012***	***2013***	***2012***
eustream, a.s.				
Seat: Votrubova 11/A, Bratislava	2 325 814	370 979	319 362	265 939
SPP - distribúcia, a.s.				
Seat: Mlynské nivy 44/b, Bratislava	2 462 052	2 386 971	113 150	38 069
NAFTA, a.s. (1)				
Seat: Votrubova 1, Bratislava	261 089	245 232	99 165	115 590
GEOTERM KOŠICE, a.s.				
Seat: Moldavská 12, Košice	12 270	12 287	(17)	(14)
PROBUGAS, a.s.				
Seat: Miletičova 23, Bratislava	3 107	2 898	221	(448)
SPP Bohemia, a.s. (2)				
Seat: Sokolovská 651/136A, Prague, Czech Republic	CZK 1 804 451 ths.	CZK 1 720 612 ths.	CZK 792 849 ths.	CZK 297 423 ths.
SPP Storage, s.r.o.				
Seat: Sokolovská 651/136A, Prague, Czech Republic	CZK 2 111 247 ths.	CZK 2 188 768 ths.	CZK 33 159 ths.	CZK 433 645 ths.
POZAGAS, a.s.				
Seat: Malé námestie 1, Malacky	51 987	64 162	(3 175)	12 545
SLOVGEOTERM, a.s.				
Seat: Palisády 39, Bratislava	230	229	1	2
SPP Infrastructure, a.s.				
Seat: Mlynské nivy 44/a, Bratislava	211	-	183	-
SPP Infrastructure Financing B.V.				
Seat: Weteringschans 26, 1017 SG Amsterdam, Netherlands	(1 699)	-	(2 099)	-

(1) *Financial results for the group of consolidated entities;*
(2) *The Company's financial results as at 31 December 2013 are unaudited; in the comparable period, the Company's financial results as at 31 December 2012 are unaudited. The profit/loss for 2013 refers to the period from 1 April 2013 to 31 December 2013.*

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

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

At the completion of the reorganisation and change in ownership interests (see Note 1.3), the 51% non-controlling interest in SPP Infrastructure, a.s. will be recognized in accordance with relevant IFRSs.

(EUR '000)

8. PROPERTY, PLANT AND EQUIPMENT

	Compressor and regulation stations	*In-let and market delivery stations*	*Gas pipelines*	*Land, buildings and structures*	*Plant, machinery and equipment*	*Other non-current tangible assets*	*Assets in course of construction*	*Total*
Year ended 31 December 2012								
Opening net book value	458 330	55 481	1 971 846	131 351	10 935	829	33 444	2 662 216
Revaluation	(34 314)	(2 098)	(16 386)	-	-	-	-	(52 798)
Additions	-	-	-	-	92	-	42 238	42 330
Placed into service	19 123	4 165	6 847	2 733	2 127	48	(35 043)	-
Reclassifications	-	-	-	2 018	233	31	(2 266)	16
Change in revaluation surplus	(183)	-	149	-	-	-	-	(34)
Disposals	(52)	(426)	(125)	(10 613)	(133)	(19)	(2 843)	(14 211)
Depreciation charge	(33 632)	(2 546)	(59 260)	(5 613)	(2 858)	(181)	-	(104 090)
Change of provisions	-	-	-	1 913	555	-	1 547	4 015
Closing net book value	**409 272**	**54 576**	**1 903 071**	**121 789**	**10 951**	**708**	**37 077**	**2 537 444**
At 31 December 2012								
Acquisition cost	422 782	55 618	1 926 958	206 822	34 040	5 110	37 077	2 688 407
Provisions and accumulated depreciation	(13 510)	(1 042)	(23 887)	(85 033)	(23 089)	(4 402)	-	(150 963)
Net book value	**409 272**	**54 576**	**1 903 071**	**121 789**	**10 951**	**708**	**37 077**	**2 537 444**
Historical NBV at 31 December 2012	270 799	28 412	301 232	121 789	10 951	708	37 077	770 968
Year ended 31 December 2013								
Opening net book value	409 272	54 576	1 903 071	121 789	10 951	708	37 077	2 537 444
Revaluation	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	5 193	5 193
Placed into service	19 705	111	879	4 723	1 436	12	(26 866)	-
Reclassifications	(19 245)	-	(4 146)	(569)	(2 837)	-	26 797	-
Contribution to eustream, a.s.	(405 343)	(54 273)	(1 890 278)	(22 236)	(300)	(20)	(40 486)	(2 412 936)
Change in revaluation surplus	-	-	-	-	-	-	-	-
Disposals	-	-	-	(1 240)	(1 317)	(165)	-	(2 722)
Depreciation charge	(4 389)	(414)	(9 526)	(4 559)	(2 669)	(23)	-	(21 580)
Change of provisions	-	-	-	1 466	130	-	26	1 622
Closing net book value	**-**	**-**	**-**	**99 374**	**5 394**	**512**	**1 741**	**107 021**
At 31 December 2013								
Acquisition cost	-	-	-	171 273	24 456	4 571	1 807	203 107
Provisions and accumulated depreciation	-	-	-	(71 899)	(20 062)	(4 059)	(66)	(96 086)
Net book value	**-**	**-**	**-**	**99 374**	**5 394**	**512**	**1 741**	**107 021**
Historical NBV at 31 December 2013	-	-	-	99 374	5 394	512	1 741	107 021

(EUR '000)

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

Insured assets	*Type of insurance*	*Cost of insured assets* Since 1 Mar 2013	Until 28 Feb 2013	2012	*Name of the insurance company*
Buildings, halls, structures, machinery, equipment, fittings, low-value TFA, other TFA, works of art, inventories Movables, assets, inventories	Insurance of assets	240 604	1 171 428	1 164 907	Allianz-Slovenská poisťovňa, a.s. / Kooperativa, a.s.
Motor vehicles	MTPL insurance, motor vehicle insurance against damage, destruction and theft	No motor vehicle insurance, insurance is provided by an external firm	No motor vehicle insurance, insurance is provided by an external firm	No motor vehicle insurance, insurance is provided by an external firm	

The bulk of the assets used for natural gas transmission were leased under a lease contract to the 100% subsidiary eustream, a.s. until 28 February 2013. As at 28 February 2013, the assets used for natural gas transmission were contributed to the subsidiary eustream, a.s. as part of the contribution of a part of the business. See also Note 28 on changes in the energy legislation.

Revaluation of Non-Current Assets for Use in Gas Transmission:

Property, plant, machinery and equipment used for natural gas transmission were recognised at their revalued amounts. The last revaluation was performed in 2012 based on the assets' condition as observed and the assets replacement cost by reference to market evidence of recent transactions for similar assets and replacement cost estimate methodologies. Replacement costs were based on 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).

In determining the fair value of property, plant, machinery and equipment used in gas transmission, the appraiser (ÚSI Žilina) used the replacement cost method, wherein the following assumptions were reflected:
- Technical condition of assets (repairs, maintenance, investments),
- Market influence (development of prices of work and material),
- Economic implications,
- Other specific factors.

In determining the fair value of assets, the appraiser followed the valid legislation on determining the general value of assets. This legislation provides methodological guidance for evaluating items of assets, given that these items pertain to the division of expert areas. This procedure provides for high expertise and reflects all specifics.

Cost of fully depreciated non-current assets (includes also software classified in non-current intangible assets), which were still in use as at 31 December 2013, amounted to EUR 127 247 thousand (31 December 2012: EUR 121 895 thousand).

9. INVESTMENT PROPERTY

	2013	*2012*
Opening net book value	26 657	23 333
Depreciation charge	(1 241)	(1 204)
Change in provisions	1 917	(1 389)
Additions and disposals	(797)	5 917
Closing net book value	**26 536**	**26 657**

SPP leases assets not related to gas to its subsidiary SPP – distribúcia, a.s. In accordance with IAS 40, SPP opted for recognition at historical cost. In the event of using the revaluation model, the restated value of assets would be EUR 43 408 thousand.

(EUR '000)

10. NON-CURRENT INTANGIBLE ASSETS

	Software	*Other non-current intangible assets*	*Assets in course of construction*	*Total*
Year ended 31 December 2012				
Opening net book value	9 218	1 713	1 249	12 180
Additions	-	-	3 440	3 440
Placed into service	1 930	906	(2 836)	-
Reclassifications	-	(1)	(10)	(11)
Disposals	(120)	(5)	-	(125)
Amortisation	(5 418)	(703)	-	(6 121)
Change of provisions	-	(10)	539	529
Closing net book value	**5 610**	**1 900**	**2 382**	**9 892**
At 31 December 2012				
Acquisition cost	91 924	5 519	2 382	99 825
Provisions and accumulated depreciation	(86 314)	(3 619)	-	(89 933)
Net book value	**5 610**	**1 900**	**2 382**	**9 892**
Year ended 31 December 2013				
Opening net book value	5 610	1 900	2 382	9 892
Additions	-	-	1 968	1 968
Placed into service	2 611	103	(2 714)	-
Reclassifications	(130)	(169)	299	-
Disposals	(3)	(257)	-	(260)
Amortisation	(4 228)	(607)	-	(4 835)
Change of provisions	-	-	-	-
Closing net book value	**3 860**	**970**	**1 935**	**6 765**
At 31 December 2013				
Acquisition cost	93 901	4 439	1 935	100 275
Provisions and accumulated depreciation	(90 041)	(3 469)	-	(93 510)
Net book value	**3 860**	**970**	**1 935**	**6 765**

11. INVENTORIES

	31 December 2013	*31 December 2012*
Natural gas	344 357	372 642
Raw materials and other inventories	13	22
Provisions	(9 033)	(12 272)
Total	**335 337**	**360 392**

As at 31 December 2013 and 2012, the Company recorded a provision for raw materials and natural gas related to the adjustment of the cost of natural gas to its net realisable value.

12. RECEIVABLES AND PREPAYMENTS

	31 December 2013	*31 December 2012*
Trade receivables from natural gas and electricity sales	538 062	239 318
Prepayments for natural gas and electricity distribution	83 034	65 495
Receivables from the lease of gas facilities	-	4 850
Receivables from financial derivatives	8 222	24 372
Prepayments and other receivables	169 384	55 846
Total	**798 702**	**389 881**

All amounts are receivables within one year.

As at 31 December 2013, trade receivables from natural gas and electricity sales are shown net, and represent receivables from billed and unbilled gas and electricity supplies and credit notes for the 2013 natural gas supplies. In addition to the receivables from subsidiaries shown below and credit notes for natural gas supplies, trade receivables do not include other material amounts due from customers, which would individually exceed 5% of the total receivables as at 31 December 2013. The Company evaluates the so-called customers’ credit score on an annual basis.

(EUR ‘000)

Of the Company’s prepayments for natural gas and electricity distribution as at 31 December 2013, the major portion is represented by a prepayment to a subsidiary for natural gas distribution.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables in the amount of EUR 134 096 thousand (31 December 2012: EUR 125 927 thousand).

Receivables and prepayments made also include receivables from eustream, a.s. in the amount of EUR 11 914 thousand (31 December 2012: EUR 959 thousand), from SPP – distribúcia, a.s. in the amount of EUR 85 619 thousand (31 December 2012: EUR 75 726 thousand), from SPP Bohemia, a.s in the amount of EUR 9 thousand (31 December 2012: EUR 2 892 thousand), from SPP CZ, a.s. in the amount of EUR 8 264 thousand (31 December 2012: EUR 28 241 thousand), from SPP Storage, s.r.o. in the amount of EUR 143 025 thousand (31 December 2012: EUR 2 449 thousand) and from SPP Infrastructure, a.s. in the amount of EUR 12 thousand.

As at 31 December 2013, the Company recorded receivables within maturity in the amount of EUR 783 510 thousand and receivables overdue in the amount of EUR 149 289 thousand (excluding provisions). In the comparable period, as at 31 December 2012, the Company recorded receivables within maturity in the amount of EUR 371 388 thousand and receivables overdue in the amount of EUR 144 420 thousand (excluding provisions).

Receivables overdue that were not provided for:

	31 December 2013	***31 December 2012***
Less than 2 months	10 069	12 700
2 to 3 months	-	-
3 to 6 months	-	-
6 to 9 months	-	-
9 to 12 months	-	-
More than 12 months	-	-
Total	**10 069**	**12 700**

Receivables overdue that were provided for:

	31 December 2013	***31 December 2012***
Less than 2 months	60	200
2 to 3 months	1 385	1 830
3 to 6 months	12 229	3 249
6 to 9 months	2 944	4 632
9 to 12 months	4 821	2 716
More than 12 months	117 780	119 093
Total	**139 219**	**131 720**

Receivables overdue by more than 12 months are fully provisioned (100%).

The movements in provisions for receivables were as follows:

	31 December 2013	***31 December 2012***
Opening value	(125 927)	(124 711)
Creation	(17 611)	(9 331)
Use	5 225	6 005
Reversal	4 217	2 110
Closing value	**(134 096)**	**(125 927)**

(EUR '000)

13. DEFERRED INCOME

	31 December 2013	*31 December 2012*
Net opening balance	958	970
Assets acquired/(derecognised) during the period	-	4
Amortisation during the period	(212)	(16)
Other	(717)	-
Net closing balance	**29**	**958**

Deferred income from a stocktaking surplus is released into the income statement on a straight-line basis in the amount of the depreciation charges for non-current tangible assets identified during the stocktaking of assets.

14. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program at SPP was originally launched in 1995. This is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, life and work jubilee payments. In 2010, SPP signed a collective agreement effective until the end of 2013; on 3 December 2013, SPP signed a new collective agreement for 2014 and 2015 under which employees are entitled to retirement payments based on the number of years worked at SPP upon retirement. The benefits range from three to five average salaries of the employees. As at 31 December 2013 and 31 December 2012, 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 2013, there were 908 (31 December 2012: 985) employees of SPP covered by this program. As of that date, it was an un-funded program, with no separately-allocated assets to cover the program's liabilities.

The movements in the net liability recognised in the balance sheet for the year ended 31 December 2013 are as follows:

	Long-term benefits	*Post-employment benefits*	*Total benefits at 31 December 2013*	*Total benefits at 31 December 2012*
Net liability at 1 January	326	1 356	1 682	1 538
Net expense recognised	(102)	100	(2)	187
Benefits paid	(30)	(9)	(39)	(43)
Net liabilities	**194**	**1 447**	**1 641**	**1 682**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2012	81	1 601	1 682
At 31 December 2013	68	1 573	1 641

Key assumptions used in actuarial valuation:

	At 31 December 2013	*At 31 December 2012*
Market yield on government bonds	3.057%	3.680%
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

(EUR '000)

15. PROVISIONS FOR LIABILITIES

The movements in provisions for liabilities are summarised as follows:

	Environmental provisions	*Provision for onerous contracts*	*Other provisions*	*Total provisions at 31 December 2013*	*Total provisions at 31 December 2012*
Balance at 1 January	8 372	78 672	26 555	113 599	81 483
Effect of discounting	(28)	(171)	-	(199)	493
Additions	-	25 112	812	25 924	78 429
Use	-	(20 697)	(34)	(20 731)	(25 809)
Reversal	-	(60 581)	(2 163)	(62 744)	(20 997)
Contribution to eustream, a.s.	(8 344)	-	-	(8 344)	-
Closing balance	**-**	**22 335**	**25 170**	**47 505**	**113 599**

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 2012	73 951	39 648	113 599
At 31 December 2013	22 312	25 193	47 505

a) Environmental Provisions

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

SPP estimated the provision for decontamination and restoration using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money and risks specific to the liability (approximately 0.62%). The provision is included in the group of transmission gas assets that were subject to the contribution of a part of business to the subsidiary eustream, a.s. on 28 February 2013 (see also Note 28).

b) Provision for Onerous Contracts

The Company identified and recorded a provision for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers under sales contracts in 2014 and beyond. These provisions are based on an assumption that the future costs to purchase natural gas, which are mainly influenced by the long-term purchase contract with Gazprom export, to provide natural gas to these customers will exceed the economic benefits obtained at the sale. The calculation of the provision is subject to various assumptions of current market information relating to the future development of natural gas prices in spot markets, USD/EUR exchange rates, and indices monitored in the gas market, 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 25 170 thousand (31 December 2012: EUR 26 055 thousand) for various litigation and potential disputes. Refer also to Note 28.

(EUR '000)

16. INTEREST-BEARING BORROWINGS

	31 December 2013 Secured	*31 December 2013 Unsecured*	*31 December 2013 Total*	*31 December 2012 Secured*	*31 December 2012 Unsecured*	*31 December 2012 Total*
Interest-bearing borrowings	-	905 070	905 070	-	626 793	626 793
Bonds	-	-	-	-	-	-
Total	**-**	**905 070**	**905 070**	**-**	**626 793**	**626 793**
Loans by currency						
EUR						
– with fixed interest rate	-	695 070	695 070	-	83 826	83 826
– with variable interest rate	-	210 000	210 000	-	542 967	542 967
Total loans	**-**	**905 070**	**905 070**	**-**	**626 793**	**626 793**
Loans are due as follows:						
Less than 1 year	-	110 000	110 000	-	142 986	142 986
1 to 2 years	-	100 000	100 000	-	-	-
2 to 5 years	-	-	-	-	400 000	400 000
More than 5 years	-	695 070	695 070	-	83 807	83 807
Total loans	**-**	**905 070**	**905 070**	**-**	**626 793**	**626 793**

In 2013 and 2012, SPP drew loans denominated in EUR bearing both variable and fixed interest rates. The average interest rate of loans drawn as at 31 December 2013 was 3.57% p.a. (or 3.77% p.a. reflecting interest rate swaps); while the decrease in the average interest rate compared to the previous year was caused (besides the decrease in interbank interest rates) also by a higher share of short-term credit lines in the total loans of SPP. The average loan maturity as at 31 December 2013 was 5.18 years (2.58 years as at 31 December 2012).

All loans with a maturity period exceeding two years have a fixed interest rate; the remaining loans are drawn on a revolving basis with a one-month interest period. During the year, loans were occasionally drawn in the form of an overdraft facility. The loans were secured by no assets.

Interest rates on loans:

Loans	
EUR	
– with a fixed rate	4.125 – 4.37% p.a.
– with a variable rate	1M EURIBOR plus margin

The carrying amount and face value of loans and bonds:

	Carrying amount		*Face value*	
	31 December 2013	***31 December 2012***	***31 December 2013***	***31 December 2012***
Loans	905 070	626 793	906 125	627 986
Bonds	-	-	-	-
Total	**905 070**	**626 793**	**906 125**	**627 986**

SPP has the following outstanding credit facilities:

	31 December 2013	***31 December 2012***
Variable rate:		
- due within 1 year	249 788	396 800
- due after more than 1 year	-	50 000
Total	**249 788**	**446 800**

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

Furthermore, under the long-term negotiable loan from Deutsche Bank, the Company SPP is required to ensure that in the event of the transfer of the relevant assets (such as eustream, a.s./ SPP – distribúcia, a.s./or other significant subsidiary, ie the subsidiary that accounts for at least 15% of the Group's total sales or assets) that might result from the requirement to adapt to the new energy legislation ("unbundling"), the Company SPP must immediately after the transfer of such assets comply with the defined level of debt, ie the Group´s equity to total assets may not be lower than 0.15. As at 31 December 2013, the Company complied with these covenants.

(EUR '000)

17. TRADE AND OTHER PAYABLES

	31 December 2013	*31 December 2012*
Payables from natural gas purchases and supplies	285 218	349 680
Payables from electricity purchases	777	34
Other trade payables and other payables	578 562	322 362
Amounts due to employees	4 287	5 184
Social security and other taxes	6 701	11 290
Payables from financial derivatives	23 312	51 905
Payables from transmission and distribution activities	1 348	39
Total	**900 205**	**740 494**

As at 31 December 2013, other trade payables and other payables also include trade payables and payables from cash-pooling to SPP – distribúcia, a.s., in the amount of EUR 100 968 thousand (31 December 2012: EUR 82 742 thousand), eustream, a.s., in the amount of EUR 96 398 thousand (31 December 2012: EUR 236 744 thousand), SPP Bohemia, a.s., in the amount of EUR 7 225 thousand (31 December 2012: EUR 3 thousand) and SPP Storage, s.r.o. in the amount of EUR 19 thousand (31 December 2012: EUR 13 802 thousand) and a payable to shareholders arising from unpaid dividends in the amount of EUR 365 325 thousand. The payables arising from purchases and sales of natural gas represent ordinary liabilities resulting from the purchase of natural gas and overpayments for natural gas off-takes.

As at 31 December 2013, SPP recorded payables within maturity in the amount of EUR 900 205 thousand; no overdue payables were recorded. As at 31 December 2012 (for the comparable period), SPP recorded payables within maturity in the amount of EUR 740 494 thousand; no overdue payables were recorded.

Social fund payables:

	Amount
Opening balance as at 1 January 2013	1 105
Total additions:	286
from expenses	*283*
non-mandatory allotment	*3*
Total drawing:	(356)
social assistance benefit in material deprivation	-
monetary rewards and gifts	*(40)*
life jubilee benefits	*(12)*
work jubilee benefits	*(18)*
catering allowance	*(105)*
other drawing as per the collective agreement	*(181)*
Contribution to eustream, a.s.	(10)
Closing balance as at 31 December 2013	**1 025**

18. REGISTERED CAPITAL

At 31 December 2013 and 31 December 2012, the registered capital represented a total of 52 287 322 fully-paid shares (with a face amount of EUR 33.19) held by the National Property Fund of the Slovak Republic (51%) and Slovak Gas Holding, B. V., Netherlands (49%). The registered capital was incorporated in the Commercial Register in the full amount.

In accordance with the Articles of Association, the General Meeting adopts decisions with a voting majority of 52% of all votes. In certain cases, as defined by both Slovak law and the Articles of Association, a two-thirds voting majority is required.

19. LEGAL AND OTHER FUNDS AND RETAINED EARNINGS

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

(EUR '000)

The legal reserve fund in the amount of EUR 347 329 thousand (31 December 2012: EUR 347 329 thousand) is recorded in accordance with Slovak law and is not distributable to the shareholders. The reserve is created from retained earnings to cover possible future losses or increases in the registered capital. Transfers of at least 10% of the current year's profit are required to be made until the reserve is equal to at least 20% of the registered capital.

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

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

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

Type of allotment	***Profit allotment for 2012***	***Profit allotment for 2011***
Profit for the 2012/2011 year	365 325	746 872
Retained earnings	-	-
Total dividend amount	**365 325**	**746 872**

Hedging Reserve

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

	Year ended 31 December 2013	***Year ended 31 December 2012***
Opening balance	(14 444)	(21 145)
Gain/loss from cash flow hedging	(1 996)	(18 759)
Commodity swap contracts	(34)	(2 747)
Currency forward contracts	319	(30)
Interest rate swap contracts	(2 281)	(15 982)
Income tax applicable to gains/losses recognised through equity	-	4 315
Transfer to profit/loss	14 444	21 145
Currency forward contracts	30	(1 014)
Commodity forward contracts	-	-
Commodity swap contracts	2 747	13 265
Interest rate swap contracts	15 982	8 894
Income tax applicable to gains/losses recognised through profit/loss	(4 315)	-
Transfer to initial carrying amount of the hedged item	-	-
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	-	-
Interest rate swap contracts	-	-
Income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
Closing balance	**(1 996)**	**(14 444)**

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.

(EUR '000)

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

	Year ended 31 December 2013	*Year ended 31 December 2012*
Sale of natural gas	2 777	12 251
Lease of gas assets and other sales	-	-
Purchases of natural gas, consumables and energy consumption	-	-
Other costs, net	-	-
Finance (costs)/revenues	15 982	8 894
Income tax charged to expenses	(4 312)	-
Total	**14 444**	**21 145**

Financial investments revaluation reserve

Financial investments revaluation reserve represents a cumulative gain/(loss) from the remeasurement of available-for-sale financial investments (see Note 6c) to fair value, net of the effect of a deferred tax.

	Year ended 31 December 2013	*Year ended 31 December 2012*
Opening balance	20 587	-
Gain/(loss) from the remeasurement of available-for-sale financial investments	-	26 736
Income tax related to gains/losses recognised in equity	-	(6 149)
Transfer to the income statement upon the sale of available-for-sale financial investments	(26 736)	-
Income tax related to gains/losses recognised in the income statement	6 149	-
Closing balance	**-**	**20 587**

Items transferred to the income statement upon the sale of the shares in Severomoravská plynárenská, a.s. and Východočeská plynárenská, a.s. were recognised as investment income (see Notes 6c and 21).

20. STAFF COSTS

	Year ended 31 December 2013	*Year ended 31 December 2012*
Wages, salaries and bonuses	23 795	25 310
Social security costs	12 518	12 276
Total staff costs	**36 313**	**37 586**

The Company pays a contribution of 35.2% of the relevant statutory assessment base, which is capped at EUR 3 930 thousand (except for accident insurance). Employees contribute a further 13.4% of their assessment bases into these funds, however capped at the above limit.

21. INVESTMENT INCOME

	Year ended 31 December 2013	*Year ended 31 December 2012*
Interest income	8 707	13 200
Cumulative gain/(loss) reclassified from equity upon the sale of available-for-sale financial investments	26 965	435
Net gain/(loss) from financial derivative instruments designated at fair value through profit and loss	(33 654)	(27 138)
Gain/(loss) from ineffective cash flow hedging	(1 980)	2 024
Dividends from subsidiaries	414 139	365 797
Dividends from joint ventures and associates	3 150	4 946
Dividends from available-for-sale financial investments	37	6 703
Impairment of financial investments in subsidiaries	(64 606)	(1 800)
Total investment income	**352 758**	**364 167**

(EUR '000)

22. FINANCE COSTS

	Year ended 31 December 2013	*Year ended 31 December 2012*
Interest expense	(17 330)	(17 623)
Foreign exchange differences – (loss)/gain (Note 24)	(199)	(79)
Other	(640)	(781)
Total finance costs	**(18 169)**	**(18 483)**

23. COSTS OF AUDIT SERVICES

	Year ended 31 December 2013	*Year ended 31 December 2012*
Audit of financial statements	58	47
Other assurance services	55	27
Tax advisory services	1	34
Other related services provided by the auditor	455	643
Total	**569**	**751**

24. FOREIGN EXCHANGE DIFFERENCES

	Year ended 31 December 2013	*Year ended 31 December 2012*
Foreign exchange losses/(gains) arising from:		
– Operating activities recognised in other operating expenses	1 192	(8 537)
– Financing activities (Note 22)	199	79
Total foreign exchange losses (gains)	**1 391**	**(8 458)**

25. TAXATION

25.1. Income Tax

Income tax comprises the following:

	Year ended 31 December 2013	*Year ended 31 December 2012*
Current income tax	(1 545)	23 974
Special levy on business in regulated industries	66	6 364
Deferred income tax (Note 25.2)		
– Current year	30 275	1 373
– Change in the tax rate	165	-
Total	**28 961**	**31 711**

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

	Year ended 31 December 2013	*Year ended 31 December 2012*
Profit before taxation	296 546	397 036
Income tax at 23% or 19%	68 206	75 437
Effect of adjustments from permanent differences between carrying amount and tax value of assets and liabilities	(69 139)	(44 482)
Derecognition of a deferred tax asset	31 538	-
Tax impact due to the change in the tax rate from 23% to 22% or from 19% to 23%	(165)	(5 917)
Special levy on business in regulated industries	66	6 364
Other adjustments	(1 545)	309
Income tax for the year	**28 961**	**31 711**

(EUR '000)

The actually-recognised tax rate differs from the tax rate of 23% stipulated by law in 2013 mainly due to the adaption of the change in the tax rate for deferred income tax valid as of 1 January 2014 to 22% (during 2013 from 19% to 23%) and due to the adjustments of the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to the valid tax legislation. Such adjustments mainly include dividends, tax non-deductible provisions for liabilities and provisions for assets, a loss reported from other than hedging derivatives and a difference between tax and accounting deprecation charges of non-current assets. Also in 2013, deferred tax assets were derecognised because of uncertainties about sufficient future taxable income to realise these deferred tax assets.

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

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

25.2. Deferred Income Tax

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

	At 1 January 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	(7 821)	-	4 200	(3 621)
Change in the fair value of financial investments	(6 149)	6 149	-	-
Items adjusting tax base only when paid	(61)	-	61	-
Provisions and employee benefits	18 469	-	(18 469)	-
Provisions for receivables	9 805	-	(9 805)	-
Impairment loss	3 164	-	(3 164)	-
Other	7 578	(4 315)	(3 263)	-
Total	**24 985**	**1 834**	**(30 440)**	**(3 621)**

	At 1 January 2012	*(Charge)/Credit to Other Comprehensive Income/Losses*	*(Charge)/Credit to Profit for the Period*	*At 31 December 2012*
Difference in NBV of non-current assets	1 399	415	(9 635)	(7 821)
Change in the fair value of financial investments	-	(6 149)	-	(6 149)
Items adjusting tax base only when paid	171	-	(232)	(61)
Provisions and employee benefits	10 999	-	7 470	18 469
Provisions for receivables	8 743	-	1 062	9 805
Impairment loss	3 242	-	(78)	3 164
Other	3 223	4 315	40	7 578
Total	**27 777**	**(1 419)**	**(1 373)**	**24 985**

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

	31 December 2013	*31 December 2012*
Deferred tax asset/(deferred tax liability)	(3 621)	24 985
Total	**(3 621)**	**24 985**

As the Company expects no taxable profits against which temporary differences could be utilised in the near future, deferred tax assets were released as at 31 December 2013.

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

(EUR '000)

26. 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***
Increase/(decrease) in gas assets revaluation reserve	(1 079)	-	(1 079)
Decrease in revaluation reserve for changes in fair value	-	-	-
Increase/(decrease) in financial investment revaluation reserves	(26 736)	(6 149)	(20 587)
Hedging derivatives (Cash flow hedging)	16 763	4 315	12 448
Other	-	-	-
Other comprehensive income for the period	**(11 052)**	**1 834**	**(9 218)**

At 31 December 2012	***Before tax***	***Tax***	***After tax***
Increase/(decrease) in gas assets revaluation reserve	(37 387)	415	(36 972)
Decrease in revaluation reserve for changes in fair value	-	-	-
Increase/(decrease) in financial investment revaluation reserves	26 736	(6 149)	20 587
Hedging derivatives (Cash flow hedging)	2 386	4 315	6 701
Other	-	-	-
Other comprehensive income for the period	**(8 265)**	**(1 419)**	**(9 684)**

27. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2013	***Year ended 31 December 2012***
Profit before tax	296 546	397 036
Adjustments for:		
Depreciation and amortisation	26 618	110 062
Interest income, net	8 623	4 424
Income from financial investments	(444 291)	(377 882)
FX differences	236	(307)
Derivatives	15 741	(38 276)
Provisions and other non-cash items	14 734	37 681
Impairment losses	-	15 673
Loss/(profit) from sale of non-current assets	(59)	2 345
(Increase)/decrease in receivables and prepayments	(388 831)	179 370
(Increase)/decrease in inventories	28 294	(38 935)
Increase/(decrease) in trade and other payables	(156 184)	136 663
Cash flows from operating activities	**598 573**	**427 854**

28. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2013, capital expenditure of EUR 15 426 thousand (31 December 2012: EUR 97 869 thousand) had been committed under contractual arrangements for the acquisition of non-current assets but were not recognised in the financial statements.

Operating Lease Arrangements

In 2013 and 2012, SPP leased its international transmission pipeline network to its subsidiary eustream, a.s. under a six-year agreement. Under the requirements of the EU's third energy package, SPP may not own the transmission network. Therefore, on 28 February 2013, SPP transferred transmission assets to its subsidiary eustream, a.s., which is the only licensed gas transmission operator in the Slovak Republic (see also Note 28).

In 2013 and 2012, income on the lease of assets earned by SPP amounted to EUR 52 708 thousand and EUR 306 193 thousand, respectively.

(EUR '000)

Future non-cancellable operating lease income amounted to:

Period	***2013***	***2012***
Within 1 year	-	51 032
From 1 to 5 years	-	-
More than 5 years	-	-
Total	**-**	**51 032**

The Company leases means of transport under an operating lease agreement. The contract is made for four years and the Company has no pre-emptive right to purchase the assets after the expiry of the term of the lease. The lease payments amounted to EUR 639 thousand in the year ended 31 December 2013.

Non-cancellable operating lease payables amount to:

Period	***2013***	***2012***
Within 1 year	639	1 279
From 1 to 5 years	-	746
Total	**639**	**2 025**

Natural Gas Purchase

The majority of natural gas supplies for SPP were performed from the Russian Federation in 2013. The supplies were continuous in line with SPP's requirements pursuant to the agreed terms and conditions of the long-term agreement with Gazprom export LLC. No significant shortcomings in the supplies were observed on the side of the Russian business partner. In the event of an emergency situation (gas crisis), SPP is able to provide gas supplies through the diversification of resources by means of a reverse flow via the Czech Republic.

The purchase price for natural gas from the Russian supplier is determined on a monthly basis using an agreed formula. The formula is based on basic prices adjusted by movements in the market prices of competitive hydrocarbon products on the exchange (light and heavy heating oil).

At the beginning of 2013, SPP initiated the gas purchase price revision process in compliance with the terms and conditions of a long-term natural gas purchase contract. This price revision is the second one after the revision in 2011. Negotiations on the final price ended on 28 March 2014, and the revised price is effective as of 1 January 2013.

Natural Gas Storage Contracts

The Company stores natural gas at two storage locations in the Slovak Republic. The gas storage facilities are operated by subsidiary NAFTA, a.s. and the joint venture Pozagas, a.s. and 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.

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. Such contracts usually determine the price for the commodity supply. The price of the distribution and other components is determined based on the RONI's price decisions for distribution companies and the market and transmission system operator. For small enterprises and households, composite electricity supply contracts define products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity, SPP, a.s. as a supplier of electricity.

Taxation

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

Litigation and Potential Losses

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

Bills of exchange

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

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

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

Other legal cases and disputes

SPP is a defendant in other legal cases or disputes in respect of alleged breaches of the contract for significant amounts.

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

Legislative Conditions for Business Activities in the Energy Sector

<u>Third Energy Package of the EU</u>

In 2009, the European Union adopted Directive 2009/72/EC and Directive 2009/73/EC and related regulations concerning common rules for the internal market in natural gas and electricity known as the "Third Energy Package" that the EU Member States were required to transpose into their national laws no later than 3 March 2012. One of the most important requirements of the Third Energy Package is, inter alia, to determine the regime of the unbundling of transmission networks and distribution network operators, with the EU Member States being allowed to opt for the implementation of one of the following alternatives in the gas sector:

- Ownership unbundling;
- Independent system operator; or
- Independent transmission operator and/or the "ITO model".

<u>Legal and Regulatory Framework for the Natural Gas Market in the Slovak Republic and the Implementation of the EU Energy Legislation</u>

The Third Energy Package was transposed into Slovak law through the new Act No. 251/2012 Coll. on Energy and on Amendments to and Supplementation of Certain Acts and the new Act No. 250/2012 Coll.

on Regulation in Network Industries that became effective on 1 September 2012 and that represent a basic legal framework for business in the energy sector.

Based on Resolution No. 656/2012 dated 28 November 2012 and pursuant to the provision of Article 50 (8) of Act No. 251/2012 Coll. on Energy and on Amendment to and Supplementation of Certain Acts, the Government of the Slovak Republic determined that for a transmission network operator that is part of a vertically-integrated gas undertaking, the ownership unbundling of such transmission network operator will not be applied pursuant to Article 50 (1 - 7) of the Act. Thus, the provisions of the Act stipulating the conditions of implementing the so-called ITO model apply to eustream, a.s., without prejudice to the right of the vertically-integrated undertaking to implement the ownership unbundling.

The new acts transpose the requirements of the Third Energy Package that extend the requirements for the independence and unbundling of commercial, financial, operational and investment activities of transmission network operators and, simultaneously, strengthen the powers of the Regulatory Office for Network Industries ("RONI") in relation to vertically-integrated undertakings. One of the principal requirements under Directive No. 2009/73/EC also in the case of the ITO model implementation is the ownership of the transmission network by its operator. Additionally, new obligations apply to the independent transmission operator; the said obligations relate to the creation of the so-called supervisory commission as a special supervisory body, certification as part of which the Regulatory Office for Network Industries, together with the European Commission, will examine its independence and compliance with the ITO model requirements and other obligations to provide for the independence in the operation, maintenance and management of the transmission network. On 14 February 2013, the Extraordinary General Meeting of the Company approved the transfer of transmission assets to the subsidiary eustream, a.s., in the form of an in-kind contribution of a part of the business effective as of 28 February 2013. The transfer of assets has a significant impact on the Company's financial statements. The in-kind contribution was recognised as a decrease in the values of property, plant, machinery and equipment and an increase of the financial investment in the subsidiary eustream, a.s.; the contract for the lease of gas assets was also terminated.

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 2013, 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 2013, 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.

(EUR ‘000)

29. RELATED PARTY TRANSACTIONS

As at 31 December 2012, Slovak Gas Holding (an indirect joint venture of GDF SUEZ SA and E.ON Ruhrgas) exercised management control over SPP with a 49% shareholding. Since January 2013, Energetický průmyslový holding, a.s. (EPH) is the new investor and indirect owner of 49% share in SPP. SPP is owned by the Slovak National Property Fund with a 51% shareholding.

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

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

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

Transactions with Slovak Gas Holding and the National Property Fund represent dividend payments.

Transactions with subsidiaries, associates and other related parties represent mainly services related to purchases, sales and transmission of natural gas, lease of property, plant and equipment, storage of natural gas and other services.

	Year ended 31 December 2012					*Year ended 31 December 2012*		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
Slovak Gas Holding	-	-	-	365 967	-	-	-	-
National Property Fund	-	-	-	380 905	-	-	-	-
SPP’s subsidiaries	814 755	-	494 757	-	2	110 473	-	333 488
Associates	2	-	-	-	-	-	-	-
Joint ventures	5 722	-	400	-	-	38	-	91
Other related parties	72 330	-	17 388	-	2	31 241	14 524	9 975

(EUR '000)

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

	Year ended 31 December 2013	***Year ended 31 December 2012***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	1 934	2 359
Of which:		
Board of Directors and executive management	*1 535*	*1 960*
Supervisory Board	*399*	*399*
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	1	1
Of which:		
Board of Directors and executive management	-	-
Benefits in kind to members of the Board of Directors and executive management – total	65	64
Of which:		
Board of Directors and executive management	*65*	*64*
Other payments to members of the Board of Directors, Supervisory Board, executive management and former members - total	171	417
Of which:		
Board of Directors and executive management	*171*	*417*

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

a) Members of the Company's Bodies

Body	***Function***	***Name***
Board of Directors	Chairman	JUDr. Daniel Křetínský – since 24 Jan 2013
	Chairman	Dr. Hans-Gilbert Meyer – until 23 Jan 2013
	Vice-Chairman	Mgr. Alexander Sako
	Member	JUDr. Marián Valko
	Member	Ing. Milan Hargaš
	Member	Ing. Jan Špringl – since 24 Jan 2013
	Member	Ing. Pavel Horský – since 24 Jan 2013
	Member	Mgr. Ing. Jiří Nováček, LL.M. – since 19 Nov 2013
	Member	Ing. Ladislav Bartoníček – from 24 Jan 2013 until 18 Nov 2013
	Member	Dipl. ekonom Frédérique Dufresnoy, MBA – until 23 Jan 2013
	Member	Dipl. Ing. Jean Jacques Ciazynski – until 23 Jan 2013
	Member	Mgr. Ing. Andreas Rau – until 23 Jan 2013
Supervisory Board	Chairman	Michal Ďurkovič
	Vice-Chairman	Ing. Peter Korbačka – since 31 Jan 2013
	Vice-Chairman	Dipl. ekonóm Eric Stab – until 23 Jan 2013
	Member	Ing. Peter Korbačka – from 24 Jan 2013 until 30 Jan 2013
	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 – since 19 Sep 2013
	Member	Ing. Jozef Polačko – until 7 Sep 2013
Executive management	Director of Finance Division, authorised to act on behalf of the General Director	Ing. Libor Briška
	Director of Trade Division	Ing. Dušan Randuška, MBA
	Director of Corporate Affairs and Services Division	Ing. Rastislav Bráblik
	Director of Customer Services Division	Ing. Rastislav Bráblik – appointed to act on behalf of the director

b) Consolidated Financial Statements

As at 31 December 2013, SPP provides consolidated financial information as a consolidated reporting entity for higher consolidation to Energetický a průmyslový holding, a.s., with its seat at Příkop 843/3, 602 00 Brno, Czech Republic.

The ultimate reporting entity that consolidates SPP as at 31 December 2013 is Energetický a průmyslový holding, a.s.

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

The consolidated and separate financial statements of SPP are filed with the Commercial Register of the District Court Bratislava 1, Záhradnícka 10, 812 44 Bratislava. The separate and consolidated financial statements of subsidiaries, joint ventures, and associated undertakings are available at the relevant Courts of Record based on their official address.

31. POST-BALANCE SHEET EVENTS

In the beginning of 2013, SPP has initiated process or gas purchase price revision valid for gas supplies in 2013 with company Gazprom export LLC. Agreement on price adjustment was signed on 28 March 2014.

As of 1 January 2014, SPP will not provide services related to bookkeeping, finance, human resources and other centralised activities ("shared services") for SPP-distribúcia, a.s. The unbundling of services related to information technologies should be completed by the end of 2014.

No other events occurred subsequent to 31 December 2013 that might have a material effect on the financial statements of the Company.

Prepared on:

15 April 2014

Approved on:

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

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Alexander Sako
Vice-Chairman of the Board of Directors

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

Ing. Libor Briška
Director of Finance Division

Signature of the person responsible for bookkeeping:

Ing. Miroslav Jankovič
Director of Accounting and Taxes Section

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 2013

Deloitte.

Deloitte Audit s.r.o.
Digital Park II
Einsteinova 23
Bratislava 851 01
Slovak Republic

Tel: +421 2 582 49 111
Fax: +421 2 582 49 222
deloitteSK@deloitteCE.com
www.deloitte.sk

Registered in the Commercial
Register of the District Court Bratislava I
Section Sro, File 4444/B
Id. Nr.: 31 343 414
VAT Id. Nr.: SK2020325516

Slovenský plynárenský priemysel, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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 2013, 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 2013, 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 agreement of the Company's shareholders regarding the process of reorganisation and future arrangement of the ownership relations in the SPP Group.

Our opinion is not qualified in respect of this matter.

Bratislava, 15 April 2014

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

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

CONTENTS

Slovenský plynárenský priemysel, a.s.
CONSOLIDATED BALANCE SHEETS
31 December 2013 and 31 December 2012
(in million EUR)

	Note	31 December 2013	31 December 2012
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	10	134	6 543
Investments recognised using the equity method	7	-	92
Available-for-sale and other investments	8 a)	-	8
Non-current intangible assets	11	7	109
Other non-current assets		35	118
Total non-current assets		**176**	**6 870**
CURRENT ASSETS			
Inventories	12	330	535
Receivables and prepayments	13	577	401
Income tax assets		16	-
Available-for-sale investments	8 b)	-	186
Cash and cash equivalents		414	224
Total current assets		**1 337**	**1 346**
Non-current assets held for sale or reorganisation and partial sale	9	6 794	1
TOTAL ASSETS		**8 307**	**8 217**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	20	1 735	1 735
Legal and other reserves	21	358	369
Revaluation reserves	21	2 631	3 027
Retained earnings		258	220
Share in equity attributable to SPP's shareholders		4 982	5 351
Minority interests of other owners of subsidiaries		158	351
Total equity		**5 140**	**5 702**
NON-CURRENT LIABILITIES			
Deferred income	14	-	56
Provisions for liabilities	16	25	148
Non-current interest-bearing borrowings	17	184	484
Retirement and other long-term employee benefits	15	2	9
Deferred tax liability	26.2	3	1 053
Other non-current liabilities		3	4
Total non-current liabilities		**217**	**1 754**
CURRENT LIABILITIES			
Trade and other payables	18	717	518
Current portion of non-current interest-bearing borrowings	17	110	143
Current income tax		-	13
Provisions and other current liabilities		24	87
Liabilities directly related to assets held for sale or reorganisation and partial sale	19	2 099	-
Total current liabilities		**2 950**	**761**
Total liabilities		**3 167**	**2 515**
TOTAL EQUITY AND LIABILITIES		**8 307**	**8 217**

The financial statements on pages 3 to 57 were signed on 15 April 2014 on behalf of the Board of Directors:

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Alexander Sako
Vice-Chairman of the Board of Directors

Slovenský plynárenský priemysel, a.s.
CONSOLIDATED INCOME STATEMENTS
Years ended 31 December 2013 and 31 December 2012
(in million EUR)

	Note	***Year ended 31 December 2013***	***Year ended 31 December 2012***
Continuing operations			
Revenues from sales of products and services:			
Distribution and sale of natural gas and electricity		1 876	1 745
Natural gas transmission and storage, exploration and other		2	22
Total revenues		**1 878**	**1 767**
Operating expenses:			
Own work capitalised		1	2
Purchases of natural gas, electricity and consumables and services		(1 834)	(1 738)
Depreciation and amortisation	10, 11	(5)	(7)
Storage of natural gas and other services		(122)	(113)
Staff costs	22	(23)	(23)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	12, 13	(14)	(3)
Provisions and impairment losses, net	10, 11, 16	36	(60)
Other, net		7	9
Total operating expenses		**(1 954)**	**(1 933)**
Operating profit/(loss)		**(76)**	**(166)**
Gain/(loss) on investments	23	(13)	(1)
Share in profit of associated undertakings and joint ventures	7	-	-
Gain on de-recognition of joint venture			
Finance costs	24	(18)	(18)
Profit/(loss) before income taxes		**(107)**	**(185)**
Income tax	26.1	(29)	(33)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(136)**	**(218)**
Discontinued operations			
Profit for the year from discontinued operations	28	461	666
Net profit for the year		**325**	**448**
Net profit attributable to:			
SPP shareholders		289	409
Minority interests of other owners of subsidiaries		36	39
Total		**325**	**448**

Slovenský plynárenský priemysel, a.s.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended 31 December 2013 and 31 December 2012
(in million EUR)

	Note	*Year ended 31 December 2013*	*Year ended 31 December 2012*
Net profit for the period		**325**	**448**
Other comprehensive income (may be reclassified to profit or loss in the future):	27		
Movement in FX translation reserve		(11)	2
Movement in the gas assets revaluation reserve		(586)	29
Movement in financial investment revaluation reserve		(22)	(3)
Decrease in the revaluation reserve due to changes in fair value		(54)	10
Hedging derivatives (Cash flow hedging):		14	(4)
Gains (losses) for the period		*(5)*	*17*
Less: reclassification of comprehensive income (loss) in the income statement		*19*	*(21)*
Less: other adjustments		-	-
Other		2	-
Deferred tax related to items of other comprehensive income reclassified to profit or loss in the future		171	(172)
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		**(486)**	**(138)**
Total net comprehensive income/(loss) for the period		**(161)**	**310**
Net comprehensive income attributable to:			
SPP shareholders		(5)	262
Minority interests of other owners of subsidiaries		(156)	48
Total		**(161)**	**310**

(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 2011	**1 735**	**356**	**20**	**(2)**	**(15)**	**3 327**	**415**	**5 836**	**349**	**6 185**
Net profit for the period	-	-	-	-	-	-	409	409	39	448
Other comprehensive income for the period	-	-	(3)	2	2	(148)	-	(147)	9	(138)
Dividends paid	-	-	-	-	-	-	(747)	(747)	(46)	(793)
Transfer to retained earnings	-	9	-	-	-	(152)	143	-	-	-
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**

(in million EUR)

	Note	*Year ended 31 December 2013*	*Year ended 31 December 2012*
Operating activities			
Cash flows from operating activities	29	585	1 222
Interest paid		(12)	(18)
Interest received		2	2
Income tax paid		(217)	(192)
Net cash flows from operating activities		358	1 014
Investing activities			
Net cash outflow upon the acquisition of financial investments	8. a)	-	(8)
Proceeds from the sale of financial investments	8. b)	186	1
Purchase of property, plant and equipment		(116)	(142)
Expenses for provided borrowings		(583)	-
Proceeds from sales of property, plant and equipment and intangible assets		10	18
Dividends received		7	33
Net cash inflow/(outflow) from investing activities		(496)	(98)
Financing activities			
Proceeds from interest-bearing borrowings		1 104	143
Expenses for interest-bearing borrowings		(583)	(162)
Dividends paid		(36)	(793)
Net cash flows from financing activities		485	(812)
Net (decrease)/increase in cash and cash equivalents		**347**	**104**
Cash and cash equivalents at the beginning of the period		**224**	**122**
Effects of foreign exchange fluctuations		-	(2)
Cash and cash equivalents at the end of the period		**571**	**224**

(in million EUR)

1. GENERAL

1.1. General Information

The consolidated financial statements for the year ended 31 December 2013 have been prepared by Slovenský plynárenský priemysel, a.s. ("SPP") and its subsidiaries, associated undertakings and joint ventures (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 2013 have been prepared pursuant to Article 22 of Act No. 431/2002 Coll. on Accounting, as amended, for the reporting period from 1 January 2013 until 31 December 2013.

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 owns a 49% share in SPP (the parent company) and also carries out operating and management control. The transaction was completed on 23 January 2013.

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

1.2. Principal Activities

The Group is organised 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 includes the distribution of natural gas covering all of Slovakia. The proposed prices are subject to review and approval by the Regulatory Office for Network Industries ("RONI").

The transmission segment is 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 includes storage in underground storage facilities located in Slovakia and the Czech Republic.

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

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, which should be implemented by mid-2014. A part thereof is the contribution of the SPP's ownership interests in the entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. into a newly-established 100% subsidiary, SPP Infrastructure, a.s. Once the reorganisation is completed, the National Property Fund of the SR shall become the ultimate 100% owner of SPP; SPP will retain a non-controlling 51% 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 will be transferred to SPP Infrastructure, a.s., in non-current assets held for sale or reorganisation and partial sale (see also Note 9) and liabilities directly related to assets held for sale. The results of operations of such consolidated entities are presented in the results from discontinued operations. The disclosures in the consolidated income statement for the preceding period are adjusted to ensure comparability with 2013.

The results of operations for 2013 and 2012 from continuing operations also include expenses and revenues of the subsidiaries that are subject to the reorganisation or partial sale, if such transactions continue also after the completion of the reorganisation.

The reorganisation may have a significant impact on the Company's consolidated financial statements in the future.

1.4. Employees

The average number of the Group's employees for the year ended 31 December 2013 was 4 072, of which 28 were executive management (for the year ended 31 December 2012: 4 292, 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 179 thousand (2012: EUR 168 thousand), the costs of other assurance services amounted to EUR 69 thousand (2012: EUR 27 thousand), tax advisory amounted to EUR 9 thousand (2012: EUR 41 thousand), and the costs of other related services rendered by this auditor amounted to EUR 461 thousand (2012: EUR 645 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 2013.

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

- **IFRS 13 "Fair Value Measurement**", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to IAS 19 "Employee Benefits**" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to various standards "Improvements to IFRS (cycle 2009 - 2011)"** resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013); and

  - **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine**", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these new rules has not led to any changes in the Company's accounting policies except for the impact of the new IFRS 13 "Fair Value Measurement". IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied. The new requirements of IFRS 13 were applied in 2013 when assessing the impairment and updating the remeasurement of property, structure, plants and equipment (see also to Note 2.1 a 10).

At the date of authorisation of these financial statements the following standards, revisions, and interpretations adopted by the EU were in issue but not yet effective:

- **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 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 2013:

- **IFRS 9 "Financial Instruments" and subsequent amendments** (effective date not yet determined);

- **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 IFRS (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 (amendments are to be applied for annual periods beginning on or after 1 July 2014);

- **Amendments to various standards "Improvements to IFRS (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 (amendments are to be applied for annual periods beginning on or after 1 July 2014); and

- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014).

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 and Joint Ventures

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

Associated undertakings are entities in which SPP exercises substantial, but not controlling, influence. Joint ventures are entities in which SPP exercises joint control with other owners. Owing to their impairment, a provision is recorded.

When applying the equity method, investments in associated undertakings and joint ventures 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 or a joint venture. Goodwill related to associated undertakings and joint ventures is recognised in the carrying amount of an investment and is not depreciated. The income statement reflects a share in the associated undertakings' and joint ventures' operating results. If a change occurs that was recognised directly in the associated undertakings' and joint ventures' 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 and the Group and joint ventures are eliminated to the extent of the Group's investment in associated undertakings and joint ventures.

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.

<u>Financial assets at FVTPL</u>

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.

<u>Held-to-maturity investments</u>

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.

<u>Available-for-sale financial assets (AFS financial assets)</u>

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 investments 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.

<u>Loans and receivables</u>

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

e) Derivative Financial Instruments

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

(in million EUR)

f) Property, Plant and Equipment and Intangible Assets

In 2012 and 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.

For production and storage wells, the cost included the estimate of the expected costs of the dismantling and liquidation of non-current assets and the restoration of surroundings (capitalised liquidation costs).

For storage wells, the expected costs of the dismantling and liquidation of assets and the restoration of surroundings were depreciated over the life of the proved extractable reserves on a unit-of-production basis. Storage wells and related centres were depreciated over the life of the proved extractable reserves on a unit-of-production basis.

Costs of the hydrocarbon reserves exploration are 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 Notes 9 and 10).

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:

	2013	***2012***
Buildings and structures	8 – 40	25 – 80
Compressor stations	-	11 – 55
Regulation stations	-	15 – 50
Border and domestic delivery stations	-	15 – 50
Gas pipelines	-	60
Plant and machinery	3 – 15	4 – 40
Other non-current assets	3 – 8	2 – 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.

Cushion gas represents gas that is needed to run the underground reservoirs of natural gas. Its production would affect the underground reservoirs' ability to operate. Cushion gas is disclosed as part of the underground reservoirs of natural gas.

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) 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 are recognised in revenues of the relevant period, and are stated at fair value of assets received in accordance with IFRIC 18.

h) 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.

i) 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 and other inventories is calculated using the weighted arithmetic average method. The cost of natural gas, raw materials, and other inventories includes the cost of acquisition and related costs, and the cost of inventories developed internally includes materials, other direct costs, and production overheads. Appropriate provisions are made for obsolete and slow-moving inventories.

j) 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.

k) 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.

A discount rate used 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 16 and 19).

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.

l) 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.

m) 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 gas sales, distribution, transmission, and storage services and other activities on the accrual basis. Revenues include estimates of natural gas and electricity supplies, but not invoiced as at the reporting date.

n) 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 (IAS 23).

o) 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.

p) 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.

q) 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.

r) 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 from 1 January 2004 to 31 December 2012 is 19%. The income tax rate valid from 1 January 2013 to 31 December 2013 is 23%. The income tax rate valid as of 1 January 2014 is 22%.

The principal temporary differences arise from revaluations and 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, and joint ventures, 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.

s) 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.

t) 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.

u) 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 30.

Revaluation of Property, Plant and Equipment

The core operating assets of the Group represented its gas transmission, distribution, and storage assets. Since 1 January 2006, the Group has been adopting the revaluation model under IAS 16 for its property, plant, and equipment used for natural gas transmission, distribution and storage of natural gas. The revaluation of assets was performed by independent appraisers using the depreciated replacement cost approach. The gas storage assets at joint ventures (recorded under the equity method) were revalued on the basis of the Group's professional estimates under the discounted cash flow method. The revaluation of assets used for natural gas transmission, distribution and storage resulted in an increase in the value of the assets and a corresponding increase in equity. The assumptions used in the revaluation model were based on an expert independent valuation report.

As at 1 August 2012, SPP performed a new revaluation of the property, plant, and equipment used for natural gas transmission under IAS 16, on the basis of the findings of the significant changes in the assumptions applied in the revaluation model performed by independent appraisers. As in the first revaluation, the depreciated replacement cost approach was used in the revaluation model. The revaluation of the assets used for gas transmission resulted in decrease in the value of the assets and a related decrease in equity. On the basis of an independent appraisal, SPP adjusted the useful lives of property, plant, and equipment used for gas transmission.

The Nafta Group performed the revaluation of property, plant, and equipment used for natural gas storage based on the identified balance of assets and the replacement costs of assets as at 31 August 2012, by reference to documents of recent market transactions for similar items of assets and replacement cost estimate methodology. Replacement costs were based on costs of Modern Equivalent Assets (MEA) and represented an estimate of the net book value of assets from the MEA costs, useful life and the age of the existing assets and the depletion ratio (Depreciated Replacement Cost methodology). In certain instances the amounts recognised as a result of the revaluation were adjusted based on the results of profitability tests using the discounted cash flow method.

As at 1 January 2013, the Group applied the requirements of the new IFRS 13 "Fair Value Measurement", which require using the so called "exit price". For non-financial assets, the standard requires to reflect the characteristics of the relevant asset item, including its placement. The adoption of the new standard resulted in the significant impairment of assets used for natural gas storage activities.

There are inherent uncertainties about future business conditions, changes in technology, and the competitive environment within the industry that could require future adjustments to the estimated revalued amounts and useful lives of assets, which may result in material changes in the reported financial position, equity, and profit. Refer to Note 10 for further details.

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 10.

Un-Billed Gas Sales

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

Environmental Provision

As at 31 December 2012, the consolidated financial statements include significant amounts recorded as environmental provisions. The provisions are based on estimates of the future costs of dismantling, restoration and re-cultivation, and were also significantly impacted by the estimate of the timing of cash flows and the Group’s estimate of the discount rate used. The provisions took into account the estimated costs for the abandonment of production and storage wells at a subsidiary, for dismantling old gas facilities and compressor stations, decontaminating the soil and restoring the sites to their original condition after dismantling old gas facilities in compressor stations on the basis of past costs incurred for similar activities. Refer to Note 16 for further details.

Provision for Onerous Contracts

As at 31 December 2013 and 31 December 2012, 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, EUR/USD exchange rates and indices monitored on the crude oil market, which are volatile. For more information, see Note 16.

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 3t);
- Evaluation of new requirements under IFRS 13 for the measurement of non-financial assets at fair value (see Notes 2.1 and 3); and
- Assessment of the IAS 39 rules for the application of an exemption allowing one not to account for certain commodity sell and buy contracts as financial derivatives (see Note 3e).

(in million EUR)

5. STRUCTURE OF THE GROUP

Consolidated Subsidiaries

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

Name	*Seat*	*Ownership share %* 2013	2012	*Principal activity*
Subsidiaries				
eustream, a.s.	Votrubova 11/A, Bratislava, Slovakia	100.00	100.00	Transmission pipeline operation
SPP – distribúcia, a.s.	Mlynské nivy 44/b, Bratislava, Slovakia	100.00	100.00	Distribution pipeline operation
SPP CZ, a.s.	Novodvorská 803/82, Prague, Czech Republic	100.00	100.00	Gas purchase and sale
SPP Infrastructure, a.s. (4)	Mlynské nivy 44/a, Bratislava, Slovakia	100.00	n/a	Asset holding
SPP Infrastructure Financing B.V. (5)	Weteringschans 26, Amsterdam, Netherlands	100.00	n/a	Issue of bonds
SPP Bohemia a.s.(2)	Sokolovská 651/136A, Prague, Czech Republic	100.00	100.00	Holding company
SPP Storage, s.r.o.(3)	Sokolovská 651/136A, Prague, Czech Republic	100.00	100.00	Storage of natural gas
NAFTA a.s. („NAFTA“)	Votrubova 1, Bratislava, Slovakia	56.15	56.15	Natural gas storage and hydrocarbon exploration and production
Nafta Exploration, s.r.o. (1)	Plavecký Štvrtok 900, Slovakia	56.15	56.15	Exploration
Karotáže a cementace, s. r. o.	Velkomoravská 2606/83, Hodonín, Czech Republic	28.64	28.64	Logging and cementation
GEOTERM KOŠICE, a. s.	Moldavská 12, Košice, Slovakia	95.82	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

Naftárska leasingová spoločnosť, a 100 % subsidiary of NAFTA, was deleted from the Commercial Register in 2012. As at the date of deletion, the subsidiary was deconsolidated. The aforementioned change had no significant impact on the consolidated financial statements.

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 2013 and 2012, 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 risk 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 2013***	***As at 31 December 2012***	***As at 31 December 2013***	***As at 31 December 2012***
USD	7	6	190	229
CZK	34	52	35	31

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

Open forward foreign currency contracts	***Fair value***			
	2013 Cash flow hedges	***2013 Held for trading***	***2012 Cash flow hedges***	***2012 Held for trading***
<u>Sale CZK</u>				
Less than 3 months	-	-	-	-
3 to 12 months	-	1	-	-
More than 12 months	-	-	-	-
<u>Purchase USD</u>				
Less than 3 months	-	-	-	(4)
3 to 12 months	-	-	-	-
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 USD and 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 USD	
	As at 31 December 2013	***As at 31 December 2012***
Effect on profit/loss before tax	-	(7)

	Impact of CZK	
	As at 31 December 2013	***As at 31 December 2012***
Effect on profit/loss before tax	1	1

The effects mainly relate to risks relating to outstanding receivables and payables in USD and CZK at the year-end.

(2) Commodity Price Risk

The Group is a party to framework agreements for the purchase of natural gas and other services and materials in connection with facilities for natural gas underground storage and for gas and oil production. In addition, the Group enters into contracts for the sale of crude oil and 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 2013 and 31 December 2012, 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	***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	-	-	-
Sell crude oil				
Less than 3 months	-	-	-	-
3 to 12 months	-	-	-	-
Over 12 months	-	-	-	-
Sell gasoline	-	-	-	-
Less than 3 months	-	-	-	-
3 to 12 months	-	-	-	-
Over 12 months	-	-	-	-

Open swap and commodity forward contracts	***2012***		***2012***	
	Nominal value		***Fair value***	
In million EUR	***Fair value hedging***	***Held for trading***	***Fair value hedging***	***Held for trading***
Sell gas				
Less than 3 months	172	190	(2)	10
3 to 12 months	243	299	(3)	(12)
Over 12 months	18	-	-	-
Sell crude oil				
Less than 3 months	1	-	-	-
3 to 12 months	4	-	-	-
Over 12 months	-	-	-	-
Sell gasoline				
Less than 3 months	-	-	-	-
3 to 12 months	1	-	-	-
Over 12 months	-	-	-	-

The Group has entered into swap commodity contracts to hedge against the market risk arising from crude oil, natural gas and gasoline price changes in anticipated future transactions associated with the Group’s sales during 2014.

In recent years, EU natural gas markets experienced market decoupling – the disassociation of natural gas prices from the development of oil product prices denominated in USD. This trend resulted in the prices being denominated in euros on these markets for spot natural gas purchases/sales, which are significantly lower than the purchase/selling prices of the long-term contracts usually linked to the development of oil product indices. The future development of the natural gas market is currently very unpredictable. The SPP’s strategy is to optimise natural gas resources using spot purchases and sales in order to minimise risks of losses related to the current market development also the renegotiation of the long-term contract so that it reflects changes on the natural gas market.

Sensitivity to changes in commodity prices

Sensitivity to changes in commodity prices depends on changes in the prices of heavy and light oils, and natural gas, as well as on changes in the EUR/USD exchange rate. The sensitivity analysis was designed based on the exposure to price risk at the end of the reporting period. If the prices of heavy and light oils increased/decreased by 5%, the profit for the year ended 31 December 2013 would decrease/increase by EUR 10 million. If the price of natural gas (at the German stock exchange EEX) increased/decreased by 5%, the profit for the year ended 31 December 2013 would decrease/increase by EUR 8 million. If the USD/EUR exchange rate increased/decreased by 5%, the profit for the year ended 31 December 2013 would decrease/increase by EUR 6 million.

(in million EUR)

(3) Interest Rate Risk

The Group is exposed to interest rate risk arising from the volatility of interest rates. In the Group, the risk is 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 0.221% p.a. as at 31 December 2013, ie only a slight increase from 0.111% p.a. as at 31 December 2012).

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 2013, the total volume of drawn short-term credit facilities represented EUR 110 million. 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 3.3 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 0.22% to 2.95% in the near future). On the contrary, in the case of a further decrease of interest rates by the said 0.2% (a more significant decrease of interest rates is not possible, since interest rates cannot be negative values), interest expenses would decrease by EUR 0.2 million.

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***	
	2013	***2012***	***2013***	***2012***	***2013***	***2012***
Recognised as hedging	1.82%	1.86%	100	400	(2)	(16)
– Less than 3 months	-	-	-	-	-	(2)
– 3 to 12 months	-	-	-	-	(1)	(5)
– Over 12 months	-	-	-	-	(1)	(9)
Held for trading	1.16%	2.30%	600	150	(6)	(2)
– Less than 3 months	-	-	-	-	(1)	-
– 3 to 12 months	-	-	-	-	(3)	(2)
– 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.

(in million EUR)

(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 2013, the Group drew credit facilities in the amount of EUR 294 million (2012: EUR 627 million), of which short-term credit facilities amounted to EUR 110 million (2012: EUR 143 million) and long-term credit facilities amounted to EUR 184 million (2012: EUR 484 million).

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

The bulk of short-term credit lines include an automatic loan extension clause, provided that none of the parties concerned cancels the loan within the specified period. Long- or medium-term loans have a fixed maturity date, while in all instances the loan is payable in a lump sum as at the final maturity date, ie in 2015 and 2020, respectively.

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.

The table below summarises the maturity of financial liabilities at 31 December 2013 and 31 December 2012 based on contractual undiscounted payments:

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
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
31 December 2012						
Trade payables	-	420	-	1	-	421
Other liabilities	-	89	-	3	-	92
Variable interest rate instruments	-	143	-	400	-	543
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 17, 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 20 and 21. The gearing ratio at the year-end of 2013 was 0% (2012: 7%).

(in million EUR)

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

	At 31 December 2013	***At 31 December 2012***
Debt (i)	294	627
Cash and cash equivalents	414	224
Net debt	-	403
Equity (ii)	5 140	5 702
Net debt to equity ratio	**0%**	**7%**

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

c) Categories of Financial Instruments

	At 31 December 2013	***At 31 December 2012***
Financial assets	**1 026**	**933**
Financial derivatives recognised as hedging	7	11
Financial derivatives held for trading	2	17
Investments held to maturity	-	-
Loans and receivables (including cash and cash equivalents)	1 017	712
Available-for-sale financial assets	-	193
Financial assets held for sale	-	-
Financial liabilities	**1 010**	**1 139**
Fair value through profit and loss	-	-
Financial derivatives recognised as hedging	9	27
Financial derivatives held for trading	17	26
Financial liabilities carried at amortised costs	984	1 086

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.

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.

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

The estimated fair values of other instruments, mainly current financial assets and liabilities, approximate their carrying amounts. The estimated fair value of long-term loans represents EUR 188 million as at 31 December 2013 (31 December 2012: EUR 473 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.

(in million EUR)

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 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

Year 2012	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**-**	**28**	**194**	**222**
Financial derivatives held for trading	-	17	-	17
Financial derivatives recognised as hedging	-	11	-	11
Available-for-sale financial assets	-	-	194	194
Financial liabilities at fair value	-	**53**	-	**53**
Financial derivatives held for trading	-	26	-	26
Financial derivatives recognised as hedging	-	27	-	27

Movements in 2013 and 2012 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 2011	-	-	197	**197**
Gains/losses recognised in the income statement	-	-		
Gains/losses recognised in other comprehensive income	-	-	(3)	(3)
Settlement	-	-	-	**-**
Transfers	-	-	-	**-**
Closing 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**

(in million EUR)

Embedded Derivative Instruments

SPP entered into long-term contracts for natural gas transmission denominated in USD and EUR.

Transmission contracts denominated in Euros represented the currency of the primary economic environment and so these contracts were not regarded as a host contract with an embedded derivative under the requirements of IAS 39. Hence, in accordance with IAS 39 (as revised in December 2010), the Group does not recognise the embedded derivatives separately from the host contract. Transmission contracts denominated in US dollars represented the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment of Slovakia in respect of business relations with external parties. Hence, in accordance with IAS 39 (as revised in December 2010), the Group does not recognise embedded derivatives separately from the host contract.

The Group signed a long-term contract for the purchase of natural gas denominated in USD. The US dollar is the currency commonly used in international commerce for trading in natural gas. 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 2010), 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 2013 and 31 December 2012 under the requirements of IAS 39 (as revised in December 2010).

7. INVESTMENTS RECOGNISED USING THE EQUITY METHOD

	Joint ventures	*Associated undertakings*	*At 31 December 2013*	*At 31 December 2012*
Cost	-	-	-	19
Share in post-acquisition profit, net of dividends received	-	-	-	73
Net book value	**-**	**-**	**-**	**92**

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	-

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 reclassified in accordance with IFRS 5 as assets held for sale (see also Note 9).

(in million EUR)

As at 31 December 2013 and 31 December 2012, property, plant, and equipment used to store natural gas at POZAGAS a.s. (a joint venture recognised using the equity method) were revalued to a fair value using an estimate derived from a discounted cash flow calculation. The future cash flows related to such property, plant, and equipment were discounted using an estimated discount rate that SPP believes approximates the time value of money, represented by the current market risk-free rate of interest and the price for bearing the uncertainty and risks inherent in the asset. The discount rate was estimated to be 10%. SPP Group's share of the resulting revaluation reserve amounts to EUR 56 million (2012: EUR 56 million) net of deferred tax.

SPP's share in non-current assets as at 31 December 2013 would be EUR 31 million (2012: EUR 54 million) if such assets were not revalued.

The following amounts represented the Group's share of the assets, liabilities, revenues, and expenses of joint ventures:

	At 31 December 2013	***At 31 December 2012***
Property, plant and equipment	-	113
Investments in securities	-	-
Non-current receivables	-	-
Current assets	-	10
Total assets	-	123
Minority interest	-	-
Non-current interest-bearing borrowings	-	-
Provisions for liabilities and other long-term liabilities	-	(29)
Current liabilities	-	(2)
Total liabilities	-	(31)
Net assets	**-**	**92**

	Year ended 31 December 2013	***Year ended 31 December 2012***
Revenues	-	27
Profit before income taxes	-	8
Income tax including deferred tax	-	(2)
Profit after tax	**-**	**6**

8. AVAILABLE-FOR-SALE AND OTHER INVESTMENTS

8. a) Available–for-Sale Non-Current Investments and Other Investments comprise:

	At 31 December 2013	***At 31 December 2012***
Cost	-	18
Impairment	-	(10)
Closing balance, net	**-**	**8**

The amount of available-for-sale investments and other investments was reclassified in accordance with IFRS 5 as assets held for sale (see also Note 9).

(in million EUR)

Shareholdings represented equity investments in the following companies:

Name	***Seat***	***Ownership interest %*** ***2013***	***2012***	***Principal activity***
AUTOKAC, s. r. o., Hodonín [(1)]	Velkomoravská 83, Hodonín, Czech Republic	28.64	28.64	Dormant
GALANTATERM, spol. s r. o.	Vodárenská 1608/1, Galanta, Slovakia	17.50	17.50	Geothermal energy
AG Banka, a. s. v konkurze [(1)]	Coboriho 2, Nitra, Slovakia	21.90	21.90	Dormant, in bankruptcy
SPP Servis, a.s. [(2)]	Oslobodenia 1068/50, Malacky, Slovakia	100.00	100.00	Production and service of gas facilities
SPP – distribúcia Servis, s.r.o. [(3)]	Oslobodenia 1068/50, Malacky, Slovakia	100.00	100.00	Production and service of gas facilities
Central European Gas HUB AG ("CEGH") [(4)]	Austria	15.00	15.00	Mediation of trade in natural gas

[(1)] *shareholding held by NAFTA a. s.*
[(2)] *shareholding held by SPP Bohemia a. s.*
[(3)] *shareholding held by SPP – distribúcia, a. s.*
[(4)] *shareholding held by eustream, a. s.*

Energotel, a.s., in which the Group held a 16.66% shareholding, was sold in 2012.

8. b) Available–for-Sale Current Investments and Other Investments comprise:

	At 31 December 2013	***At 31 December 2012***
Cost	-	186
Impairment	-	-
Closing balance, net	**-**	**186**

Shareholdings represented equity investments in the following companies:

Name	***Seat***	***Ownership interest %*** ***2013***	***2012***	***Principal activity***
Severomoravská plynárenská, a. s. [(1)]	Czech Republic	n/a	29.17	Gas distribution
Východočeská plynárenská, a. s. [(1)]	Czech Republic	n/a	28.89	Gas distribution
Jihomoravská plynárenská, a. s. [(1), (2)]	Czech Republic	n/a	2.33	Gas distribution

[(1)] *listed companies*
[(2)] *shareholding held by SPP Bohemia a.s.*

In December 2012, the Group signed an agreement on the sale of shareholdings in Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s. and Jihomoravská plynárenská, a.s. with a new investor. The transaction was completed and the shareholdings were transferred in January 2013.

(in million EUR)

9. ASSETS HELD FOR SALE OR REORGANISATION AND PARTIAL SALE

Assets held for sale comprise 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 19.

(in million EUR)

10. 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 2012										
Opening net book value	114	461	61	4 593	974	234	25	5	206	6 673
Revaluation	-	(34)	(2)	(17)	65	-	-	-	-	12
Additions	-	-	-	-	8	1	-	1	124	134
Placed into service	3	22	15	61	90	7	12	-	(210)	-
Reclassifications	-	(1)	(1)	9	(10)	27	1	-	(24)	1
Disposals	-	-	-	-	(15)	(7)	-	-	(6)	(28)
Depreciation charge	(9)	(34)	(3)	(163)	(26)	(10)	(8)	(3)	-	(256)
Change of provisions	-	-	-	9	-	4	1	-	(1)	13
FX gains/losses	-	-	-	-	4	-	-	-	-	4
Change in revaluation surplus	-	-	-	(10)	-	-	-	-	-	(10)
Closing net book value	**108**	**414**	**70**	**4 482**	**1 090**	**256**	**31**	**3**	**89**	**6 543**
31 December 2012										
Cost	157	477	74	4 897	1 104	523	151	46	124	7 553
Provisions and accumulated depreciation	(49)	(63)	(4)	(415)	(14)	(267)	(120)	(43)	(35)	(1 010)
Net book value	**108**	**414**	**70**	**4 482**	**1 090**	**256**	**31**	**3**	**89**	**6 543**
Historical NBV at 31 December 2012, if no revaluation was performed	**60**	**295**	**44**	**1 312**	**323**	**256**	**31**	**3**	**89**	**2 413**
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 9)	(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**

(in million EUR)

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

Insured assets	***Type of insurance***	***Cost of insured assets***		***Name and seat of the insurance company***
		2013	***2012***	
Buildings, halls, structures, machinery, equipment, fittings & fixtures, low-value TFA, other TFA, works of art, inventories (except for gas pipelines)	Insurance of assets	241	1 973	Allianz-Slovenská poisťovňa, a.s. Kooperativa, a.s., ČSOB Poisťovňa, a.s.
Motor vehicles	MTPL, motor vehicle insurance against damage, destruction, theft	-	21	Allianz-Slovenská poisťovňa, a.s.

<u>Revaluation of Non-Current Assets for Use in Gas Transmission, Distribution and Storage</u>

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.

Exploratory wells are recorded in land, buildings, and structures and a provision is created in the event that the success of the wells is uncertain or otherwise impaired. In 2013, NAFTA capitalised the amount of EUR 5 million regarding the costs of hydrocarbon reserves exploration (31 December 2012: EUR 5 million).

As at 31 December 2013 and 31 December 2012, 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.

As at 31 December 2013 and 31 December 2012, NAFTA had no restricted right to handle non-current tangible assets.

(in million EUR)

11. NON-CURRENT INTANGIBLE AND OTHER ASSETS

	Software	*Goodwill*	*Other non-current intangible assets*	*Assets in course of construction*	*Total*
Year ended 31 December 2012					
Opening net book value	12	90	3	6	111
Additions	-	-		9	9
Placed into service	6	-	4	(10)	-
Reclassifications	-	-	-	-	-
Disposals	-	-	(2)	-	(2)
Depreciation	(9)	-	(2)	-	(11)
Effect of FX gains/losses	-	2	-	-	2
Change of provisions	-	-	-	-	-
Closing net book value	**9**	**92**	**3**	**5**	**109**
At 31 December 2012					
Cost	103	92	12	7	214
Provisions and accumulated depreciation	(94)	-	(9)	(2)	(105)
Net book value	**9**	**92**	**3**	**5**	**109**

	Software	*Goodwill*	*Other non-current intangible assets*	*Assets in course of construction*	*Total*
Year ended 31 December 2013					
Opening net book value	9	92	3	5	109
Additions	-	-	-	6	6
Placed into service	6	-	-	(6)	-
Reclassifications	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	(9)	-	(1)	-	(10)
Effect of FX gains/losses	-	(8)	-	-	(8)
Change of provisions	-	-	-	(1)	(1)
Transfer to assets held for sale (see Note 9)	(2)	(84)	(1)	(2)	(89)
Closing net book value	**4**	**-**	**1**	**2**	**7**
At 31 December 2013					
Cost	95	-	4	2	101
Provisions and accumulated depreciation	(91)	-	(3)	-	(94)
Net book value	**4**	**-**	**1**	**2**	**7**

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised in the income statement immediately when incurred. No significant research costs were incurred during 2013 and 2012.

Goodwill related to the SPP Bohemia Group arose as at 29 July 2010 when the Group acquired control over the SPP Bohemia Group.

As at 31 December 2013 and 2012, the Group assessed the recoverable amount of goodwill and identified no impairment. For impairment testing, goodwill was allocated to a cash-generating unit, ie the segment of natural gas storage in SPP Storage.

The recoverable amount of the natural gas storage segment was determined based on the calculation of fair value less costs of sale. To determine the fair value, SPP Storage's financial plan for 2014 – 2022 and the discount rate of 6.7% (2012: 7.42%) were taken into account. Cash flows were calculated for the period of 2014 – 2022, while the terminal value was calculated using the perpetuity based on the 2022 cash flows and terminal growth of 0% (2012: 0%).

Main assumptions considered in the fair value calculation less costs of sale are as follows:
- Estimated annual revenue growth rate of 0.0%;
- Estimated annual savings in operating expenses.

(in million EUR)

12. INVENTORIES

	At 31 December 2013	*At 31 December 2012*
Natural gas	339	530
Raw materials and other inventories	-	19
Provisions	(9)	(14)
Total	**330**	**535**

As at 31 December 2013, a provision was recorded for raw materials and natural gas related to the adjustment of the cost of natural gas to its net realisable value in the amount of EUR 9 million (31 December 2012: EUR 14 million).

13. RECEIVABLES AND PREPAYMENTS

	At 31 December 2013	*At 31 December 2012*
Trade receivables from transmission activities	-	43
Trade receivables from the sale of natural gas and electricity	549	245
Receivables from distribution activities	-	11
Receivables from storage and other activities	-	4
Receivables from financial derivatives (Note 6 d)	8	27
Prepayments and other receivables	19	71
Other tax assets	1	-
Total	**577**	**401**

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 as well as credit notes for natural gas supplies for 2013.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables in the amount of EUR 134 million (31 December 2012: EUR 180 million).

As at 31 December 2013, the Group recorded receivables within maturity in the amount of EUR 562 million and receivables overdue in the amount of EUR 149 million, excluding provisions. As at 31 December 2012, the Group recorded receivables within maturity and overdue in the amount of EUR 404 million and EUR 177 million, respectively, excluding provisions.

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

	At 31 December 2013	*At 31 December 2012*
Balance at 1 January	180	173
Use of provision	(7)	(6)
Release of provision	(4)	(2)
Additions to provision	20	15
Transfer to assets held for sale (see Note 9)	(55)	-
Closing balance	**134**	**180**

Receivables overdue that were not provided for:

	2013	*2012*
Less than 2 months	10	16
2 to 3 months	-	-
3 to 6 months	-	-
6 to 9 months	-	-
9 to 12 months	-	-
More than 12 months	-	-
Total	**10**	**16**

(in million EUR)

Receivables overdue that were provided for:

	2013	*2012*
Less than 2 months	-	-
2 to 3 months	1	2
3 to 6 months	12	5
6 to 9 months	3	6
9 to 12 months	5	4
More than 12 months	118	144
Total	**139**	**161**

14. DEFERRED INCOME

	At 31 December 2013	*At 31 December 2012*
Net opening balance	56	53
Assets acquired during the period	2	4
Amortisation during the period	(1)	(1)
Undrawn grants	(1)	-
Other deferred income	(1)	-
Transfer to liabilities held for sale (see Note 19)	(55)	-
Net closing balance	**-**	**56**

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

Deferred income also included the current portions of grants allocated by the European Commission for the reverse flow projects of the KS 4 and Plavecký Peter gas pipelines, and the cross-border interconnection points between Poland and Slovakia and between Hungary and Slovakia.

15. 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 2013 and 31 December 2012, 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 2013, 908 employees of SPP (31 December 2012: 3 402) 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 2013 are as follows:

	Long-term benefits	*Post-employment benefits*	*Total benefits at 31 December 2013*	*Total benefits at 31 December 2012*
Net liability at 1 January	1	8	9	8
Net expense recognised	-	2	2	1
Benefits paid	-	-	-	-
Transfer to liabilities held for sale (see Note 19)	(1)	(8)	(9)	-
Net liabilities	**-**	**2**	**2**	**9**

(in million EUR)

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2012	-	9	9
At 31 December 2013	-	2	2

Key assumptions used in the actuarial valuation:

	At 31 December 2013	*At 31 December 2012*
Market yield on government bonds	3.057%	3.68%
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

16. PROVISIONS FOR LIABILITIES

Movements in the provisions for liabilities are summarised as follows:

	Environ-mental provisions	*Provision for onerous contracts*	*Other provisions*	*Total provisions at 31 December 2013*	*Total provisions at 31 December 2012*
Balance at 1 January	120	79	34	233	190
Effect of discounting	2	-	-	2	3
Additions	-	25	10	35	94
Use	(1)	(21)	-	(22)	(30)
Reversal	(6)	(61)	(2)	(69)	(24)
Transfer to liabilities directly related to assets held for sale (see Note 19)	(115)	-	(16)	(131)	-
Closing balance	**-**	**22**	**26**	**48**	**233**

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 2012	85	148	233
At 31 December 2013	22	26	48

a) Environmental Provisions

Provisions in the amount of EUR 115 million (31 December 2012: EUR 120 million) were recorded in respect of the decontamination of contaminated soil, liquidation of exploration and storage wells, and the re-cultivation and restoration of sites to their original condition. Eustream has obligations in respect of decontaminating contaminated soil caused by compressor stations. NAFTA has obligations in respect of liquidating exploration and storage wells, re-cultivating and restoring sites, and dismantling a distillation unit.

Obligations of SPP and eustream

As part of the project "Remediation of Old Environmental Burdens", SPP dealt with the decontamination of polluted sites. In all sites of former coal-gas production, the remediation was completed, the decontamination through the after-the-remediation monitoring was confirmed, and successful implementation was confirmed by the Ministry of Environment of the Slovak Republic pursuant to the Act on Environmental Burdens. In 2011, the environmental burden identification project was implemented in all compressor stations that are owned and operated by eustream. In all compressor stations, the pollution caused by oil substances and gas transmission condensate was confirmed. Three of them (KS01, KS02, KS03) were subject to partial decontamination, which could be carried out outside the used gas facilities. In all compressor stations, the said pollution affects the site under the 6MW turbo-generator sets.

SPP estimated the provision for decontamination and restoration using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflected the current market assessment of the time value of money and risks specific to the liability. On 28 February 2013, the provision was transferred to eustream a.s. as part of the transmission gas assets group (see also Note 30).

Obligations of NAFTA

NAFTA currently has 182 production wells in addition to 254 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money and risks specific to the liability (3.7%). The provision takes into account the estimated costs for the abandonment of production and storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2014 and 2093.

Obligations of SPP Storage

SPP Storage currently has 41 production wells. SPP Storage's provision for decontamination and restoration resulted from a legislative requirement to dismantle an underground storage facility, mainly production wells and storage wells after the operation of the underground storage facility is discontinued.

b) 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 2014 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, USD/EUR exchange rates, and indices monitored in the oil market, which are volatile. The actual losses generated with regard to these contracts may vary and such differences may be material.

c) Other Provisions

Other provisions include an amount of EUR 25 million (31 December 2012: EUR 33 million) for various litigation and potential disputes. Refer also to Note 30.

(in million EUR)

17. INTEREST-BEARING BORROWINGS

	31 December 2013 Secured	*31 December 2013 Unsecured*	*31 December 2013 Total*	*31 December 2012 Secured*	*31 December 2012 Unsecured*	*31 December 2012 Total*
Loans	-	294	294	-	627	627
Bonds	-	-	-	-	-	-
Total loans	**-**	**294**	**294**	**-**	**627**	**627**
Loans by currency						
EUR						
– with fixed interest rate	-	84	84	-	84	84
– with variable interest rate	-	210	210	-	543	543
Total loans	**-**	**294**	**294**	**-**	**627**	**627**
Loans are due as follows:						
Less than 1 year	-	110	110	-	143	143
1 to 2 years	-	100	100	-	-	-
2 to 5 years	-	-	-	-	400	400
More than 5 years	-	84	84	-	84	84
Total loans	**-**	**294**	**294**	**-**	**627**	**627**

In 2013 and 2012, 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 2013 was 3.57% p.a. (or 3.77% p.a. reflecting interest rate swaps; as at 31 December 2012: 1.416% p.a., or 3.033% p.a. reflecting interest rate swaps), while the increase in the average interest rate in comparison to the previous year resulted from the moderate increase in interbank interest rates caused also by a higher share of long-term credit lines in the Group's total loans. The average loan maturity as at 31 December 2013 was 5.18 years (2.58 in 2012).

All loans with a maturity period exceeding two years have a fixed interest rate; the remaining loans are drawn on a revolving basis with a one-month interest period. During the year, loans were occasionally drawn in the form of an overdraft facility. The loans were secured by no assets.

In 2013, SPP Infrastructure Financing, B.V. (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. These bonds are recognised in liabilities directly related to assets held for sale (see also Note 19).

Interest rates on loans and bonds:

Loans	***2013***	***2012***
EUR		
– with a fixed rate	4.125 – 4.37%	4.125%
– with a variable rate	1M EURIBOR plus margin	1M EURIBOR plus margin 3M EURIBOR plus margin

The carrying amount and face value of loans:

	Carrying amount		***Face value***	
	31 December 2013	***31 December 2012***	***31 December 2013***	***31 December 2012***
Loans	294	627	295	628
Bonds	-	-	-	-
Total	**294**	**627**	**295**	**628**

The Group has the following outstanding credit facilities:

	At 31 December 2013	***At 31 December 2012***
Variable rate:		
- due within 1 year	250	427
- due after more than 1 year	-	105
	250	**532**

(in million EUR)

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.

Furthermore, under the long-term assignable loan from Deutsche Bank, SPP is required to ensure that in the event of the transfer of the relevant assets (ie eustream/SPP - distribúcia/another significant subsidiary, ie a subsidiary that accounts for at least 15% of the Group's total sales or assets) that results from the requirement to adapt to the new energy legislation ("unbundling"), SPP must immediately after the transfer of such assets comply with the defined level of debt, ie the Group's equity to total assets may not be lower than 0.15. As at 31 December 2013, SPP complied with these covenants.

18. TRADE AND OTHER PAYABLES

	At 31 December 2013	***At 31 December 2012***
Payables from purchases and supplies of natural gas and electricity	273	332
Other trade payables and other payables	27	89
Other liabilities	383	6
Employee liabilities	4	20
Social security and other taxes	7	19
Payables from financial derivatives	23	52
Total	**717**	**518**

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 2013, the Group recorded payables within maturity in the amount of EUR 717 million (31 December 2012: EUR 517.6 million) and overdue payables in the amount of EUR 0 million (31 December 2012: EUR 0.4 million).

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

Social fund payables:

	Amount
Opening balance as at 1 January 2013	2
Total additions:	1
from expenses	*1*
from profit	-
Total drawing:	(1)
monetary rewards and gifts	-
life jubilee benefits	-
work jubilee benefits	-
catering allowance	-
other	*(1)*
Transfer to liabilities directly related to assets held for sale	(1)
Closing balance as at 31 December 2013	**1**

(in million EUR)

19. 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 9.

	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**

20. REGISTERED CAPITAL

At 31 December 2013 and 31 December 2012, 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%). The registered capital was incorporated in the Commercial Register in the full amount.

In accordance with the Articles of Association, the General Meeting adopts decisions with a voting majority of 52% of all votes. In certain cases, as defined by both Slovak law and the Articles of Association, a two-thirds voting majority is required.

21. 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 369 million (31 December 2012: EUR 365 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.

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 if the related asset is sold or disposed of. These transfers to retained earnings are distributable.

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

(in million EUR)

Hedging reserves

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

	Year ended 31 December 2013	*Year ended 31 December 2012*
Opening balance	(13)	(15)
Gain/loss from cash flow hedging	-	-
Currency forward contracts	-	-
Commodity forward contracts	-	(3)
Commodity swap contracts	(1)	-
Interest rate swap contracts	(2)	(16)
Income tax applicable to gains/losses recognised through equity	1	4
Transfers to profit and loss		
Currency forward contracts	-	(1)
Commodity swap contracts	2	13
Commodity forward contracts	-	-
Interest rate swap contracts	16	9
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	-	(4)
Closing balance	**(2)**	**(13)**

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

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

	Year ended 31 December 2013	*Year ended 31 December 2012*
Continuing operations		
Distribution and sale of natural gas and electricity	3	14
Natural gas transmission and storage, exploration and other	-	(2)
Purchase of natural gas and electricity, consumables and energy consumption	-	-
Other costs, net	-	-
Finance (costs)/revenues	16	9
Income tax charged to expenses	(4)	(1)
Total	**15**	**20**

Financial investments revaluation reserve

Financial investments revaluation reserve represents a cumulative gain/(loss) from the remeasurement of available-for-sale financial investments (see Note 6c) to fair value, net of the effect of a deferred tax.

	Year ended 31 December 2013	*Year ended 31 December 2012*
Opening balance	17	20
Gain/(loss) from the remeasurement of available-for-sale financial investments	-	(3)
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	**-**	**17**

(in million EUR)

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 (see Notes 6c and 23).

22. STAFF COSTS

	Year ended 31 December 2013	*Year ended 31 December 2012*
Continuing operations		
Wages, salaries and bonuses	10	10
Social security costs	9	8
Other social security costs and severance pay	4	5
Total staff costs	**23**	**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.

23. INVESTMENT INCOME

	Year ended 31 December 2013	*Year ended 31 December 2012*
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	(33)	(27)
Gain/(loss) from ineffective cash flow hedging	(2)	2
Dividends from available-for-sale financial investments	-	23
Other investment income, net	-	-
Total investment income	**(13)**	**(1)**

24. FINANCE COSTS

	Year ended 31 December 2013	*Year ended 31 December 2012*
Continuing operations		
Interest expense	17	17
Foreign exchange differences – loss/(gain) (Note 25)	-	-
Other	1	1
Total finance costs	**18**	**18**

25. FOREIGN EXCHANGE DIFFERENCES

	Year ended 31 December 2013	*Year ended 31 December 2012*
Continuing operations		
Foreign exchange losses (gains) arising from:		
– Operating activities recognised in other operating expenses	2	(9)
– Financing activities (Note 24)	-	-
Total foreign exchange losses (gains)	**2**	**(9)**

(in million EUR)

26. TAXATION

26.1. Income Tax

Income tax comprises the following:

	Year ended 31 December 2013	*Year ended 31 December 2012*
Current income tax	(2)	24
Special levy on business in regulated industries	-	6
Share in income tax of associated undertakings and joint ventures	-	-
Deferred income tax (Note 26.2)		
– current year	31	9
– effect of the change in the tax rate on deferred tax	-	(6)
Total	**29**	**33**

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

	Year ended 31 December 2013	*Year ended 31 December 2012*
Profit/(loss) before taxation	(107)	(185)
Income tax at 23% or 19%	-	-
Effect of adjustments from permanent differences between carrying amount and tax value of assets and liabilities	24	67
Withholding tax	-	1
Derecognition of a deferred tax asset	32	-
Tax impact due to the change in the tax rate from 19% to 23%	-	(6)
Special levy on business in regulated industries	-	6
Additional tax charges	(2)	-
Other adjustments	-	-
Income tax for the year	**29**	**33**

The actually-recognised tax rate differs from the tax rate of 23% stipulated by law in 2013 mainly due to the adaption of the change in the tax rate for deferred income tax valid as of 1 January 2014 to 22% (during 2013 from 19% to 23%) and due to the adjustments of the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to the valid tax legislation. Such adjustments mainly include tax non-deductible provisions for liabilities and provisions for assets, a loss reported from other than hedging derivatives, and a difference between tax and accounting deprecation charges of non-current assets.

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

For the part of deferred income tax calculation, the Group applied the income tax rate of 22% in 2013 (23% in 2012) that has been valid in Slovakia as of 1 January 2014 (as of 1 January 2013).

(in million EUR)

26.2. 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 2012	***(Charge)/Credit to Other Comprehensive Income/Losses***	***(Charge)/Credit to Profit for the Period***	***At 31 December 2012***
Difference in NBV of non-current assets	(923)	(178)	(18)	(1 119)
Revaluation of financial investments available for sale	(5)	-	-	(5)
Revaluation of derivatives	(2)	6	(2)	2
Provisions and employee benefits	27	-	13	40
Provisions for receivables	9	-	2	11
Impairment loss	6	-	2	8
Other	6	-	4	10
Total	**(882)**	**(172)**	**1**	**(1 053)**

	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)**

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

	At 31 December 2013	***At 31 December 2012***
Deferred tax asset	-	-
Deferred tax liability	(3)	-
Deferred tax liability (recognised in liabilities directly related to assets held for sale, Note 19)	(873)	(1 053)
Total	**(876)**	**(1 053)**

As SPP expects no taxable profits against which temporary differences could be utilised in the near future, deferred tax assets of SPP were released as at 31 December 2013. The amount of deductible temporary differences and tax loss for which no deferred tax asset was recognised as at 31 December 2013 is EUR 115 million.

(in million EUR)

27. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

At 31 December 2012	***Before tax***	***Tax***	***After tax***
Change in FX translation reserve	2	-	2
Increase in gas assets revaluation reserve (after effect of deferred tax) and an effect of the change in the tax rate on the deferred tax liability debited to the revaluation reserve	29	(176)	(147)
Change in the revaluation reserve due to changes in fair value (after effect of deferred tax)	10	(2)	8
Hedging derivatives (Cash flow hedging)	(4)	6	2
Change in financial investments revaluation reserve	(3)	-	(3)
Other	-	-	-
Other comprehensive income for the period	**34**	**(172)**	**(138)**

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)**

28. 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 Financing B.V., SPP Bohemia, a.s., Pozagas, a.s., and GEOTERM Košice, a.s. that are 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. The presentation of discontinued operations for the year ended 31 December 2012 is adjusted to be consistent with 2013.

Profit for the year from discontinued operations	***Year ended 31 December 2013***	***Year ended 31 December 2012***
Revenues from the sale of products and services		
Distribution of natural gas	380	427
Natural gas transportation and storage, exploration and other	859	940
Total revenues	**1 239**	**1 367**
Operating expenses:		
Own work capitalised	15	16
Purchases of natural gas, electricity and consumables and services	(88)	(96)
Depreciation and amortisation	(246)	(246)
Storage of natural gas and other services	(68)	(79)
Staff costs	(125)	(123)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	(6)	(6)
Provisions and impairment losses, net	(38)	(44)
Other, net	1	1
Total operating expenses	**(555)**	**(577)**
Operating profit	**684**	**790**
Gain/(loss) on investments	20	9
Share in profit of associated undertakings and joint ventures	4	12
Finance costs	(34)	(13)
Profit before tax	**674**	**798**
Income tax	(213)	(132)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**461**	**666**

(in million EUR)

Cash flows from discontinued operations	***Year ended 31 December 2013***	***Year ended 31 December 2012***
Cash flows from operating activities	778	1 110
Cash flows from investing activities	(678)	(111)
Cash flows from financing activities	818	(58)
Net cash flows	**918**	**941**

29. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2013	***Year ended 31 December 2012***
Profit before tax	567	613
Adjustments for:		
Depreciation and amortisation	251	253
Effect from revaluation	-	16
Provisions and other non-cash items	(28)	64
Impairment losses	35	8
Release of deferred income	1	1
Profit from sale of non-current assets	(1)	(4)
Mark-to-market on commodity contracts	14	(42)
Interest expense/(income), net	20	18
Share in profit of associated undertakings and joint ventures	(4)	(12)
Revenues from financial investments	(22)	(23)
Other financial revenues, net	47	27
(Increase)/decrease in receivables and prepayments	(292)	188
(Increase)/decrease in inventories	26	(54)
Increase/(decrease) in trade and other payables	(29)	169
Cash flows from operating activities	**585**	**1 222**

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.

30. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2013, capital expenditure of EUR 15.4 million (31 December 2012: EUR 209 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 1 million in the year ended 31 December 2013 (31 December 2012: EUR 9 million).

Non-cancellable operating lease payables amount to:

Period	***2013***	***2012***
Within 1 year	1	9
From 1 to 5 years	-	5
More than 5 years	-	-
Total	**1**	**14**

Natural Gas Purchase

The majority of natural gas supplies for SPP were performed from the Russian Federation in 2013. The supplies were continuous in line with SPP's requirements pursuant to the agreed terms and conditions of the long-term agreement with Gazprom export LLC. No significant shortcomings in supplies were observed on the side of the Russian business partner. In the event of an emergency situation (gas crisis), SPP is able to provide gas supplies through the diversification of resources by means of a reverse flow via the Czech Republic.

The purchase price for natural gas from the Russian supplier is determined on a monthly basis using an agreed formula. The formula is based on basic prices adjusted by movements in the market prices of competitive hydrocarbon products on the exchange (light and heavy heating oil).

At the beginning of 2013, SPP initiated the gas purchase price revision process in compliance with the terms and conditions of a long-term natural gas purchase contract. This price revision is the second one after the revision in 2011. Negotiations on the final price ended on 28 March 2014, and the revised price is effective as of 1 January 2013.

Natural Gas Transmission

In 2013, the Group fully implemented a long-term contract for natural gas transmission (with *ship-or-pay* conditions) through Slovakia with Gazprom export LLC, a Russian natural gas exporter. This contract enables the use of gas pipelines owned by the Group, in line with the transmission capacity required by Gazprom export LLC, to execute long-term export contracts signed with customers in Central and Western Europe. Since 1 July 2006, eustream, a.s. has been a contracting party to this long-term contract.

Access to the transmission network and transmission services are provided by eustream, a.s. on the basis of *ship-or-pay* contracts. The major user of the network (shipper) is Gazprom export LLC, followed by other customers, usually leading European gas companies transmitting gas from Russian and Asian reservoirs to Europe. The major part of the transmission capacity is ordered on the basis of long-term contracts. In addition, eustream, a.s., within the *entry-exit* system, also concludes short-term transmission contracts.

eustream, a.s. is paid transmission fees to its accounts by the relevant shipper. Tariffs have been fully regulated since 2005. The regulator annually issues pricing decisions on the basis of a proposal submitted by eustream, a.s.

On the basis of the regulated business and pricing terms, shippers also provide eustream, a.s. with a portion of the tariffs in kind as gas for operating purposes, covering gas consumption during the operation of the transmission network. This portion of the tariff can also be provided by shippers in monetary form in compliance with the regulated business and pricing terms.

Natural Gas Storage Contracts

The Group stores natural gas at two storage locations in Slovakia and the Czech Republic. The gas storage facilities are operated by the subsidiary NAFTA a.s. and the joint venture POZAGAS a.s. in Slovakia and by subsidiary the SPP Storage, s.r.o. in the Czech Republic, 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.

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. Such contracts usually determine the price for the commodity supply. The price of the distribution and other components is determined based on the RONI's price decisions for distribution companies and the market and transmission system operator. For small enterprises and households, composite electricity supply contracts define products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity, Slovenský plynárenský priemysel, a.s., as a supplier of electricity.

Significant Intragroup Contractual Liabilities That will Continue after the Completion of the SPP Group Reorganisation

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

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. As the tax authorities are reluctant to provide official interpretations in respect of the tax legislation, there is an inherent risk that the tax authorities may require, for example, transfer pricing or other adjustments to the corporate income tax base. 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 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 or disputes in respect of alleged breaches of the contact for significant amounts.

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.

The Group has entered into long-term storage contracts with various customers operating in Europe. The prices and other contractual conditions stipulated in these contracts are subject to change due to various contractually defined factors. In this regard, in 2012 NAFTA entered into price arbitration, the effect of which is adequately reflected in these financial statements. The final outcome as well as timing of the price arbitration is uncertain. The Group decided not to disclose additional data on this matter since the management believes that this would breach the confidentiality of information and/or trade secrets and/or could cause damage to the Group.

Legislative Conditions for Business Activities in the Energy Sector

Third Energy Package of the EU

In 2009, the European Union adopted Directive 2009/72/EC and Directive 2009/73/EC and related regulations concerning common rules for the internal market in natural gas and electricity known as the "Third Energy Package" that Member States were required to transpose into their national laws no later than 3 March 2012. One of the most important requirements of the Third Energy Package is, inter alia, to determine the regime of the unbundling of transmission networks and transmission network operators, with the EU Member States being allowed to opt for the implementation of one of the following alternatives in the gas sector:

- Ownership unbundling;
- Independent system operator; or
- Independent transmission operator.

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

The Third Energy Package was transposed into Slovak law through the new Act No. 251/2012 Coll. on Energy and on Amendments to and Supplementation of Certain Acts and the new Act No. 250/2012 Coll. on Regulation in Network Industries that became effective on 1 September 2012 and that represent a basic legal framework for business in the energy sector.

Based on Resolution No. 656/2012 dated 28 November 2012 and pursuant to the provision of Article 50 (8) of Act No. 251/2012 Coll. on Energy and on Amendment to and Supplementation of Certain Acts, the Government of the Slovak Republic determined that for a transmission network operator that is part of a vertically-integrated gas undertaking, the ownership unbundling of such transmission network operator will not be applied pursuant to Article 50 (1 - 7) of the Act. Thus, the provisions of the Act stipulating the conditions of implementing the so-called ITO model apply to eustream, a.s., without prejudice to the right of the vertically-integrated undertaking to implement the ownership unbundling. Eustream, a.s. was obliged to meet the requirements of the Act no later than by 1 March 2013.

The new acts transpose the requirements of the Third Energy Package that extend the requirements for the independence and unbundling of commercial, financial, operational and investment activities of transmission network operators and, simultaneously, strengthen the powers of the Regulatory Office for Network Industries ("RONI") in relation to vertically-integrated undertakings. One of the principal requirements under Directive No. 2009/73/EC also in the case of the ITO model implementation is the ownership of the transmission network by its operator. Additionally, new obligations apply to the independent transmission operator; the said obligations relate to the creation of the so-called supervisory commission as a special supervisory body, certification as part of which the Regulatory Office for Network Industries, together with the European Commission, will examine its independence and compliance with the ITO model requirements and other obligations to provide for the independence in the operation, maintenance and management of the transmission network. On 14 February 2013, the Extraordinary General Meeting of the Company approved the transfer of transmission assets to the subsidiary eustream, a.s., in the form of an in-kind contribution of a part of the business effective as of 28 February 2013. The transfer of transmission assets from the parent company to the subsidiary eustream had no significant impact on the consolidated financial statements, however, it had a significant impact on the parent company's and eustream, a.s.'s separate financial statements.

In connection with the newly-adopted acts, some related generally-binding legal regulations in secondary legislation were adopted in 2013. On 30 April 2013, by its Decision No. 0005/2013/P-PP, the RONI approved the amendments to and supplementation of eustream's operating rules through which it launches new products, namely the Virtual Trading Point service and other services, supporting the liquidity and flexibility of the gas market. On 28 October 2013, by its Decision No. 0049/2013/P-PP, the RONI approved the amendments to and supplementation of the entity's operating rules, which supplement the rules for congestion management in the transmission network pursuant to the EU regulations.

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 2013, 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 2013, 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.

Tariffs for Regulated Activities

Every year RONI approves tariffs for access to the transmission network and for natural gas transmission. These tariffs are determined based on a benchmarking analysis of gas transmission prices in other EU Member States. The 2013 tariffs for access to the transmission network and natural gas transmission were approved by RONI Rulings 0003/2013/P and 0092/2013/P. On 2 September 2013, the tariffs for the 2014-2016 regulation period were also approved by RONI Ruling 0001/2014/P.

RONI approves tariffs for access to the distribution network and gas distribution and for the provision of auxiliary services, as well as for connection to the distribution network. These tariffs are proposed so that the total planned revenues from the tariffs for access to the distribution network and gas distribution in the regulation year in Euros per gas volume unit do not exceed the maximum price for the year, calculated pursuant to RONI's Decree No. 193/2013 which stipulates price regulation in the gas industry. The maximum approved revenue is determined based on eligible costs, including depreciation charges derived from the regulated base of assets set by RONI and the profit margin. The regulated base of assets and the residual useful life of such assets determined by RONI differ from the carrying amount of non-current tangible assets and their useful lives as recognised by the Group. The management, therefore, believes that non-current tangible assets are not impaired based on present indicators. There are inherent uncertainties that could have an impact on the determination of future tariffs by RONI and the future realisable value of assets.

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

Under the RONI Decree No. 193/2013 Coll., the maximum price for connection to the distribution network for the years following the base year of the regulation period is calculated by the indexation of the price for the year preceding the year for which the price proposal is submitted, reflecting the effect of inflation.

The calculation of the maximum price for access to the distribution network and for gas distribution for the years following the base year of the regulation period is also partly based on the basic parameter indexation.

The purchase of a gas facility, which will be regulated for the first time in 2014, is subject to price regulation in the gas 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)

31. RELATED PARTY TRANSACTIONS

Slovak Gas Holding (at 31 December 2012 an indirect joint venture of GDF SUEZ SA and E.ON Ruhrgas) exercises management control over SPP with a 49% shareholding. Since January 2013, Energetický průmyslový holding, a.s. (EPH) is the new investor and indirect owner of 49 % share in SPP. SPP is owned by the Slovak National Property Fund with a 51% shareholding.

During the year, the Group entered into the following transactions with related parties that are not consolidated entities in these consolidated financial statements:

	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

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

Transactions with Slovak Gas Holding and the National Property Fund represent dividend payments.

Transactions with joint ventures 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.

	2012					***31 December 2012***		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
Slovak Gas Holding	-	-	-	366	-	-	-	-
Slovak National Property Fund	-	-	-	381	-	-	-	-
Other companies	1	-	4	-	1	2	-	1
Joint ventures	9	-	3	-	-	1	-	-
Other related parties	132	-	28	-	1	35	17	13

(in million EUR)

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

	Year ended 31 December 2013	***Year ended 31 December 2012***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	7	6
Of which – Board of Directors and executive management	*6*	*5*
- Supervisory Board	*1*	*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	-	-
Of which – Board of Directors and executive management	-	-
Benefits in kind to members of the Board of Directors and executive management – total	-	-
Of which – Board of Directors and executive management	-	-

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

a) Consolidated Financial Statements

As at 31 December 2013, SPP submits consolidated financial information as a consolidated reporting entity for higher consolidation to Energetický a průmyslový holding, a.s., based at Příkop, 60200 Brno, Czech Republic.

The ultimate reporting entity that consolidates the SPP Group as at 31 December 2013 is Energetický a průmyslový holding, a.s.

As at 31 December 2012, SPP submitted consolidated financial information as a consolidated reporting entity to E.ON Ruhrgas International AG with its seat at Huttropstrasse 60, 45138 Essen, Germany, and to GDF SUEZ SA with its seat at 16-26, rue du Docteur Lancereaux, 75008 Paris, France.

The ultimate reporting entities that consolidated the SPP Group as at 31 December 2012 were GDF SUEZ SA and E.ON AG.

SPP also prepares consolidated financial statements for its group of companies. See Notes 5, 7, 8 and 9 for details on these companies.

Summary financial information on SPP that was derived from its separate and consolidated financial statements is published in the Slovak Commercial Journal.

The consolidated and separate financial statements of SPP are published 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.

For information on the entities in which SPP has an ownership interest but which do not meet the conditions for being included in the consolidation group, refer to Note 8 and 9.

(in million EUR)

b) Members of the Company's Bodies

Body	*Function*	*Name*
Board of Directors	Chairman	JUDr. Daniel Křetínský - since 24 Jan 2013
	Chairman	Dr. Hans-Gilbert Meyer - until 23 Jan 2013
	Vice-Chairman	Mgr. Alexander Sako
	Member	JUDr. Marián Valko
	Member	Ing. Milan Hargaš
	Member	Ing. Jan Špringl - since 24 Jan 2013
	Member	Ing. Pavel Horský - since 24 Jan 2013
	Member	Mgr. Ing. Jiří Nováček, LL.M. - since 19 Nov 2013
	Member	Ing. Ladislav Bartoníček - from 24 Jan 2013 until 18 Nov 2013
	Member	Dipl. ekonom Frédérique Dufresnoy, MBA - until 23 Jan 2013
	Member	Dipl. Ing. Jean Jacques Ciazynski - until 23 Jan 2013
	Member	Mgr. Ing. Andreas Rau - until 23 Jan 2013
Supervisory Board	Chairman	Michal Ďurkovič
	Vice-Chairman	Ing. Peter Korbačka - since 31 Jan 2013
	Vice-Chairman	Dipl. ekonom Eric Stab - until 23 Jan 2013
	Member	Ing. Peter Korbačka - from 24 Jan 2013 until 30 Jan 2013
	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 - since 19 Sep 2013
	Member	Ing. Jozef Polačko - until 7 Sep 2013
Executive Management	Director of Finance Division, authorised to act on behalf of the General Director	Ing. Libor Briška
	Director of Trade Division	Ing. Dušan Randuška, MBA
	Director of Corporate Affairs and Services Division	Ing. Rastislav Bráblik
	Director of Customer Services Division	Ing. Rastislav Bráblik - appointed to act on behalf of the director

33. POST-BALANCE SHEET EVENTS

At the beginning of 2013, SPP initiated the revision process for the natural gas purchase price valid for the 2013 supplies with Gazprom export LLC. The agreement on the revised price was signed on 28 March 2014.

No other events occurred subsequent to 31 December 2013 that might have a material effect on the financial statements of the Group.

Prepared on:	***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:***
15 April 2014			
Approved on:	JUDr. Daniel Křetínský Chairman of the Board of Directors	Ing. Libor Briška Director of Finance Division	Ing. Miroslav Jankovič Director of Accounting and Taxes Section
	Mgr. Alexander Sako Vice-Chairman of the Board of Directors		

Proposal of the profit distribution for the year 2013

The proposal of profit distribution for the year 2013 is prepared in line with the Articles of Association of Slovenský plynárenský priemysel, a.s. Article XX. PROFIT DISTRIBUTION, Article XIX. GENERATION AND USE OF RESERVE FUND and in line with the provisions of the Commercial Code No. 513/1991 Coll., as amended.

The proposal of the profit distribution for the year 2013 is based on the audited individual financial statements for the year 2013.

I.	**Net profit**	**267,585,076.59 €**
II.	**Allocation to the statutory reserve fund** in accordance with the Article XIX. of the Articles of Association the reserve fund reached the level of 20% of registered capital	**0.00 €**
III.	**The amount of net profit determined as dividends**	**267,585,076.59 €**
IV.	**Tantiems to the members of the bodies**	**0.00 €**

Slovenský plynárenský priemysel, a.s.
Mlynské nivy 44/a
825 11 Bratislava 26
Slovak Republic

www.spp.sk