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 2015

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

Phone: +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 Shareholder and Board of Directors of Slovenský plynárenský priemysel, a.s.:

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

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

We draw attention to Note 1.3 to the financial statements, which describes effects of the reorganisation and modification of the ownership structure in the SPP Group. Our opinion is not modified in respect of this matter.

Bratislava, 2 March 2016

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

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

CONTENTS

Slovenský plynárenský priemysel, a.s.
BALANCE SHEETS
as at 31 December 2015, 31 December 2014 and 31 December 2013
(EUR '000)

	Note	31 December 2015	31 December 2014 (Restated)	31 December 2013 (Restated)
ASSETS:				
NON-CURRENT ASSETS				
Investment property	8	20 641	22 579	26 536
Land, property, plant and equipment	7	90 626	92 026	107 021
Investments in subsidiaries and associates	6	2 031 495	2 159 955	15
Non-current intangible assets	9	3 216	4 486	6 765
Other non-current assets		33 590	30 581	35 176
Total non-current assets		2 179 568	2 309 627	175 513
CURRENT ASSETS				
Inventories	10	226 244	272 890	335 337
Receivables and prepayments	11	353 716	403 028	798 702
Income tax assets	22.1	31 733	-	15 624
Other assets		-	-	1 915
Cash and cash equivalents		189 112	19 622	407 964
Total current assets		800 805	695 540	1 559 542
Assets held for sale or for reorganisation and partial sale		315	-	5 473 299
TOTAL ASSETS		**2 980 688**	**3 005 167**	**7 208 354**
EQUITY AND LIABILITIES:				
CAPITAL AND RESERVES				
Registered capital	16	885 062	885 062	1 735 416
Legal and other reserves	17	1 197 677	1 197 683	347 329
Revaluation reserves	17	(3 467)	(7 500)	(1 996)
Retained earnings		507 721	361 149	3 256 536
Total equity		2 586 993	2 436 394	5 337 285
NON-CURRENT LIABILITIES				
Non-current interest-bearing borrowings	14	84 240	84 089	795 070
Deferred income		25	27	29
Provisions for liabilities	13	28 823	26 393	25 193
Retirement and other long-term employee benefits	12	749	1 943	1 573
Deferred tax liability	22.2	-	-	3 621
Other non-current liabilities		12 294	4 393	3 094
Total non-current liabilities		126 131	116 845	828 580
CURRENT LIABILITIES				
Current portion of non-current interest-bearing borrowings	14	-	24 269	110 000
Trade and other payables	15	249 246	207 602	908 623
Income tax liabilities	22.1	-	198 202	-
Provisions and other current liabilities	13	18 318	21 855	23 866
Total current liabilities		267 564	451 928	1 042 489
Total liabilities		393 695	568 773	1 871 069
TOTAL EQUITY AND LIABILITIES		**2 980 688**	**3 005 167**	**7 208 354**

The financial statements on pages 3 to 42 were signed on 2 March 2016 on behalf of the Board of Directors:

Ing. Štefan Šabík
Chairman of the Board of Directors

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

(EUR '000)

	Note	*Year ended 31 December 2015*	*Year ended 31 December 2014*
Sales of natural gas and electricity		1 332 501	1 523 877
Other		25 819	20 274
Own work capitalised		126	179
Purchases of natural gas, electricity, consumables and services		(1 271 975)	(1 454 565)
Depreciation and amortisation	7, 8, 9	(9 007)	(9 573)
Storage of natural gas and other services		(120 637)	(128 208)
Staff costs	18	(27 169)	(31 568)
Provisions for bad and doubtful debts, net	11, 10	(11 397)	(14 478)
Provisions and impairment losses, net	13, 7, 9	(4 178)	(20 756)
Other, net		1 368	(1 857)
Investment income	19	542 576	636 501
Finance costs	20	(5 122)	(37 285)
Profit before income taxes		452 905	482 541
INCOME TAX	22	(17 786)	(193 994)
NET PROFIT FOR THE PERIOD		**435 119**	**288 547**

(EUR '000)

	Note	***Year ended 31 December 2015***	***Year ended 31 December 2014***
NET PROFIT FOR THE PERIOD		435 119	288 547
OTHER COMPREHENSIVE INCOME (may be reclassified to profit or loss in the future):	23		
Cash flow hedging		4 033	(5 504)
Deferred tax related to items of other comprehensive income for the period		-	-
OTHER COMPREHENSIVE INCOME (not reclassified to profit or loss in the future):	23		
Change in the liability for employee benefits		(6)	-
Deferred tax related to items of other comprehensive income for the period		-	-
OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD		4 027	(5 504)
TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD		**439 146**	**283 043**

STATEMENTS OF CHANGES IN EQUITY
Years ended 31 December 2015 and 31 December 2014
(EUR '000)

	Registered capital	*Legal and other funds*	*Hedging reserve*	*Financial investments revaluation reserve*	*Revaluation reserve*	*(Accumulated loss)/ Retained earnings (Restated)*	*Total*
At 31 December 2013	**1 735 416**	**347 329**	**(1 996)**	**-**	**-**	**3 256 536**	**5 337 285**
Net profit for the period	-	-	-	-	-	288 547	288 547
Other comprehensive income for the period	-	-	(5 504)	-	-	-	(5 504)
Effect of reorganisation and decrease of the registered capital	(850 354)	850 354	-	-	-	(2 916 349)	(2 916 349)
Dividends paid	-	-	-	-	-	(267 585)	(267 585)
Transfer to retained earnings	-	-	-	-	-	-	-
At 31 December 2014	**885 062**	**1 197 683**	**(7 500)**	**-**	**-**	**361 149**	**2 436 394**
Net profit for the period	-	-	-	-	-	435 119	435 119
Other comprehensive income for the period	-	(6)	4 033	-	-	-	4 027
Dividends paid	-	-	-	-	-	(288 547)	(288 547)
Transfer to retained earnings	-	-	-	-	-	-	-
At 31 December 2015	**885 062**	**1 197 677**	**(3 467)**	**-**	**-**	**507 721**	**2 586 993**

(EUR '000)

	Note	*Year ended 31 December 2015*	*Year ended 31 December 2014*
OPERATING ACTIVITIES			
Cash flows from operating activities	24	58 732	31 627
Interest paid		(7 275)	(6 613)
Interest received		1 137	1 228
Income tax paid/refund of tax overpayments		(247 720)	15 959
Net cash flows from operating activities		(195 126)	42 201
INVESTING ACTIVITIES			
Proceeds from provided borrowings		-	1 923
Purchase of property, plant and equipment		(1 733)	(3 438)
Proceeds from the sale of land, property, plant and equipment and intangible assets		1 041	182
Expenditures for the buy-back of treasury shares	1.3	-	(21 602)
Dividends received*	19	238 165	10 282
Net cash inflow/(outflow) from investing activities		237 473	(12 653)
FINANCING ACTIVITIES			
Proceeds from interest-bearing borrowings	14	490 000	484 269
Expenditures for the repayment of interest-bearing borrowings	14	(74 268)	(270 000)
Dividends paid		(288 547)	(632 910)
Other proceeds and expenditures from financial activities, net		(53)	(42)
Net cash flows from financing activities		127 132	(418 683)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		169 479	(389 135)
EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS		11	793
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		19 622	407 964
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**189 112**	**19 622**

**Dividends received represent a portion of dividends received from joint ventures and associates, and the remaining amount of the received dividends was offset with a payable from received loans.*

(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 ownership interests in Slovak Gas Holding, B.V. ("SGH"), which owned a 49% share in SPP and exercised operating and management control. The transaction was completed on 23 January 2013.

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

These financial statements represent the separate financial statements of SPP. They were prepared for the reporting period from 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU.

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

On 31 March 2015, the Annual General Meeting approved the 2014 financial statements of SPP.

1.2. Principal Activities

Since 1 July 2006, after the legal unbundling process SPP has sold natural gas and electricity.

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

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

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

On 4 June 2014, SPP sold its near 49% ownership interest including management control in SPP Infrastructure, a.s. to SGH and acquired treasury shares from SGH. As a result, the Government of the Slovak Republic has become the 100% owner of SPP. SPP has retained a non-controlling, near 51% ownership interest in SPP Infrastructure, a.s. that is recognised as an investment in an associate (see also Note 6). Gain from the sale of the controlling interest in SPP Infrastructure, a.s. is recognised as investment income in the income statement (see also Note 19).

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

1.4. Employees

The average number of SPP employees for the year ended 31 December 2015 was 750, of which 1 were executive management (for the year ended 31 December 2014: 789, of which 3 were executive management).

The actual number of full-time employees as at 31 December 2015 was 745 (as at 31 December 2014: 768).

1.5. Registered Address

Mlynské nivy 44/a
825 11 Bratislava
Slovak Republic

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

Application of New and Revised International Financial Reporting Standards

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

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

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

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

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

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

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

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);

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

- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);

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

- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

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

At present, IFRSs as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and interpretations that were not endorsed for use as at 31 December 2015:

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

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

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

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);

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

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

- **Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative** (effective for annual periods beginning on or after 1 January 2017); and

- **Amendments to IAS 12 "Income Taxes"** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

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

Hedge accounting regarding a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. Based on the Company's estimates, applying hedge accounting to the portfolio of financial assets or liabilities pursuant to IAS 39 Financial Instruments: Recognition and Measurement would not 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 will prepare and issue consolidated financial statements for the year ended 31 December 2015 that comply with IFRS as adopted by the EU. The consolidated financial statements are 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 2015.

b) Subsidiaries and Associated Companies

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

c) Financial Assets

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

<u>Financial assets at fair value through profit or loss</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 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.

<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 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.

<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 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 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 Company'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.

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.

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.

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) Land, Property, Plant and Equipment, and Intangible Assets

Prior to 2014, the property, plant and equipment used for natural gas transmission were recognised on the balance sheet at a remeasured value representing their fair value as at the remeasurement date less potential subsequent accumulated depreciation and subsequent accumulated losses from permanent impairment. As at 31 December 2015 and 31 December 2014, the Company did not recognise any assets used for natural gas transmission on the balance sheet.

The Company decided that as at 31 December 2015 and 31 December 2014 it will use a different classification of non-current tangible assets, primarily because the assets used for natural gas transmission are no longer recognised on the balance sheet (Note 7).

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

Items of non-current assets that are retired or disposed of for another reason are derecognised from the balance sheet at the net book value. Any gain or loss resulting from such retirement or disposal is included in the income statement.

(EUR '000)

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 non-current assets to their estimated residual values over their residual useful lives.

The useful lives used are as follows:

	2015	*2014*
Buildings	30 - 40	30 - 40
Plant and machinery	3 - 15	3 - 15
Fixtures and fittings	8 - 15	8 - 15
Software – tangible	3 - 4	3 - 4
Other non-current tangible assets	8	8

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

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

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

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

g) Investment Property

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

h) Inventories

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

i) Cash and Cash Equivalents

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

j) Provisions for Liabilities

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

Provision for 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, 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 International Financial Reporting Standards adjusted pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic after adjustments for individual items increasing and decreasing the tax base in line with Act No. 595/2003 Coll. on Income Tax, as amended, using the applicable 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 as of 1 January 2014 is 22%.

The principal temporary differences arise from depreciations on property, plant and equipment and various provisions. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Current and deferred tax for the year
Current and deferred tax are recognised through profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. A special levy is recognised as part of income taxes.

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

The Company is a regulated entity obliged to pay a special levy from September 2012 with an extension until December 2016 (under the amended law). The levy period is the calendar month and the levy rate amounts to 0.00363. The base for the Company's levy is the profit/loss before tax recognised in accordance with IFRS and adjusted to the profit/loss recognised pursuant to the relevant Decree of the Ministry of Finance of 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

Non-current assets 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 is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. This classification was also applied to subsidiaries, joint ventures and associates which were partially disposed of during the reorganisation of the SPP Group (refer to Note 1.3).

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

s) Correction of an Error from Previous Years and a Change in the Presentation

In 2010, there was a processing error in the preparation of the Company's VAT return due to the manual processing of a large number of documents and printouts for the VAT return in the amount of EUR 8 418 thousand. The error was identified and corrected after software for the preparation of VAT returns was implemented; the Company recognised the error as the correction of an error of previous years.

The correction of the error of previous years in the balance sheet as at 1 January 2014 had an impact on the decrease of retained earnings and the increase of trade and other payables by EUR 8 418 thousand.

(EUR '000)

The effects of the correction of an error of previous years on the balance sheet lines are as follows:

Balance sheet

	Note	*31 December 2014 (Restated)*	*31 December 2014 (Before restatement)*	*31 December 2013 (Restated)*	*31 December 2013 (Before restatement)*
Retained earnings		361 149	369 567	3 256 536	3 264 954
Trade and other payables	15	207 602	199 184	908 623	900 205

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Litigation

SPP is involved in various legal proceedings for which management has assessed the probability of loss that may result in cash outflow. In making this assessment, SPP has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. The final amount of any potential losses in relation to the legal proceedings is not known and may result in a material adjustment to the previous estimates. Details of the legal cases are included in Note 25.

Impairment of Property, Plant and Equipment

The Company calculated and recorded amounts for the impairment of property, plant and equipment on the basis of an evaluation of their future use, on planned liquidation or sale, and based on information received from real estate agencies. 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 7 for details on the impairment of property, plant and equipment.

Un-Billed Gas Sales

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

Current Crisis in Ukraine

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

Provision for Onerous Contracts

As at 31 December 2015, the separate financial statements include significant amounts recognised as provisions for onerous contracts with respect to non-cancellable contractual commitments to supply natural gas to customers based on sales contracts. These provisions are based on current market information on the future development of natural gas prices in spot markets, which are volatile. For more information, see Note 13.

(EUR '000)

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 new requirements under IFRS 13 for the measurement of non-financial assets at fair value (see Notes 2 and 3); and
- Assessment of the IAS 39 rules for the application of an exemption allowing one not to account for certain commodity sell and buy contracts as financial derivatives (see Note 3e).

5. FINANCIAL INSTRUMENTS

a) Financial Risk Management

The Company is exposed to various financial risks, including the effects of changes in 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 2015 and 2014, the Company entered into derivative transactions, for example, forward currency contracts, swap interest contracts and commodity swaps, in order to manage certain risks. The purpose of forward currency contracts is to eliminate the effects of changes in the USD/EUR and CZK/EUR exchange rates 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 the price risks of sales contracts with customers and purchase contracts with suppliers.

The main risks arising from the Company's financial instruments are commodity price risk, interest rate risk, credit risk and liquidity risk. Risk management is performed by the Audit, Risk and Process Management Section in accordance with the procedures approved by the Board of Directors.

(1) 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 2015 the Company used commodity swap contracts to manage the risk of commodity price fluctuations. Similarly, as at 31 December 2014, 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	***2015***		***2015***	
	Nominal amount		***Fair value***	
	Fair value hedging	***Held for trading***	***Fair value hedging***	***Held for trading***
Purchase/sell gas				
Less than 3 months	85 646	9	(22 299)	(16)
3 to 12 months	140 844	8	(33 239)	9
Over 12 months	56 763	693	(12 294)	246

Open commodity swap contracts	***2014***		***2014***	
	Nominal amount		***Fair value***	
	Fair value hedging	***Held for trading***	***Fair value hedging***	***Held for trading***
Purchase/sell gas				
Less than 3 months	131 245	684	(15 334)	(812)
3 to 12 months	191 231	1 723	(26 800)	4 235
Over 12 months	41 534	693	(4 371)	85

In 2013, the underlying asset in the purchase contract changed, and the gas purchase price in the long-term contract was technically linked to the NCG Herren gas index denominated in EUR. This resulted in a significant decrease in risk arising from the difference between the formula including crude oil derivatives used in the past, and the indexed gas price on commodity markets in the EU, from which the sale of gas to customers is derived.

(EUR '000)

(2) Interest Rate Risk

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

For SPP, the volatility of interest rates for short-term loans does not represent a significant risk as such loans are drawn only occasionally, and the level of interbank EURIBOR interest rates have recently been at their historical minimums (1M EURIBOR that is used as a reference interest rate for short-term loans drawn by SPP reached -0.205% p.a. as at 31 December 2015, which was a decrease by 0.223% p.a. compared to the amount as at 31 December 2014 when 1M EURIBOR reached 0.018% p.a.).

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.

No short-term loan was drawn as at 31 December 2015. In 2015, limited use was made of short-term loans to bridge a lack of liquidity for short periods.

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

Interest swaps	***Average fixed interest rate***		***Nominal amount***		***Fair value***	
	2015	***2014***	***2015***	***2014***	***2015***	***2014***
Recognised as hedging	-	1.82%	-	100 000	-	(879)
Less than 3 months	-	-	-	-	-	(439)
3 to 12 months	-	-	-	-	-	(440)
Over 12 months	-	-	-	-	-	-
Held for trading	-	1.16%	-	600 000	-	(2 075)
Less than 3 months	-	-	-	-	-	(1 076)
3 to 12 months	-	-	-	-	-	(999)
Over 12 months	-	-	-	-	-	-

(3) Credit risk related to receivables

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

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

(4) 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 function 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 2015, the Company had drawn long-term credit facilities (including accrued interest) in the amount of EUR 84 240 thousand (31 December 2014: EUR 108 358 thousand) and had no short-term credit facilities (31 December 2014: long-term credit facilities in the amount of EUR 84 089 thousand and short-term credit facilities in the amount EUR 24 269 thousand).

(EUR '000)

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

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

All loans are provided without any collateral, using common market provisions (pari-passu, ban to pledge assets, substantial negative impact). With regard to the balance of the credit facilities drawn as at 31 December 2015 in the amount of EUR 84 240 thousand (whereas the funds and tradable securities amounted to EUR 189 112 thousand), the net debt totals EUR 0. 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 2015 in the amount of EUR 500 000 thousand from joint ventures and associates and EUR 304 000 thousand from banks).

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

31 December 2015	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
Borrowings	-	-	-	84 240	-	84 240
Other liabilities	-	56 922	33 239	12 294	-	102 455
Trade payables	-	144 968	-	-	-	144 968

31 December 2014	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***> 5 years***	***Total***
Borrowings	-	-	24 269	-	84 089	108 358
Other liabilities	-	28 495	27 636	4 393	-	60 524
Trade payables	-	135 431	-	-	-	135 431

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 and retained earnings as disclosed in Notes 16 and 17 and loans as discussed in Note 14.

The gearing ratio:

	At 31 December 2015	***At 31 December 2014 (Restated)***
Debt (i)	84 240	108 358
Cash and cash equivalents	189 112	19 622
Net debt	-	88 736
Equity (ii)	2 586 993	2 436 394
Net debt to equity ratio	**0%**	**4%**

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

c) Categories of Financial Instruments

	At 31 December 2015	***At 31 December 2014***
Financial assets		
Loans and receivables (including cash and cash equivalents)	491 639	407 974
Financial derivatives held for trading	20 416	5 030
Financial derivatives recognised as hedging	64 363	40 227
Financial liabilities		
Financial liabilities carried at amortised costs	239 404	254 479
Financial derivatives held for trading	24 427	2 106
Financial derivatives recognised as hedging	67 832	47 728

(EUR '000)

d) Estimated Fair Value of Financial Instruments

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

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

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

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

The estimated fair values of other instruments, mainly current financial assets and liabilities, approximate their carrying amounts.

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.

2015	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**52**	**84 727**	**-**	**84 779**
Financial derivatives held for trading	52	20 364	-	20 416
Financial derivatives recognised as hedging	-	64 363	-	64 363
Available-for-sale financial assets		-	-	-
Financial liabilities at fair value	**-**	**92 259**	**-**	**92 259**
Financial derivatives held for trading	-	24 427	-	24 427
Financial derivatives recognised as hedging	-	67 832	-	67 832

2014	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value	**-**	**45 257**	**-**	**45 257**
Financial derivatives held for trading	-	5 030	-	5 030
Financial derivatives recognised as hedging	-	40 227	-	40 227
Available-for-sale financial assets		-	-	-
Financial liabilities at fair value	**-**	**49 834**	**-**	**49 834**
Financial derivatives held for trading	-	2 106	-	2 106
Financial derivatives recognised as hedging	-	47 728	-	47 728

(EUR '000)

Movements in 2015 and 2014 in financial instruments classified as Level 3

	Financial derivatives used as hedging	*Financial derivatives held for trading*	*Available-for-sale financial investments*	*Total*
Opening balance 2014	-	-	**581**	**581**
Gains/losses recognised in the income statement	-	-	(581)	(581)
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfers	-	-	-	-
Closing balance 2014	-	-	-	-
Gains/losses recognised in the income statement	-	-	-	-
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfers	-	-	-	-
Closing balance 2015	-	-	-	-

Embedded Derivative Instruments

The Company signed a long-term contract for purchases of natural gas denominated in USD. Following an agreement with the Russian partner, the contract was modified by an amendment and the price was converted to EUR with a direct link to the development of the relevant spot market. 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 2015 and 31 December 2014 under the requirements of IAS 39 (as revised in 2009).

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

As at 31 December 2014	*Subsidiaries*	*Joint ventures and associates*
Opening balance, net	15	-
Additions	-	-
In-kind contribution	5 489 830	-
Reclassifications	(2 797 286)	2 797 313
Disposals	(2 687 615)	(642 302)
Impairment	-	-
Closing balance, net	**4 944**	**2 155 011**
Cost	6 550	2 155 011
Impairment	(1 606)	-
Closing balance, net	**4 944**	**2 155 011**

The decrease of the value of joint ventures and associates in 2014 represents a decrease in the share capital of SPP Infrastructure, a.s.

(EUR '000)

As at 31 December 2015	***Subsidiaries***	***Joint ventures and associates***
Opening balance, net	4 944	2 155 011
Additions	-	-
In-kind contribution	-	-
Reclassifications	-	-
Disposals	-	(128 460)
Impairment	-	-
Closing balance, net	**4 944**	**2 026 551**
Cost	6 550	2 026 551
Impairment	(1 606)	-
Closing balance, net	**4 944**	**2 026 551**

The decrease of the value of joint ventures and associates in 2015 represents a decrease in the legal reserve fund of SPP Infrastucture, a.s.

The information on subsidiaries, joint ventures and associated companies of SPP as at 31 December 2015 and 31 December 2014 can be summarised as follows:

Name	***Country of incorporation***	***Ownership interest %***	***Principal activity***
SPP CZ, a.s.	Czech Republic	100	Purchase and sale of natural gas
SPP CNG s.r.o.	Slovakia	100	Sale of CNG
SPP Infrastructure, a.s.	Slovakia	51	Asset holding
Nadácia SPP	Slovakia	100	Foundation
EkoFond, n.f.	Slovakia	100	Non-investment fund

On 4 June 2014, SPP sold its near 49% ownership interest including management control in SPP Infrastructure, a.s. to SGH. SPP retained a non-controlling 51% ownership interest in SPP Infrastructure, a.s. (see also Note 1.3).

As at 31 December 2015 and 31 December 2014, the 51% non-controlling ownership interest in SPP Infrastructure, a.s. is recognised in accordance with the relevant IFRS as a financial investment in an associate.

Additional information on subsidiaries, joint ventures and associates:

	Equity		***Profit/(loss)***	
Name and seat of the company	***2015***	***2014***	***2015***	***2014***
SPP CZ, a.s. Seat: Nové sady 996/25, Staré Brno, 602 00 Brno, Czech Republic	CZK 21 016 ths.	CZK 16 331 ths.	CZK 4 874 ths.	CZK 1 657 ths.
SPP CNG s.r.o. Seat: Mlynské nivy 44/a, Bratislava	5 136	5 026	110	4 471
SPP Infrastructure, a.s. (1) Seat: Mlynské nivy 44/a, Bratislava	4 893 561	4 673 349	1 550 062	838 654
Nadácia SPP Seat: Baštová 5, Bratislava	226	298	(76)	-
EkoFond, n.f. Seat: Mlynské nivy 44/a, Bratislava	(15)	(322)	-	-

(1) In 2014, SPP Infrastructure, a.s. changed its reporting period for a fiscal year to 1 July to 30 June. The profit/loss for 2014 is for the period from 1 January 2014 to 31 December 2014 and the profit/(loss) for 2015 is for the period from 1 January 2015 to 31 December 2015.

(EUR '000)

7. LAND, PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings*	*Plant, machinery and equipment*	*Transportation means*	*Fixtures & fittings*	*Software tangible*	*Other non-current tangible assets*	*Assets in course of construction*	*Total*
Year ended 31 December 2014									
Opening net book value	2 471	93 037	8 909	15	369	78	401	1 741	107 021
Additions	-	-	-	-	-	-	-	1 224	1 224
Placed into service	-	-	1 446	-	-	-	-	(1 446)	-
Reclassifications – IAS 40 (Note 8)	111	(1 167)	-	-	-	-	-	-	(1 056)
Contribution to SPP CNG s.r.o.	(11)	(1 625)	(2 123)	-	(15)	-	-	(113)	(3 887)
Disposals	(21)	(164)	(265)	-	(2)	-	-	(90)	(542)
Depreciation charge	-	(3 118)	(2 143)	-	(138)	(71)	-	-	(5 470)
Change of provisions	1 057	(6 661)	271	(2)	-	-	-	71	(5 264)
Closing net book value	**3 607**	**80 302**	**6 095**	**13**	**214**	**7**	**401**	**1 387**	**92 026**
At 31 December 2014									
Acquisition cost	3 896	131 265	50 854	659	2 822	1 016	409	1 423	192 344
Provisions and accumulated depreciation	(289)	(50 963)	(44 759)	(646)	(2 608)	(1 009)	(8)	(36)	(100 318)
Net book value	**3 607**	**80 302**	**6 095**	**13**	**214**	**7**	**401**	**1 387**	**92 026**
Historical NBV at 31 December 2014	3 607	80 302	6 095	13	214	7	401	1 387	92 026
Year ended 31 December 2015									
Opening net book value	3 607	80 302	6 095	13	214	7	401	1 387	92 026
Additions	-	-	-	-	-	-	-	645	645
Placed into service	15	144	454	-	5	-	121	(739)	-
Reclassifications – assets for sale	(98)	(217)	-	-	-	-	-	-	(315)
Reclassifications – IAS 40 (Note 8)	10	3 740	-	-	-	-	-	-	3 750
Disposals	(6)	(60)	(36)	(3)	-	-	(10)	(1 065)	(1 180)
Depreciation charge	-	(4 225)	(1 876)	(12)	(117)	(6)	-	-	(6 236)
Change of provisions	(352)	2 282	(20)	2	-	-	-	24	1 936
Closing net book value	**3 176**	**81 966**	**4 617**	**-**	**102**	**1**	**512**	**252**	**90 626**
	-								
At 31 December 2015									
Acquisition cost	3 761	135 126	44 048	-	2 796	1 016	519	265	187 531
Provisions and accumulated depreciation	(585)	(53 160)	(39 431)	-	(2 694)	(10 15)	(7)	(13)	(96 905)
Net book value	**3 176**	**81 966**	**4 617**	**-**	**102**	**1**	**512**	**252**	**90 626**
Historical NBV at 31 December 2015	3 176	81 966	4 617	-	102	1	512	252	90 626

(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 2015***	***2014***	***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	227 615	227 615	AIG Europe Limited, pobočka zahraničnej poisťovne
Motor vehicles	Motor third party liability insurance	116	238	Kooperativa, a.s.

During 2015, motor third-party liability insurance was concluded for motor vehicles transferred to SPP's ownership. As at 31 December 2015, one motor vehicle with the year of manufacture of 2005 and a minimum net book value was insured; the total cost of insurance is also negligible (less than EUR 300 per year). Insurance against damage, destruction and theft for this motor vehicle is not contracted.

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 2015, amounted to EUR 129 578 thousand (31 December 2014: EUR 129 416 thousand).

8. INVESTMENT PROPERTY

	2015	***2014***
Opening net book value	22 579	26 536
Depreciation charge	(1 003)	(1 088)
Change in provisions	2 815	(3 925)
Additions, disposals and reclassifications to non-current tangible assets	(3 750)	1 056
Closing net book value	**20 641**	**22 579**

SPP leases assets not related to gas mainly to SPP – distribúcia, a.s. In accordance with IAS 40, SPP opted for the recognition at historical cost. The Company estimated that the restated value of the assets would be EUR 23 296 thousand if a revaluation model was used.

(EUR '000)

9. NON-CURRENT INTANGIBLE ASSETS AND OTHER ASSETS

	Software	*Other non-current intangible assets*	*Assets in course of construction*	*Total*
Year ended 31 December 2014				
Opening net book value	3 860	970	1 935	6 765
Additions	-	-	823	823
Placed into service	1 122	266	(1 388)	-
Reclassifications	-	(57)	57	-
Disposals	-	-	-	-
Amortisation	(2 562)	(483)	-	(3 045)
Change of provisions	-	10	(67)	(57)
Closing net book value	**2 420**	**706**	**1 360**	**4 486**
At 31 December 2014				
Acquisition cost	94 195	4 418	1 427	100 040
Provisions and accumulated depreciation	(91 775)	(3 712)	(67)	(95 554)
Net book value	**2 420**	**706**	**1 360**	**4 486**
Year ended 31 December 2015				
Opening net book value	2 420	706	1 360	4 486
Additions	6	-	489	495
Placed into service	584	19	(603)	-
Reclassifications	255	(44)	(211)	-
Disposals	-	-	-	-
Amortisation	(1 424)	(343)	-	(1 767)
Change of provisions	-	-	2	2
Closing net book value	**1 841**	**338**	**1 037**	**3 216**
At 31 December 2015				
Acquisition cost	94 741	4 028	1 098	99 867
Provisions and accumulated depreciation	(92 900)	(3 690)	(61)	(96 651)
Net book value	**1 841**	**338**	**1 037**	**3 216**

10. INVENTORIES

	31 December 2015	*31 December 2014*
Natural gas	259 275	278 379
Raw materials	6	7
Provisions	(33 037)	(5 496)
Total	**226 244**	**272 890**

As at 31 December 2015 and 31 December 2014, the Company recorded a provision for natural gas related to the adjustment of the cost of natural gas to its net realisable value.

11. RECEIVABLES AND PREPAYMENTS

	31 December 2015	*31 December 2014*
Trade receivables from natural gas and electricity sales	197 889	279 622
Prepayments for natural gas distribution	43 513	47 765
Receivables from financial derivatives	72 239	40 780
Prepayments and other receivables	40 075	34 861
Total	**353 716**	**403 028**

As at 31 December 2015, trade receivables from natural gas and electricity sales are shown net, and represent receivables from billed and unbilled gas and electricity supplies.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables in the amount of EUR 131 710 thousand (31 December 2014: EUR 128 397 thousand).

(EUR '000)

As at 31 December 2015, receivables and prepayments made also include receivables from SPP CZ, a.s. in the amount of EUR 1 963 thousand (31 December 2014: EUR 12 895 thousand), from SPP Infrastructure, a.s. in the amount of EUR 8 thousand (31 December 2014: EUR 9 thousand), and from SPP CNG s.r.o. in the amount of EUR 27 thousand (31 December 2014: EUR 47 thousand).

As at 31 December 2015, the Company recorded receivables within maturity in the amount of EUR 334 590 thousand and receivables overdue in the amount of EUR 150 836 thousand (excluding provisions). In the comparable period, as at 31 December 2014, the Company recorded receivables within maturity in the amount of EUR 384 178 thousand and receivables overdue in the amount of EUR 147 247 thousand (excluding provisions).

Receivables overdue that were not provided for:

	31 December 2015	***31 December 2014***
Less than 3 months	10 617	14 435
3 to 12 months	-	-
More than 12 months	-	-
Total	**10 617**	**14 435**

Receivables overdue that were provided for:

	31 December 2015	***31 December 2014***
Less than 3 months	2 939	1 818
3 to 12 months	14 542	8 920
More than 12 months	122 738	122 074
Total	**140 219**	**132 812**

The movements in provisions for current receivables were as follows:

	31 December 2015	***31 December 2014***
Opening value	(128 397)	(134 096)
Creation	(6 723)	(8 390)
Use	35	1 009
Reversal	3 375	12 984
Contribution to SPP CNG s.r.o.	-	96
Closing value	**(131 710)**	**(128 397)**

12. 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 2013, SPP signed a collective agreement effective until the end of 2015; on 30 October 2015, SPP signed a new collective agreement for 2016 and 2017 under which employees are entitled to retirement payments based on the number of years worked at SPP upon retirement. Retirement benefits range from three to five average monthly salaries. As at 31 December 2015, the obligation relating to retirement and other long-term employee benefits was calculated on the basis of the valid collective agreement effective from 1 January 2016.

In the new collective agreement valid for 2016 and 2017, the work jubilee benefit amount has been decreased in each category by EUR 50; the retirement payment amount remained the same as in the collective agreement valid until the end of 2015.

As at 31 December 2015, there were 745 (31 December 2014: 768) 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.

(EUR '000)

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

	Long-term benefits	***Post-employment benefits***	***Total at 31 December 2015***	***Total at 31 December 2014***
Net liability at 1 January	245	1 814	2 059	1 641
Decrease in liabilities	(16)	(1 254)	(1 270)	-
Expenses of the past and current service, net	43	15	58	425
Interest expense	8	20	28	59
Employee benefits paid	(23)	(30)	(53)	(42)
Contribution to SPP CNG s.r.o.	-	-	-	(24)
Actuarial (gains)/losses:				
Actuarial (gains)/losses from a change in demographic assumptions	-	-	-	-
Actuarial (gains)/losses from a change in financial assumptions	1	34	35	-
Actuarial (gains)/losses arising from operations	(62)	33	(29)	-
Net liabilities	**196**	**632**	**828**	**2 059**

	Current liabilities (included in other current liabilities)	***Non-current liabilities***	***Total***
At 31 December 2015	79	749	828
At 31 December 2014	116	1 943	2 059

A breakdown of items related to the liability for employee benefits recognised in the income statement for the reporting period is stated below:

	Long-term benefits	***Post-employment benefits***	***Total at 31 December 2015***	***Total at 31 December 2014***
Expenses of the past and current service, net	43	15	58	425
Interest expense	8	20	28	59
Other (decrease in liability)	(16)	(1 254)	(1 270)	-
Total expenses for employee benefits	**35**	**(1 219)**	**(1 184)**	**484**

A breakdown of items related to the liability for employee benefits recognised in the statement of other comprehensive income is stated below:

	Long-term benefits	***Post-employment benefits***	***Total at 31 December 2015***	***Total at 31 December 2014***
Actuarial (gains)/losses from a change in demographic assumptions	-	-	-	-
Actuarial (gains)/losses from a change in financial assumptions	1	34	35	-
Actuarial (gains)/losses arising from operations	(62)	33	(29)	-
Total actuarial (gains)/losses	**(61)**	**67**	**6**	**-**

Sensitivity analysis – in the event of an increase/decrease in the discount rate and/or inflation, the amount of the liability for employee benefits would change as follows:

	Long-term benefits	***Post-employment benefits***	***Total at 31 December 2015***
Increase in the discount rate by 0.25%	195	616	811
Increase in inflation by 0.25%	200	644	844
Decrease in the discount rate by 0.25%	200	648	848
Decrease in inflation by 0.25%	197	620	817

(EUR '000)

Key assumptions used in actuarial valuation:

	At 31 December 2015	*At 31 December 2014*
Market yield on government bonds	3.504%	3.574%
Annual future real rate of salary increases	2.00%	2.00%
Annual employee turnover	Ranging from 1.9% to 20% depending on the age category, average of 6.01%	1.44%
Retirement ages (male and female)	62 for male and female	62 for male and 60 for female

13. PROVISIONS FOR LIABILITIES

The movements in provisions for liabilities are summarised as follows:

	Provision for onerous contracts	*Other provisions*	*Total at 31 December 2015*	*Total at 31 December 2014*
Balance at 1 January	21 467	25 203	46 670	47 505
Effect of discounting	28	-	28	28
Additions	7 735	1 441	9 176	21 724
Use	(10 060)	-	(10 060)	(16 492)
Reversal	(257)	-	(257)	(6 095)
Closing balance	**18 913**	**26 644**	**45 557**	**46 670**

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 2015	16 734	28 823	45 557
At 31 December 2014	20 277	26 393	46 670

a) Provision for Onerous Contracts

The Company identified and recorded a provision for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers under sales contracts in 2016 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 LLC, to provide natural gas to these customers will exceed the economic benefits obtained at the sale. The calculation of the provision is subject to various assumptions of current market information relating to the future development of natural gas prices on spot markets, which are volatile. The actual losses generated with regard to these contracts may vary, and such differences may be material.

c) Other Provisions

Other provisions include an amount of EUR 26 644 thousand (31 December 2014: EUR 25 203 thousand) for various court and other potential disputes. Refer also to Note 25.

(EUR '000)

14. INTEREST-BEARING BORROWINGS

	31 December 2015 Secured	*31 December 2015 Unsecured*	*31 December 2015 Total*	*31 December 2014 Secured*	*31 December 2014 Unsecured*	*31 December 2014 Total*
Interest-bearing borrowings	-	84 240	84 240	-	108 358	108 358
Bonds	-	-	-	-	-	-
Total	**-**	**84 240**	**84 240**	**-**	**108 358**	**108 358**
Loans by currency						
EUR						
– with fixed interest rate	-	84 240	84 240	-	84 089	84 089
– with variable interest rate	-	-	-	-	24 269	24 269
Total loans	**-**	**84 240**	**84 240**	**-**	**108 358**	**108 358**
Loans are due as follows:						
Less than 1 year	-	-	-	-	24 269	24 269
1 to 2 years	-	-	-	-	-	-
2 to 5 years	-	84 240	84 240	-	-	-
More than 5 years	-	-	-	-	84 089	84 089
Total loans	**-**	**84 240**	**84 240**	**-**	**108 358**	**108 358**

In 2015 and 2014, SPP drew loans denominated in EUR with both variable and fixed interest rates. As at 31 December 2015, a single loan with a fixed interest rate of 4.125% p.a. and a maturity of 4.5 years was drawn. The average interest rate of loans drawn as at 31 December 2014 was 3.49% p.a. and the average loan maturity was 4.27 years.

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

Interest rates on loans:

Loans	
EUR	
– with a fixed rate	4.125% 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 2015	*31 December 2014*	*31 December 2015*	*31 December 2014*
Loans	84 240	108 358	85 000	109 269
Bonds	-	-	-	-
Total	**84 240**	**108 358**	**85 000**	**109 269**

SPP has the following outstanding credit facilities:

	31 December 2015	*31 December 2014*
Variable rate:		
- due within 1 year	304 000	329 145
- due after more than 1 year	-	-
Fixed rate:		
- due within 1 year	-	-
- due after more than 1 year	500 000	500 000
Total	**804 000**	**829 145**

Based on certain loan agreements, SPP is required to comply with agreed financial covenants, ie on each relevant day of each calendar year over the term of the contract, the net debt of the Company on the respective relevant day of the relevant calendar year against the Company's EBITDA for the previous 12 months prior to that relevant day may be not higher than 2. As at 31 December 2015, the Company complied with this covenant.

(EUR '000)

15. TRADE AND OTHER PAYABLES

	At 31 December 2015	*At 31 December 2014 (Restated)*	*At 31 December 2013 (Restated)*
Payables from natural gas purchases and sales	112 774	110 022	285 218
Payables from electricity purchases and sales	3 560	1 817	777
Other trade payables and other payables	29 855	26 374	578 562
Amounts due to employees	5 559	5 520	4 287
Social security and other taxes	15 701	17 618	15 119
Payables from financial derivatives	79 965	45 441	23 312
Payables from distribution activities	1 832	810	1 348
Total	**249 246**	**207 602**	**908 623**

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

Trade payables and other payables as at 31 December 2015 also include payables to SPP CZ, a.s. in the amount of EUR 2 218 thousand (31 December 2014: EUR 1 019 thousand) and to SPP CNG s.r.o. in the amount of EUR 1 thousand (31 December 2014: EUR 2 thousand).

As at 31 December 2015, SPP recorded payables within maturity in the amount of EUR 249 246 thousand; no overdue payables were recorded. As at 31 December 2014 (for the comparable period), SPP recorded payables within maturity in the amount of EUR 207 602 thousand; no overdue payables were recorded.

Social fund payables:

	Amount
Opening balance as at 1 January 2015	650
Total additions:	248
from expenses	*247*
non-mandatory allotment	*1*
Total drawing:	(460)
monetary bonuses and gifts	*(29)*
work jubilee benefits	*(20)*
catering allowance	*(86)*
benefit cafeteria	*(294)*
other drawing as per the collective agreement	*(31)*
Closing balance as at 31 December 2015	**438**

16. REGISTERED CAPITAL

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

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

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

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

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

As a result, the Company's registered capital as at 31 December 2015 comprises 26 666 536 fully-paid shares (with a face value of EUR 33.19), which are owned by the Slovak Republic represented by the Ministry of Economy of the Slovak Republic.

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

(EUR '000)

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

17. LEGAL AND OTHER FUNDS AND RETAINED EARNINGS

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

The legal reserve fund in the amount of EUR 1 197 683 thousand (31 December 2014: EUR 1 197 683 thousand) is recorded in accordance with Slovak law and is not distributable to the shareholders. The reserve is created from retained earnings to cover possible future losses or increases in the registered capital. Transfers of at least 10% of the current year's profit are required to be made until the reserve is equal to at least 20% of the registered capital.

In connection with the decrease of SPP's registered capital (see Note 16), the legal reserve fund was created in 2014 pursuant to Article 215b of the Commercial Code in the amount of EUR 850 354 thousand.

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

Type of allotment	*Profit allotment for 2014*	*Profit allotment for 2013*
Profit for the 2014/2013 year	288 547	267 585
Retained earnings	-	-
Total dividend amount	**288 547**	**267 585**

Hedging Reserve

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

	Year ended 31 December 2015	*Year ended 31 December 2014*
Opening balance	(7 500)	(1 996)
Gain/loss from cash flow hedging	(3 467)	(7 500)
Currency forward contracts	-	-
Commodity swap contracts	(3 467)	(6 621)
Interest rate swap contracts	-	(879)
Income tax applicable to gains/losses recognised through equity	-	-
Transfer to profit/loss	7 500	1 996
Currency forward contracts	-	(319)
Commodity swap contracts	6 621	34
Interest rate swap contracts	879	2 281
Income tax applicable to gains/losses recognised through profit/loss	-	-
Transfer to initial carrying amount of the hedged item	-	-
Currency forward contracts	-	-
Commodity swap contracts	-	-
Interest rate swap contracts	-	-
Income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
Closing balance	**(3 467)**	**(7 500)**

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 accumulated 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 2015	*Year ended 31 December 2014*
Sale of natural gas	6 621	(285)
Purchases of natural gas, consumables and energy consumption	-	-
Other costs, net	-	-
Finance (costs)/revenues	879	2 281
Income tax charged to expenses	-	-
Total	**7 500**	**1 996**

18. STAFF COSTS

	Year ended 31 December 2015	*Year ended 31 December 2014*
Wages, salaries and bonuses	20 678	21 948
Social security costs	6 491	9 620
Total staff costs	**27 169**	**31 568**

The Company pays a contribution of 35.2% of the relevant statutory assessment base, which is capped at EUR 4 120 (except for accident insurance). Employees contribute a further 13.4% of their assessment bases into these funds, however capped at the above limit.

19. INVESTMENT INCOME

	Year ended 31 December 2015	*Year ended 31 December 2014*
Interest income	570	975
Cumulative gain/(loss) upon the sale of available-for-sale investments	-	207 132
Net gain/(loss) from financial derivative instruments designated at fair value through profit and loss	(7 756)	1 932
Gain/(loss) from ineffective cash flow hedging	-	-
Dividends from subsidiaries	-	-
Dividends from joint ventures and associates	549 762	414 832
Other income/(losses) on investments, net	-	11 630
Total investment income	**542 576**	**636 501**

20. FINANCE COSTS

	Year ended 31 December 2015	*Year ended 31 December 2014*
Interest expense	(4 858)	(37 805)
Foreign exchange differences – (loss)/gain	10	793
Other	(274)	(273)
Total finance costs	**(5 122)**	**(37 285)**

21. COSTS OF AUDIT SERVICES

	Year ended 31 December 2015	*Year ended 31 December 2014*
Audit of financial statements	49	50
Other assurance services	6	-
Tax advisory services	-	-
Other related services provided by the auditor	9	1
Total	**64**	**51**

(EUR '000)

22. TAXATION

22.1. Income Tax

Income tax comprises the following:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Current income tax	(92)	(584)
Special levy on business in regulated industries	17 878	198 199
Deferred income tax (Note 22.2)		
- Current year	-	(3 621)
- Change in the tax rate	-	-
Total	**17 786**	**193 994**

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

	Year ended 31 December 2015	*Year ended 31 December 2014*
Profit before taxation	452 905	482 541
Income tax at 22%	99 639	106 159
Effect of income exempt from taxation and adjustments from permanent differences between net book and net tax values of assets and liabilities	(120 568)	(138 041)
Reversal of a deferred tax and effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised	21 670	88 260
Effect of the change in the tax rate	-	-
Special levy incl. the effect of a special levy as a tax-deductible item	17 137	138 200
Other adjustments	(92)	(584)
Income tax for the year	**17 786**	**193 994**

The actually-recognised tax rate differs from the tax rate of 22% stipulated by law in 2015 mainly due to the adjustments of the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to the valid tax legislation. Such adjustments mainly include dividends, tax non-deductible provisions for liabilities and provisions for assets, a difference between tax and accounting deprecation charges of non-current assets, tax deductible expenses after payment, etc. Also as at 31 December 2015, deferred tax assets were not recognised as there are uncertainties concerning sufficient future taxable income to utilise such deferred tax assets.

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

As at 31 December 2015, the Company recognised on the balance sheet an estimated overpayment from a special levy on business in regulated industries in the amount of EUR 30 547 thousand.

22.2. Deferred Income Tax

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.

As the Company expects no taxable profits against which temporary differences could be utilised in the near future, deferred tax assets were not recognised as at 31 December 2015 and 31 December 2014.

(EUR '000)

The amount of deductible temporary differences and tax losses for which no deferred tax asset was recognised as at 31 December 2015 is EUR 507 453 thousand (31 December 2014: EUR 533 240 thousand).

The following table shows the most significant items of the deferred tax liability and deferred tax asset recognised by the Company, and movements in the items during the previous reporting period:

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

23. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

At 31 December 2015	*Before tax*	*Tax*	*After tax*
Increase/(decrease) in financial investment revaluation reserve	-	-	-
Hedging derivatives (cash flow hedging)	4 033	-	4 033
Other	(6)	-	(6)
Other comprehensive income for the period	**4 027**	**-**	**4 027**

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

24. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2015	*Year ended 31 December 2014*
Profit before tax	452 905	482 541
Adjustments for:		
Depreciation and amortisation	9 005	9 573
Interest income, net	4 288	36 830
Income from financial investments	(549 762)	(619 013)
FX differences	(77)	(715)
Derivatives	9 013	(18 674)
Provisions and other non-cash items	33 132	(4 113)
Impairment losses	-	-
Loss/(profit) from sale of non-current assets	(988)	9
(Increase)/decrease in receivables and prepayments	74 215	434 822
(Increase)/decrease in inventories	19 105	65 976
Increase/(decrease) in trade and other payables	7 896	(355 609)
Cash flows from operating activities	**58 732**	**31 627**

(EUR '000)

25. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2015, capital expenditure of EUR 6 787 thousand (31 December 2014: EUR 19 786 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

Means of Transport

The Company leases means of transport under an operating lease agreement. This contract is concluded until July 2018 and the Company has no pre-emptive right to purchase the assets after the end of the lease term. The lease payments amounted to EUR 506 thousand in the year ended 31 December 2015.

Non-cancellable operating lease payables amount to:

Period	***2015***	***2014***
Within 1 year	506	493
From 1 to 5 years	802	1 273
Total	**1 308**	**1 766**

Non-residential Premises and Movable Assets

The Company leases non-residential premises (approx. 60,000 m²) and movable assets. The annual lease revenues amount to approximately EUR 6 258 thousand. The lease agreements are mostly concluded for an indefinite period. Leased non-residential premises and movable assets are recognised by the Company on the balance sheet as investment property.

Natural Gas Purchase

The majority of natural gas purchases was supplied from the Russian Federation also in 2015. The natural gas supplies were performed in line with the long-term agreement with Gazprom export LLC.

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

Natural Gas Storage Contracts

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

Gas Sales Contracts

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

Electricity Sale Contracts

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

Taxation

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

Litigation and Potential Losses

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

Bills of exchange

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

At present, eleven (11) bills of exchange with principal totalling EUR 79 million are at various stages of legal proceedings before courts in the Slovak Republic. In another four (4) cases related to bills of exchange with principal totalling approximately EUR 104 million a final and binding court decision was made in favour of SPP. Efforts of the counterparties to overturn the positive result for SPP by use of extraordinary remedies cannot be excluded.

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

Other legal cases and disputes

SPP is a defendant in other legal cases and disputes.

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

Legislative Conditions for Business Activities in the Energy Sector

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

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

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

The Company is a wholesale energy market participant and is therefore obliged to comply with obligations arising from Regulation of the European Parliament and of the Council No. 1227/2011 on the Wholesale Energy Market Integrity and Transparency. The obligations include compliance with the obligation to disclose confidential information, prohibition of insider trading, prohibition of market manipulation and the obligation to provide records of transactions on wholesale energy markets, including orders to trade, to the Agency for Cooperation of Energy Regulators. Details related to data reporting are regulated by Commission Implementing Regulation (EU) No. 1348/2014.

Price Regulation

The basic framework in the price regulation of gas supplies is comprised by Act No. 250/2012 Coll. on Regulation in Network Industries and the Regulation Policy for the current 2012 – 2016 regulation period. Details related to the scope and method of conducting price regulation are determined in the generally-binding legal regulations issued by the RONI based on the above acts. In 2015, gas supplies to households, gas supplies to small businesses, gas supplies to suppliers of last resort, electricity supplies to households, electricity supplies to small businesses and production, distribution and supply of heat continue to be subject to price regulation. On one hand, price regulation in gas supplies for the production of heat for households was cancelled with effect from 2013 and, on the other hand, price regulation in gas supply to small businesses (with an annual consumption of up to 100 thousand kWh/year) was re-introduced in addition to price regulation in gas supplies to households and last-resort supplies being preserved. In 2014, the same scope of price regulation also applied to electricity supplies (in this case, a small business is a customer with a maximum annual consumption of 30 thousand kWh). Price regulation in the above areas is stipulated in Decrees of the RONI, namely Decree No. 193/2013 Coll. providing for price regulation in the gas sector, Decree No. 222/2013 Coll. providing for price regulation in the heat-power industry and Decree No. 221/2013 Coll. providing for price regulation in the electricity sector.

The Regulation Council plans to adopt the Regulation Policy for the upcoming 2017 – 2021 regulation period before 31 March 2016. The Company does not anticipate any significant changes in the scope and method of price regulation in respect of gas and electricity supplies.

(EUR '000)

26. RELATED PARTY TRANSACTIONS

As at 31 December 2015, the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, is the 100% owner of SPP's shares.

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

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

	Year ended 31 December 2015					*31 December 2015*		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
National Property Fund of the SR	-	-	-	-	-	-	-	-
Ministry of Economy of the SR	-	-	-	288 547	-	-	-	-
Subsidiaries	11 849	-	1 219	-	-	2 144	-	2 219
Associates	549 826	-	232	-	-	8	-	-
Joint ventures	-	-	-	-	-	-	-	-
Other related parties	29 186	-	379 789	-	-	67 153	13 524	557

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

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

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

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

(EUR '000)

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

	Year ended 31 December 2015	***Year ended 31 December 2014***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies, total	1 572	1 765
Of which:		
Board of Directors and executive management	*1 426*	*1 494*
Supervisory Board	*146*	*271*
Benefits after the employment termination to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's 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 to former members of the Company's bodies, total	-	-
Of which:		
Board of Directors and executive management	-	-
Benefits after the employment termination to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's bodies, total	-	196
Of which:		
Board of Directors and executive management	-	*196*
Benefits in kind to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's bodies, total	41	46
Of which:		
Board of Directors and executive management	*38*	*46*
Supervisory Board	*3*	-

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

a) Members of the Company's Bodies

Body	***Function***	***Name***
Board of Directors	Chairman	Ing. Štefan Šabík
	Vice-Chairman	Pierre Poncik, M.Sc.
	Member	Ing. Milan Hargaš
	Member	Mgr. Ivana Zelizňáková
	Member	Ing. Daniel Kvocera
Supervisory Board	Chairman	Ing. Michal Ďurkovič
	Member	Ing. Peter Kováč – until 17 Jun 2015
	Member	Ing. Robert Maguth
	Member	Viera Uhrová
	Member	Ing. Valéria Janočková
	Member	MUDr. Martin Kováč – until 31 Jan 2015
	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

(EUR '000)

b) Consolidated Financial Statements

As at 31 December 2015, SPP provided consolidated financial information as a consolidated reporting entity for higher consolidation to the Ministry of Economy of the Slovak Republic, with its registered seat at Mierová 19, 827 15 Bratislava.

The ultimate reporting entity that consolidates SPP as at 31 December 2015 is the Ministry of Finance of the Slovak Republic.

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

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

28. POST-BALANCE SHEET EVENTS

Based on a resolution of the Government of the SR, on 25 January 2016, the sole shareholder of Slovenský plynárenský priemysel, a.s. decided to transfer funds from the Company for the benefit of Hlavné mesto Slovenskej republiky Bratislava in the amount of EUR 12 million under the terms and conditions of a Donation Agreement. The Donation Agreement on the Transfer of Funds between the Company and Hlavné mesto Slovenskej republiky Bratislava was signed on 29 January 2016. The transfer of funds will be recognised by the Company in 2016 as a gift with a counter entry in retained earnings.

No other events occurred subsequent to 31 December 2015 that might have a material effect on the financial statements of the Company.

Prepared on: 2 March 2016	***Signature of a member of the statutory body of the reporting entity or a natural person acting as a reporting entity:***	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
Approved on:	Ing. Štefan Šabík Chairman of the Board of Directors	Ing. Petr Ivánek Director of Economics and Operational Services	Ing. Miroslav Jankovič Director of Accounting and Taxes Section
	Pierre Poncik, M.Sc. Vice-Chairman of the Board of Directors		

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 2015

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

We have audited the accompanying consolidated financial statements of Slovenský plynárenský priemysel, a.s. and subsidiaries (the "Company"), which comprise the consolidated statement of balance sheet as at 31 December 2015, 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 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

We draw attention to Note 1.3 to the financial statements, which describes the effects of the reorganisation and arrangement of the ownership relations in the SPP Group. Our opinion is not modified in respect of this matter.

Bratislava, 16 March 2016

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

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

CONTENTS

Slovenský plynárenský priemysel, a.s.
CONSOLIDATED BALANCE SHEETS
31 December 2015, 31 December 2014 and 31 December 2013
(in million EUR)

	Note	*31 December 2015*	*31 December 2014 (restated)*	*31 December 2013 (restated)*
ASSETS:				
NON-CURRENT ASSETS				
Investment property	9	21	23	-
Land, property, plant and equipment	8	90	92	134
Investments recognised using the equity method	7	1 767	2 120	-
Other investments		5	5	-
Non-current intangible assets		3	4	7
Other non-current assets		34	31	35
Total non-current assets		**1 920**	**2 275**	**176**
CURRENT ASSETS				
Inventories	10	229	273	330
Receivables and prepayments	11	371	421	577
Income tax assets	20.2	32	-	16
Cash and cash equivalents		194	24	414
Total current assets		**826**	**718**	**1 337**
Non-current assets held for sale or reorganisation and partial sale		-	-	6 794
TOTAL ASSETS		**2 746**	**2 993**	**8 307**
EQUITY AND LIABILITIES:				
CAPITAL AND RESERVES				
Registered capital	16	885	885	1 735
Legal and other reserves	17	1 198	1 198	360
Revaluation reserves	17	(4)	(8)	2 629
Retained earnings		249	328	250
Share in equity attributable to SPP's shareholders		2 328	2 403	4 974
Minority interests of other owners of subsidiaries		-	-	158
Total equity		**2 328**	**2 403**	**5 132**
NON-CURRENT LIABILITIES				
Provisions for liabilities	13	29	27	25
Non-current interest-bearing borrowings	14	84	84	184
Retirement and other long-term employee benefits	12	1	2	2
Deferred tax liability	20.2	-	-	3
Other non-current liabilities		12	4	3
Total non-current liabilities		**126**	**117**	**217**
CURRENT LIABILITIES				
Trade and other payables	15	274	229	725
Current portion of non-current interest-bearing borrowings	14	-	24	110
Current income tax	20.1	-	198	-
Provisions and other current liabilities		18	22	24
Liabilities directly related to assets held for sale or reorganisation and partial sale		-	-	2 099
Total current liabilities		**292**	**473**	**2 958**
Total liabilities		**418**	**590**	**3 175**
TOTAL EQUITY AND LIABILITIES		**2 746**	**2 993**	**8 307**

The financial statements on pages 3 to 44 were signed on 16 March 2016 on behalf of the Board of Directors:

Ing. Štefan Šabík
Chairman of the Board of Directors

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

(in million EUR)

	Note	*Year ended 31 December 2015*	*Year ended 31 December 2014*
Continuing operations			
Sales of natural gas and electricity		1 399	1 567
Other		19	30
Own work capitalised		-	(62)
Purchases of natural gas, electricity and consumables and services		(1 328)	(1 443)
Depreciation and amortisation	8, 9	(9)	(10)
Storage of natural gas and other services		(122)	(130)
Staff costs	18	(28)	(32)
Provisions for bad and doubtful receivables, net	10, 11	(12)	(14)
Provisions and impairment losses, net	8, 9, 13	(4)	(21)
Other, net		2	(2)
Gain/(loss) on investments	19	(9)	3
Share in profit of associated undertakings and joint ventures	7	325	165
Finance costs		(5)	(37)
Profit/(loss) before income taxes		**228**	**14**
Income tax	20.1	(18)	4
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**210**	**18**
Discontinued operations			
Profit for the year from discontinued operations	22	-	630
Net profit for the year		**210**	**648**
Net profit attributable to:			
SPP shareholders		210	631
Minority interests of other owners of subsidiaries		-	17
Total		**210**	**648**

(in million EUR)

	Note	*Year ended 31 December 2015*	*Year ended 31 December 2014*
Net profit for the period		**210**	**648**
Other comprehensive income (may be reclassified to profit or loss in the future):	21	-	-
Movement in FX translation reserve		-	2
Decrease in the revaluation reserve due to changes in fair value		-	-
Hedging derivatives (Cash flow hedging):		4	(5)
Gains (losses) for the period		*4*	*(5)*
Less: reclassification of comprehensive income (loss) in the income statement		-	-
Less: other adjustments		-	-
Reclassified to the income statement upon derecognition of subsidiaries		-	9
Deferred tax related to items of other comprehensive income reclassified to profit or loss in the future		-	(1)
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		**214**	**5**
Total net comprehensive income/(loss) for the period		**214**	**653**
Net comprehensive income attributable to:			
SPP shareholders		214	636
Minority interests of other owners of subsidiaries		-	17
Total		**214**	**653**

(in million EUR)

	Registered capital	*Legal reserve fund and other funds*	*Foreign currency translation reserve*	*Hedging reserves*	*Revaluation reserves*	*Retained earnings (restated)*	*Equity attributable to SPP shareholders*	*Minority interests of other owners of subsidiaries*	*Total*
At 31 December 2013	**1 735**	**371**	**(11)**	**(2)**	**2 631**	**250**	**4 974**	**158**	**5 132**
Net profit for the period	-	-	-	-	-	631	631	17	648
Other comprehensive income for the period	-	-	11	(6)	-	-	5	-	5
Effect of deconsolidation owing to the reorganisation and decrease of the registered capital (Note 1.3)	(850)	827	-	-	-	(2 916)	(2 939)	(119)	(3 058)
Dividends	-	-	-	-	-	(268)	(268)	(56)	(324)
Transfer to retained earnings	-	-	-	-	(2 631)	2 631	-	-	-
At 31 December 2014	**885**	**1 198**	**-**	**(8)**	**-**	**328**	**2 403**	**-**	**2 403**
Net profit for the period	-	-	-	-	-	210	210	-	210
Other comprehensive income for the period	-	-	-	4	-	-	4	-	4
Dividends	-	-	-	-	-	(289)	(289)	-	(289)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-
At 31 December 2015	**885**	**1 198**	**-**	**(4)**	**-**	**249**	**2 328**	**-**	**2 328**

(in million EUR)

	Note	*Year ended 31 December 2015*	*Year ended 31 December 2014*
Operating activities			
Cash flows from operating activities	23	60	473
Interest paid		(7)	(7)
Interest received		1	2
Income tax paid		(248)	(34)
Net cash flows from operating activities		(194)	434
Investing activities			
Net cash outflow upon the acquisition of financial investments	7	-	(25)
Purchase of property, plant and equipment		(2)	(39)
Proceeds (expenditures) from deconsolidation		-	(529)
Proceeds from sales of property, plant and equipment and intangible assets		1	-
Dividends received *		238	10
Net cash inflow/(outflow) from investing activities		237	(583)
Financing activities			
Proceeds from interest-bearing borrowings		490	559
Expenses for interest-bearing borrowings		(74)	(270)
Dividends paid		(289)	(689)
Other proceeds from financing activities		-	2
Net cash flows from financing activities		127	(398)
Net (decrease)/increase in cash and cash equivalents		**170**	**(547)**
Cash and cash equivalents at the beginning of the period		**24**	**571**
Effects of foreign exchange fluctuations		-	-
Cash and cash equivalents at the end of the period		**194**	**24**

**Dividends received represent a portion of dividends received from joint ventures and associates, and the remaining amount of the received dividends was offset with a payable from received loans.*

(in million EUR)

1. GENERAL

1.1. General Information

The consolidated financial statements for the year ended 31 December 2015 have been prepared by Slovenský plynárenský priemysel, a.s. ("SPP") and its subsidiaries and associated undertakings (the "Group") in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). The reporting currency of the Group is the Euro (EUR). The consolidated financial statements were prepared under the going-concern assumption.

The consolidated financial statements for the year ended 31 December 2015 have been prepared pursuant to Article 22 of Act No. 431/2002 Coll. on Accounting, as amended, for the reporting period from 1 January 2015 until 31 December 2015.

SPP (formerly Slovenský plynárenský priemysel, š. p.) was founded on 21 December 1988 by a Memorandum of Association as a 100% state-owned enterprise in Slovakia. On 1 July 2001, SPP was transformed into a joint-stock company (akciová spoločnosť) that was 100% owned by the National Property Fund of the Slovak Republic. A consortium of strategic investors acquired a 49% share in SPP with management control with effect from 11 July 2002. As at 31 December 2012, SPP's shares were held by the National Property Fund of the Slovak Republic (51%) and Slovak Gas Holding, B. V., the Netherlands (49%) (jointly held indirectly by GDF SUEZ SA and E.ON Ruhrgas).

On 15 January 2013, GDF International SAS, E.ON Ruhrgas International GmbH and E.ON SE signed an agreement with Energetický a Průmyslový Holding ("EPH"), a key player on the heat, coal and electricity market in Central Europe, on the sale of their shares in Slovak Gas Holding, B.V. ("SGH"), which owned a 49% share in SPP (the parent company) and also exercised operating and management control. The transaction was completed on 23 January 2013.

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

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

1.2. Principal Activities

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

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

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

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

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

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

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

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the SR and Energetický a Průmyslový Holding, a.s. signed a framework agreement on the sale and purchase of shares regulating the method of reorganisation of the SPP Group, the implementation of which was completed on 4 June 2014.

(in million EUR)

A part thereof was the contribution of SPP's ownership interests in the entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. into a newly-established 100% subsidiary, SPP Infrastructure, a.s.

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

The results of the operations of these consolidated subsidiaries are presented as results from discontinued operations for 2014 (Note 22).

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

Net assets deconsolidated as a result of a loss of control	(5 121)
Cash received/(paid)	(22)
Liability from the purchase of shares	2 916
SPP's borrowing from SPP Infrastructure, a.s.	(622)
Minority interests of other owners of subsidiaries	119
Derecognition of a liability due to a dividend vis-à-vis SGH	179
Effect of working capital vis-à-vis deconsolidated companies	52
Recognition of an ownership interest in SPP – Infrastructure, initially recognised at fair value	3 012
Accumulated gain/(loss) in relation to net assets of subsidiaries and related hedging instruments reclassified from equity to the income statement upon a loss of control over subsidiaries	(7)
Profit on deconsolidation, included in profit from discontinued operations (see Note 22)	**506**

1.4. Employees

The average number of the Group's employees for the year ended 31 December 2015 was 775, of which 2 were executive management (for the year ended 31 December 2014: 812, of which 4 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 61 thousand (2014: EUR 62 thousand), the costs of other assurance services amounted to EUR 6 thousand (2014: EUR 0 thousand), tax advisory amounted to EUR 0 thousand (2014: EUR 1 thousand), and the costs of other related services rendered by this auditor amounted to EUR 9 thousand (2014: EUR 1 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 endorsed for use in the EU that are relevant to its operations and effective for annual periods beginning on 1 January 2015.

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

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

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

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

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

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

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 1 "Presentation of Financial Statements" –** Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);

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

- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);

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

- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 15 December 2015 (amendments to be applied for annual periods beginning on or after 1 January 2016).

The Group has elected not to adopt these standards, revisions, and interpretations in advance of their effective dates. The Group anticipates that adopting these standards, revisions, and interpretations will have no material impact on its financial statements in the initial application period.

At present, IFRSs as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and interpretations that were not endorsed for use as at 31 December 2015:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until a research project on the equity method has been concluded);
- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017); and
- **Amendments to IAS 12 "Income Taxes"** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS relevant to the SPP Group, as adopted by the EU, do not significantly differ from IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared under the historical cost convention, except for the specified categories of property, plant and equipment and certain financial instruments. The principal accounting policies adopted are detailed below. The accompanying consolidated financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of certain Group companies in order to conform the Slovak statutory and other financial statements to financial statements prepared in accordance with IFRS as adopted by the EU.

b) Business Combinations

(1) Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Investments in Associated Undertakings

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

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

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

c) Financial Assets

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

Loans and receivables

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

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

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

Impairment of financial assets

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

For 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.

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.

Derecognition of financial assets

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

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

d) Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

e) Derivative Financial Instruments

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

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

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

Hedge accounting

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

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

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

f) Land, Property, Plant and Equipment, and Intangible Assets

Prior to 2014, the property, plant and equipment used for natural gas transmission, distribution and storage were recognised on the balance sheet at a remeasured value representing their fair value as at the remeasurement date less potential subsequent accumulated depreciation and subsequent accumulated losses from permanent impairment. As at 31 December 2015 and 31 December 2014, the Group did not recognise any assets used for natural gas transmission, distribution and storage on the balance sheet (see Note 1.3).

The Group decided that as at 31 December 2015 and 31 December 2014 it will use a different classification of non-current tangible assets, primarily due to the fact that the Group no longer recognises assets related to natural gas transmission, distribution and storage on the balance sheet (Note 7).

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.

(in million EUR)

The useful lives used are as follows:

	2015	*2014*
Buildings and structures	30 – 40	30 – 40
Plant and machinery	3 – 15	3 – 15
Fixtures and fittings	8 – 15	8 – 15
Software – tangible	3 – 4	3 – 4
Other non-current tangible assets	8	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 Group's property, plant, and equipment and intangible assets is less than the carrying amount. When such an indication occurs, the realisable value of the asset, being the higher of the asset's fair value less costs of disposal and the present value of future cash flows ("value-in-use"), is estimated. The resulting impairment loss provision is recognised in full in the income statement in the year in which the impairment occurs. The discount rates used to calculate the present value of the future cash flows reflect the current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or to significantly postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision recorded, if appropriate.

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

g) Investment Property

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

h) 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 is calculated using the weighted arithmetic average method. The cost of natural gas and raw materials includes the cost of acquisition and related costs, and the cost of inventories developed internally includes materials, other direct costs, and production overheads. A provision in the required amount is recorded for inventories if there is an indication of their impairment.

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.

The applied discount rate reflects the current market expectations regarding the time value of money and risks specific to the relevant liability. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

Provision for 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) Revenue Recognition

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

m) 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.

n) 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.

o) Retirement and Other Long-Term Employee Benefits

The Group has a long-term employee benefit program comprising a lump-sum retirement benefit 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.

p) 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) Income Tax

Income tax is calculated from the profit/loss before tax recognised under International Financial Reporting Standards adjusted pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic after adjustments for individual items increasing and decreasing the tax base in line with Act No. 595/2003 Coll. on Income Tax, as amended, using the applicable 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 as of 1 January 2014 is 22%.

The principal temporary differences arise from depreciations on property, plant, and equipment and various provisions. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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

Current and deferred tax for the year
Current and deferred tax are recognised through profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax and deferred tax arise from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

Special levy on business in regulated industries
Pursuant to the requirements of the IFRS, the Group's income tax also includes a special levy as per Act No. 235/2013 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 levy base is the profit/loss before tax recognised in accordance with IFRS and adjusted to the profit/loss recognised pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic and further adjusted pursuant to the Special Levy Act. The special levy is recognised as part of 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.

(in million EUR)

t) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount can be recovered through a sale transaction rather than by continued use. This condition is considered fulfilled only when the sale is highly probable and the non-current asset 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 classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

u) Correction of an Error from Previous Years and a Change in the Presentation

In 2010, there was a processing error in the preparation of the VAT return due to the manual processing of a large number of documents and printouts for the VAT return in the amount of EUR 8.4 million. The error was identified and corrected after software for the preparation of VAT returns was implemented; the Group recognised the error as the correction of an error of previous years.

The correction of the error of previous years in the balance sheet as at 1 January 2014 resulted in a decrease of retained earnings and an increase of trade and other payables by EUR 8.4 million.

The effects of the correction of an error of previous years on the balance sheet lines are as follows:

Balance sheet

	Note	*31 December 2014 (restated)*	*31 December 2014 (before restatement)*	*31 December 2013 (restated)*	*31 December 2013 (before restatement)*
Retained earnings		328	336	250	258
Trade and other payables	15	229	221	725	717

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:

<u>Litigation</u>

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 24.

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

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, based on information received from real estate agencies. For some of these items, no final decision has yet been made and thus the assumptions regarding the use, liquidation, or sale of the assets may change. Refer to Note 8 for details on the impairment of property, plant and equipment.

(in million EUR)

Unbilled Gas Sales

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

Current Crisis in Ukraine

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

Provision for Onerous Contracts

As at 31 December 2015, the consolidated financial statements include significant amounts recognised as provisions for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers based on the sales contracts. These provisions are based on current market information on the future development of natural gas prices in spot markets, which are volatile. For more information, see Note 13.

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 new requirements under IFRS 13 for the measurement of non-financial assets at fair value (see Notes 2 and 3); and
- Assessment of the IAS 39 rules for the application of an exemption allowing one not to account for certain commodity sell and buy contracts as financial derivatives (see Note 3e).

5. STRUCTURE OF THE GROUP

Consolidated Subsidiaries

The consolidated subsidiaries as at 31 December 2015 and 31 December 2014 are as follows:

Name	*Seat*	*Ownership share %*	*Principal activity*
SPP CZ, a.s.	Nové sady 996/25, Staré Brno, Brno, Czech Republic	100.00	Gas purchase and sale

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 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 2015 and 2014, 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 was to eliminate the effects of changes in the USD/EUR and CZK/EUR exchange rates owing to future payments and revenues in foreign currency. The purpose of interest rate swaps was to fix interest rates on loans. The purpose of commodity swaps is to limit the price risks of sales contracts made with customers and purchase contracts with suppliers.

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

(1) Foreign Currency Risk

The Group is exposed to foreign currency risk arising from transactions in foreign currencies, primarily in 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 2015***	***As at 31 December 2014***	***As at 31 December 2015***	***As at 31 December 2014***
USD	-	-	5	-
CZK	22	29	25	21

Sensitivity to foreign currency changes

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

	Impact of CZK	
	As at 31 December 2015	***As at 31 December 2014***
Effect on profit/loss before tax	-	1

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

(2) Commodity Price Risk

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

As at 31 December 2015 and 31 December 2014, 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	***2015***		***2015***	
	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	86	-	(22)	-
3 to 12 months	141	-	(33)	-
Over 12 months	57	1	(12)	-

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

In 2013, the underlying asset in the purchase contract changed, and the gas purchase price in the long-term contract was technically linked to the development of the relevant spot market denominated in EUR. This resulted in a significant decrease in risk arising from the difference between the formula including crude oil derivatives used in the past, and the indexed gas price on commodity markets in the EU, from which the sale of gas to customers is derived.

(in million EUR)

(3) Interest Rate Risk

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

For the Group, the volatility of interest rates for short-term loans does not represent a significant risk as such loans are drawn only occasionally, and the level of interbank EURIBOR interest rates have recently been at their historical minimums (1M EURIBOR that is used as a reference interest rate for short-term loans drawn by the Group reached -0.205% p.a. as at 31 December 2015, which was a decrease by 0.223% p.a. compared to the amount as at 31 December 2014 when 1M EURIBOR reached 0.018% p.a.).

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.

No short-term loan was drawn as at 31 December 2015. In 2015, limited use was made of short-term loans to bridge a lack of liquidity for short periods.

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*	
	2015	***2014***	***2015***	***2014***	***2015***	***2014***
Recognised as hedging	-	1.82%	-	100	-	(1)
- Less than 3 months	-	-	-	-	-	-
- 3 to 12 months	-	-	-	-	-	(1)
- Over 12 months	-	-	-	-	-	-
Held for trading	-	1.16%	-	600	-	(2)
- Less than 3 months	-	-	-	-	-	(1)
- 3 to 12 months	-	-	-	-	-	(1)
- Over 12 months	-	-	-	-	-	-

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

(4) Credit Risk Related to Receivables

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

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

(5) Liquidity Risk

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

As at 31 December 2015, the Group had drawn credit facilities in the amount of EUR 84 million (2014: EUR 108 million) and had only long-term credit facilities (31 December 2014: long-term and short-term credit facilities in the amount of EUR 84 million and EUR 24 million, respectively).

(in million EUR)

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

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

All loans are provided without any collateral, using common market provisions (pari-passu, ban to pledge assets, substantial negative impact). If necessary, maturing credit facilities may be paid off from undrawn credit facilities, as well as from available funds and tradable securities (at 31 December 2015: EUR 500 million from joint ventures and associates and EUR 304 million from banks).

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

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
31 December 2015						
Trade payables	-	168	-	-	-	168
Other liabilities	-	57	34	12	-	103
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	84	-	84
31 December 2014						
Trade payables	-	155	-	-	-	155
Other liabilities	-	29	28	4	-	61
Variable interest rate instruments	-	-	24	-	-	24
Fixed interest rate instruments	-	-	-	-	84	84

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 14, cash and cash equivalents and equity attributable to the owners of the parent company, which comprise the registered capital, legal and other reserves, and retained earnings as disclosed in Notes 16 a 17.

The gearing ratio was as follows:

	At 31 December 2015	*At 31 December 2014 (restated)*
Debt (i)	84	108
Cash and cash equivalents	194	24
Net debt	-	84
Equity (ii)	2 328	2 403
Net debt to equity ratio	**0%**	**3%**

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

(in million EUR)

c) Categories of Financial Instruments

	At 31 December 2015	*At 31 December 2014*
Financial assets	**598**	**474**
Financial derivatives recognised as hedging	64	40
Financial derivatives held for trading	20	6
Loans and receivables (including cash and cash equivalents)	514	428
Financial liabilities	**355**	**324**
Financial derivatives recognised as hedging	68	48
Financial derivatives held for trading	25	2
Financial liabilities carried at amortised costs	262	274

d) Estimated Fair Value

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

The estimated fair values of other instruments, mainly current financial assets and liabilities, approximate their carrying amounts.

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

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

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

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

Year 2015	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets at fair value	**-**	**84**	**-**	**84**
Financial derivatives held for trading	-	20	-	20
Financial derivatives recognised as hedging	-	64	-	64
Financial liabilities at fair value	**-**	**92**	**-**	**93**
Financial derivatives held for trading	1	24	-	25
Financial derivatives recognised as hedging	-	68	-	68

(in million EUR)

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

Movements in 2015 and 2014 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 2014	-	-	7	7
Gains/losses recognised in the income statement	-	-	(7)	(7)
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfers	-	-	-	-
Closing balance 2014	-	-	-	-
Gains/losses recognised in the income statement	-	-	-	-
Gains/losses recognised in other comprehensive income	-	-	-	-
Settlement	-	-	-	-
Transfers	-	-	-	-
Closing balance 2015	-	-	-	-

Embedded Derivative Instruments

The Group signed a long-term contract for purchases of natural gas denominated in USD. Following an agreement with the Russian partner, the contract was modified by an amendment and the price was converted to EUR with a direct link to the development of the relevant spot market. 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), the Group 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 2015 and 31 December 2014 under the requirements of IAS 39 (as revised in December 2009).

7. INVESTMENTS RECOGNISED USING THE EQUITY METHOD

	Joint ventures	*Associated undertakings*	*At 31 December 2015*	*At 31 December 2014*
Cost	-	2 120	2 120	3 012
Decrease of the registered capital, legal reserve fund and payment of dividends	-	(678)	(678)	(1 057)
Share in post-acquisition profit, net of dividends received	-	325	325	165
Net book value	**-**	**1 767**	**1 767**	**2 120**

(in million EUR)

Details of the Group's associated undertakings as at 31 December 2015 can be summarised as follows:

Name	*Seat*	*Ownership interest %*	*Principal activity*	*Value under equity method at 31 December 2015*
SPP Infrastructure, a. s.	Mlynské nivy 44/a, Bratislava, Slovakia	51.00	Holding company	1 767

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

The SPP Group's share of the resulting asset revaluation reserve related to SPP Infrastructure amounts to EUR 120 million net of deferred tax.

The revaluation relates to property, plant and equipment used for the distribution and storage of natural gas. As at 31 December 2015 and 31 December 2014, fair values of such assets were confirmed based on an estimate derived from the calculation of discounted future cash flows. Future cash flows relating to such property, plant and equipment were discounted using an estimated discount rate; in the opinion of the companies the rate approximates the time value of money, expressed by the present market risk-free interest rate and a price for the assumption of potential uncertainty and risks linked to the referred assets.

If the non-current assets of the SPP Infrastructure Group were not revalued, SPP's share in such assets as at 31 December 2015 would be EUR 2 581 million.

An overview of assets, liabilities, revenues, and expenses of SPP Infrastructure, a.s. is as follows:

	At 31 December 2015	*At 31 December 2014*
Property, plant and equipment	5 296	5 471
Investments in securities	154	50
Intangible assets	18	10
Other non-current assets	10	-
Current assets	1 010	913
Total assets	**6 488**	**6 444**
Non-current interest-bearing borrowings	2 185	1 516
Provisions for liabilities and other long-term liabilities	1 029	1 019
Current liabilities	317	259
Total liabilities	**3 531**	**2 794**
Net assets	**2 957**	**3 650**

	At 31 December 2015	*Period from 4 June 2014 to 31 December 2014*
Revenues	1 333	678
Profit before income taxes	836	212
Income tax including deferred tax	(209)	(47)
Profit after tax	**627**	**165**

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

	At 31 December 2015	*At 31 December 2014*
Net assets of SPP Infrastructure, a.s.	2 957	3 650
Ownership interest (51%)	1 508	1 861
Goodwill	259	259
Carrying amount of the share in SPP Infrastructure, a.s.	**1 767**	**2 120**

(in million EUR)

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings (*measured at historical costs*)	*Plant, machinery and equipment* (*measured at historical costs*)	*Other non-current tangible assets* (*measured at historical costs*)	*Assets in course of construction* (*measured at historical costs*)	*Total*
Year ended 31 December 2014					
Opening net book value	121	9	1	3	134
Additions	-	-	-	-	-
Placed into service	1	1	-	(2)	-
Reclassifications to investment property	(24)	-	-	-	(24)
Disposals	-	-	-	-	-
Depreciation charge	(4)	(2)	-	-	(6)
Change of provisions	(8)	-	-	-	(8)
Contribution to SPP CNG (subsidiary)	(2)	(2)	-	-	(4)
Closing net book value	**84**	**6**	**1**	**1**	**92**
At 31 December 2014					
Cost	135	51	5	1	192
Provisions and accumulated depreciation	(51)	(45)	(4)	-	(100)
Net book value	**84**	**6**	**1**	**1**	**92**
Year ended 31 December 2015					
Opening net book value	84	6	1	1	92
Additions	-	-	-	1	1
Placed into service	-	1	-	(1)	-
Reclassifications to investment property	4	-	-	-	4
Disposals	-	-	-	(1)	(1)
Depreciation charge	(4)	(2)	-	-	(6)
Change of provisions	-	-	-	-	-
Reclassification – assets for sale	-	-	-	-	-
Closing net book value	**84**	**5**	**1**	**-**	**90**
At 31 December 2015					
Cost	139	44	5	-	188
Provisions and accumulated depreciation	(55)	(39)	(4)	-	(98)
Net book value	**84**	**5**	**1**	**-**	**90**

(in million EUR)

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

Insured assets	*Type of insurance*	*Cost of insured assets* 2015	2014	*Name and seat of the insurance company*
Buildings, halls, structures, machinery, equipment, fittings & fixtures, low-value TFA, other TFA, works of art, inventories (except for gas pipelines) Movables, assets, inventories	Insurance of assets	228	228	AIG Europe Limited, pobočka zahraničnej poisťovne
Motor vehicles	Motor third-party liability insurance, motor hull insurance	0.2	0.3	Kooperativa, a.s., Česká podnikatelská pojišťovna

During 2015, motor third-party liability insurance was concluded for motor vehicles transferred to SPP's ownership. As at 31 December 2015, one motor vehicle manufactured in 2005 and with a minimum net book value were insured; the total cost of insurance is also negligible (less than EUR 300 per year). Insurance against damage, destruction and theft for this motor vehicle is not contracted.

9. INVESTMENT PROPERTY

	At 31 December 2015	*At 31 December 2014*
Opening net book value	23	-
Reclassification from non-current tangible assets	-	23
Depreciation charges	(1)	(1)
Change of provisions	3	(1)
Additions and disposals	(4)	2
Closing net book value	**21**	**23**

SPP leases non-gas assets primarily to SPP – distribúcia, a.s. In accordance with IAS 40, SPP opted for recognition at historical cost. If the revaluation model was used, the restated value of the assets would be EUR 23 million based on the company's estimate.

10. INVENTORIES

	At 31 December 2015	*At 31 December 2014*
Natural gas	262	278
Raw materials	-	-
Provisions	(33)	(5)
Total	**229**	**273**

As at 31 December 2015, a provision was recorded for natural gas related to the adjustment of the cost of natural gas to its net realisable value in the amount of EUR 33 million (31 December 2014: EUR 5 million).

11. RECEIVABLES AND PREPAYMENTS

	At 31 December 2015	*At 31 December 2014*
Trade receivables from the sale of natural gas and electricity	211	294
Prepayments for distribution of natural gas	44	48
Receivables from financial derivatives	72	41
Prepayments and other receivables	44	38
Other tax assets	-	-
Total	**371**	**421**

Trade receivables from the sale of natural gas and electricity are shown net, and represent receivables from billed and unbilled gas and electricity supplies.

(in million EUR)

Receivables and prepayments are shown net of provisions for bad and doubtful receivables in the amount of EUR 132 million (31 December 2014: EUR 128 million).

As at 31 December 2015, the Group recorded receivables within maturity in the amount of EUR 351 million and receivables overdue in the amount of EUR 152 million, excluding provisions. As at 31 December 2014, the Group recorded receivables within maturity and overdue in the amount of EUR 402 million and EUR 147 million, respectively, excluding provisions.

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

	At 31 December 2015	***At 31 December 2014***
Balance at 1 January	128	134
Use of provision	-	(1)
Release of provision	(3)	(13)
Additions to provision	7	8
Closing balance	**132**	**128**

Receivables overdue that were not provided for:

	2015	***2014***
Less than 3 months	11	14
3 to 12 months	-	-
More than 12 months	-	-
Total	**11**	**14**

Receivables overdue that were provided for:

	2015	***2014***
Less than 3 months	3	2
3 to 12 months	15	9
More than 12 months	123	122
Total	**141**	**133**

12. 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, work jubilee payments. In 2013, SPP signed a new collective agreement effective until the end of 2015; on 30 October 2015, SPP signed a new collective agreement for 2016 and 2017 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 2015, the obligation relating to retirement and other long-term employee benefits was calculated based on the valid collective agreement effective from 1 January 2016.

In the new collective agreement valid for 2016 and 2017, the work jubilee benefit amount has decreased in each category by EUR 50; the retirement payment amount remained the same as in the collective agreement valid until the end of 2015.

As at 31 December 2015, 745 employees of SPP (31 December 2014: 768) 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.

(in million EUR)

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

	Long-term benefits	*Post-employment benefits*	*Total benefits at 31 December 2015*	*Total benefits at 31 December 2014*
Net liability at 1 January	-	2	2	1.6
Decrease in liabilities		(1)	(1)	-
Expenses of the past and current service, net	-	-	-	0.4
Interest expense				-
Employee benefits paid	-	-	-	-
Actuarial (gains)/losses:				
Actuarial (gains)/losses from a change in demographic assumptions				-
Actuarial (gains)/losses from a change in financial assumptions				-
Actuarial (gains)/losses arising from operations				-
Net liabilities	**-**	**1**	**1**	**2**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2014	-	2	2
At 31 December 2015	-	1	1

A breakdown of significant items related to the liability for employee benefits recognised in the income statement for the reporting period is stated below:

	Total at 31 December 2015	*Total at 31 December 2014*
Expenses of the past and current service, net	-	0.4
Interest expense	-	-
Other (decrease in liability)	(1)	-
Total expenses for employee benefits	**(1)**	**0.4**

The Group does not recognise any significant amounts related to the liability for employee benefits recognised in the statement of other comprehensive income. In the event of an increase/decrease in the discount rate and/or inflation, the amount of the liability for employee benefits would not significantly change.

Key assumptions used in the actuarial valuation:

	At 31 December 2015	*At 31 December 2014*
Market yield on government bonds	3.504%	3.574%
Annual future real rate of salary increases	2.00%	2.00%
Annual employee turnover	Ranging from 1.9% to 20% depending on the age category, average of 6.01%	1.44%
Retirement ages (male and female)	62 for male and female	62 for male and 60 for female

13. PROVISIONS FOR LIABILITIES

Movements in the provisions for liabilities are summarised as follows:

	Provision for onerous contracts	*Other provisions*	*Total at 31 December 2015*	*Total at 31 December 2014*
Balance at 1 January	22	25	47	48
Effect of discounting	-	-	-	-
Additions	7	2	9	22
Use	(10)	-	(10)	(17)
Reversal	-	-	-	(6)
Closing balance	**19**	**27**	**46**	**47**

(in million EUR)

The provisions are included in liabilities as follows:

	Current provisions (included in provisions and other current liabilities)	*Non-current provisions*	*Total provisions*
At 31 December 2014	20	27	47
At 31 December 2015	17	29	46

a) Provision for Onerous Contracts

The Group identified and recorded a provision for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers under sales contracts in 2016 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 LLC, to provide natural gas to these customers will exceed economic benefits obtained at the sale. The calculation of the provision is subject to various assumptions of current market information relating to the future development of natural gas prices in spot markets, which are volatile. The actual losses generated with regard to these contracts may vary and such differences may be material.

b) Other Provisions

Other provisions include an amount of EUR 27 million (31 December 2014: EUR 25 million) for various litigation and potential disputes. Refer also to Note 24.

14. INTEREST-BEARING BORROWINGS

	31 December 2015 Secured	*31 December 2015 Unsecured*	*31 December 2015 Total*	*31 December 2014 Secured*	*31 December 2014 Unsecured*	*31 December 2014 Total*
Loans	-	84	84	-	108	108
Bonds	-	-	-	-	-	-
Total loans	**-**	**84**	**84**	**-**	**108**	**108**
Loans by currency						
EUR						
– with fixed interest rate	-	84	84	-	84	84
– with variable interest rate	-	-	-	-	24	24
Total loans	**-**	**84**	**84**	**-**	**108**	**108**
Loans are due as follows:						
Less than 1 year	-	-	-	-	24	24
1 to 2 years	-	-	-	-	-	-
2 to 5 years	-	84	84	-	-	-
More than 5 years	-	-	-	-	84	84
Total loans	**-**	**84**	**84**	**-**	**108**	**108**

In 2015 and 2014, the Group drew loans denominated in EUR bearing both floating and fixed interest rates. As at 31 December 2015, a single loan bearing a fixed interest rate of 4.125% p.a. and with a maturity of 4.5 years was drawn. The average interest rate of the loans drawn as at 31 December 2014 was 3.49% p.a. and the average maturity was 4.27 years.

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

Interest rates on loans and bonds:

Loans	*2015*	*2014*
EUR		
– with a fixed rate	4.125	4.125
– with a variable rate	1M EURIBOR plus margin	1M EURIBOR plus margin

(in million EUR)

The carrying amount and face value of loans:

	Carrying amount		*Face value*	
	31 December 2015	***31 December 2014***	***31 December 2015***	***31 December 2014***
Loans	84	108	85	109
Bonds	-	-	-	-
Total	**84**	**108**	**85**	**109**

The Group has the following outstanding credit facilities:

	At 31 December 2015	***At 31 December 2014***
Variable rate:		
- due within 1 year	304	329
- due after more than 1 year	-	-
Fixed rate:		
- due within 1 year	-	-
- due after more than 1 year	500	500
	804	**829**

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 on the respective relevant day of the relevant calendar year against the EBITDA for the previous 12 months prior to that relevant day may not be higher than 2. As at 31 December 2015, the Company complied with this covenant.

15. TRADE AND OTHER PAYABLES

	At 31 December 2015	***At 31 December 2014 (restated)***	***At 31 December 2013 (restated)***
Payables from purchases and supplies of natural gas and electricity	139	131	273
Other trade payables and other payables	29	24	27
Other liabilities	3	4	383
Employee liabilities	6	6	4
Social security and other taxes	16	19	15
Payables from financial derivatives	81	45	23
Total	**274**	**229**	**725**

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 2015, the Group recorded payables within maturity in the amount of EUR 274 million (31 December 2014: EUR 229 million) and overdue payables in the amount of EUR 0 million (31 December 2014: EUR 0 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	0.7
Total additions:	0.2
from expenses	*0.2*
from profit	-
Total drawing:	(0.5)
monetary rewards and gifts	-
work jubilee benefits	-
catering allowance	*(0.1)*
other	*(0.4)*
Closing balance as at 31 December	**0.4**

16. REGISTERED CAPITAL

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

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

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

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

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

As a result, the Company's registered capital as at 31 December 2015 comprises 26 666 536 fully-paid shares (with a face value of EUR 33.19), which are owned by the Slovak Republic represented by the Ministry of Economy of the Slovak Republic.

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

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

17. NON-DISTRIBUTABLE RESERVES

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 retained earnings only as stated in the separate financial statements.

The legal reserve fund in the amount of EUR 1 198 million (31 December 2014: EUR 1 198 million) is recorded in accordance with Slovak law and is not distributable to the shareholders. The reserve is created from retained earnings to cover possible future losses or increases in the registered capital. Transfers of at least 10% of the current year's profit (as presented in the individual financial statements) are required to be made until the reserve is equal to at least 20% of the registered capital.

In connection with the decrease of SPP's registered capital (see Note 16), a legal reserve fund was created in 2014 pursuant to Article 215b of the Commercial Code in the amount of EUR 850 million.

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

Hedging reserves

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

(in million EUR)

	Year ended 31 December 2015	*Year ended 31 December 2014*
Opening balance	(8)	(2)
Gain/loss from cash flow hedging	-	-
Commodity swap contracts	(3)	-
Interest rate swap contracts	-	(5)
Income tax applicable to gains/losses recognised through equity	-	(1)
Transfers to profit and loss		
Commodity swap contracts	6	(5)
Interest rate swap contracts	1	5
Income tax applicable to gains/losses recognised through profit/loss	-	-
Transfer to initial carrying amount of the hedged item	-	-
Commodity swap contracts	-	-
Income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
Closing balance	**(4)**	**(8)**

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 accumulated 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 2015	*Year ended 31 December 2014*
Sale of natural gas and electricity	7	-
Purchase of natural gas and electricity, consumables and energy consumption	-	-
Other costs, net	-	-
Finance costs	1	2
Income tax charged to expenses	-	-
Total	**8**	**2**

18. STAFF COSTS

	Year ended 31 December 2015	*Year ended 31 December 2014*
Wages, salaries and bonuses	21	23
Social security costs	7	7
Other social security costs and severance pay	-	2
Total staff costs	**28**	**32**

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 limit.

(in million EUR)

19. INVESTMENT INCOME

	Year ended 31 December 2015	*Year ended 31 December 2014*
Interest income	1	1
Net gain/(loss) from financial derivative instruments designated at fair value through profit and loss	(10)	2
Gain/(loss) from ineffective cash flow hedging	-	-
Total investment income	**(9)**	**3**

20. TAXATION

20.1. Income Tax

Income tax comprises the following:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Current income tax	-	-
Special levy on business in regulated industries	18	-
Share in income tax of associated undertakings and joint ventures	-	-
Deferred income tax (Note 20.2)		
– current year	-	(4)
– effect of the change in the tax rate on deferred tax	-	-
Total	**18**	**(4)**

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

	Year ended 31 December 2015	*Year ended 31 December 2014*
Profit/(loss) before taxation	228	14
Income tax at 22%	50	3
Effect of income exempt from taxation and adjustments from permanent differences between net book and net tax values of assets and liabilities	(54)	(48)
Withholding tax	-	-
Reversal of a deferred tax and the effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised	22	42
Additional tax charges	-	(1)
Income tax for the year	**18**	**(4)**

The actually-recognised tax rate differs from the tax rate of 22% stipulated by law in 2015 mainly due to the adjustments of the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to valid tax legislation. Such adjustments primarily include tax non-deductible provisions for liabilities and provisions for assets, a difference between tax and accounting deprecation charges of non-current assets, the revaluation reserve for non-cash contributions, etc. In addition as at 31 December 2015, deferred tax assets were not recognised as there are uncertainties as to sufficient future taxable income to utilise such deferred tax assets.

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

As at 31 December 2015, the Group recognised on the balance sheet an estimated overpayment from a special levy on business in regulated industries in the amount of EUR 31 million.

(in million EUR)

20.2. Deferred Income Tax

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

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

As SPP expects no taxable profits against which temporary differences could be utilised in the near future, deferred tax assets of SPP were not recognised as at 31 December 2015 and 31 December 2014.

Deductible temporary differences and tax losses for which no deferred tax asset was recognised as at 31 December 2015 amount to EUR 507 million (31 December 2014: EUR 533 million).

21. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

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

At 31 December 2015	*Before tax*	*Tax*	*After tax*
Change in FX translation reserve	-	-	-
Hedging derivatives (Cash flow hedging)	4	-	4
Other	-	-	-
Other comprehensive income for the period	**4**	**-**	**4**

22. DISCONTINUED OPERATIONS

In 2014, discontinued operations include the business activities of the former subsidiaries SPP – distribúcia, a.s., eustream a.s., SPP Storage, s.r.o. and NAFTA a.s., SPP Infrastructure, a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., Pozagas, a.s., and GEOTERM Košice, a.s. that were classified as held-for-sale investments as at 31 December 2013 due to the expected loss of control upon the reorganisation of the SPP Group; hence, they represented separate segments.

(in million EUR)

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

Cash flows from discontinued operations	***5-month period ended 31 May 2014***
Cash flows from operating activities	390
Cash flows from investing activities	(568)
Cash flows from financing activities	21
Net cash flows	**(157)**

23. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2015	***Year ended 31 December 2014***
Profit before tax	228	937
Adjustments for:		
Depreciation and amortisation	9	11
Provisions and other non-cash items	36	40
Impairment losses	(5)	(11)
Profit from sale of non-current assets	(1)	-
Derivatives	9	(19)
Interest expense/(income), net	4	27
Share in profit of associated undertakings and joint ventures	(325)	(168)
Profit from deconsolidation	-	(506)
Other financial revenues, net	10	3
(Increase)/decrease in receivables and prepayments	75	47
(Increase)/decrease in inventories	16	65
Increase/(decrease) in trade and other payables	4	47
Cash flows from operating activities	**60**	**473**

(in million EUR)

24. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2015, capital expenditure of EUR 6.8 million (31 December 2014: EUR 20 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. This contract was concluded until July 2018 and the Group has no pre-emptive right to purchase the assets after the expiry of the term of the lease. The lease payments amounted to EUR 0.5 million in the year ended 31 December 2015 (31 December 2014: EUR 0.5 million).

The Group continues to lease non-residential premises and land from third parties. The lease agreements are mostly concluded for an indefinite period. The annual rent amounts to EUR 0.4 million. The Group is not aware of the value of the leased assets; expenses to determine such value would be several times higher than the benefit from obtaining the information on such value.

Total non-cancellable operating lease payables amount to:

Period	***2015***	***2014***
Within 1 year	0.6	0.6
From 1 to 5 years	1.1	1.6
More than 5 years	-	0.1
Total	**1.7**	**2.3**

The Group leases out non-residential premises (approx. 60,000 m²) and movable assets. The annual lease revenues amount to approximately EUR 6.2 million. The lease agreements are mostly concluded for an indefinite period. Leased non-residential premises and movable assets are recognised by the Group on the balance sheet as investment property.

Natural Gas Purchase

The majority of natural gas purchases were supplied from the Russian Federation in 2015. Natural gas supplies were performed in line with a long-term agreement with Gazprom export LLC.

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

Gas Sales Contracts

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

Electricity Sale Contracts

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

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

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

The Group stores natural gas under long-term contracts for the purchase of storage capacities with NAFTA a.s. and POZAGAS, a.s. that are used for the deposit and extraction of natural gas as per seasonal demand, and to secure the safe provision of supplies as regulated by law. Storage fees are agreed for the term of the contracts. The storage fee is based primarily on the capacity rented per year and the annual price indices.

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

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

Taxation

The Group has significant transactions with subsidiaries and associated undertakings and other related parties. The tax environment in which the Group operates in Slovakia is dependent on the prevailing tax legislation and practice and has relatively little existing precedents. There is an inherent risk that the tax authorities may require, for example, transfer pricing or other adjustments to the corporate income tax base. Corporate income tax in Slovakia is levied on each individual legal entity and, as a consequence, there is no concept of Group taxation or relief. The tax authorities in Slovakia have broad powers of interpretation of tax laws, which, moreover, are often amended, which could result in unexpected results from tax inspections. The amount of any potential tax liabilities related to these risks cannot be estimated.

Litigation and Potential Losses

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

Bills of exchange

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

At present, eleven (11) bills of exchange with principal totalling approx. EUR 79 million are at different stages of legal proceedings at courts in the Slovak Republic. In another four (4) cases related to bills of exchange with principal amounting to approx. EUR 104 million, a final and binding court decision was adopted in favour of SPP. Efforts of the counterparties to overturn the positive result for SPP by using extraordinary remedies cannot be excluded.

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

Other legal cases and disputes

SPP is a defendant in other legal cases and disputes.

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

Legislative Conditions for Business Activities in the Energy Sector

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

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

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

SPP is a participant in the wholesale energy market and is therefore obliged to comply with obligations arising from Regulation of the European Parliament and of the Council No. 1227/2011 on the Wholesale Energy Market Integrity and Transparency. The obligations include, in particular, compliance with an obligation to disclose confidential information, a ban on insider trading, a ban on market manipulation and an obligation to provide records of transactions on the wholesale energy markets, including orders to trade, to the Agency for Cooperation of Energy Regulators. Details related to data reporting are regulated by Commission Implementing Regulation (EU) No. 1348/2014.

Price Regulation

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

The Regulation Council plans to adopt the Regulation Policy for the upcoming regulation period, which is to last from 2017 to 2021 according to the published plan, before 31 March 2016. The Group does not anticipate any significant changes in the scope and method of price regulation in respect of gas and electricity supplies.

(in million EUR)

25. RELATED PARTY TRANSACTIONS

As at 31 December 2015, the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, is the 100% owner of SPP's shares.

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

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

	2015					**31 December 2015**		
	Revenues	***Creation/ (reversal) of provisions for receivables***	***Expenses***	***Dividends***	***Other***	***Receivables***	***Provisions for receivables***	***Payables***
Ministry of Economy of the SR	-	-	-	289	-	-	-	-
Slovak National Property Fund	-	-	-	-	-	-	-	-
Other companies	2	-	-	-	-	-	-	-
Associates	-	-	-	-	-	-	-	-
Joint ventures	-	-	-	-	-	-	-	-
Other related parties	29	-	380	-	-	67	14	1

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

Transactions with other companies and other related parties represent mainly services related to purchases and sales of natural gas, electricity, lease of non-current assets and storage of natural gas.

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

(in million EUR)

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

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

	Year ended 31 December 2015	***Year ended 31 December 2014***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	1.6	1.8
Of which – Board of Directors and executive management	*1.4*	*1.5*
- Supervisory Board	*0.2*	*0.3*
Benefits after termination of employment to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Of which – Board of Directors and executive management	-	-
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Of which – Board of Directors and executive management	-	-
Benefits after termination of employment of members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	0.2
Of which – Board of Directors and executive management	-	*0.2*
Benefits in kind to members of the Board of Directors and executive management – total	-	-
Of which – Board of Directors and executive management	-	-

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

a) Consolidated Financial Statements

As at 31 December 2015, SPP submitted consolidated financial information as a consolidated reporting entity for higher consolidation to the Ministry of Economy of the Slovak Republic based at Mierová 19, 827 15 Bratislava.

The ultimate reporting entity that consolidates the SPP Group as at 31 December 2015 is the Ministry of Economy of the Slovak Republic.

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

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

The consolidated and separate financial statements published in the periods before 31 December 2013 are filed with the Commercial Register of Bratislava 1 District Court (Záhradnícka 10, 811 07 Bratislava). The consolidated and separate financial statements of SPP and its subsidiaries and associates based in the Slovak Republic 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 associates for the periods until 31 December 2013 and of companies based outside the Slovak Republic are available at the relevant Courts of Records in terms of their registered seats.

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

(in million EUR)

b) Members of the Company's Bodies

Body	***Function***	***Name***
Board of Directors	Chairman	Ing. Štefan Šabík
	Vice-Chairman	Pierre Poncik, M.Sc.
	Member	Ing. Milan Hargaš
	Member	Mgr. Ivana Zelizňáková
	Member	Ing. Daniel Kvocera
Supervisory Board	Chairman	Ing. Michal Ďurkovič
	Member	Ing. Peter Kováč – until 17 Jun 2015
	Member	Ing. Robert Maguth
	Member	Viera Uhrová
	Member	Ing. Valéria Janočková
	Member	MUDr. Martin Kováč – until 31 Jan 2015
	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

27. POST-BALANCE SHEET EVENTS

Based on a resolution of the Government of the SR, on 25 January 2016 the sole shareholder of Slovenský plynárenský priemysel, a.s. decided to transfer funds from the company for the benefit of Hlavné mesto Slovenskej republiky Bratislava in the amount of EUR 12 million under the terms and conditions of a Donation Agreement. The Donation Agreement on the Transfer of Funds between the company and Hlavné mesto Slovenskej republiky Bratislava was signed on 29 January 2016. The transfer of funds will be recognised by the company in 2016 as a gift with a counter entry in retained earnings.

No other events occurred subsequent to 31 December 2015 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:***
16 March 2016			
Approved on:	Ing. Štefan Šabík Chairman of the Board of Directors	Ing. Petr Ivánek Director of Economics and Operational Services	Ing. Miroslav Jankovič Director of Accounting and Taxes Section
	Pierre Poncik, M.Sc. Vice-Chairman of the Board of Directors		

Proposal
of the profit distribution SPP
for the year 2015

The proposal of profit distribution for the year 2015 is prepared in line with the Articles of Association of Slovenský plynárenský priemysel, a.s. Article XIX. PROFIT DISTRIBUTION, Article XVIII. CREATION AND USE OF RESERVE FUND, Article XX. CREATION OF OTHER FUNDS 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 2015 is based on the audited individual financial statements for the year 2015.

I.	**Net profit**	**435,118,726.99 €**
II.	**Allocation to the statutory reserve fund** in accordance with the Article XVIII. 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**	**303,000,000.00 €**
IV.	**Transfer to retained earnings**	**132,118,726.99 €**
V.	**Tantiems to the members of the bodies**	**0.00 €**

Dividends will be paid to shareholder in period 180 days from the adoption of decision of sole shareholder of company on profit distribution of company for the year 2015.